Unheralded Battle: Capitalism, the Left, Social Democracy, and Democratic Socialism

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Dissent, Volume 56, Number 1, Winter 2009, pp. 67-73 (Article)

Published by University of Pennsylvania Press
DOI: *https://doi.org/10.1353/dss.0.0015*

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Capitalism, the Left, Social Democracy, and Democratic Socialism

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The current financial and economic crisis has once again placed the dangers of capitalism at the forefront of our collective consciousness. The left, which until relatively recently had seemed adrift across much of the Western world, lacking in coherent and convincing responses to globalization and neoliberalism, appears once again poised for a comeback, as citizens yearn for stability and security in difficult times. That the left's fortunes should ebb and flow with capitalism's is nothing new. Indeed, capitalism is both the reason for and the bane of the modern left; the left's origins and fate have always been inextricably intertwined with capitalism's. There is much, therefore, that the left can learn from its past about how to approach the problems of the present.

The Backstory

The emergence of capitalism in the eighteenth and nineteenth centuries led to unprecedented economic growth and personal freedom, but it also brought dramatic inequality, social dislocation, and atomization. Accordingly, a backlash against the new order soon began. During the early to mid nineteenth century, a motley crew of anarchists, Lassalleans, Proudhonians, Saint Simonians, and others gave voice to the growing discontent. Only with the rise of Marxism, however, did the emerging capitalist system meet an enemy worthy of its revolutionary power. By the late nineteenth century an orthodox version of Marxism had displaced most other critiques of capitalism on the left and established itself as the dominant ideology of the international socialist movement.

Part of Marxism's appeal came from the embedding of its scathing critique of capitalism in an optimistic historical framework that promised the emergence of an even newer and better system down the road. Crudely stated, Marxism had three core points: that capitalism was a great transforming force in history, destroying the old feudal order and generating untold wealth and productivity; that it was based on terrible inequality, exploitation, and conflict; and that it would ultimately and naturally be transcended by the arrival of communism.

We don't always remember that Marx thought capitalism had amazing qualities. "[It] has accomplished wonders," he wrote, "far surpassing Egyptian pyramids, Roman aqueducts, and Gothic cathedrals; it has conducted expeditions that put in the shade all former Exoduses of nations and crusades." But its extraordinary accomplishments, he argued, came at a fearsome human cost. Capital was like a vampire that "lives only by sucking living labor, and lives the more, the more labor it sucks." And in the end, having fulfilled its historically "progressive" function of destroying the old order and releasing humanity's productive potential, it would collapse. Marx was convinced that just as the internal contradictions of feudalism had paved the way for capitalism, so the internal contradictions of capitalism would pave the way for its successor. It was, as he once put it, "a question of . . . laws . . . tendencies working with iron necessity towards inevitable results."

Everyone on the left agreed with Marx on the first two points. By the late nineteenth century, however, some of its sharpest minds began to disagree on the third. For instead of collapsing, capitalism was showing great resilience. It emerged stronger than ever from a long depression in the 1870s and 1880s, and then revolutions in transportation and communication led to a wave of globalization sweeping over not just Europe but the world at large.

Several advanced bourgeois states, meanwhile, had started to enact important economic, social, and political reforms, and, for most of the public, life was actually getting not worse but better (however slowly and fitfully).

In response to these conditions, the left effectively splintered into three camps. The first, best symbolized by Lenin, argued that if the new social order was not going to come about on its own, then it could and should be imposed by force—and promptly set out to spur history along through the politico-military efforts of a revolutionary vanguard. Many other leftists were unwilling to accept the violence and elitism of such a course and chose to stick to a democratic path. Standard narratives of this era often leave the analysis here, focusing on the split between those who embraced and those who rejected violence. In fact, however, an additional split within the democratic camp was crucial as well, centering on the future of capitalism and the left's proper response to it.

