

Paper prepared for presentation for the Kalevi Sorsa Foundation Conference “Global Capitalism, Privatization, and the Challenges to Democracy” (Helsinki, 7-8 November 2008)

IS GLOBAL CAPITALISM UNDERMINING WESTERN DEMOCRACY?

Vivien A. Schmidt, Boston University

To answer this question, I begin with a story to dramatize the transformations engendered by the rise of global capitalism over the past thirty years. I shall use a latter-day Rip Van Winkle in illustration (the character invented by American author Washington Irving of the early nineteenth century who went to sleep for thirty years, to awaken to a completely changed world). I then discuss the impact of global capitalism on democracy, and in particular the way in which, in democratizing the world economy, global capitalism has ended up economizing on western democracy. Next, I consider the challenges to national democracy from global and European Union institutions. I end with a discussion of ideas and discourse about capitalism and democracy, both those which have shaped the past thirty years, and those which we will need to invent if we are to find some way out of the problems of global capitalism and western democracy.

The Rise of Global Capitalism

Imagine a latter-day Rip Van Winkle, having gone to sleep in 1978 only to have awakened in 2008. He would have found Western economies and democracies barely recognizable.¹

Having closed his eyes to an image of the power of labor, strong state action, and the subordination of business to the needs of society, he would have opened them to the power of business, a much-diminished state, and the subordination of labor to the needs of the market. Whereas he would have commenced his slumber surrounded by staunch believers in Marxian ideas about class conflict whose discourse centered around the fight between labor and capital, he would have awakened encircled by equally staunch believers in neo-liberal ideas whose discourse was all about free markets and global trade. While he would have been lulled to sleep by government intervention in the economy through neo-Keynesian ‘pump-priming,’ active industrial policy, nationalized enterprise, corporatist coordination, and progressive taxation in growing welfare states, he would have been startled awake by monetarist austerity budgets,

¹ For the use of a similar such example focused on the changes in European political economies, see Schmidt 2008.

business deregulation, privatized public enterprise, liberalized financial markets, decentralized wage bargaining in flexible labor markets, and regressive taxation in shrinking welfare states.

Most immediately, however, had Van Winkle gotten up in Europe, he would have been hard put to buy himself a cup of coffee with the national coins in his pockets had he been in the Eurozone, while the croissant he would have had with his coffee might have been from a French bakery, the sugar from a German beet grower, the orange juice from a Spanish orchard, the coffee cup from China, and the coffee itself from a well-known American chain, all thanks to the Single Market.

Alternatively, had he awakened in the US and first gone to buy something to wear, find shelter, get a car, and find a job, he would have purchased clothing with made-in-China on the label, a house with a loan underwritten by Fannie Mae courtesy of the Chinese, and a car made in America by a Japanese or German manufacturer with parts made in over fifteen foreign countries. As for a job, good luck to him, now that the meltdown in the international financial markets has begun to spill over into employment. But if he finds one, it might well be from a foreign multinational, and in the service sector.

We should note in passing that as Rip slept, the economic realities had changed. The comfortable capitalism of the early postwar years, in which all Western democracies experienced extraordinary growth—despite poor management in some countries (e.g., the UK), increasingly bloated public enterprises in others (e.g., France and Italy), and pockets of corruption in yet others (e.g., Italy again)—could no longer be sustained. The end of the Bretton Woods system followed by the two oil shocks made for increasing competitive pressures that only intensified with the growing internationalization of the financial markets and the product markets. And if this were not enough, the welfare state, which had only just reached its golden age in 1978, was to face growing problems of sustainability due to falling demographics and rising costs, in particular in countries which managed industrial adjustment through early retirement (sometimes very early, such as full pay after 20 years of service—Italy yet again) and disabilities pensions for workers (sometimes even for a sprained thumb—as in the Netherlands?).

All Western democracies reformed their economies in a neo-liberal direction in response to global pressures, although they did this in their own ways, following different paths of adjustment. In European Union member-states, though, added to the economic pressures of globalization have been the institutional pressures of Europeanization, which has served as a conduit for globalization even as it served as a competitive shield against them. But despite neoliberal reforms pushed by globalization and Europeanization, there has been no convergence to a single neo-liberal model. Rather, there are still at least three varieties of capitalism, including

not only the liberal market economies of the US or the UK and the coordinated market economies of Continental Europe and Nordic countries (Albert 1990; Hall and Soskice 2001) but also what I call the ‘state-influenced’ market economies of France, Italy, and Spain—which also applies to the formerly ‘developmental states’ such as South Korea, Taiwan, and even Japan to a lesser extent (Schmidt 2002, 2008).

