

FROM THE “SOCIAL DEMOCRATIC MOMENT” TO THE “SHOCK
OF THE GLOBAL”. THE BRITISH LABOUR AND THE GERMAN
SOCIAL DEMOCRACY DURING THE 1960S-1970S

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ABSTRACT

This paper focuses on domestic programmes and purposes of the British Labour Party and the German Social Democracy in the 1960s-1970s. Using primary sources and literature, it highlights the impact of both parties' theoretical re-examination in the 1950s on policies implemented during the 1960s-1970s and analyses both governmental praxis. Finally, I conclude with the crisis of Social Democracy following the collapse of the Bretton Woods system.

Keywords: Social Democracy, Postwar, German Social Democratic Party, British Labour Party, Keynesianism, Bretton Woods System.

INTRODUCTION: AIMS AND PURPOSES¹

Reflecting on the political and cultural evolution of Europe between the end of World War II and the beginning of the 21st century, Tony Judt wrote that social democratic theories and programmes have widely influenced contemporary European development. As demonstrated by Judt, although the “politics of social democracy were not always seductive to impatient young people”, socialists acted in order to “use resources of the state to eliminate the social pathologies attendant on capitalist forms of production and on the unrestricted workings of market economy”: basically, they did not “build [...] economic utopias but good societies” [Judt 2010 (2005): 363].

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A large historiographical dispute has started to trace the origins of Social Democracy's complicated current situation, which coincides with innovations in its 100 years of history, such as the 1930s dispute against totalitarian regimes (Horn 1996; Rapone 1999). Given logically such historiographical debate, this article firstly explores the practice of European Social Democracy, focusing on two specific cases: the Labour Party in Great Britain (LP) and the Social Democratic Party of Germany (SPD). Although several studies have treated aspects of my subject, the attempt here is to better highlight the impact of both parties' theoretical re-examination in the 1950s on policies implemented by the LP and the SPD during the 1960s-1970s. In contrast to main works on these themes [Orlow 2000: 183-271; Sassoon 2010 (1996): 497-533], my study will stress a specific thesis: the behaviours and policies of two significant social democratic parties were strongly influenced by their previous doctrinaire and programmatic revisionism. At the same time, such purposes, which have to be considered as an indirect consequence of the European post-war development, were no longer useful after the collapse of the Bretton Woods system and the so-called 'shock of the global' (Ferguson 2010a: 1-21). As stated by Rawi Abdelal, the subsequent rise of neoliberalism contributed largely to changing main features of the European Left (2007: 31-32).

Another choice concerns the emphasis on the transnational dimension of both the British and German parties: doing so helps to illuminate mutual influences on domestic priorities, especially considering the solid relationship built by the LP and the SPD in the post-war period.² Given that many transnational analyses on European Social Democracy examine the side of international affairs (Salm 2016), this article will discuss such political movement from another perspective: contemplating exchanges between leaders and policy-makers of both forces on social and economic topics, I will contribute to enlarging the historical literature on post-war social democratic policies and perspectives [Moschonas 2002 (1994); Berman 2006].

Within the world of European Social Democracy, I pay exclusive attention to the LP and the SPD. Even if this choice is questionable, since I will not consider Social Democracies in small European countries (e.g. Sweden or Austria), where they however had a leading role in governments for most of the time, my focus is explained by the combined provisions between their centrality in the history of Socialism and their 1950s theoretical revisionism. Exactly in line with this twofold aspect, I will not study French

² *Aufzeichnung, Internationale Partebeziehungen der SPD*, Collection SPD – Parteivorstand – Sekretariat Alfred Nau, box 2/PVAI0000036, Archive of the Social Democracy, Friedrich-Ebert-Stiftung, Bonn.

Socialism as well. Certainly, as stated by Talbot Imlay, the SFIO constituted with the SPD and the LP the "big three" of European Socialism (Imlay 2017: 6). However, especially given the purpose of this article to connect theoretical revisionism and programmatic choices, it is difficult to consider here the SFIO, a party which "never formally renounced Marxism" [Sassoon 2010 (1996): 256].

Again on the subject of comparison, I have to acknowledge another main explanation. While the LP and the SPD displayed similar international positions, as confirmed by their participation in the rebirth process of the Socialist International (SI) in 1951 (Devin 1983: 43-55), British Labour and German Social Democracy had different ideological values as references: on the one hand, the SPD was strictly connected to Marxist principles [Grebring 1985 (1966): 155-162]; on the other, the tradition of the LP was less radical than that of most of its continental counterparts (Worley 2005: 1-19). However, both parties shared a common tendency: during the 1950s they both attempted to "redefine what socialism should be" to cope with the new attributes of European societies, such as "the growth of working-class affluence" and "the undoubted prosperity which capitalism had brought about" [Sassoon 2010 (1996): 241]. Moreover, the LP and the SPD led the respective British and West-German governments in the 1960s: The Italian Socialist Party (PSI) also renewed its theoretical and programmatic profile in the 1950s (Favretto 2003: 17-44; Perazzoli 2016: 69-147, 178-188), but the PSI was something of a junior partner within Centre-Left coalitions, being guided by the Christian Democrats (Taviani 2006: 365).

A last choice concerns the periodization. The article will consider above all the 1960s and 1970s on the basis of three main aspects. First, those twenty years may be understood as those of the greatest expansion of European Social Democracy, a political family which was able to offer "a confidence that its gradual path towards helping the needy, advancing equality, and fostering solidarity" would have reaped "irreversible social dividends" (Jackson 2013: 357). Second, a momentous change began in the early 1970s: The post-war world turned into an international environment with less rigid contrasts, with profound changes to the economic system, and with the emergence of major cultural transformations. When faced with the ever-growing trust in the power of the market, clearly influenced by neo-liberal principles, European Social Democracy ran into ideological problems (Callaghan 2000). And finally, another typical characteristic of the post-war era entered an irreversible crisis: as already noted by James O'Connor in 1973, the post-war Welfare State displayed all its difficulties while dealing the new economic situation of the 1970s, which was *de facto* no longer characterised by the Ford-Keynes paradigm (O'Connor 1973: 1-7).

