



THE FUTURE OF SOCIAL DEMOCRACY

FINDINGS FROM THE
“CHALLENGES FOR THE PROGRESSIVE SOCIETY OF THE 21ST CENTURY”
CONFERENCE

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The Future of Social Democracy

**Findings from the “Challenges for the Progressive Society of the
21st Century” Conference**

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Foreword

Social democracy is facing new challenges world-wide. These are the outcome of global structural economic changes as well as social and demographic shifts - such as immigration and they result in political setbacks: the losing of elections on the European continent, the decrease in membership numbers, and the rise of extremist right-wing parties. In addition, no new relevant ideological messages, adapted to changing times, have reached our contemporary societies. The limited success in meeting these challenges has considerably weakened social democratic parties throughout Europe as well as in Israel.

This common analysis has brought together the Berl Katznelson Foundation in Israel, the Friedrich-Ebert-Stiftung from Germany and the Jean Jaures Foundation in France to hold a common consultation on the future of progressive societies. The conference organized in Israel in November 2010, attracted thinkers and politicians from nine Countries as well as representatives of the Foundation Ideas from Spain, the PES and the Federation for European Progressive Studies.

The aim of the Conference was not to merely establish a diagnosis or to compare challenges. It focused on finding new ideas and methods, potential regeneration scenarios, bound to help us find a way out of the crisis and return to power. Participants in the conference – experts from academia, members of Parliament and Ministers all felt the need for stronger messages, a redefinition of the role of the social welfare state, as well as the use of the new social media to promote our policies.

The conference findings and proposals are summarized in this booklet and can serve as a basis for shaping new policies.

Social democracy has undergone periods of crisis in the past, especially after the stagflation in the 1970's, but has been able overcome them. Only a decade ago, most European countries were governed by social-democratic parties. Socialism was born out of a conviction that the dominant order may be changed and that the conditions of peoples' existence can improve. Now that a deep economic crisis is shaking Europe again, social democrats can play a leading role. We believe that our parties can regain public support if they present viable alternatives and a common strategy.

We thank Dr. Roby Nathanson and the Macro Center for editing this booklet, as well as all the participants in the Conference for their ideas and contributions.

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Introduction

The world is going through a devastating economic crisis caused, among others, by an ill-regulated financial industry and by blind faith in the free market. Yet, the social-democratic movement is probably at one of its lowest points in the past century. Instead of gathering support for the movement which promotes social justice and solidarity, the crisis has deepened the public's mistrust of social democracy. The roots of the decline of social democracy are deeper than the current crisis and are related to globalization, growing immigration, the rising costs of the welfare system and Europe's aging population.

The movement can return to power but it will need first to reinvent itself and adapt its ideology to the structural changes in the economy, and second, to better convey its message. Thus, for example, focusing only on workers' rights, and not on the cost of living, and ignoring the connection between the welfare system and the labor force, is no longer adequate.

Perhaps, the economic crisis can actually serve as an opportunity for the social democratic movement. Times of crisis call for drastic measures and thus social democratic parties will be able to reform their platforms and remove anachronistic elements. Furthermore, the crisis is changing the public discourse. The backlash against wild capitalism was most prominent in Israel, where the largest social protest movement in the country's history took to the streets demanding social justice. Protesters calling for a new economic direction have also camped in Madrid to demonstrate against unemployment and austerity measures and in New York as part of the Occupy Wall Street Movement. Social democratic parties around the world will have to offer a concrete, comprehensive economic and social policy that can serve as an alternative, while remaining pragmatic. This booklet will discuss the challenges the movement is facing and how social democracy can return to power.

The first chapter will analyze the challenges the social democratic movement is facing in the short-term and long-term. The second chapter will propose ways to regain support and win future elections. It will focus on the importance of participatory politics, on the target voters social democratic parties should address and on the elements of a successful political campaign. The next chapter will offer a new platform for social democratic parties. It is built in a top-bottom approach and discusses the principle of social-democracy, suggests a strategy for the party and finally provides examples of specific policies that were implemented successfully in Norway and Sweden. The last chapter will focus on the Israeli Labor Party and discuss how the party can leverage the latest protests and renew itself as a leading social democratic party.

