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Third Ways in Europe?

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Introduction

It has been claimed that there is a global Third Way (TW) debate. Giddens (2001: 1) writes that, 'Across the world left of centre governments are attempting to institute third way programmes – whether or not they favour the term itself. ' He claims that there are self-declared third way parties in power in the UK, New Zealand, Korea, Taiwan, Brazil, Argentina and Chile, among many other countries. Similarly, according to Blair (2001), the ideas associated with the TW are still the wave of the future for progressive politics. From Latin America to Europe to parts of Asia, TW politics or 'progressive government' is exerting a huge influence on global politics. The TW is seen as a trailblazer for a new global social policy, a new model for a new millennium (e.g. McGuire, 1998/9). One of the main blueprints for the new politics (Giddens, 1998) has been translated into many languages. A number of international meetings in Paris and Florence have discussed the TW. British Prime Minister Tony Blair and German Chancellor Gerhard Schröder issued a joint paper, 'The Third Way/Die Neue Mitte' (Blair and Schröder, 1999) that was drafted by Peter Mandelson and Bodo Hombach. Hombach's book has been translated into English as 'The New Centre' (Hombach, 2000), with a preface by Tony Giddens and an introduction by Mark Leonard.

In this article we examine the notion of third ways in Europe. There have been many previous 'TWs' (e.g. Driver and Martell, 2000). The British New Labour Government claims that its third way is a new and distinctive approach that goes beyond the old left and new right. This current third way is associated with former US President Bill Clinton. It soon crossed the Atlantic to Britain, but it is less clear whether it can also cross the Channel to Continental Europe.

On the one hand, Giddens (1998: ix) claims that 'rather than merely appropriating American trends and notions, Britain could be a sparking point for creative interaction between the US and Continental Europe'. Blair (1998, 2001) argues that that Europe's aim should be to match the dynamism of the single market of the United States without losing the values of social cohesion which its Member States share. Leonard (2000) writes that the Third Way/Neue Mitte is a 'road map or toolkit for governing', and that many third ways are being developed all over Europe.

On the other hand, Giddens (2001: 1) admits that, while the idea of the TW has been intensively debated in continental Europe, by and large the term has not caught on. Some actively reject it; others substitute different notions like that of 'the new middle' in Germany or the 'purple coalition' in Holland. French President Lionel Jospin and former German Finance Minister Oskar Lafointaine have rejected the term. According to Cuperus and Kandel (1998: 15–16) the British debate is unique, and applying the British experience to continental realities constitutes a huge problem. Navarro (1999) heavily

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criticises Giddens (1998), arguing that Giddens misunderstands European social democracy: rather than European social democracy learning from the third way, the third way should learn from European social democracy.

In this article, we outline the key features of the TW approach to social and economic policy from a British perspective and assess the scope for exporting the approach to mainland Europe. Our general conclusion is that there is some scope for transfer, but this is likely to happen in a selective way that speaks to the different national policy traditions and within the limits of each country's institutional structures.

The essence of the third way

There is a major problem in determining the essence or the 'dependent variable' of the third way. This may be found in values, rhetoric, policy goals or policy mechanisms. Blair (1998, 2001) and Blair and Schröder (1999) claim that the third way is concerned with linking traditional values with modern means. According to Blair (1998) these traditional values are equal worth, opportunity for all, responsibility and community. Blair and Schröder (1999) write that the values of fairness and social justice, liberty and equality of opportunity, solidarity and responsibility to others are timeless. Social democracy will never sacrifice them. White (1998) suggests opportunity, responsibility and community. Le Grand (1998) presents the acronym CORA: community, opportunity, responsibility and accountability, while Lister (2000) offers RIO: responsibility, inclusion and opportunity. As Driver and Martell (2000: 151) sum up, there is broad agreement over third way values, but problems emerge over their interpretation and the extent to which they define a centre-left political project.