THE THEORETICAL AND PROGRAMMATIC MODERNISATION OF THE 1950S

A significant feature that was strictly connected to two geopolitical aspects of the Cold War – the division between Germany and the rest of the continent, and the erosion of the global influence of the former British and French empires (Hanhimäki 2012: 284; Warner 2013: 71) – distinguished post-war Europe: the transformation of Western European economics after the 1947 launch of the European Recovery Program, better known as the Marshall Plan (Crafts and Toniolo 2012: 368-371).

Although this specific initiative was not addressed “to the [direct] struggle against communism itself but to the restoration of the economic health and vigour of European society” (Maier 1991: 7), it is well recognised that considerable economic growth, engendered by the positive influence of the ERP, marked the experience of Western Europe during the 1950s (Ellwood 1992: 112). Marshall Plan aid was crucial not only for financing a restart of the Western European economy, but also for helping European politicians and policy-makers in the promotion of consumption expenditure in order to eliminate a fertile basis for the expansion of communism (Millward 1984; Hogan 1987). Accordingly, Western European states committed themselves to the management of capitalism as well as to protecting society from its destructive effects. After a period of adaptation, since the beginning of the 1950s, a new era, strongly influenced by Keynesian economic theories (De Angelis 2000), had *de facto* begun in Western Europe. As perfectly explained in an essay by Joseph Schumpeter, *The March into Socialism*, what occurred was “the migration of the people’s economic affairs from the private into the public sphere” [Schumpeter 1976 (1943): 421].

Strongly related to the economic and international characteristics of the Cold War, important changes also took place in the Western European political sphere. As a matter of fact, the new historical era was an easy challenge for conservative forces, because they were generally less encumbered by theories and dogmas than Leftist parties. Furthermore, in the 1950s right-wingers were usually more in tune with the widespread desire for political steadiness, family stability, and domesticity (Mazower 1999: 298-299). On the contrary, for Socialist, Social Democrat, and Labour parties, which of course hoped that the post-war period would be something of a “triumphant period”, as declared by the famous French Socialist leader Léon Blum (1958: 65-78), the initial phase of the Cold War represented a truly difficult dilemma: outside of the British LP, Marxism was the linkage that held Western European Socialist parties together, mainly intended as the Soviet Union’s official state doctrine. The new situation after World War II forced Western European Socialists to reconsider the relationship

among socialism, capitalism and class. If they aimed at obtaining a majority of votes and defeating conservative parties, they now had to rearrange their radicalism and write new ideological and programmatic manifestos (Padgett and Paterson 1991: 13).

Therefore, revisionism entered the picture as a striking reaction to the uninterrupted electoral defeats of the 1950s. Furthermore, both the SPD in West Germany and the LP in Great Britain were out of office for the entire decade [Sassoon 2010 (1996): 241]. The route towards theoretical revisionism was however unhindered: the extraordinary congress of Bad Godesberg, where the German SPD unconditionally approved its famous new manifesto, was the result of a fierce political battle between various reformist wings, generally intent on creating a connection between the tasks of the party, including the trends of future development, and the traditional neo-Marxist factions, which proposed transforming the social system along socialist lines [Grebing 1985 (1966): 165]. The British LP's theoretical modernisation also corresponded to a political struggle within a pro-revisionism group: the right wing or the "Gaitskellites" (from the name of their leader Hugh Gaitskell), and the traditional left wing, the "Bevanites" (from the name of their leader Aneurin Bevan) (Desai 1994: 108-117). While for the German party the launch of the Godesberg Programme symbolised a clear victory for the reformist project, for the British party the situation was far more complicated: the LP's revisionism would indeed have been something of a compromise between the right and left factions (Favretto 2003: 60-61).

From an ideological point of view, a more pragmatic attitude in Social Democratic parties was connected to the traditional ideas of Social Democracy: The Godesberg Programme showed a clear link with Eduard Bernstein's theories. While Karl Kautsky and other Marxist Socialists "promoted the passive attitude of merely awaiting the collapse of a doomed system and the inevitable realization of an immanent goal" (Steger 1997: 103), the theorist of evolutionary socialism stated that "the revolutionary final goal has no bearing for him": on the contrary, "the daily struggle of the movement was everything" (82). In line with Bernstein's principles, the 1959 SPD manifesto declared that "democratic socialism [...] does not proclaim ultimate truths – not because of any lack of understanding for or indifference to philosophical or religious truths, but out of respect for the individual's choice in these matters of conscience in which neither the state nor any political party should be allowed to interfere" (Dowe and Klotzbach 2004: 326-327).

Bernstein's lesson was also extremely evident in the paragraph on economic affairs. While both the Erfurt and the Heidelberg programmes opt-

ed for a radical transformation through the revolutionary means of the German economic and political system (171-175; 195-203), the Godesberg manifesto identified its main goal in “the constant growth of prosperity and a fair share for all in the national product, a life in freedom without undignified dependence and without exploitation” (331). Economically, this conceptualisation meant on the one hand that the SPD had *de facto* accepted Ludwig Erhard’s social market economy. On the other hand, the German Social Democrats did not give up to the twists of a deeply correct system, such as an “increasing tendency toward concentration”; unsurprisingly, the 1959 programme aimed at containing “the power of big business” (332). Accordingly, ownership of means of production was no longer considered a problem: the SPD’s new main focus was on the oligopolistic and monopolistic tendencies within the economic and industrial system (Orlow 2000: 184-196).

During the 1950s, in parallel with the renewal of the theoretical and the programmatic directions within the SPD, as well as the theories conceived by the Socialist International Experts’ Conference on the Technique of Economic Planning,³ the Labour Party began a considerable reframing of its ideological and programmatic purposes. Fostered, among other things, by two books published in 1956, John Strachey’s *Contemporary Capitalism* and Anthony Crosland’s *The Future of Socialism*, this debate intended to find a new programmatic and political direction for the party [Thorpe 2008 (1997): 142-162].

