

THE RETURN OF THE STATE AND CONSTITUTIONAL REFORM

A missed opportunity? Social democracy and the neo-statist moment

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The 2008 financial crisis, the Covid-19 pandemic and the climate crisis are all pushing western states into greater intervention in the economy and society. This neo-statist moment offers an opportunity for social-democratic parties, one that Labour cannot allow to slip through its fingers. The party must lead the debate about how the state, and democratic control, can be used to tackle systemic crises.

At the beginning of the 2020s, wealthy industrial and post-industrial countries are experiencing a re-organisation of the political arena, one which is upending many of the assumptions the social-democratic left has inherited from the last three decades. Much of this transformation revolves around the changing understanding of the role of the state and its relationship to the market.¹ Recent traumatic events have radically redefined policy-making and public views of the state: the financial crisis of 2008, the rise of right-wing populist movements in the 2010s, and finally the pandemic and the threat of climate change, are all doing away with the assumption of stability – not just macro-economic but also political – that laid the foundation of the ‘Great Moderation’, the period between the late 1980s and late 2000s marked by a low volatility in business cycle fluctuations. During the Great Moderation, a policy consensus converged around the neoliberal demand to rein in the power of the state and unleash the power of the market; these days we find politicians compelled to resort to the most disparate forms of interventionism: from fiscal stimulus to respond to the economic shock of the pandemic, to price controls on energy to deal with the energy crisis, to national plans to transform the energy and transportation sector, as in those seen in the European Union and other countries. It seems that western economies are abandoning the consensus on the minimal state of the neoliberal era. We have now entered what can be described as an era of ‘neo-statism’, in which, by dint of necessity, all policy-makers have to at least temporarily suspend their *laissez-faire* attitude, in order to navigate a phase marked by great instability and the apparent Balkanisation of the global market, the existence of which was long taken for granted, but which now is fragmenting into competing blocks.

For the most part, this neo-statism has been at the service of business interests, consistent with the framework of what Daniela Gabor has called a ‘de-risking state’, where governments shoulder some of the liability of risky financial investments, rather than a ‘green developmental state’, one in which governments take direct responsibility for transforming the economy on a path towards environmental sustainability.² But this is not the only possible direction that the neo-statist moment could take. Insofar as this return of the state has been driven by societal crises and contradictions, rather than explicitly democratic demands arising from society, it confronts democratic socialists with a new range of political dilemmas. The fading away of the consensus on minimal state intervention and faith in the power of the market widens the range of policy options politicians can deploy. Further, this change in the policy-making space is accompanied by a shift in public attitudes and perceptions, which involves greater demand for government intervention to solve social problems, greater concern about inequality and the cost of living, and growing demand for action on climate change amid ever more extreme weather events. These parallel shifts in policy-making and public perceptions have

important implications for social democracy. The Labour Party's plans for a 'green prosperity plan' to 'turn the UK into a clean energy superpower' by 2030 are a promising sign of ambition.

How should social democrats contend with the technocratic managerialism characteristic of current western responses to large-scale crises? What attitude should they take towards the return of the state? What strategic opportunities and political pitfalls does the return of the state augur? To what extent can social-democratic forces utilise the neo-statist conjuncture to advance an inclusive and democratic vision? What are the dangers and pitfalls of neo-statism? Such questions stand at the heart of the current prospects for social democracy.

Our argument is that the neo-statist moment offers clear political opportunities for social democrats. It is accompanied by a growing public demand for the kinds of social-democratic policies that were side-lined during the Great Moderation, and an increased public acceptance of the need for state intervention in light of the crises we face, in order to provide a practical means for those policies to be implemented. All these issues are at play in the three great arenas of neo-statism, which are the domains of greatest promise for social-democratic forces: financial governance, the pandemic, and climate change. Social and economic crises reveal the contradictions that capitalist societies are constantly trying to manage without resolving. Neo-statism is a particular configuration of new state-governing powers that has emerged as a response to the existence of large-scale systemic risks for which there is no apparent 'market solution', and in the face of which the state is compelled to suspend normal market conditions to prevent economic implosion. And those new social contradictions, on the one hand, and governing powers, on the other, provide the context for a potential renewal of social democracy. However, to date, the response to this shift in the structure of political opportunities has had only a partial effect on the structure of the social-democratic political offer. This is the result of the chaotic situation of the left and centre left in Europe and the US.