For global capitalism, our story ends here for the moment. But for Western democracy, it only begins.

Democratizing the Economy while Economizing on Democracy

A subtitle for this talk could be: “Democratizing the (Global) Economy while Economizing on (Western) Democracy.” While there can be no doubt that global capitalism has democratized the world economy, raising millions out of poverty and creating rising middle classes throughout the developing world as well as producing goods and services to better the lives of masses of humanity, the global system is not, by any stretch of the imagination, a panacea, nor is it ruled by politically democratic principles. The absence of global democratic decision-making institutions has, in very real way, ‘economized’ on democracy, and in particular the kinds of public control over national capitalism long present in Western national democracies.

This brings us back to just awakened Rip Van Winkle, who knows nothing of the reasons for the global transformation. He only sees the stark contrasts between thirty years ago and today, in particular with regard to democratic control of the economy and social justice. As a good political activist of the 1970s, he decides he needs to do something about the situation. Thirty years before, he would have organized marches on his national capital to demand government action; he would have joined unions, public interest groups, and business associations to lobby for remedies in (again) the national capital; and he would have gotten attention through disquisitions by public intellectuals, long news stories in the media, and public debates. More likely than not, he would have had an impact. Today, by contrast, Rip’s various efforts will have no effect whatsoever. In the US, he won’t find many to march on Washington with him; the Washington consensus is impervious to his outdated lobbying efforts (and he doesn’t have enough money for campaign contributions); he can’t get media attention because his message doesn’t fit into sound-bites for the national TV news and is drowned out anyway by hurricane Katrina, Ike, and Matilda; and Washington in any case has little control over global capitalism because up until now it has resisted trying to regulate it. In Europe, Rip’s march on his national capital also does nothing, not only because few march with him unless he is in France or Italy but also because he should have marched on Brussels; the Brussels consensus is even more

impervious to his lobbying efforts (especially because money doesn't buy influence); there is no EU-wide media to pay attention; and Brussels in any event has even less control over global capitalism than Washington, although it has occasionally half-heartedly called for regulating it.

So what can Rip do? Join a social movement or INGO (international non-governmental organization)? Join a radical right or left wing party in protest? Give up and go back to sleep for another thirty years?

The moral of this story is that the main challenge for Western democracy from global capitalism comes from the powerlessness that individual citizens feel in the face of economic forces that western democracies have unleashed. They remain generally in favor of global capitalism, with large majorities in western democracies approving of free trade and free markets (Pew Global Attitudes survey, 10/04/2007). But this does not mean that they are uncritical of global capitalism, in particular its American variant. Large majorities around the world, already in spring 2008, perceived the impact of the US on their own economies as negative—including close to two thirds in Britain (72%), Germany (72%), Australia (71%), and France (70%) (Pew Global Attitudes survey Oct. 7, 2008). Moreover, for close to one in two Europeans (EU-25), 'globalization' as a term conjures up negative images (46% vs. 37%), although 'protectionism' has the same negative connotation (46% vs. 33%) as opposed to the positive images of 'free trade' for over two in three (70% vs. 20%) (Eurobarometer 63, 2005). Close to two in three Europeans also worry about the transfer of jobs to other member-states 'where production is cheaper' (73%), but nine in ten of the French (89%) (Eurobarometer 64, 2005). And this despite the fact that economists tell us that no more than 2% of jobs have actually been lost as a result of off-shoring (e.g., Kirkegaard 2005).

The problem is that global capitalism is fine if you are an international financial manager, at least up until this September, or a highly skilled worker in services like health and education. Not so fine if you are a manufacturing worker worried about your job being outsourced to the Far East or near-sourced to Eastern Europe; a pizza deliverer without health insurance or social security benefits in the US (in which 45 million have no health insurance); or an 'outsider' (temporary or part-time worker) without the job protections, pay, and/or perks of the 'insiders,' as is the case for at least 39% of the workforce in Spain; 35% in Switzerland; 29% in Portugal, Canada, Germany, Norway; 28% in the UK, Sweden, and France; and 26% in Finland (as of 2000—King and Rueda 2008).