This was made evident by two documents approved by the party in the second half of the 1950s. The first was the 1956 paper *Towards Equality*. Influenced by Croslandism, and in particular by its analyses of new British post-war capitalism [Crosland 2006 (1956): 27-48], it also embraced Strachey’s theories, according to which the British economy was constituted by “large and few units” (Strachey 1956: 14-15). This statement declared the need to reduce the power and the excessive concentration of private industries. Instead of increasing public ownership, the future Labour administration should launch an anti-monopoly law and, if this option was not feasible, the LP still contemplated the development of “forms of public accountability”. Furthermore, “ownership and control” had to “ensure that economic power” would be “exercised only in the public interest”.⁴ The second document was *Industry and Society*. Launched during the 1957

³ *First Draft Report of the Socialist International Experts’ Conference on the Technique of Economic Planning*, Bonn, 19th-21st November 1955, Collection Hugh Gaitskell, box D 13, UCL College Archives, London.

⁴ *Towards Equality. Labour’s Policy for Social Justice*, 8th July 1956, Collection Hugh Gaitskell, box C 162.1, *ibid.*

annual conference, this policy statement declared that "the Labour Party" recognised that public or private "large firms" were "as a whole serving the nation well". In this case, a Labour government should have no "intention of intervening in the management of any firm" which was "doing a good job" (Labour Party 1957: 48-49). Congruent with theories already illustrated by *Towards Equality*, the LP confirmed its general mistrust in common ownership [Miliband 2009 (1961): 339].

Subsequent Labour programmatic papers such as, above all, *Signposts for the Sixties*, were in line with formulations conceived during the 1950s. Approved by the 1961 annual conference, *Signposts* did not indicate socialist eschatology. Generally, it aimed at connecting Labour proposals with social and economic policies specific to the early 1960s (Jones 1996: 66). In addition to the main theme of managing the scientific revolution, this document identified one of the reasons for Britain's economic decline in "the growth of new forms of privilege and the rapid concentration of economic power" within a private sector "still dominated by a small ruling caste" (Labour Party 1961: 9). To resolve this complicated situation, Labour proposed to "shake-up" the heads of British finance and industry: "if the dead wood were cut out of Britain's boardrooms", *Signposts* said, "and replaced by keen young executives, production engineers and scientists [...] our production and export problems would be much more manageable" (10). Coherently with its goals, *Signposts* could not be considered a victory of the "Gaitskellites": instead, it "should be considered as the beginning of the contamination between pure revisionist arguments and centre-left technocratic issues" (Favretto 2003: 43) which would inspire the 1964-1970 Labour governments led by the former "Bevanite" Harold Wilson (Pimlott 1992: 154-191).

KEY ELEMENTS OF GOVERNMENTAL PROCESSES OF THE BRITISH LABOUR PARTY AND THE GERMAN SOCIAL DEMOCRACY DURING THE 1960S AND 1970S

At the turn of the decade, both parties displayed a new approach to comprehension of general changes. As a consequence of the theoretical and programmatic modernisations of the 1950s, the German Social Democracy and the British Labour Party both embraced something of a "diluted revisionism" which, however, was still linked to traditional socialist values and arguments.

A rejection of their more radical purposes, most notably the complete abolition of private ownership and neutralism in foreign affairs, allowed the German and British parties to address the "centrist" section of their respective electorates. In other words, they were able "to extend" their "au-

dience well beyond the working class, and to operate as a 'legitimate' political force with a governmental vocation, in a position which allows them to identify as the opposition and to neutralise the possibility of a 'regime vote' in advance" [Moschonas 2002 (1994): 218]. The actions of both forces did not coincide with anything special within the extensive history of European Social Democracy. The Swedish SAP also opted for "continuing the strategy it had [...] embraced in the years between the wars". In so doing, the party could direct "its appeal not to workers alone but to the Swedish people (*Folk*) in general" (Berman 2006: 195).

In the 1960s, as a consequence of positive electoral results, the SPD and the Labour Party took up governmental responsibilities. The West-German and the British contexts were obviously different: after World War II, Britain, the country which could be considered a sort of "pioneer of industrialisation" [Hobsbawm 1969 (1968): 319], was *de facto* no longer superior regarding industrial production. Instead, West Germany historically displayed a strong industrial economy (Sommariva and Tullio 1986: 27; Harsch 2011: 668-670). Despite this difference, a problem emerged in both political frameworks: while their revisionist manifestos showed an optimistic perspective regarding the development of Western capitalism, both parties entered office during a general economic situation which was not so bright.

For the Labour Party, these new troubles created an objective problem: as Wilson himself admitted (1971: XVII), in 1964 the British economy entered a recessive phase (Marr 2007: 240-245). After the enthusiasm of the mid-1950s, when Britain achieved a surplus on accounts in its budget plan, with positive influences on visible trade for the first time in the twentieth century [Robbins 1994 (1983): 255], the new Labour administration had to measure itself against considerable difficulties, such as an increasing inflation, a visible deterioration of the budget plan and a sizeable growth of imports, while exports were decreasing significantly.⁵

This complex scenario is to be linked with a particular characteristic of the post-war British economy: The Labour Party was encumbered by a geopolitical situation. When Labour entered Downing Street, the pound was still a major reserve currency, just like after World War II, enormously protected by the state budget (Milward 1992: 347-366). To safeguard the stability of the international monetary system and to defend the dollar from speculative assaults, the US, the City, and the Bank of England applied con-

⁵ *Home Policy Sub-Committee. Economic Summary*, 4th March 1964, Collection National Executive Committee, box March 1964, Archives of the Labour Party, People History's Museum, Manchester.

stant pressure on the Labour Party to preclude devaluation, and provided loans to support the pound. According to Siegmund Warburg, one of the most influential bankers of post-war Britain, a devaluation of the pound would have been "a measure" which entailed "abusing the confidence of those who [had] placed their trust in the pound; which would [have represented] a permanent and substantial movement of terms of trade against us" (Ferguson 2010b: 279). To protect the integrity of one of the worldwide symbols of the United Kingdom's power, Wilson and his ministers had to comply with the demands of Warburg, the City, the Bank of England, and the US. Furthermore, their aspiration was to connect Labour with the national inclination of the British. As Sassoon well explained, "in a country inhabited by a population imbued with national pride, no party could afford to be seen to be 'anti-national'" [2010 (1996): 313].