On the centre left, we find two diverging trends. Over the 2010s, centre-left parties underwent a progressive and sometimes catastrophic decline, which many observers have traced to their increasing turn towards the centre and embrace of aspects of the neoliberal policy agenda.³ In parallel, a new left populist formation emerged, attracting many voters who did not feel represented by moderate centre-left politicians; many of these formations were presented in the mainstream press as irrational and extremist, but a number of them have progressively embarked on a reformist course, demonstrating their ability to broker wider alliances, as with Mélenchon in France, and their ability for policy delivery, as with Yolanda Diaz in Spain. In many respects, these reconfigured politicians and parties are not radical leftists but new social democrats.

There have also been limited attempts at the re-alignment of mainstream centre-left parties, as seen in the US with the Build Back Better agenda of Biden; in France with the PS joining Mélenchon's Union Populaire Alliance; with Starmer's initial embrace of aspects of Corbyn's agenda during his leadership election; and in the German SPD. These have focused more on redistributive issues (in particular, demands to lift the minimum wage). Yet these realignments have been often half-hearted, and in some cases have been actively sabotaged by centrists, as has happened most spectacularly with the collapse of the Build Back Better agenda, opposed by centrist senators such as Joe Manchin, and also with the restoration of the centrist agenda in the Labour Party. The immediate risk is that an opportunity to revive social-democratic policies in the neo-statist moment may be missed, opening the way for a re-run of the populist right in the US, where the Republicans look set to win the midterm elections, and elsewhere. But social democrats must look beyond the next electoral cycle, to rethink political strategy in the post-neoliberal and neo-statist moment.

The neo-statist moment

The idea of a neo-statist moment is a simplified representation of the current political conjuncture, which contends that societies are leaving the neoliberal era that dominated from the 1980s to the 2010s and entering a new stage, whose political direction is as of yet uncertain, but whose contours can already be grasped. We are witnessing a redirection of policy-making consensus toward the acceptance of greater state interventionism to deal with a situation of multiple crises, or what Adam Tooze has described as poly-crisis.⁴ Politicians on both the centre left and centre right these days appear more ready to publicly declare that the state has to intervene, even if they radically disagree on what this intervention should actually be. This is highlighted also by their sharing of common slogans such as the Build Back Better slogan used by both Biden and Johnson, which was used to indicate the need for an activist state after the pandemic. Typical neoliberal mantras about the need for a 'small state' – mouthed by the likes of Reagan and Thatcher on the right and Clinton and Blair on the left – have fallen out of fashion. Further, political discourse is moving towards the triad of sovereignty, protection and control, mobilised in response to the need for security in the face of new global environmental, social and geopolitical risks.⁵

The deployment of these terms highlights that priorities have changed radically vis-à-vis the era of the Great Moderation and neoliberal consensus, which we (like other authors) consider to be on the way out.⁶ But behind these discourses lies a complex reality in which state interventionism is often still accompanied by the

pursuit of policies favouring the market; and a profound disagreement between centre left and centre right on what the actual mission of the state should be; which interests it should defend; and how it should address the various risks that inform appeals for the return of state intervention. Of course, neoliberalism was never really committed to the demolition of the state, as some of its rhetoric suggested. Rather, it entailed a particular model of governance based on constructing markets and conforming the state to market metrics/efficiency.⁷ Within this framework, however, the state was assigned an ancillary role, one of regulation of markets and of intervention in cases of market failure; discretionary intervention by the state – through direct industrial policy, state ownership, or a public works programme justified on the premise of the public good rather than the market’s benefit – was considered irrational. Politicians are now moving beyond this limited and ancillary view of the state, and endorsing more direct, and, importantly, directly visible, interventions by the state, with less mediation.