Chapter 1 - Challenges

Historical Background

During the nineteenth century, capitalism spread across Europe, and with it liberalism emerged as a political and economic ideology. By the middle of the century the consequences of early capitalism started to show: dramatic inequalities and social alienation. Therefore, there was a dire need in finding an alternative.

The most prominent alternative was Marxism; however calling the workers of the world to unite and create a revolution that will end with the proletariat in power was often not considered a practical solution to solve capitalism's downsides in the immediate future. Furthermore, Marxism had little understanding for the growing need in solidarity and nationalist sentiment. In response to these frustrations social democracy arose, as an attempt to reform the existing system.

In contrast to socialism, social democracy, which originated from evolutionary reformist socialism, did not hold that a political revolution is necessary to achieve socialist goals, and attempted to build a more equal society gradually. They believed that socialism should be desired and promoted by democratic means, and not imposed on society. Social democracy cooperated with the rising labor movements, which emerged worldwide and advanced workers' rights as a response to rapid industrialization.

World War II was the most destructive period in the history of modern Europe. After 1945, Western European nations were seeking to construct a new order, one that would protect the people while ensuring economic growth. The state was generally perceived to be the guardian of society, and not of the economy. These ideas brought the rise of social democracy and the creation of the welfare state, a major achievement of the postwar period and of the social

democratic movement. The welfare state promoted equal opportunity, social justice and was responsible for the social well-being of its citizens. Social democracy did not ban the free market; capitalism remained an important force, but was limited by political power and often was used as a means to an end – society's needs.

In the UK, the Beveridge Report had a key role in developing the welfare state. According to the report which was published in 1942 and quickly became a bestseller, the state should be responsible for the citizens 'from the cradle to the grave'. The report called for a full reform of social services and recommended universal access to these services. The Labor Party, elected in 1945, implemented many of the proposals including establishing a comprehensive system of social security (unemployment benefits, widow benefits, sickness benefits and retirement pensions), creating the National Health Service, providing work-related accident insurance and supplying child allowances. Throughout Europe, the modern welfare state developed: countries provided more social transfers and allowances, insurances for the unemployed, sick and disabled, pensions, health and education services. The welfare state was able to reduce poverty and provide support to the general population while employment levels remained high.

However, the economic crisis of the 1970s gave rise to the deficiencies of the welfare state. The decade of the 1970s was characterized by stagflation - limited economic growth (and recession), high unemployment and high inflation. The economic downturn was caused in part by two energy crises. The first oil crisis of 1973, as a result of the oil embargo of OPEC, and the second oil crisis of 1979, as a result of low volume exports of oil from Iran. At the end of the 1970s the welfare state was blamed for not coping with the crisis. In the UK, the social democrats drew more criticism when the economic recovery slowed down due to a prolonged series of strikes.

An additional factor that hurt social democrats was the fragmentation of the working class, the main supporters of the social democratic parties. The growing class of bourgeois workers did not identify with the traditional working class and often preferred a smaller government. International competition and structural changes in the economy pushed many workers simultaneously to the underclass. In Britain, for example, the coal mines were not able to compete with Mediterranean oil and cheaper Polish coal, thus the number of coal miners fell rapidly. This resulted in less political power to the sector that represented one of Britain's strongest trade unions and was associated with the old left.

In the 1980s social democrats suffered numerous electoral defeats. In the US Reagan defeated the democrats in 1980 and 1984 and in Britain the conservatives led by Thatcher won three straight landslide victories. In West Germany, the Christian Democrats gained power in 1982 and the social democrats remained in the opposition until 1998.

In the 1990s, some social democratic parties moved towards the political center by embracing the "Third Way" ideals, a political ideology that tries to reconcile right-wing and left-wing politics by advocating a varying synthesis of right-wing economic and left-wing social policies. The new left supported privatization of certain industries controlled by the state, accepted the dominance of the free market and the emergence of individualism and introduced market-like incentives and models of operation in the public sector. In general, policies moved from regulation to a privatized liberal economy that uses its revenues to support high level public services such as health care, education and training.