In line with the aforementioned national sentiment, the Labour government gave priority to the defence of the parity of the pound by introducing a variety of austerity measures: for example, the 1964 increase of petrol duty, the 1964 surtax on imports or the 1966 cut of public spending (Glyn and Booth 1996: 222-227). Despite the contrary opinions mentioned above, in order to address the trade deficit, which was strictly related to the insufficient competitiveness of the British economy, on the 18th of November, 1967, the Wilson administration had to devalue the pound by 14.3 percent (from \$2.80 to \$2.40 for £1) (Schenk 2010: 131-138). Moreover, in March 1968 chancellor Roy Jenkins arranged what Wilson described as "the most punishing budget in Britain's peacetime history" (Wilson 1974: 519).

The austerity choices implemented by Wilson's administration aggravated the relationship between Downing Street and the trade unions. To resolve these intricacies, the Labour Prime Minister appointed Barbara Castle, the Secretary of State for Employment and Productivity, to develop a systematic reform of industrial relations. After acknowledging the report of the Donovan Commission, which required various players (industries, employers and unions) to safeguard industrial relations and avoid a state of "indecision and anarchy" (681), Castle's White Paper *In Place of Strife* pursued two main goals: on the one hand, to allow the Secretary of State to order a 28-day "conciliation power" before a strike could begin; on the other, to require employers dutifully to recognise unions and encourage the extension of collective bargaining between workers and bosses (1969: 18). *In Place of Strife* was rejected by part of the LP government – James Callaghan above all – and almost 100 Labour Members of Parliament voted against the proposal or abstained. In retrospect, "the whole episode had left Wilson and Castle severely damaged" (Thorpe 2008 [1997]: 171).

On a macroeconomic level Labour tried to handle British capitalism, with little success. For example, a few months after Wilson's assignment,

the LP's administration established the Department of Economic Affairs (DEA) and appointed George Brown to manage it (Thompson 2006: 53-72). The task of this new unit was to promote expansionary economic policies: substantially, it had to counterbalance the monetary tendencies of the Treasury and of the Bank of England (Hennessy 1989: 182-183). Accordingly, in September 1965 Brown launched the *National Plan* with the declared objective of supporting British economic growth. Subsequent credit crunches, which should be connected to Wilson and his ministers' efforts to defend the ideal prestige of the pound, indicated the failure of Labour's plans (Dorey 2006a: 75-85).

In light of these austerity choices, what was the fate of the planned programme generated by the theoretical modernisation of the 1950s? Even though Wilson and his ministers acted to handle British capitalism, the aforementioned difficulties brought all the Labour Party's troubles into conflict at the macroeconomic level.

However, the Labour administration also achieved some positive results at microeconomic level. The first was nationalisation of the steel industry, and the second was the introduction of the Industrial Reorganisation Corporation (IRC): based on the model of the Italian Institute for Industrial Reconstruction,⁶ this specific disposition had to "help promote rationalisation, mergers and the restructuring of industries and firms", where – as Wilson explained – "this was needed to help exports or to pool resources for new technological advance" (1974: 263). Accordingly, in response to pressures from the IRC, in 1968 the merger of the General Electric Company and English Electric took place (Leurez 1975: 180).

In line with Labour's 1964 electoral manifesto, Wilson also established the Ministry of Technology, a department which included various scientific authorities. Entrusted with its direction to former trade union leader Frank Cousins and later, after the latter's resignation, to Tony Benn, this Ministry had to pursue two main goals: encourage technical innovation and sustain scientific research (Favretto 2003: 89). The new ministry attracted great attention within the entire European Socialist family. Besides the attention of the PSI (50-54), the German Social Democracy also considered this programmatic choice to be extremely important.⁷ Indeed, the SPD's 1961 electoral manifesto also contained measures for the development of scientific research: as stated in the *Regierungsprogramm* (government programme),

⁶ *Italian Public Ownership*, December 1965, Collection International Department, box ITA/18, *ibid*.

⁷ Hans-Eberhard Dingels to John Clark, 17th April 1961, Collection International Department, box GRM/13, *ibid*.

the German Social Democrats declared that the scientific sector required a "true coordination on a federal level", since it could have generated positive effects in "all branches of the economy".⁸

Although more structural reforms had been put on hold, Wilson's governments referred to theoretical Keynesian socialism, which was the theoretical basis for the application of redistributive policies. Although Sassoon wrote that "the Labour Party [...] failed to attain this goal or to promulgate major welfare reforms during its six years in office" (2010 [1996]: 314), from 1964 to 1970 Labour's public administration spending increased considerably in several sectors strictly related to the implementation of a number of branches of the British Welfare State, such as health care, retirement benefits and the education system (Middleton 2000: 87-88). Regarding the education sector specifically, Labour governments were able to achieve excellent results, as confirmed by a single fact: while in 1964 there were only 265 comprehensive schools, the number increased to over one thousand by 1970 (Dorey 2006b: 267-276). Then again, this great development was perfectly coherent with the 1963 *Labour Education Plan*, which was also requested by Willi Eichler to allow the SPD to analyse the LP's proposals regarding the reform of the British education system.⁹ Furthermore, in parallel with the growth of public expenditure and with the implementation of comprehensive schools, Wilson succeeded in making Britain a more civilised country. His government legalised homosexual relations, revoked the death penalty for specific crimes, allowed abortion in specific cases, liberalised divorce legislation (O'Hara 2014: 159), and began an intense criminal justice reform.¹⁰

A negative perception of Wilson's governmental experiences was due to troubles in economic affairs, which stemmed directly from the complex situation of the British post-war economy. Conversely, after World War II the West-German economy underwent spectacular growth, especially in conjunction with the Korean War. The 1966-1968 recession could not be considered as the beginning of an economic crisis, but two factors worried German citizens: the rise of unemployment, which reached 2.1 percent in 1967, and the decrease of the Gross National Product (GNP). Neither of these elements actually indicated a structural crisis like the one faced by Labour administrations in the 1960s: they only highlighted cyclical dif-

⁸ *A Programme for Government presented by Willy Brandt, governing Mayor of Berlin and Chancellor-Candidate*, 28th April 1961, Collection International Department, box GRM/48, *ibid*.