One democratic faction believed that Marx may have been wrong about the imminence of capitalism's collapse, but was basically right in arguing that capitalism could not persist indefinitely. Its internal contradictions and human costs, they felt, were so great that it would ultimately give way to something fundamentally different and better—hence the purpose of the left was to hasten this transition. Another faction rejected the view that capitalism was bound to collapse in the foreseeable future and believed that in the meantime it was both *possible* and *desirable* to take advantage of its upsides while addressing its downsides. Rather than working to transcend capitalism, therefore, they favored a strategy built on encouraging its immense productive capacities, reaping the benefits, and deploying them for progressive ends.

The real story of the democratic left over the last century has been the story of the battle between these two factions, which can be thought of as the battle between democratic socialism and social democracy. It is this battle, and in particular the incomplete victory of the latter in it, that has constrained the left's ability to respond to political challenges up through the present day.

Heirs or Doctors?

The most important and influential of the fin-de-siècle proto-social democrats was Eduard Bernstein. Bernstein was an important figure in both the international socialist movement and its most powerful party, the German Social Democratic Party (SPD). He argued that capitalism was not leading to the immiseration of the proletariat, a drop in the number of property owners, and ever-deepening crises, as orthodox Marxists had predicted. Instead, he saw a capitalist system that was growing ever more complex and adaptable. This led him to oppose "the view that we stand at the threshold of an imminent collapse of bourgeois society, and that Social Democracy should allow its tactics to be determined by, or made dependent upon, the prospect of any forthcoming major catastrophe." Since catastrophe was both unlikely and undesirable, he argued, the left should focus on reform instead. The prospects for socialism depended "not on the decrease but on the increase of social wealth," together with socialists' ability to generate "positive suggestions for reform" that would improve the living conditions of the great masses of society: "With regard to reforms, we ask, not whether they will hasten the catastrophe which could bring us to power, but whether they further the development of the working class, whether they contribute to general progress." Perhaps Bernstein's most (in)famous comment was, "What is usually termed the final goal of socialism is nothing to me, the movement is everything." By this he simply meant that talking constantly about some abstract future was of little value; instead socialists needed to focus their attention on the long-term struggle to create a better world.

Because the issues raised by Bernstein and other revisionists touched upon both theory and praxis, it is not surprising that the international socialist movement was consumed by debates over them during the fin-de-siècle. Karl Kautsky, the standard-bearer of orthodox Marxism, attacked Bernstein, commenting, "He tells us that the number of property-owners, of capitalists, is growing and that the groundwork on which we have based our views is therefore wrong. If that were so, then the time of our victory would not only be long delayed, we

would never reach our goal at all." Similarly, Wilhelm Liebknecht, one of the leaders of the powerful German SPD, noted, "If Bernstein's arguments [are] correct, we might as well bury our program, our entire history, and the whole of [socialism]." And Rosa Luxemburg, perhaps Bernstein's most perceptive critic, urged socialists to recognize that if his heretical views were accepted, the whole edifice of orthodox Marxism would be swept away: "Up until now," she argued, "socialist theory declared that the point of departure for a transformation to socialism would be a general and catastrophic crisis." Bernstein, however, "does not merely reject a certain form of the collapse. He rejects the very possibility of collapse . . . . But then the question arises: Why and how . . . shall we attain the final goal?" As Luxemburg recognized, Bernstein was presenting socialists with a simple question: Either "socialist transformation is, as before, the result of the objective contradictions of the capitalist order . . . and at some stage some form of collapse will occur," or capitalism could actually be altered by the efforts of inspired majorities—in which case "the objective necessity of socialism . . . falls to the ground."

These debates simmered for more than a generation, until events reached a critical juncture during the 1920s and early 1930s. Now in power in several major European countries, the democratic left found itself responsible for actual political and economic governance, not simply for agitation and theorizing. The onset of the Great Depression in particular forced socialists to confront their relationship to capitalism head-on. In the hour of what seemed to be capitalism's great crisis, what should socialists do? Should they sit back and cheer, seeing the troubles as simply the start of the transition that orthodox Marxism had long promised? Or should they try to stanch the bleeding and improve the system so that such disasters could never happen again? Fritz Tarnow, a leading German socialist and unionist of the day, summed up the dilemma in 1931:

> Are we standing at the sickbed of capitalism not only as doctors who want to heal the patient, but also as prospective heirs who can't wait for the end and would gladly help the process along with a little poison? . . . We are damned, I think, to be doctors who seriously want to cure, and yet we have to maintain the feeling that we are heirs who wish to receive the entire legacy of the capitalist system today rather than tomorrow. This double role, doctor and heir, is a damned difficult task.