There are differences among countries in terms of welfare state protections, of course, which make these figures less worrisome to citizens of some countries than others—less in Scandinavian countries, in which social-democratic welfare states have high levels of

employment and a generous safety net for all; more in Anglo-Saxon countries with liberal welfare states, in which low paid, low-skilled workers are more at risk from outsourcing as well as poverty; and arguably the most in Continental European countries, in which the ‘outsider’ problem is the hardest to solve given the structure of the conservative welfare state along with comparatively high levels of unemployment or underemployment with low pay and little job security (King and Rueda 2008; Schmidt 2007; Scharpf and Schmidt 2000). For all this, however, there are also differences in concerns about global capitalism that don’t necessarily correlate with levels of economic or social security: in the EU, the French have been off the charts in their fears of globalization, whereas the British, the Irish, and the Scandinavians have been cheerleaders for it (see Figure 1).

Figure 1 about here

The economics naturally has significant implications for the politics. Thirty years ago, when national capitalism was largely controlled by national governments, the spheres of capitalism and democracy were seemingly co-terminus. Today, capitalism has become global while democracy remains local. Moreover, the state is no longer the central focus of democracy. It has become denationalized and dispersed, as decision-making has move upwards to international and (supra-national) regional bodies; downwards to (sub-national) regional governments, corporate actors and NGOs; and sideways to regulatory agencies, to public/private partnerships, or to self-regulatory bodies (Beiling 2007). This is a challenge to traditional views of democracy and legitimacy as situated at the level of the nation-state, in particular when decision-making moves upwards, outside the confines of the nation-state.

The Challenges to National Democracy from Global and EU Institutions

National democracies tend to have four basic democratic legitimizing mechanisms that operate simultaneously. They are, in Abraham Lincoln’s famous dictum, government *by, of and for* the people—meaning political participation, citizen representation, and governing effectiveness—plus, to add a preposition, *with* the people—meaning interest consultation (Schmidt 2006, Ch. 1). The EU, as what I call a ‘regional state,’² is already problematic in these terms, since such mechanisms are split into different levels of decision-making. The EU level is characterized by governance *for* the people through effective rule-making reinforced by

² I define the EU as a ‘regional state’ to differentiate it from the ‘nation-state’ while highlighting its state-like qualities and its regional territorial reach. It is characterized by shared sovereignty, variable boundaries in policy areas as well as territory, composite identity, highly compound governance, and fragmented democracy (see Schmidt 2004, 2006).

transparency and accountability—or ‘output’ democracy (Scharpf 1999), although one can question how effective, transparent or accountable—and by governance *with* the people through the elaborate interest consultation process known as the ‘Community Method.’ The national level retains government *by* and *of* the people (or ‘input democracy—Scharpf 1999), with the EU benefiting from this through the indirect representation afforded by national executives in the Council and the (weaker) direct representation through the European Parliament (Schmidt 2006).

This split in legitimizing mechanisms causes problems for democracy in EU member-states by putting pressures on national politics. This is because EU decision-making *for* and *with* the people is largely characterized by ‘*policy without politics*’—what dominates is national interest in the Council of Ministers, public interest in the European Parliament, and organized interests in the Commission. This makes for depoliticized EU policy debates which do not resonate with European citizens, who are used to the left/right divides of national debates and often worried about EU policies on left/right grounds. This EU level ‘policy without politics’ has in turn engendered increasing ‘*politics without policy*’ at the national level, as more and more policies are removed from decision-making, emptying national politics of substance in policy area after policy area and impoverishing the national political arena as a result (Schmidt 2006, Ch. 4). This puts even greater burdens on the EU’s governance *for* the people, which needs to be especially effective—the case in some areas, such as consumer protection, worker safety, and environmental policy but not in others, such as capital taxation, industrial relations or social policy—as well as transparent, accountable, and open to governance *with* the people, all of which are questionable.

But whatever the problems of the EU with regard to democratic legitimization, they are nothing like those at the global level, which has itself no governance *by* or *of* the people, with little or no connection to national level participation or representation *by* and *of* the people. Even more problematic, in contrast with the EU, it has only weak governance *for* and *with* the people, given the minimal transparency and lack of accountability of global regulatory bodies which mostly have limited powers and offer limited access to interest representation, in particular of civil society. Although INGOs, as representatives of ‘civil society,’ are increasingly being brought into the global decision-making process and, if not, are outside protesting not being let in, as in Seattle, they are still the least powerful, despite significant successes with regard to the ‘power of ideas,’ as in climate change, promoted by environmental INGOs and entrepreneurial actors like Al Gore.