As joint authors, it is hardly surprising that Blair and Schröder share similar rhetoric, stressing the importance of education and new technologies, rights and obligations, welfare to work, and being 'tough on crime and tough on the causes of crime' (Lightfoot, 1999: 13). More surprisingly, some of Jospin's (1999) rhetoric is similar to Blair. For example 'Our ideals remain essentially the same . . . Nevertheless, we must pursue these ideals by different means from those we were using fifteen years ago' (p. 7). He goes on to stress a competitive production base in the new global market (p. 11). The state must adopt a 'Schumpeterian' role in order to promote innovation and growth. Social classes can be brought together through equality of opportunity (p. 12). We need to act before the event to prevent the accumulation of inequalities (p. 12). However, a similar discourse can mean very different things. For example, Blair, Schröder and Jospin all 'support a market economy, but reject a market society' (cf. Blair and Schröder, 1999; Jospin, 1999). All endorse 'the active state'. However, for Blair this means: 'Britain will remain with the most restrictive trade union laws anywhere in the world' and 'Even after the changes we propose, Britain will have the most lightly regulated labour market of any leading economy in the world' (Kreiger, 1999: 21–2). These are not policies that Schröder and Jospin would endorse.

Some commentators have suggested broad policy themes. Giddens (1998: 70) suggests a 'third way programme' including the new democratic state, active civil society, the democratic family, the new mixed economy, equality as inclusion, positive welfare, and the social investment state. White's (1998) themes include the state as guarantor, not necessarily provider; receptivity to forms of mutualism; new thinking about public finance, including increased use of environmental taxes, hypothecation at

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the margin, new consultative procedures on tax, and community fund; asset-based egalitarianism. Vandenbrouke (1998) offers what Cuperus and Kandel (1998: 25) term 'the nine commandments of a post-pessimistic social democracy'. These are full employment for men and women, attention to new risks for the welfare state, an 'intelligent' welfare state, a revalorisation of active labour market policies, subsidising low-skilled labour as a new redistribution target, preventing poverty traps, developing a competitive private service sector, finding non-dogmatic approaches to a fair distribution of burdens and benefits, and maintaining discipline with regard to growth of average wage levels. Blair and Schröder (1999) suggest a 'new programme for changed realities' that include a new supply-side agenda for the left, a robust and competitive market framework, a tax policy to promote sustainable growth, adaptability and flexibility, a active government that invests in human and social capital, and sound public finance.

How many ways in Europe?

At a very broad level these themes are present in different countries. Using policy documents and speeches from New Labour in Britain, Powell (1999, 2000a, b) constructs third way policies that are distinctive from the 'old left' and the 'new right'. These are based on investing rather than levelling or deregulating; inclusion rather than equality or inequality; conditionality rather than rights or responsibilities; partnerships rather than the state or the private sector; networks rather than hierarchies or markets; and pragmatism about social expenditure rather than high or low spending. A 'modern' or 'investor's' welfare state is proactive, emphasising prevention, and stressing causes rather than effects. It redistributes opportunities rather than just redistributing income. There is a new stress on paid work and responsibility.

The clearest similarities might be expected between the TW in Britain and *Die Neue Mitte* in Germany (Blair and Schröder, 1999; Hombach, 2000; Busch and Manow, 2001). However, in Germany, the enthusiasm that culminated in the publication of a jointly signed paper (Blair and Schröder, 1999) has faded somewhat, following substantial losses in important regional elections in the months after the joint paper.

Jospin has come to distance himself from the term. The TW, so fashionable three years ago, is now clearly understood for what it is: a national initiative of the British Labour party, which may be suitable to the UK context, so influenced by liberalism, but not exportable (in *Le Monde* 28/11/2000). Turning to policies, some accounts claim that the French socialists and Jospin are more traditional, pointing to statism and the 35-hour working week (e.g. Lightfoot, 1999; Clift, 2000b). Others, such as Bouret and Michel (2001), point to privatisation as evidence of a turn to the right in the party's political orientation.

More widely, Thomson (2000) sees some convergence around a 'new' social democracy that is more neo-liberal in character. Vandenbrouke (1998: 130–2) is 'struck by the positive degree of consensus among social democrats concerning the future of the welfare state, at least at the level of the general guidelines for a pragmatic welfare policy.' He sees some convergence between Britain and continental Europe on issues such as active labour market policy, but also points out some differences. Green-Pedersen *et al*. (2001) view the Blair–Schröder paper as perhaps the TW's most crucial document. They apply the paper's main themes to Denmark and the Netherlands. While the similarities are striking, there are some differences, but it can be argued that both

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countries are already practising the 'third way'. They conclude that it is justified to speak of a third way in the sense of a fairly coherent set of ideas and policy intentions that can be found in both social democratic policy documents and actual policies. While large differences remain, there has been clear convergence, with various paths heading, albeit winding, in the same direction.