To understand the rise of neo-statism and its political consequences we need to start from its structural and historical determinants. The break with neoliberalism has been enabled by three defining political events: the 2008 financial crisis, the Covid-19 pandemic, and the increasing recognition of the need for a comprehensive transition to a post-carbon economy.

The 2008 financial crisis brought about a deep shift in the nature and structure of state power. It signalled a crisis in the long-term governance regime in the west whereby the state had simultaneously enabled financial market liberalisation and deliberately expanded access to credit to compensate for weakening welfare states and stagnant wages. Justified by the efficient-market hypothesis and portfolio theory, financial deregulation had been advanced as a strategy for *lowering* risk in financial markets by enabling investors to develop much more complexly diversified portfolios. Of course, this was a mirage: these new complex financial assets generated much higher levels of risk at the *systemic* level, by producing correlations among underlying assets.⁸ After the 2008 financial crisis, the operation of state power shifted towards central banks, hitherto relatively sleepy organisations shielded from democratic politics. This marked a new model of state governance of the economy, one centred around unconventional monetary policy and macroprudential regulation. The result was state intervention in the economy to a historically extraordinary degree, albeit an intervention shielded from distributive conflict and democratic contestation since central banks govern *through* financial markets.⁹ As a result, post-2008 monetary politics has had regressive distributional effects, and indeed has enhanced the power of the financial sector.

While central bankers have done their best to maintain a veneer of technocratic independence, the legitimacy crisis of 2008 has opened up a range of new ques-

tions about the nature of state intervention in the economy. In particular, the European Central Bank – which, as part of the Troika of lenders (along with the IMF and the European Commission), had overstepped its traditional ‘monetary’ role and become involved in painful ‘structural adjustments’ within the Eurozone – has recently attempted to restore its legitimacy through the idea that central banks could support the green transition.¹⁰ To an extent, social-democratic forces have begun examining the potential of these new forms of state power, and begun to ask what could be achieved by a better coordination of fiscal and monetary policy. For example, central banks could take active roles to better support state policies that focus on a green transition, through measures such as the issuing of specific bonds that could be used by municipalities to finance green projects. Within Europe, the constraints of the Maastricht Treaty continue to limit the possibilities of a more democratic post-2008 monetary system. Yet this too has started to change with the pandemic recovery programme, whereby the EU has issued bonds to finance Covid-related expenses in the member states, after overcoming the resistance of the so-called Frugal Four (Austria, Denmark, the Netherlands and Sweden), who opposed the plan.

The Covid-19 pandemic further accelerated the rise of neo-statism. At the level of political economy, the pandemic exposed the profound vulnerability of the neoliberal project to large-scale systemic shocks: it revealed the weaknesses of globalised, just-in-time supply chains, and of ‘flexible’ labour markets, both of which lacked the robustness to withstand the disruption of the pandemic. Ideologically, the pandemic shifted public discourse towards a language of protection and security that contrasts with the neoliberal emphasis on individual risk-taking and entrepreneurial ‘hustle’. Finally, politically, the pandemic forced governments into major social and economic interventions and, in countries such as the UK, dramatically illustrated the weakening of state capacity after decades of austerity. As with the financial crisis, though, the response to the pandemic has revealed a tension between a top-down, technocratic model of risk governance and one based on a more transformative political vision that takes seriously the distributive and political dimensions. While in the initial waves of the pandemic governments introduced schemes that directly decommodified labour, as pressure to reopen the economy grew, many states increasingly downgraded responsibility to the public and started to frame the ongoing pandemic as a failure of individual responsibility. This avoided the larger distributive implications of robust state support during the pandemic, instead framing the problem as primarily one for behavioural social science.