Within the EU, the balance of interest representation and consultation *with* the people is greater than at the global level because of active efforts by the Commission to bring in interest

groups and members of ‘civil society.’ But regardless of how open to public interest consultation *with* the people are global and EU policymaking processes, the problem for national citizens is that this kind of supranational policymaking is very far from the kind of representative democracy *by* and *of* the people they tend to see as the most legitimate. Moreover, even ‘civil society’ is not what it seems. The problem with all such ‘pluralist’ policymaking processes *with* the people, whether at the global, EU, or even national level, in particular for big nation-states like the US, is that ‘civil society’ is increasingly ‘expertocracy’ (Skocpol 2004), and thus removed from actual citizens. As a result, in the pluralist policymaking processes of the EU, the US, as well as in supranational institutions, governance with some *of* the people and possibly not *for* all of the people is meant to make up for the lack of government *by* and *of* the people (Schmidt 2006, p. 28). In other words, increasingly, “the people” are left out of national, EU, and global level governance.

All of these pressures related to global capitalist economics and institutions—the economic, social, and political—have taken their toll on national democracies. The issues they raise—economic precariousness, social injustice and rising inequalities, decline of national identity and sovereignty, to name just a few—all contribute to the precipitous decline in positive attitudes toward national governments across western democracies. Citizens have been losing trust in their governments with regard to their governing effectiveness, their capacity to deliver social justice, and their honesty—as the ever-lower scores in public opinion polls attest. For example, citizens’ trust in government dropped for the EU 15 from 44% in 1994 to 31% in fall 2003 (Eurobarometer polls (1994 to 2003)). Social capital, if defined as the sense of solidarity that comes from belonging to the kinds of associations Rip might have thirty years ago, is way down (Putnam 2000). And social isolation is increasing, in the US much more than in the EU, which bespeaks closer family ties and social networks. Moreover, citizen participation in elections has also been plummeting—despite momentary spikes in game-changing elections, as in the Obama-McCain race in the US and the Sarkozy-Ségolène presidential race in France. However, whereas many citizens have become demobilized, others have been radicalized. While some have moved far to the right—blaming global and/or European patterns of immigration for unemployment or global and/or EU institutions for loss of national sovereignty and identity—others have moved far to the left—blaming offshoring, neo-liberal global and/or EU institutions, as well as national policies for challenges to long-standing labor institutions and the welfare state. Yet others have turned to interest group politics, joined social movements, and supported INGOs in actively trying to make a difference (see Schmidt 2006, Ch. 4). But while this last helps with

regard to ‘associative democracy’ *with* the people, it does little for representative democracy *by* and *of* the people.

The Importance of Ideas and Discourse, Past and Present

This leads us to two questions: How can citizens gain some sense of empowerment in the decisions that affect them at the supranational level? And how can governments regain some control at the global level and, dare I say it, reinvigorate democracy at the national? Before we can answer this, we first need to return to the diagnosis of the current problems of global capitalism.

A bit like the sorcerer’s apprentice, western democracies have created something—global capitalism—that they now do not control. Ideology has contributed to the lack of control, since for a long time many western democracies blindly believed that they did not need to control global capitalism. This has been especially true of the US. It is quite amazing to hear Alan Greenspan, former head of the Federal Reserve, and one of those chiefly responsible for the lax US financial regulatory regime which contributed to the financial market meltdown, now admitting that: “those of us who have looked to the self-interest of lending institutions to protect shareholders’ equity, myself included, are in a state of shocked disbelief;” conceding, in response to the question: “Do you feel that your ideology pushed you to make decisions that you wish you had not made?” that “Yes I’ve found a flaw. I don’t know how significant or permanent it is. But I’ve been very distressed by that fact.” And yet he remains dubious about the effectiveness of new regulation (New York Times, October 24, 2008). When the history books are written about today’s crisis, they are likely to compare the wealth accumulated by the financial market moguls to that made a century ago by the industrialist robber barons—and to contrast the industrial infrastructure built by the industrialists to the financial house-of-cards invented by the financiers. Let us just hope that they don’t need to compare what follows today’s financial market crisis to the Great Depression.