⁹ Willi Eichler to David Ennals, 28th February 1963, Collection International Department, box GRM/13, *ibid*.

¹⁰ *Study Group on Crime Prevention and Penal Reform. First Draft Report*, March 1964, Collection National Executive Committee, box April 1964, *ibid*.

faculties after the end of the *Wirtschaftswunder* (economic miracle) and its exceptionally fast development (Hildebrand 1984: 202-218).

Unlike the CDU/CSU, the SPD attempted to operate only as a modern reformist party (Faulenbach 2011: 75). This tendency was confirmed by the inclusion, due to pressures from the Social Democracy, of several counter-cyclical economic measures within the Grand Coalition's programme.¹¹ In line with these purposes, Karl Schiller, who was appointed to lead the Ministry of Economy within the SPD-CDU/CSU alliance, opted to face the recession through a Keynesian counter-cyclical policy based on an investment plan of over five billion marks (Lütjen 2007: 245). This specific choice was particularly coherent with the paragraph on economic matters in the Godesberg manifesto. The 1959 SPD platform described the economy as a sector which should adapt to "continual structural changes for the purpose of reaching a balanced economic growth" (Dowe and Klotzbach 2004: 331-332), which was exactly what Schiller chose to do. The absence of a clear reference to Keynes was not surprising, since the Social Democrat manifesto was a wide-ranging programme and could not be clearly anchored to any specific inspiring theorist (Telò 1988: 54).

A greater problem for the SPD was how to persuade the trade unions to limit wages in exchange for non-monetary benefits. The justification seemed to be certainly different from what was happening at the time in the UK. While Labour administrations had to convince trade unions to delete the balance payment deficit so that the pound would be protected, in West Germany this necessity was connected to achieving a new phase of economic growth. Essentially, the SPD had to obtain wage moderation from those trade unions which were historically closer to the Social Democrat family, the German Trade Confederation Union (DGB): in the SPD's view, the excessive growth of salaries, in relation to the development of productivity, was a dilemma that had to be resolved.

The German Social Democracy party and the DGB reached an agreement which was essentially based on the so-called "magic square" within the Stability and Growth Law of 1967: the four sides of the square corresponded to reaching full employment, steady economic expansion, price stability, and stable exchange rates (Dux 1967: 1-2). In the event of one of these four objectives being unsatisfactory, the regulation expected the federal government to "provide orientation for simultaneous concerned action of local authorities, trade unions, and employers' associations in order to achieve the goals" [Sassoon 2010 (1996): 316]. As a factual consequence,

¹¹ *Bemerkungen zum gesamten Regierungsprogramm*, Collection Horst Ehmke, box 1/HEAA000214, Archive of the Social Democracy, Friedrich-Ebert-Stiftung, Bonn.

the DGB and the other German trade unions should have been included in a specific concerted action forum which in the meantime had been created by the Grand Coalition administration (Schönhoven 2004: 130-149).

Actually, this process was also in line with the DGB's perspectives. Despite the opposition of the Industrial Union of Metalworkers (IG Metall), the DGB had launched a new programmatic manifesto during its Düsseldorf conference of 1963 (Angster 2003: 139-148) which stated that the first and foremost objective of the trade unions' actions was centred on "collaborating in the enlargement of the social welfare state" (DGB 1963: 2). At the same time, from the SPD's point of view, the Social Democracy's abilities in limiting the trade unions' requests were a clear success for the party, which could then operate as something of a pro-stability force.

Besides the new pension scheme launched by the SPD Ministry of Labour (Braunthal 1983: 243), integrating flexible retirement age and a host of social reforms in order to help war veterans and mothers, other reformist goals such as the reduction of working hours and the improvement of living conditions for the unemployed were *de facto* postponed due to different views within the Grand Coalition [Winkler 2002 (2000): 268]. Notwithstanding these complications, the SPD's capacity "to understand both the present and the future", as stated by a famous Social Democracy motto from those times (Von Knoeringen 1961: 1), was confirmed by the results of the 1969 West German federal election: despite troubles within the alliance with the CDU/CSU, the SPD's preferences grew to 42.7% [Winkler 2002 (2000): 272].

As a consequence of the 1969 federal elections, a new majority arose in the Bundestag. Also thanks to the new reformist profile shown by the Free Democratic Party of Germany (FDP) after its Freiburg 1968 conference, the SPD reached a settlement with the FDP which elected Willy Brandt as Chancellor (Faulenbach 2011: 60-61). Several historians have underestimated reformism on domestic issues during the Brandt era (Abendroth 1964; Walter 2002). However, as the new Chancellor declared, his administration's main purpose was to "attempt more democracy" (Brandt 2001: 42).

Did this happen? The new "Social-liberal" alliance launched a wide-ranging reform programme. As in the case of foreign affairs, the new government began a policy of rapprochement with Eastern Europe (Bernardini 2013b), Brandt and his ministers also launched intense reformist actions regarding domestic affairs.

In terms quite similar to those of the Wilson administrations in Britain, in West Germany the new government embarked on a double-sided reform programme. First, coherently with Horst Ehmke's analyses developed during the Grand Coalition season (Ehmke 1994: 56-59), the "Social-liberal" government issued an extensive list of civil reforms, starting with the modernisation of the family law. Moreover, in 1970 protest rights had

been expanded. In strict connection with this topic, the SPD-FDP union approved an amnesty regarding demonstration crimes committed between 1965 and 1969: this was probably an attempt to approach the protesters of the 1968 generation. At the same time, sexual criminal law was also reformed, eliminating or narrowing down some provisions such as marriage fraud and homosexual relationships. As Bernd Faulenbach illustrated, the attempt to make West Germany a more civilised state showed that the “Postwar conservative zeitgeist” was substantially over (2011: 74).