In fact, it was not just difficult, it was impossible. And recognizing this, more and more socialists understood that the time had come to choose. One result was that during the early 1930s, reformers across the continent developed policies that, while differing in their specifics, were joined by one key belief: the need to use state power to tame and ultimately reform capitalism. In Belgium, Holland, and France, Hendrik de Man and his *Plan du Travail* found energetic champions; in Germany and Austria, reformers advocated government intervention in the economy and proto-Keynesian stimulation programs; and in Sweden, the Social Democratic Party initiated the single most ambitious attempt to reshape capitalism from within.

By the end of the 1930s, therefore, the longstanding debate on the democratic left had come to a head. On the one side stood social democrats, who believed in using the power of the democratic state to reform capitalism. And on the other side stood democratic socialists, who believed that leftists should not do anything about capitalism's crises because ultimately it was only through the system's collapse that a better world would emerge.

The Postwar World

During the interwar years, social democrats generally lost these battles, except in Scandinavia and, particularly, in Sweden. But in the wake of a second world war brought on by tyrannies that had come to power thanks in part to the interwar era's economic and social turmoil, the social democrats' ideas and policies ultimately triumphed, both on the left and across much of the political spectrum. After 1945, Western European states explicitly committed themselves to managing capitalism and protecting society from its more destructive effects. The prewar liberal understanding of the relationship among capitalism, the state, and society was abandoned: no longer was the role of the state simply to ensure that markets could

grow and flourish; no longer were economic interests to be given the greatest possible leeway. Instead, after the war the state was generally seen as the guardian of society rather than the economy, and economic imperatives were often forced to take a back seat to social ones.

These changes seemed so dramatic at the time that contemporary observers were unsure how to characterize them. Thus, C.A.R Crosland argued that the postwar political economy was "different in kind from classical capitalism . . . in almost every respect that one can think of." And Andrew Shonfield similarly questioned whether "the economic order under which we now live and the social structure that goes with it are so different from what preceded them that it [has become] misleading . . . to use the word 'capitalism' to describe them."

But of course capitalism did remain—even though it was a very different capitialism than before. After 1945, the market system was tempered by political power, and the state was explicitly committed to protecting society from its worst consequences. This was a far cry from what Marxists, communists, and democratic socialists had hoped for (namely, an end to capitalism), but it was equally far from what liberals had long advocated (namely, a free rein for markets). What it most closely embodied was the worldview long espoused by social democrats.

Putting into place this new understanding of politics and markets allowed the West to combine—for the first time in its history—economic growth, well-functioning democracy, and social stability. Despite the obvious success of the postwar order, however, the triumph of social democracy was not complete. Many on the right accepted the new system out of necessity alone; once their fear of economic and social chaos (and the radical left) faded, their commitment to the order also faded. But more interestingly, even many on the left failed to understand or wholeheartedly accept the new dispensation. Some forgot that the reforms, while important, were merely means to an end—an ongoing process of taming and domesticating the capitalist beast—and so contented themselves with the pedestrian management of the welfare state. Others never made their peace with the loss of a post-capitalist future.

A LEADING LIGHT in the second camp was Michael Harrington, putative heir to the mantle of Eugene Debs and Norman Thomas, one of the American left's most inspiring and influential figures, and a long-time contributor to this journal. Harrington supported reforms that alleviated the suffering of America's poor and marginalized (whom he famously termed "The Other America"), but he did not believe that such reforms or the welfare state more generally could ever eliminate suffering or injustice. These were ultimately inherent features of capitalism itself. He argued, for example, that the "class structure of capitalist society vitiates, or subverts almost every . . . effort towards social justice."