There can be no doubt that many neoliberal policies have been beneficial, modernizing national economies while making industries more competitive and labor more productive. The problem has been an over-arching neo-liberal ideology with unquestioning faith in the virtues of the free market and unquestioned rejection of recourse to government to correct for market failures, and to govern *for* the people. And yet, recent research suggests that social capital is related less to the presence or absence of organized associations of civil society than to government ability to deliver public goods—in particular social welfare—honestly as well as effectively, which is why Scandinavian governments score very high (Rothstein 2005).

But neo-liberal ideology has not been the only problem, in particular with regard to global regulation. Regardless of ideology, western democracies simply could not reach agreement among themselves or with the other powers in the world on how to regulate the financial markets, given the splits in ideas about whether to regulate and if so, how so. But now that western democracies, along with everyone else, are at risk because of the global financial crisis there is greater possibility to move forward in creating international institutions and global rules to shore up global capitalism. How these new international institutions and global rules will be structured is not our concern here today. How they will be constructed is. Importantly, these can no longer be the institutions of a Western democracy club, and certainly not a ‘League of Democracies.’ The process of construction needs to be multilateral, the resulting institutions need to acknowledge the multi-centered or multipolar nature of the planet. But what is important for us is not only that there be a serious global regulatory regime but that it be constructed in a manner that is more democratic, meaning accountable, open and transparent. How to do this is the question. It requires new ideas, discourse, and leadership.

Most importantly, we need a switch from the past ways of dealing with and talking about global and even European issues. For too long, national politicians have engaged in blame-shifting and credit-taking. This has been clearest with regard to Europeanization. On policy issues, national leaders tend to blame the EU for unpopular policies because “the EU made me do it” and take credit for the popular ones, without ever mentioning the EU (Schmidt 2006, Ch. 1, 4). On ‘polity’ issues, or the EU’s institutional impact on national democracy, national leaders have generally been silent—except at moments of treaty referenda, when it was too late, as we saw in France, the Netherlands, and Ireland. Similar problems occur with globalization, with blame-shifting the result, whether leaders have presented globalization as the challenge that creates the ‘risk society’ (Blair) or globalization as that against which citizen require protection, even if it is ‘protection *in* globalization’ (Sarkozy). In all of these cases, leaders only increase citizens’ sense of powerlessness in the face of supranational forces to which they must adapt, and over which they have no control. The question, then, is how to empower citizens. The answer requires national, European (for EU member-states), and global institutional and procedural solutions. And, of course, it requires new ideas and discourse that are ‘outside the box,’ in particular outside the neo-liberal box, which take us forward into the 21st century, not back into the 20th or even 19th, as our recently awakened protagonist, old Rip Van Winkle, might have it.

Democracy needs to be rethought at all levels. Accountability, transparency, and openness are key elements; but so is participation. The question is how? Global capitalism along with European integration for EU member-states have altered the traditional workings of national

democracies. National democracies therefore need to be rethought in ways that promote national citizen input into the global and/or European decisions that affect their lives. Because more and more decisions are taken at the EU and global levels, national governments need to find new ways to bring the citizens into the process and the debates.

One way would be to bring politics back in. This is not possible at the global level with regard to representative democracy *by* and *of* the people, of course, nor yet at the EU level. But there are ways to bring politics back into the policy debates. For global institutions, creating representative assemblies to debate the issues before institutional decisions are taken. For the EU, politicization is already likely to occur through the election by the European Parliament of the Commission President, once the Lisbon Treaty comes into force.³ Even without this, however, the Commission could lay out the political dimensions of its policy initiatives, rather than presenting them always as purely technical. National parliamentary debates, moreover, should be held on European as well as global issues on a regular basis. What is important is that we have real debates regarding the issues, rather than leaders' speeches that leave the appearance of a vast conspiracy, with globalization and Europeanization out of the control of national leaders and citizens, forcing unwanted reform. And of course, we need to re-examine neo-liberal 'truths,' and accept that there are limits to privatization, deregulation, and even liberalization.