Secondly, “Social-liberal” governments adopted a broad reform action on social policy. This decision was connected to the SPD paper *Perspectives of Social Democratic Politics in Transition to the 1970s*. Approved during the 1968 party conference, this document aimed at connecting new party objectives with the basic purposes contained in the Godesberg programme (Markscheffel 1968: 1). In line with these main goals, the government approved increased expenditure for three of the most crucial sectors of the social system – health care, pensions and unemployment – which increased faster than any other item of the federal budget. Regardless of the opposition from the *Bundesbank*, which tried to operate as the guardian of a low inflation Germany (Leaman 1988: 132-137), great increases in the federal budget were adopted by “Social-liberal” administrations: despite different views within the SPD-FDP alliance, there had been considerable spending increases in several sectors, namely research, education, and transport (D’Angelillo 1989: 232). Last but not least, Brandt’s government also launched the Pension Reform Law of 1972, a new legislative order which contained five main innovations: flexible retirement, the replacement ratio assurance clause, pensions according to minimum income, a new date for running benefit adjustments, and opening the pension system to the self-employed and to housewives (Mierzejewski 2016: 212).

These policies allowed the construction of the so-called *Modell Deutschland*, a pattern with three main features: a corporatist policy aimed at achieving a consensual position between employers and trade unions; a social policy aimed at protecting the largest possible number of citizens; an industrial policy aimed at managing older industries, and at promoting high technology enterprises. While the first aspect had already been launched during Konrad Adenauer’s era (Nicholls 1994: 338-340), the second and third were reinforced during the administrations supported or led by the SPD. Along with this Social Democrat social policy, the “Social-liberal” alliance managed to establish a system where banks, industries, and workers *de facto* enjoyed equal dignity. In other words, in West Germany there was an actual planning which was achieved by commercial banks in combination with private enterprises under the federal government’s supervision. On the other hand, Labour administrations were unable to reorganise the

British industrial system, because banks neither promoted nor took part in restructuring the industries [Sassoon 2010 (1996): 511].

Either way, with the onset of the 1970s the era of social democratic policies reached its end. Symbolically, this conclusion was generally confirmed by three facts. First, the defeat of the LP in the 1970 UK general election: although Labour had launched an election manifesto inspired by Keynesian theories,¹² the majority of British voters chose the Conservative party and its leader, Edward Heath (Ramsden 1996: 304-318). Second, Willy Brandt's resignation on the 16th of May 1974, due to the well-known "Guillaume Affaire" spy scandal: the subsequent designation of Helmut Schmidt as Chancellor represented a pragmatic turning point within the "Social-liberal" coalition (Spohr 2016; Bernardini 2017: 111-124). Along with the difficulties of both parties, a large-scale change occurred in the economic worldwide scenario which *de facto* influenced the transformation of the US from "an empire of production" to "an empire of consumption" (Maier 2006: 191-284). Pre-empted by the collapse of the Bretton Woods system in 1971, the 1973 oil crisis could not be considered simply as a cyclical crisis: it was in fact a paradigm shift within the Western Block (Chaussagne, 2008; Doering-Manteuffel and Raphael 2010).

Complexities aside, with the new decade the German Social Democracy and British Labour parties achieved significant success from their governmental actions. They were *de facto* able to run their states using progressive philosophies and reducing social inequalities. This is probably to be linked with their long-term theoretical and programmatic basis, which in fact inspired both governmental processes: on the one hand, the Godesberg programme declared in its concluding paragraph that the SPD aimed to start "a new economic and social order" based on "the values of democratic socialism" (Dowe and Klotzbach 2004: 344); on the other, the vast majority of Labour activists approved Wilson's 1963 national conference speech, which proposed to bring the UK into "socialism in terms of scientific revolution" (Pimlott 1992: 275).

Even though the SPD and the LP did not build socialist societies (Bobbio 1976), both forces made an active effort to establish fair societies. German Social Democracy and British Labour effectively pursued social democratic goals during the 1960s and the initial phase of the following decade, namely the expansion of the Welfare State budget and state intervention in economic affairs. Generally, this happened for one evident reason: in-

¹² *Manifesto 1970. Britain is Strong. Let's Make It a Great Place to Live*, April 1970, Collection National Executive Committee, box May 1970, Archives of the Labour Party, People History's Museum, Manchester.

stead of aspiring to a revolutionary breakthrough, which was openly the main goal of socialism at the end of the 19th century and the beginning of the 20th, both parties accepted the social democratic compromise between capital and labour (Bergounioux and Manin 1979). In so doing, the SPD and the LP intentionally operated within the mechanisms of parliamentary democracy, which became the framework where, as written by Tony Judt, “the hitherto neglected interests of large sections of the population would be [...] addressed” [2011 (2010): 229].

THE BRITISH LABOUR PARTY, THE GERMAN SOCIAL DEMOCRATIC PARTY, AND THE CRISIS OF THE SOCIAL DEMOCRATIC MODEL IN THE 1970S

The ‘shock of the global’ of the early 1970s had a strong impact on Western economies. The new economic interdependence “in which the autonomy of nations was becoming limited by transnational flows of energy and goods, of money and ideas, and even [...] of pollution and diseases” became clear to statesmen and policy-makers. Furthermore, interdependence also obscured “the distinctions between foreign and domestic policy and between economics and politics” (Sargent 2010: 51).