The final driver of neo-statism is the planetary crisis of anthropogenic climate change. As the climate crisis accelerates, governments are increasingly recognising that only state-led action can ensure sufficiently rapid transitions to a decarbonised economy. In the era of industrial Fordism, a piecemeal interventionist state acted to

ease distributive conflict within production, but in the face of the climate crisis the state needs to act as a large-scale coordinator across domains. The closest equivalents to this during the post-war era were the more integrated forms of investment coordination characteristic of highly corporatist economies like Sweden – but even in these cases such tight coordination was short-lived. As with other areas of state intervention, the most successful social-democratic strategies are ones that integrate environmental concerns with industrial policy. And much of the recent electoral success of social democrats has arisen from their ability to deploy the idea of a job-oriented, state-coordinated green transition as a way to bridge their historical constituencies of liberal professionals and manual workers.

However, as with both the 2008 financial crisis and the pandemic, social democrats have to compete with the current readaptation of neoliberal discourses and ideas to the climate crisis. The most overt example of this is the attempt of avowed centrist neoliberals like Macron to implement carbon taxes that frame the climate crisis as a matter of market failures and externalities, and to place prime responsibility on individual consumption choices. But subtler forms exist, for instance, in the ongoing effort to encourage ‘green’ financial mechanisms through Environment Social and Governance (ESG) investment standards – efforts that, while laudable, do nothing to challenge the incumbent power of carbon-producing industries, or to compensate workers and other more vulnerable groups for the green transition.

Neo-statism, then, represents new modes of state governance in response to large-scale systemic risks, and these governance mechanisms often have to balance top-down, managerial interventions with forms of social protection that recognise the uneven exposure to such risk and precarity throughout society. These new systemic risks cannot be managed through established risk-sharing institutions. As a result, neo-statism both responds to and reconfigures the new dynamics of class and social cleavages that were evident in countries of the global north after the 2008 financial crisis and the pandemic. Here, there are two notable new axes of political conflict that are particularly salient for social democracy: the first is between asset owners and non-asset owners, and the second is between the beneficiaries of post-industrial information economies and the broad periphery of precarious workers and downwardly mobile professionals. The politics of the 2008 financial crisis was deeply influenced by the pressure on the state to maintain the value of assets held by the middle class, most notably housing, which are increasingly important vehicles of retirement savings. As Jeffrey M. Chwieroth and Andrew Walter have shown, this sort of broad-based asset ownership places political pressure on the state to bail out banks and engage in policies like quantitative easing that indirectly support the value of such assets.¹¹ Yet these policies tend to crowd out redistributive economic policies that would directly assist non-asset owners, and contribute to the ongoing cost-of-living crisis in urban regions. This is

what Daniela Gabor calls the ‘derisking state’, whereby the state responds to economic shocks by offloading risk from the private sector via financial guarantees. Gabor argues this was evident during the Covid-19 pandemic, when ‘large central banks assumed MMLR [market-maker of last resort] for a broad range of private and public securities’ and the Federal Reserve extended US dollar liquidity.¹²

Altogether, these three challenges – the 2008 financial crisis, the pandemic and climate change – are bringing about novel methods of state interventionism, which we are broadly calling neo-statism. In the era of post-war state intervention, the object on which state governance focused was conflict within the domain of economic production, on the one hand, and individualised life-risks, on the other; today, however, the state is increasingly called on to manage risks at the systemic level through large-scale technocratic governance mechanisms. In contrast to the post-war welfare state, the state now needs to focus on governing systemic risks at the aggregate level, and to engage in complex tasks of cross-sector coordination. The nature of distributive conflicts has changed too: struggles against precarity, the increasing stratification of labour markets, and cost-of-living issues like housing are interacting with more traditional forms of labour-capital conflict. The risk-sharing institutions characteristic of the welfare state are not well-equipped to address these risks, and, so far, states have primarily responded through ad-hoc, non-democratic forms of emergency governance.