Even the unprecedented economic growth of the postwar era did not fundamentally change Harrington's views. He described such growth as "misshapen" and "counterproductive," arguing that no matter how economically successful it was, capitalism was incapable of "meeting the needs of the people." Perhaps unsurprisingly, he was also convinced that capitalism was on its way out. In 1968, he opened his book *Toward a Democratic Left* with the proclamation that the "American system [didn't] seem to work any more." In 1976, he wrote a book called *Twilight of Capitalism*. In 1978, he asserted that "capitalism was dying." And in 1986—just three years before the collapse of communism and in the middle of a lengthy economic boom—he wrote that "the West is living through an economic and social crisis so unprecedented in its tempo, so complex in its effects, that there are many who do not even know it is taking place."

The problem with such statements and the larger worldview that lay behind them is not merely that they were wrong, but also that they were counterproductive. Convinced that a better world had to await capitalism's demise, Harrington devoted much of his intellectual and political energy to convincing his readers that capitalism's apparent triumphs were fictional and that the system was really on its way out. And he sought to persuade the left that its chief task was not to reform and humanize

capitalism but rather to press for its passing.

One result of the mismatch between Harrington's worldview and reality was that his attempts at practical guidance were highly impractical. Indeed, reading Harrington today one is struck by two things: the sharp and amazingly empathetic eye he brought to his descriptions of the American poor and the utopian irrelevance of most of his policy proposals for improving their lot. Harrington knew what he disliked about the existing capitalist order, but had trouble describing concretely how a post-capitalist world would actually work or how to get to it. Like other democratic socialists, he placed a lot of faith in "democratic planning." Yet aside from the emphasis on democracy and public participation (to differentiate it from the heavy-handed state planning of the Eastern bloc), there was little description about what such planning would involve or how it would achieve its goals. Other recommendations for building a socialist order included the socialization of investment, some form of "social" ownership, shorter working hours, and limits on the private setting of prices. But one looks in vain for details about how such measures could be implemented, what their likely results would be, and how they would relate to each other and to existing institutions so as to produce more efficient or just outcomes.

It is hard not to conclude, especially with hindsight, that the democratic socialist view was ultimately a dead end. Although Harrington and others in his corner were very often correct in their scathing criticisms of capitalism, they consistently played down not only its extraordinary accomplishments but also the changes it went through over time—changes that were, to a large degree, the achievement of the left itself. By insisting that true justice could come only with capitalism's elimination, democratic socialists implicitly (and often explicitly) denigrated efforts at taming it—thus limiting the left's cohesiveness and appeal and its ability to offer practical benefits to suffering populations in the short and mid term.

The Fierce Urgency of Now

These arguments are anything but academic or merely historical. For the left today faces a globalized capitalism in the midst of a serious crisis. How the left thinks about capitalism and its own mission will affect its ability to deal with this crisis as well as its chances for electoral success. Although currently chastened, contemporary neoliberals of the right and center have long argued for leaving markets as free as possible and have long dismissed concerns about globalization's individual and social costs. Large sectors of the left, meanwhile, downplay the adaptability of markets and dismiss the huge gains that the global spread of capitalism has brought, particularly to the poor in the developing world. Such debates resemble nothing so much as those taking place a century ago, out of which the social democratic worldview first emerged. Then as now, many liberals see only capitalism's benefits, while many leftists see only its radical flaws, leaving it to social democrats to grapple with a full appreciation of both.

Participants at the two extremes of today's economic debates need to be reminded that it was only through the postwar settlement that capitalism and democracy found a way to live together amicably. Without the amazing economic results generated by the operations of relatively free markets, the dramatic improvements of mass living standards throughout the West would not have been possible. Without the social protections and limits on markets imposed by states, in turn, the benefits of capitalism would never have been distributed so widely, and economic, political and social stability would have been infinitely more difficult to achieve. One of the great ironies of the twentieth century is that the very success of this social democratic compromise made it seem routine; we forget how new and controversial it actually was. As a result, by the end of the twentieth century the West had begun to gradually abandon this compromise, moving in a more neoliberal direction, freeing markets and economic activity from some of the oversight and restrictions that had characterized the postwar settlement. The challenge to the left today is to recover the principles underlying this settlement and to generate from them initiatives that address today's new problems and opportunities. Many of the specific policies that worked during the postwar era have run out of steam, and the left should not be

afraid to jettison them. The important thing is not the policies but the goals—encouraging growth while at the same time protecting citizens from capitalism's negative consequences.