Equally importantly, however, national leaders' discourse should make it clear to national publics that national governments are not the only voices which can speak for national interests and values, but that citizens can and should have more direct input into supranational decision-making. In addition to informing citizens of the pluralist nature of supranational governance *with* the people, they need to help citizens to organize themselves so as to gain access and influence in global (and European) decision-making—providing funding, information, and strategic advice—as opposed to trying to avoid citizen involvement. This presupposes, of course, that procedures are put into place to enable citizens to participate in supranational decision-making. This would enable the already activist citizens and social movements to have better access and input.

The EU already has a range of mechanisms for such group citizen access, although expertocracy is indeed a problem. And of course, stakeholder democracy, even if improved, is not public interest oriented democracy. At the national level, the open method of coordination (OMC) has great potential with regard to bringing citizens into EU-related adjustment processes. In addition to the economic focus on flexibility and employability of the EES (European

³ For those who would prefer a depoliticized Commission, as I have in the past, it is too late. The genie is out of the bottle, so the question now is how to make the best of it.

Employment Strategy) is the social concern with inclusiveness and poverty alleviation in the Social Inclusion OMC. Until now, however, the OMC's potential has not been realized. It remains mainly government exercises (Zeitlin and Pochet 2005).

Moreover, for the EU at the moment, there are real limits to its ability to engage in market correction as opposed to market creation. The 'negative integration' that follows from the Treaties makes market creation relatively easy for the EU Commission and European Court of Justice. 'Positive integration' is much more difficult, since market correction demands agreement from the member-states—which the decision rules of the EU render near to impossible in the social policy arena in particular, given the differences among welfare states (Scharpf 1999). The Lisbon Treaty, with its provision for 'enhanced cooperation,' could offer a partial answer to this problem. It would be difficult but not inconceivable for this to apply to pensions policies or health care systems for similar kinds of welfare states—say, those relying on high-quality public services, if the Scandinavian social-democratic welfare states teamed up with France. The first case of enhanced cooperation, under the Nice Treaty no less, was launched in July 2008 by eight EU member-states on the issue of divorce, in response to frustration with the obstruction of highly progressive countries like Sweden and conservative countries like Malta (which does not recognize divorce).

But the EU would really need to go farther than this, say, to have a 'treaty to end all treaties,' to put an end to the situation in which any one country or minority of countries can hold the EU hostage by vetoing a draft treaty or failing to ratify a treaty agreed by the large majority. In its place, why not opt-outs rather than vetoes? This would ensure that market-correcting (as well as market-creating) legislation desired by large majorities of member-states would not be watered down by attempts to compromise (as in the Social Charter, which was watered down in an effort to get the UK to buy in rather than veto, but which then negotiated an opt out anyway).

At the same time, the EU needs a moratorium on negative integration in areas never intended to be subject to the treaties, such as education, health services, and labor, and should instead allow the conditional re-nationalization of a range of social and labor market questions. The services directive, for example, has public tendering requirements that make it very difficult for smaller, non-profit local charities to comply, which risks putting them out of business, thereby reducing social capital in local communities. Of even greater concern are ECJ judgments on education (the case of German medical students in Austria) and labor union rights to strike against what they see as unfair wage competition from cross-border firms (the Viking and Laval cases in Scandinavia)—against which member-states have no recourse, given the independence of the ECJ and the impossibility of getting the Council to overturn such judgments. On these issues,

one wonders why the member-states don't 'just say no,' to challenge the court judgment (Fritz Scharpf, interview in *Magazin Mitbestimmung*, August 2008). Instead, member-states appear to have been negotiating compromises with the courts or seeking to create national legislation to get around the problem.

With regard to positive integration, moreover, the EU would benefit from instituting not a uniform EU minimum wage but agreement on EU-wide relative standards for wages—related to a percentage of the national median income—and for (subsidized) social assistance. In other areas, we should be considering revisiting suggestions floated a number of years ago intended to increase EU-wide social solidarity, such as the replacement of the Common Agricultural Policy with a negative income tax for the poor (Schmitter 2000). More generally speaking, the Commission and ECJ also need to rethink the one-size-fits-all approach to single market rules, and allow greater flexibility. Note that the United States, which is a much more integrated single market than the EU, is nowhere near as integrated or as uniform in its rules for social services or labor across the federal states.