Clift (2001a) finds some discrepancy between rhetoric and policy. Although the European social democratic parties are now more similar than at any time this century, significant differences remain and New Labour remains distinctive in terms of aspects of both ends and means. In particular, there are some sharp contrasts with France, contradicting to Blair's mono-theist view of the future of the left (Clift, 2000b). Merkel (2001) argues that at least four different paths can be identified in Western Europe: the market-orientated way of New Labour, the market and consensus-orientated way of the Dutch Polder model, the reform-welfare state way of the Swedish and Danish social democrats, and the statist way of the French Socialists. He writes that no clear profile can yet be identified for Germany. Gamble and Wright (1999) see the new revisionism across Europe in terms of national variations on a third way theme.

In short, at the risk of some oversimplification, conclusions vary from convergence towards one model (Thomson, 2000; Giddens, 2001), *a* TW with some differences (Green-Pedersen *et al.*, 2001) or different third *ways* (Gamble and Wright, 1999; Clift, 2000a, b; Merkel, 2001). However, the dependent variable – values, rhetoric, policy goals or policy means – and the methods by which these claims are substantiated are sometimes unclear. If the claims of Blair (1998) and Blair and Schröder (1999) that the third way is concerned with fixed values and modern means are correct, it follows that greater variation might be expected between means than between values or goals. There is a further problem of specificity. While there may be general agreement on broad means such as active labour market policy, the more precise policy details may vary considerably between countries (e.g. Clift, 2000a,b). Principles are unevenly turned into action. For example, New Labour has embraced the market pragmatically and selectively: it has placed greater emphasis on the Conservatives' Private Finance Initiative and allowed profit-making companies to take over failing schools, but has terminated the Conservative Assisted Places Scheme, nursery vouchers and tax relief for private medicine for elderly people. In the spirit of evidence-based policy, 'what works' in one country may not work elsewhere. Powell (2000b) claims that the TW contains elements from a variety of times and places: something old, something new, something borrowed and something blue. It is a composite model rather than a coherent whole. It may be viewed as a toolkit (Leonard, 2000), but some tools might be used while others remain in the tool-bag. Put another way, viewing the TW as 'jackdaw politics' (Powell, 2000b), varying contexts in different countries might mean that social democratic parties may treasure different shiny objects for their national nests.

Limits to exporting the third way

Clearly, the same concepts and policies cannot be expected across Europe. Just as social democracy and neo-liberalism in practice varied from their textbook characteristics, there is unlikely to be a uniform TW given the different national contexts, with different histories, polities, and economies. TWs are mediated by national contexts (e.g. Cuperus and Kandel, 1998; Leonard, 2000; Clift, 2000a; for a discussion in terms of welfare, see

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Deacon, 2000; Dolowitz, 2000, Dolowitz *et al.*, 1999). In the remainder of this paper, we focus on potentially important factors in the realms of socio-economic problem structures, political institutions, and political economy traditions.

Different solutions to different problems

One possible set of obstacles to the diffusion of TW ideas and polices in continental Europe lies with the different sets of social and economic problems that different countries face (Busch and Manow, 2001). In Britain, the key problems Labour found as it came to power were to a significant extent the result of almost two decades of labour market deregulation and retrenchment in the welfare state: social exclusion, a poorly performing education system, low pay, and so forth. By contrast, the German, the Italian or the French situations in the late 1990s were almost the mirror image of that picture: high collectively negotiated minimum wages and a costly, if effective, welfare state that burdens labour to the extent of impairing job creation in the low-value-added service sector. At the same time, Germany especially has one of the most envied education and training systems in the world. In this respect, Giaimo and White (2001) expect the German version of post-industrial social democracy to be radically different from the British template

According to this view, a third way discourse simply would not speak to voters in continental European countries, because it does not address the problems that affect them most directly. In Britain, the rhetoric is one of a transfer from passive relief to active investment. Spending is justified in terms of investment in human capital, something that had also been insufficient in the 1980s and early 1990s. Such a deal would ring hollow in a country like Germany, where voters would be asked to trade off improvements in what is regarded one of the best education and training systems in the world with the high levels of protection that they enjoy.

Political institutions

As Merkel (2001: 57) argues, of all the social democratic governments in Europe, New Labour enjoys both the most resources and the fewest constraints in implementing policy. The British unitary state and Westminster model of democracy can be seen as an amplifying factor for the emergence of a novel set political ideas. The majoritarian institutional structure facilitates hierarchical unilateral governance much more in Britain than in the federal consensus democracies of most continental countries (Merkel, 2001: 58). This may be seen in a number of ways.