Yet it is worth remembering that the state is always a contested terrain for multiple competing hegemonic projects and socio-economic coalitions.¹³ The connection between social democracy and the welfare state was always partially contingent, and social democrats were often tasked with deepening and democratising welfare institutions that were created out of economic and social crisis – or indeed in response to threats from the revolutionary left.¹⁴ Thus, even though it is true that many aspects of the post-war welfare state served to stabilise capitalism, they also represented a partial democratisation of major economic investment decisions, as well as a partial socialisation of labour and care through decommodified wages and public services.

Pasokification and the new post-2008 left

The current fate of social democracy needs to be seen in light of the return of the state. Extreme inequality and the environmental emergency are giving a new lease of life to typical social-democratic demands for more equality on the one hand and for more economic democracy on the other hand. Furthermore, contemporary crisis politics, from financial crises to the pandemic, have generated new models of state intervention in the economy, which we are discussing as neo-statism. As we have

noted, this has generated political space for two parallel tendencies: on the one hand, the rise of a new series of left parties, that, despite being described in the press as ‘radical left’, pursue policies that are not very distant from traditional social-democratic and reformist policies; and, on the other hand, some renewal within social-democratic parties themselves, which to some extent can also be seen as a response to the emergence and challenge of new radical left parties. Now that the state is back, so to speak, it becomes possible once again to suggest it should be used for social ends rather than just to support corporations and finance.

For a long time, there was agreement that social democracy was facing a phase of terminal decline because of a series of converging trends. Over the course of the 2010s, many social-democratic parties in Europe and beyond experienced heavy electoral decline, in what was sometimes described as Pasokification. The Greek Socialist Party PASOK went from being the leading party in the country to winning only around 5 per cent of the vote in the elections that were held in 2015, after it signed the first of several memoranda with the Troika. Equally dismal has been the case of the Socialist Party of France: in 2012, the PS saw François Hollande elected as president, but by the time of the 2017 election the party had dipped to a miserly 6 per cent of the vote. And during the 2010s many other movements that have historically been leading forces in European social democracy – from the German SPD to the Italian Partito Democratico, and partly also the Spanish PSOE party – experienced rocky times.

This decline in support for social-democratic parties derived from their neoliberal involution. Since the 1990s, the neoliberal revolution pursued on the right has been met by a parallel movement on the left, pushing centre-left parties to abandon redistribution and control over the economy, and instead to try to find a settlement with the market. To be sure, the turn to neoliberalism on the left was always complicated. Even as New Labour embraced many aspects of neoliberal policy dogma, they tempered them with commitments to certain forms of social investment and anti-poverty policy. While this political shift initially reaped significant benefits for the centre left, as seen in the wave of electoral successes it experienced during the 1990s and 2000s, its clay feet soon become apparent. Third-way policies have not managed to halt the growing inequality produced by market liberalisation, and in many circumstances they have actively contributed to it. Furthermore, as French economist Thomas Piketty has highlighted, they have contributed to distancing the centre-left from its traditional core voters in the working class.¹⁵ The beneficiary of this bleeding out of voters has been the populist right, which has managed to speak to the unease of manual working-class voters by developing a discourse that combines a denunciation of worsening social conditions with blaming foreigners, immigrants and metropolitan intellectuals for their problems, and accusing the latter of having no interest in the lives of ordinary citizens.

This neoliberal turn by centre-left parties goes a long way to explaining how an electoral space has been created to their left which was exploited by radical left parties and candidates in the 2010s – often left populists. Examples of this left populism are manifold. They include Podemos in Spain, a party that secured 20 per cent of the vote in the 2015 general election (which was won by the right-wing Popular Party), coming close to snatching away second place from the socialist PSOE; La France Insoumise in France, led by Jean-Luc Mélenchon, which in both the 2017 and 2022 presidential elections got close to 20 per cent of the vote; and Syriza in Greece, which won two elections in 2015 and went on to govern the country amid a difficult time marked by bailouts and austerity. At the same time a number of more mainstream centre-left parties were strongly challenged by the left from within, as in the tenure of Jeremy Corbyn as leader of the Labour Party between 2015 and 2019, and the rise of Bernie Sanders in the Democratic Party in the US.