As for global governance, perhaps could also get to the stage where we could have a 'treaty to end all treaties' in a range of areas, to find a way out of the lowest common denominator approach to treaties. But where we cannot, as with labor issues, perhaps this is where the new social democratic activism should kick in. With regard to international labor standards, for example, one could use a system of 'Ratcheting Labor Standards' (RLS) based on the kinds of competitive oversight practices already operative in other areas, to create competition among MNCs to engage in continual improvement of their treatment of labor, through monitoring via NGOs, and standards-setting bodies (Fung, Sabel and O'Rourke 2008). And why not reconsider the Tobin tax on global financial transactions, rejected in the past because it appeared too difficult to implement? The technology is now clearly available. And we definitely need some means of funding a financial lending institution of last resort, of alleviating global poverty—especially in light of the financial crisis—and/or of paying for the energy adjustments related to climate change, in particular for developing countries.

Ideas for new social democratic policies and practices, in short, are the real issue. If the past thirty years have been the neo-liberal response to the postwar social democratic moment, then the next thirty years could and should constitute the 'new social-democrat' (or 'new progressive' in the US) response to the response. But 21st century ideas have to be built on the new understandings that have been arrived at over the neo-liberal period, about the importance of individual responsibility, of non-state solutions to collective action problems wherever possible, of decentralization of government and subsidiarity. And they also need to bring back in ideas

about social justice that have never entirely been abandoned in the neo-liberal period, and a renewed acceptance of the importance of governance *for, by, of, and with* the people. Let us hope that, were Rip Van Winkle to go back to sleep yet again, thirty years hence he will reawaken to a new tomorrow of a more balanced neo-social democratic neo-liberalism rather than simply finding that we have gone full circle, and are ready for the next neo-neo-liberal onslaught.

REFERENCES

- Albert, Michel (1991) *Capitalisme contre Capitalisme* Paris : Albin Michel.
- Hall, Peter and Soskice, David (2001). 'Introduction', in Peter A. Hall and David Soskice (eds), *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*. Oxford: Oxford University Press.
- King, Desmond and Rueda, David (2008) "Cheap Labor: The New Politics of "Bread and Roses" in Industrial Democracies," *Perspectives on Politics* vol. 6, no. 2: 279-97.
- Kirkegaard, Jacob Funk (2005) "Outsourcing and Offshoring: Pushing the European Model over the Hill rather than over the Cliff," *Institute for International Economics* WP 05-1 (March).
- Putnam, Robert D. 2000. *Bowling Alone: The Collapse and Revival of American Community*. New York: Touchstone.
- Rothstein B. 2005. *Social Traps and the Problem of Trust*, Cambridge: Cambridge Univ. Press
- Sabel, Charles, O'Rourke, Dara and Fung, Archon (2000) "Ratcheting Labor Standards: Regulation for Continuous Improvement in the Global Workplace " KSG Faculty Research Working Paper Series RWPOO-010 (May)
http://papers.ssrn.com/paper.taf?abstract_id=262178
- Scharpf, Fritz W. (1999) *Governing in Europe*, Oxford: Oxford University Press.
- Scharpf Fritz W. and Vivien A. Schmidt, eds. (2000) *Welfare and Work*. 2 vols., Oxford: Oxford University Press.
- Schmidt, Vivien A. (2002) *The Futures of European Capitalism*. Oxford: Oxford University Press.
- Schmidt, Vivien A. (2006) *Democracy in Europe: The EU and National Politics* Oxford: Oxford University Press.
- Schmidt, Vivien (2007) *Global Capitalism Unbound: Winners and Losers of Offshore Outsourcing* Ed. Eva Paus (Basingstoke: Palgrave Macmillan
- Schmidt, Vivien A. (2008) 'European Political Economy: Labor out, State Back In, Firm to the Fore', *West European Politics*, 31:1, 302 – 320
- Schmitter, Philippe C. (2000) *How to Democratize the European Union and Why Bother* London: Rowman and Littlefield
- Skocpol, Theda (2004) *Diminished Democracy: From Membership to Management in American Civic Life* Tulsa, OK: University of Oklahoma Press.
- Zeitlin, Jonathan and Pochet, Philippe with Magnusson. Lars (2005) *The Open Method of Co-ordination in Action: The European Employment and Social Inclusion Strategies* eds.. Brussels: Peter Lang.



Figure 1: Negative effects of globalization

Source: Eurobarometer 2003 (Flash EB no. 151b); Schmidt 2007.