However, global economic troubles, or “malaise” as defined by Charles Maier (2010: 25-27), fostered a new revisionist wave within both the German Social Democracy and the British Labour Party. Despite leading West Germany in coalition with the FPD, activists and supporters required a programmatic update precisely to best combine the arts of government and of social democratic values. Written by a team guided by Helmut Schmidt, the first draft of the new SPD manifesto, *Ökonomisch-politischer Orientierungsrahmen für die Jahre 1975-1985* (commonly known as OR’85), was however rejected by the 1973 Hannover national congress. Delegates considered the document too pragmatic, in line with Schmidt’s political perspectives (Potthoff and Miller 2002: 245-252). As observed by a Labour spokesperson at the SPD conference, this refusal referred to different views within the party regarding the destiny of large enterprises: on the one hand, Schmidt made the point that the economic powers of these companies should only be contained through state control; on the other, the majority of delegates identified in Brandt’s words on “control”, as well as “correction”. Lacking an agreement, “the congress shelved the Party’s long-term programme by appointing a new commission to study it further”.¹³

¹³ J. Little, *SPD Congress Held in Hannover, April 10-14, 1973*, Collection National Executive Committee, box May 1973, *ibid.*

This was not an insignificant problem. Indeed, the SPD stood at a crossroads typical for any political party aiming at long-term goals. As Willy Brandt himself explained, the SPD, a governmental party, could not in any circumstance give up its "long term orientation" (1975: 260). However, the Social Democrat revisionism of the 1970s had to be fulfilled in accordance with the main theoretical purpose of the Bad Godesberg manifesto. The 1959 platform described "freedom, justice and solidarity" as "fundamental values of Socialism" (Dowe and Klotzbach 2004: 326), and *OR'85* declared that "freedom, justice and solidarity" had to go together (Von Oertzen 1975: 264).

Along with these similar theoretical principles, dissonances between the 1959 programme and the 1975 manifesto emerged regarding economic matters. While the former platform displayed a generally positive attitude towards economic development in the West, the latter obviously reflected worries generated by the financial turmoil of the early 1970s. Despite ubiquitous connections to the Bad Godesberg resolutions, confirming its role as something of a North Star for the SPD's programmatic thought (Vogel 1975: 275), *OR'85* exhorted social democrat activists to accept that it was no longer possible to run the economy exclusively on national lines. But since the government could only partially control factors contributing to economic development, social reforms had to be contained (Ehrenberg 1976: 55-56). In other words, the 1975 programme showed the substantial reception by the SPD of economic interdependence: in line with Schmidt's pragmatic perspective, *OR'85* endorsed *de facto* limitations on national sovereignty regarding economic affairs [Sassoon 2010 (1996): 523]. Instead of indicating a new social model, as done by the final paragraph of the Godesberg programme (Dowe and Klotzbach 2004: 343-345), the substantial assumption of a more pragmatic point of view had to be connected to the entire party's desire to overcome internal discord following Brandt's resignation in 1974 and to stand out as a force with "an image of united purposefulness".¹⁴

Even though the SPD no longer envisaged a new society based on the widespread adoption of Social Democrat theoretical and programmatic principles, the German party was nonetheless able to comprehend the systemic character of the economic crisis of the 1970s, as seen in the paragraphs on economic issues in *OR'85*. Instead, the process of retooling the 1970s British Labour Party demonstrated all the difficulties of the LP in identifying the true nature of the crisis of the golden age. Unlike the SPD, Labour considered its main problem to be the complicated relation between party structure and government, as well as the connection be-

¹⁴ *German Social Democrats' Conference*, November 1975, Collection National Executive Committee, box January 1976, *ibid*.

tween the government itself and its electorate of reference. Tony Benn, who fulfilled several roles during the Wilson and Callaghan (1974-1979) administrations, explained that Labour politics were only useful if they could find “an answer to workers’ urgent pressures”. Thus, the LP should have first increased occasions for discussion between activists and leaders: as Benn wrote, this project would have allowed party heads to be aware of the needs of the British working class with greater certainty.¹⁵

However, two specific points have to be considered to gain better understanding of the retooling of the LP. Along with the peculiar party structure described above, in which the ordinary activist was called upon to participate only during elections, this rethinking in the 1970s was mostly generated between 1970 and 1974, when the LP was in the opposition: this was very different from the SPD, which discussed *OR’85* when its vice-chairman Schmidt (the chairman was Brandt) served as Chancellor.

Strongly influenced by early 1970s radicalism, this revision found plenty of space in the *Britain will Win with Labour* manifesto, the LP programme for the October 1974 general election. Of course, economic interdependence was highlighted. However, the party proposed to fight the crisis using a traditional national scheme: “inflation”, whose annual rate approached 20 per cent in Autumn 1974, was described as “a worldwide problem” (Labour Party 1974: 4). However, there was no specific explanation of why “inflation reduction should be the first priority” (Tomlinson 2014: 754). Conversely, Labour policy-makers focused above all on traditional socialist purposes to face such a complex economic situation: for example, they suggested “an agreement between the government and key companies” (Labour Party 1974: 6) to regulate the British economy and to safeguard the jobs of workers, increasing social and education budgets, as well as implementing “The extension of public ownership” (3).

Since both Labour administrations during the second half of the 1970s (Wilson’s from 1974 to 1976 and Callaghan’s from 1976 to 1979) found it impossible to implement these programmatic purposes, the 1979 LP electoral manifesto displayed the further radicalisation of Labour’s policies: as it would later do with the *Alternative Economic Strategy* in the 1980s, it stated that a new Labour government would have to work for “policies aimed at returning towards full employment”. Considering that “crude market forces” would not achieve these changes, the LP aimed at correcting the free market’s weakness with state interventionism.¹⁶

¹⁵ T. Benn, *The Working Method of the Next Labour Government*, August 1973, Collection National Executive Committee, box September 1973, *ibid.*

¹⁶ *Keep Britain Labour*, 4th April 1979, Collection Labour Research Department, box 137, *ibid.*

These purposes were certainly linked to the specific context of the 1979 electoral campaign, during which the Conservative Party, now led by Margaret Thatcher, explained that a bright future for Britain would require regeneration of "the heath of our economic and social life, by controlling inflation and striking a fair balance between the rights and duties of the trade union movement" (Conservative Party 1979: 1). In addressing the economic downturn of the 1970s, while Labour again launched its traditional formula of "mixed economy, employment, Welfare State" (Favretto 2003: 98-104), Conservatives was able to comprehend the central importance of inflation and, at the same time, to persuade the electorate that state profligacy and excessive monetary expansion were at the heart of the inflationary problem (Saunders 2012: 25-42).