First, in terms of vote seeking, the British first-past-the-post-electoral system effectively protects the Labour party from the risk of losing support to the left, while shifting rightwards its policies. In other countries shifts to the right of the social democrats generally result in increases in popular support for leftist socialist parties (such as the PDS in Germany and the Communists in France and Italy). A comparative analysis of party manifestos shows that while European social democratic parties generally shifted their position to the right during the 1990s none of them has done so to the same extent as the British Labour party (Volkens 2000).

Second, in terms of office seeking, unlike most countries in Europe, British governments have not had to seek coalition partners. For example, in France, the PS shares

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power with the greens and communists ('gauche plurielle'). In Germany, the SPD governs with the greens. The Dutch PvdA has been in coalition with the Christian Democrats ('grand coalition 1989–94) and in the 'purple coalition' from 1994. Coalition partners may give a distinctive twist to the way of governing, whether third or not (Levy, 1999; Clift, 2001a; Merkel, 2001).

Third, federal structures such as in Germany reduce the scope that a single actor has to influence policy (Busch and Manow, 2001). In the areas of social and economic policy, in particular, responsibilities are shared between the federal government and the *Lander*, who have for example substantial powers in education, social assistance and many social services. Parliament is bi-cameral, and in many areas of policy the upper chamber (*Bundesrat*) has a veto power over government policy. Members of the *Bundesrat* are elected on a different basis than those of the lower chamber (*Bundestag*) which often results in the two chambers being dominated by different majorities. The result is a political system which requires constant negotiation between the government and the *Lander*, the opposition parties and the upper chamber of parliament. The internal structure of the German and the British political parties is also different, with again Tony Blair enjoying much more freedom of movement than Gerhard Schröder. The German social democratic party has a federal structure, and maintains important links with the unions, which have resisted the move towards the TW. In Britain, there are few alliances, social pacts and social partners to stand in the way.

Different political economy traditions

In Britain, the post-war settlement revolved around the view that the market was to be left to operate with limited direct state intervention, and that it was the task of the welfare state to correct the primary distribution of resources. Even during the heyday of British Keynesianism, or, to use TW speak, old-style social democracy, the state only weakly intervened in the labour market through income policies, wage regulation and employment regulation. The British model of welfare capitalism relied for the most part on *ex-post* or compensatory social protection, in the sense that the state intervened only after the market had distributed resources according to its own logic. In this respect, Britain may be contrasted with most continental European countries where the post-war settlement rested on a considerably more interventionist view. Particularly in France and in Germany, the role of the state was not seen so much as one of compensating for the failures of a relatively free (labour) market, but much more as one of imposing constraints on the market so that it delivered politically acceptable social outcomes.

To a large extent, the protection of wage earners took place *within* the market. The regulation of employment was used to further social policy objectives, such as, most notably, the guarantee of a family wage and the security of employment through legislation on job protection and wage regulation (Crouch, 1999; Bonoli, 2000b; Rhodes, 2000). Policy instruments like employment protection legislation, collective bargaining or statutory minimum wages are clearly geared towards greater equality of outcomes, and confer status-based rights: for example, employment protection laws guarantee the right to a job to those who already have one. These institutions, which never really developed in Britain, are rather popular in most continental European countries (Bonoli, 2000a). The different political economy and welfare traditions embody a set of values, and promote a set of perceptions of appropriateness in relation to the role

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that the state or other authorities (the social partners) should play in guaranteeing economic security to citizens. Some of these values are not easily reconcilable with the prevailing TW discourse. TW writings stress values like equality of opportunity, rights based on responsibility, and rewards for entrepreneurship and risk taking, and are at odds with the mostly continental European institutions reviewed above.

Conclusion

In the narrow sense, it seems unlikely that the term of the TW will continue the journey started by Jumbo-Jet from the USA onwards to continental Europe by Eurostar (Powell, 2000b). In the wider sense, it is possible that some aspects of the TW may make the journey. We have argued that it is necessary to be clearer about the nature of the dependent variables: values, rhetoric, policy goals or policy mechanisms. We have identified a number of obstacles to the transfer of discourse and policy. Perhaps the most obvious shift is the move towards a more pragmatic 'pick-and-mix' view of policy (Powell, 2000b). However, given the importance of national context in policy transfer (Dolowitz, 2000), it is possible that national economic, social and political organs may reject this selective transplant. The current version of the term the TW may be no clearer as a roadmap than previous versions of the term.

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