In the policy platform of these campaigns we find typical social-democratic policies on offer: demands for taxation of the rich and large corporations; demands for new social welfare provision protecting poor people and workers from growing social disarray; proposals for an expansion of public consumption, of education and hospitals in order to reverse austerity policies; and in some cases shy demands for the nationalisation of strategic areas of the economy as a means to regain some form of industrial policy and to address the emergency of climate change. If approached from the perspective of 1970s and 1980s social democrats such as Olaf Palme or François Mitterrand (in his original programme), such proposals are quite moderate. If they have been depicted in recent years as radical and unrealistic, this is an indication of the change that has taken place in political common sense, and the extent to which contemporary debate and news media have swung to the right.

Furthermore, many politicians in the left-populist family have gradually adopted more reformist stances. In Spain, the left has transitioned from the charismatic leadership of Pablo Iglesias to that of Yolanda Diaz, who is Minister of Labour in the current PSOE-led government, representing Unidas Podemos. Diaz has pushed a number of important reforms, including a labour reform that attempts to reverse some of the worst forms of ‘precaritisation’ of labour seen in a country which has an exceptionally high number of temporary contracts. She has also raised the minimum wage to €1000 per month and led an important furlough programme during the pandemic. Finally, as junior coalition partner with PSOE, the left has created the *ingreso mínimo vital*, a measure to support poor citizens that, despite some problems with its rollout, has ended up covering over 3 million people. Interestingly, Diaz’s favourite term is *dialogo* (dialogue), informed by her trade union background and her insistence that despite representing the interests of workers she is cognisant of other interests in society and the need to find a compromise between different stakeholders: a typical social-democratic stance.

A similar reformist turn has been taken by Jean-Luc Mélenchon, who in the 2022 elections led an alliance with the Socialist Party, the Greens and the Communist Party, and adopted a more pragmatic and presidential stance in his presentation. Significantly, in this campaign Mélenchon focused on key policies with a strong social-democratic flavour: raising the minimum wage to €1500 per month and lowering the pension age to 60 (instead of lifting it to 65 as Macron wants). These proposals go alongside more radical socialist proposals, such as the nationalisation of crucial industries and the pursuit of ecological planning; but they are indications that the populist left is now informed by a strong pragmatism, and the awareness that its promise of long-term transformation needs to be accompanied by proposals for more immediate change in the short term to the benefit of workers. This programme and alliance led to a historical victory for the left coalition in the parliamentary elections, denying Macron a governing majority.

As we have noted, there have also been signs of revival within traditional social-democratic forces. In 2021 there was a string of election victories for centre-left formations in Scandinavia and elsewhere. Furthermore, in some countries there has been a realignment of historic centre-left parties, as they have moved back towards a more traditional social-democratic position. Perhaps the most significant example of this possible realignment has been within the Democrats in the US, and the way in which, since entering the presidency, Joe Biden has tried to pursue moderate social-democratic policies. This has included an expansion of childcare and family tax credit, and various transfers to help workers and families experiencing economic difficulties, as well as ambitious investments in transportation and in measures to fight against climate change. In addition, Biden has tried to incorporate policy ideas from the Bernie Sanders wing of the party, and Sanders was elected chair of the powerful Senate Budget Committee. Initially, many of these measures were struck down because of the opposition of centrist Democratic senators Joe Manchin and Kyrsten Sinema. This impasse meant that Biden has plummeted from a high rating during his first 100 days to some of the lowest ratings of any president in US history. Yet the impasse was eventually broken, through negotiations with Manchin that led to the passage of the Inflation Reduction Act, which included bold investment in clean energy. This stands in contrast to how Obama's signature domestic achievement, the Affordable Care Act, was hollowed out by resistance from centrist Democratic Senators. This reflects the fact that some of the centrist forces of the left are now considering the need for some realignment of their platform away from neoliberal dogma.