In light of these arguments, both parties were essentially unable to respond to the collapse of the Bretton Woods system, which *de facto* caused the crisis of the Social Democratic model. While the SPD and the LP had both recognised the interdependence and external constraints on economic affairs, they also showed enormous difficulty in managing the new situation.

On the one hand, the German Social Democracy embraced a pragmatic attitude which removed all long term perspectives, despite Brandt's public declarations. With the onset of the worst recession since the end of the war, the Social Democrats tried to shift the economic policy in a pro-industrial direction. Conversely, Liberals and the *Bundesbank* persisted in a monetary course of action. This dispute ended with the establishment of a new coalition in 1982: the SPD was substituted by the CDU and Helmut Kohl emerged as leader of the new government until 1998 (Potthoff and Miller 2002: 249-273). The German Republic that Schmidt yielded to Kohl was certainly in bad economic shape; but it was still one much better than that of the United Kingdom which Thatcher inherited in 1979. For this reason, such change was by far a less violent change than the change to Thatcherism (Mertes 2002: 72).

On the other hand, British Labour confirmed its attitude towards Keynesianism, public spending and traditional affinities with the TUC's demands, without however being able to transform these ideas into actual government measures due to the new global economic course: hence derived the Winter of Discontent [Childs 1992 (1979): 281-290], which was produced by "institutional pressures from local trade union activists who had found their roles severely limited by three years of income policies agreed on by their national leader" (Healey 1989: 467), as well as the extended conservative era in the 1980s and early 1990s (Evans 2013).

This tendency was however related to a general transformation in Europe since the 1970s: this had dissolved old class solidarities, with industrial capitalism behind them, as well as the traditional industrial landscape, al-

though at a slower pace. These elements were replaced by new characteristics of international economic conjuncture, which also took place in Western Europe starting in 1973: on the one hand, globalisation, with characteristics like de-industrialisation and transnational mobility of capital in multinational corporations; on the other, the process of European economic integration, which was strengthened with the introduction of the “currency snake” and the European Monetary System in the 1970s-1980s, a twenty-year period that can be read as a turning point in European history (Wirsching 2011: 8-26), required monetary policies instead of traditional social democratic reform. In other words, there was no longer space for social democratic politics identified mainly with distinctive movements of the political class and a management of capitalism in a national sense (Eley 2002: 405-408).

BRIEF CONCLUSIONS: WHAT SOCIAL DEMOCRACY WAS AND WHAT IT COULD BE TODAY

No matter how positively Schumpeter viewed the political and economic trend towards socialism at end of the 1940s, in the late 1970s and early 1980s, following the end of the post-war golden age, new economic tendencies emerged globally. It is difficult to admit that the Western Bloc embarked generally on a “march into neoliberalism” (Schmidt 2012: 13). At the same time, as already mentioned, ‘embedded capitalism’ was replaced by neoliberal version which envisaged fiscally tight policies, thereby imposing political and economic discipline (Glyn 2006: 15-23). Along with this general tendency, which was *de facto* strengthened by the demise of Soviet Communism, the main Social Democrat policy-makers thought that a success of this political family in the post-industrial World would require an agenda that went beyond the welfare state, and a social base that went beyond the working class (Schmidt 2012: 13-16).

In line with the new worldwide *status quo*, European Social Democracy – the British LP and the German SPD above all – *de facto* embraced neoliberal policies, especially after the arrival of new global economic conditions in the 1970s-1980s. This extended revisionist process culminated with the elaboration of the theories of the “Third Way” or “Die Neue Mitte” (Merkel, Petring, Henkes and Egle 2008). Even though this theoretical and programmatic route meant above all challenging market principles whenever possible (Blair and Schröder 1998), this approach achieved good results, i.e. an investment in education and in research, as well as the liberalisation of customs and civil rights (Lazar 2015: 1051). Today, the illusory rebirth of this route is largely apparent: the LP and the SPD, and other main Social Demo-

cratic parties, found themselves back in the opposition and in a situation of theoretical crisis by the end of the first decade of the new millennium.

What happened is that instead of planning a future with socialist features, as they had done in the 1950s and 1960s, British Labour and the German Social Democracy abandoned eschatological socialist objectives along with any kind of long range vision (Levelle 2003: 9-12). Indeed, the only political objectives were now an undetermined extension of the age of affluence and an improvement of its political, social, and economic configuration: as Stefan Berger put it, "there seems to be no model, no ideological or organisational distinctiveness, and no easily identifiable constituency" for European Social Democracy (Berger 2012: 24).

Is there any future for the social democratic movement? Without chasing the politics and objectives of a past season, it should improve its explanation of their fundamental principles. Besides, as explained by Judt whilst updating one of George Orwell's lessons, the present social inequalities, as underlined by various observers, mean that there is also need for one of the most important Social Democrat ideals: equality (Judt 2011 [2010]: 234). Given the new worldwide economic and global scenario, Social Democracy should probably recall approaches of various revisionists in different historical ages (Bernstein, but also Crosland and Schiller), thereby relaunching its old attempt to build "a decent capitalism for a good society" (Dullien, Herr, Kellermann 2012: 57-74). At the same time, Social Democracy should recover one of its main traditional characteristics which went away after World War II, namely the universality of its programmatic aspirations (Garrett and Lange 1991: 539-543). Despite the obstacles represented by worldwide financial processes, these parties must start over from these downfalls. In other words, in facing the nation state's deficit of autonomy, Social Democrat parties should bring their objectives into the international arena (Berman 2006: 214). In addition to the formulation of persuasive programmes to overcome the financial crisis of 2007-2008,¹⁷ from which capitalism has emerged even stronger (Crouch 2011), European Social Democracy should attempt to implement these aims on a communitarian level.

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¹⁷ PES Leaders' Declaration. *For an Ambitious Recovery Plan to Safeguard Employment and Prevent Mass Unemployment*, 30th November 2008, Collection Enrico Gibellieri, European University Institute, Historical Archives of the European Union, Florence.

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