Building on its best traditions, the left must reiterate its commitment to managing change rather than fighting it, to embracing the future rather than running from it. This might seem straightforward, but in fact it isn't generally accepted. Many European and American leftists are devoted to familiar policies and approaches regardless of their practical relevance or lack of success. And many peddle fear of the future, fear of change, and fear of the other. Increasing globalization and the dramatic rise of developing world giants such as China and India, for example, are seen as threats rather than opportunities.

At its root, such fears stem from the failure of many on the left to appreciate that capitalism is not a zero-sum game—over the long run the operations of relatively free markets can produce net wealth rather than simply shifting it from one pocket to another. Because social democrats understand that basic point, they want to do what they can to encourage trade and growth and cultivate as large a net surplus as possible—all the better to pay for measures that can equalize life chances and cushion publics from the blows that markets inflict.

Helping people adjust to capitalism, rather than engaging in a hopeless and ultimately counterproductive effort to hold it back, has been the historic accomplishment of the social democratic left, and it remains its primary goal today in those countries where the social democratic mindset is most deeply ensconced. Many analysts have remarked, for example, on the impressive success of countries like Denmark and Sweden in managing globalization—promoting economic growth and increased competitiveness even as they ensure high employment and social security. The Scandinavian cases demonstrate that social welfare and economic dynamism are not enemies but natural allies. Not surprisingly, it is precisely in these countries that optimism about globalization is highest. In the United States and other parts of Europe, on the other hand, fear of the future is pervasive and opinions of globalization astoundingly negative. American leftists must try to do what the Scandinavians have done: develop a program that promotes growth and social solidarity together, rather than forcing a choice between them. Concretely this means agitating for policies—like reliable, affordable, and portable health care; tax credits or other government support for labor-market retraining; investment in education; and unemployment programs that are both more generous and better incentivized—that will help workers adjust to change rather than make them fear it.

Just as important, however, is that the left regain its old optimism and historical vision. And here, interestingly, is where Harrington still has something to teach. In his writings, he insisted on the left's need for some larger sense of where it wanted the world to be heading. Without this, he argued, the left would be directionless and uninspiring. Despite current disillusionment with capitalism, this is precisely the situation the left finds itself in today, given the loss of its vision of a postcapitalist society. Many of its parties win elections, but few inspire much hope or offer more than a kinder, gentler version of a generic centrist platform.

Given the left's past, this is astonishing. The left has traditionally been driven by the conviction that a better world was possible and that its job was to bring this world into being. Somehow this conviction has been lost. As Michael Jacobs has noted, "Up through the 1980s politics on the left was enchanted—not by spirits, but by radical idealism; the belief that the world could be fundamentally different. But cold, hard political realism has now done for radical idealism what rationality did for pre-Enlightenment spirituality. Politics has been disenchanted." Many welcome this shift, believing that transformative projects are passé or even dangerous. But this loss of faith in transformation "has been profoundly damaging, not just for the cause of progressive politics but for a wider sense of public engagement with the political process."

As social democratic pioneers of the late nineteenth and early twentieth century recognized, the most important thing that politics can provide is a sense of the possible. Against

Marxist determinism and liberal laissez-faire, they developed a political ideology based on the idea that people working together could make the world a better place. And in contrast to their democratic socialist colleagues, they argued that it was both possible and desirable to take advantage of capitalism's upsides while addressing its downsides. The result was the most successful political movement of the twentieth century, one that shaped the basic politico-economic framework under which we still live. The problems of the twenty-first century may be different in form, but they are not different in kind. There is no reason that the accomplishment cannot be developed and extended. ●

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