There are similar shifts within traditional left parties in Europe. In Spain, the very fact that PSOE ultimately entered a coalition with Podemos is an indication of such a trend, as is the fact that it has tolerated, if not overtly supported, a number of economic policies that it would have probably considered too radical some years

ago. Within the German SPD there has been a shift to the left, with the current leadership of the party being clearly to the left of its chancellor, Olaf Scholz. Further, Scholz has embraced some more ambitious policies, such as a raising of the minimum wage and investments in housing to aid the difficult conditions of renters. In his discourse, he has mobilised the notion of ‘respect’; this appeals to manual labour voters who may be attracted by the populist right, and expresses the idea that these workers are essential for the country’s prosperity, and that they should be protected, and their salaries and working conditions improved.

This trend towards a left realignment has not taken place in countries like Britain, where the reaction of the centre vis-à-vis the left upsurge has not been one of co-optation, as with Biden, but rather rejection and marginalisation. Under Starmer, Labour initially abandoned all the new policies that were developed under Jeremy Corbyn and found to be very popular. At the same time, Starmer has attempted to cast Labour as the party of fiscal prudence, fighting against the economically profligate Tories, in an inversion of traditional political positionings. More recently, though, there have been signs of a new embrace of big ideas and big interventions, with, for example, the announcement at Labour Party conference in September of a major plan to drive a green industrial revolution, more openness to forms of public ownership, a national wealth fund, and a general shift to something like a ‘green investment state’. It remains to be seen whether Starmer will be able to resolve the tension between these two aspects of Labour’s public position.

Despite these counter-trends, and amid strong resistance to change from the neoliberal consensus coming from centrist forces, the general picture is one that sees a prudent realignment of mainstream centre-left parties towards a more social-democratic position, at the same time as left populist forces have adopted a more down-to-earth ethos focusing on reform rather than identity struggle against the establishment. In this context, and in the aftermath of the challenge to the hegemony of neoliberalism by the post-2008 anti-systemic left, as embodied by Bernie Sanders and Jeremy Corbyn, current social-democratic leaderships could go even further in developing inclusive visions of economic and ecological transformations. They could also begin to embrace more strongly a rhetoric and policy-stance that indicates a desire, on the more anti-systemic or populist left, to govern and not just to challenge from the outside. Could these combined trends lead to a new interventionist centre-left able to navigate the neo-statist moment?

An interventionist centre left?

The neo-statist moment seems to offer new opportunities for the development of a social-democratic centre left capable of harnessing the tools of state intervention-

ism. Social democracy is often associated with heavy state intervention, including taxation and welfare provision, industrial policy and nationalised industry, with the aim of constructing a 'welfare state' in the broad sense of a society in which the state guarantees social security and economic democracy. Where liberalism has been more ideologically committed to using the state to resolve and mediate social conflict in the name of stability and in the context of relatively limited forms of social participation and mobilisation, social-democratic parties, especially those in social democracy's European and Nordic models, have often put more emphasis on fundamental social antagonisms, and have sought to utilise state policies to augment popular mobilisation in the pursuit of a deeper democratisation of both the state and society. One aspect of this is that, at their height, social-democratic parties had deeper linkages to agents of social mobilisation such as the trade union movement.

It should also be noted that the relationship between social democracy and the state has always been complex and contradictory. Social democracy's relationship to the interventionist state has always been ambivalent, with statist currents always being challenged by alternatives such as guild and municipal socialism, trade unionism, or more social-movement oriented critiques of parliamentarianism.¹⁶

Notwithstanding any arguments about the nature of statism, social-democratic parties in the past have usually been able to make use of the political opportunities that the moment offered to them, and our argument is that the current moment offers such an opportunity. Neo-statism is a response to social crises, but it is one which, in most of its current manifestations, tries to preserve the political status quo. As with welfare state formation, contemporary neo-statism rests on a contradictory foundation: even as it is driven by latent distributional and political conflicts in society, state actors seek to produce a policy response that as much as possible side-steps those conflicts, subsuming them within a security or growth-oriented project. We see this, for example, in the widespread embrace by political elites of certain forms of stimulus or extraordinary central bank monetary policies, even as they resist or even retrench new forms of social spending. It is important that the left should not reject such neo-statist efforts as inherently tainted on the grounds that they depoliticise the crisis; on the contrary, the left needs to highlight and draw out the underlying political conflicts that neo-statism so often seeks to displace through its managerial approach.

One major challenge now is to begin to organise a new electoral bloc that may be interested in supporting social-democratic demands, but there is also a challenge of imagination – of devising a new vision of the state befitting our times and the specific challenges we face in the 2020s and beyond. A danger for the revival of a more interventionist social democracy is that parties may find they appeal only to

asset owners and more secure professional classes – groups who are often the most politically visible and with whom many social-democratic professional politicians share a social and educational background. Rather, social democrats must speak directly to those who have been most harmed by the financial crisis and then the pandemic, and devise policies that speak to their insecurity and precarity. A key story of the pandemic was its highlighting of the divide between salaried professionals who could alter their work patterns to adapt to health risks and those in sectors or precarious forms of employment that could not shift to flexible working. When social-democratic forces are active, they can push on the contradictions within state institutions – between their roles as stabilising mechanisms and as sources of democratic inclusion and empowerment – so as to generate popular legitimacy for more fundamental reforms.

Further, a project of democratised neo-statism will face stiff resistance, and nowhere is this more evident than in the collapse of Bidenomics, and the aggressive monetary tightening of central banks in the face of supply-side shocks and inflation. The risk is that, faced with the failure of more progressive neo-statist reforms, we may see a redoubled return of the populist right, proposing to use the coercive apparatus of the state to guarantee public order and mobilise against external enemies. This is the dark side of neo-statism: the return of geopolitical conflict and war economics. Systemic vulnerabilities – caused by the climate crisis, financialisation and the pandemic – are unravelling neoliberalism, revealing the vulnerabilities of highly integrated global supply chains and energy dependency. But at the moment they point towards a resurrection of state power insulated from democratic demands and domestic social conflict. Right populists start from an imagined national interest that suppresses such political cleavages.

The historical record shows that the modes of non-market economic coordination associated with war economies can become the basis for the democratisation of economic decision-making. Much of the infrastructure of democratic corporatism was created to coordinate war production during both world wars. Hence, there may be a silver lining for social-democratic politics in the current state of geopolitical tension. But if there is to be a renewal of social democracy it will be necessary to ditch the tendency towards moderation and compromise for compromise's sake which continues to inflect many traditional centre-left parties, and to learn something from the spirit of popular mobilisation displayed by post-2008 left populist movements.

The centre left needs to face up to the seismic shifts in the economic and policy landscape at the beginning of the 2020s. Traumatic events – the Covid pandemic, the climate emergency, and more recently the war in Ukraine – have helped induce a shift within the post-2008 anti-systemic left towards a more pro-governing stance.

Labour under Starmer could do more to come to grips with this neo-statist moment – plans for a green industrial revolution driven by the state can only be the start. Even as the Conservative Party enters crisis due to the contradiction between its tax cut agenda and general monetary tightening, the risk is that Labour will be strait-jacketed by its own positioning as the party of fiscal discipline. Further, it has only provided lukewarm support to trade union demands for a rise in wages that are proving popular with the electorate. Starmer’s more recent announcements could be the occasion for a bolder reimagining of the state. The social-democratic left now has an opportunity to articulate a vision of what comes after neoliberalism, one that utilises the infrastructure of neo-statism for an inclusive and democratic economy. However, to reap the fruits of these conjunctures will require far more than the half-hearted attempts at re-alignment seen so far among mainstream centre-left forces in the US and Europe. The times demand a bold redirection of political strategy and policy-making; this will involve avoiding the illusion that change can be achieved through compromise, and realising that only popular mobilisation can change the balance of forces. Will social democracy be revived or will a historic opportunity be missed?

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Notes

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