"But what is the main characteristic of this Third Way social democracy? The main characteristics are that the Third Way social democracy accepts the predominance of the free market, therefore is in favor also of certain deregulations, be it the labor market or other elements, and at the same time, tries to accept the emergence of individualism."

- Dr. Alfred Gusenbauer

The movement towards the political center helped social democrats gain public support. Thus after its rejection in four straight elections, Tony Blair's New Labor gained the elections by disassociating themselves publicly from the previous, explicitly democratic socialist, Labor Party. New Labor regained power in the 1997 elections and continued ruling the country until 2010.

The "Third Way" was also adopted in the US and Germany. Bill Clinton was identified as a New Democrat, a new centrist fraction of the Democratic Party. He was elected twice as president in 1992 and 1996 and supported welfare reform that included a workfare component, the NAFTA free trade agreement, a balanced budget and a more progressive tax system. Gerhard Schroeder, whose "New Center" politics resembled the "Third Way", was elected in 1998 and led new reforms that included cuts in the welfare system and lowered taxes. Other parties with "Third Way" agendas were elected in Canada, Australia and the Netherlands. While supporters of the movement claimed that the "Third Way" pragmatically combines market policies with social justice, critics within the social democratic movement attacked the "Third Way" for ultimately supporting the capitalist system and thus widening the social gap.

The move towards the center helped the left in the short run, but contributed to the identity crisis of the movement in the long run. For many, the social democratic party today is perceived as a party which neglected its ideology and allied with its traditional enemies from the right. As the distinctions between left and right blurred, the foundations of social democracy became less apparent. On the other hand, there is no denying that the "Third Way" represented the last big electoral success of social democrats and that the "Third Way" leaders gained widespread support.

The Decline in Support for Social Democracy

Social democracy faces economical and culture challenges, along with challenges deriving from the globalization process and the movement's identity crisis. This section addresses each one of these challenges which account for the loss of the movement's public support.

Economical Challenges

One major challenge facing social democracy is the cost of maintaining the welfare system. Welfare services are growing more expensive as a result of demographic changes and of the growing demand for more welfare. The most important indicator for demographic changes affecting the welfare state is the dependency ratio. The ratio is calculated by dividing the number of people under 15 and older than 65 by the number of people aged 15-64. The result measures the current pressure on the productive population, meaning the number of people supported by each working person in the labor force. The dependency ratio among several OECD countries is steadily growing. In Germany the ratio rose from 44% in 1988 to 50% in 2008, in Italy the ratio rose from 47% to 52% and in the Netherlands it rose from 45% to 49%. The real or active dependency ratio is even higher since many people aged 15-64 do not work. In addition, the ratio is growing higher since these days students spend more years studying.

Europe's aging population endangers the welfare state. The average percentage of population aged 65 and over in Germany was 16.4% in 2000 and grew to 20.4% in 2010. The OECD average was 14.8% in 2010, compared to 13% in the year 2000 and is expected to rise to 25.7% by the year 2050. These changes are critical because the welfare state universally supports the elderly, through unique services, transfer payments, public pension systems and health care services. The revenue for supporting the elderly is based on taxes and mostly on

the working population. The old age dependency ratio (the ratio between people older than 64 and people aged 15-64) is expected to grow in the EU25 from 22.1% in 1995 to 52.8% in 2050. The state will not be able to afford to continue offering all of the welfare services.

The second economical problem facing the welfare system is the low productivity increase of welfare services in comparison to industrial production, a process which makes welfare production relatively more expensive over time. As quality of life increases and other services improve due to technological progress, people also desire better welfare. Citizens of the country are not only expecting welfare to improve at the pace of the rest of the economy, they often expect more:

“The welfare services are growing more and more expensive over time. People are demanding more welfare, the richer they get, and not only in a proportional way, but in a progressive way. For example, if you compared today with the 1950s, of course you are richer in terms of having newer televisions and newer cars, and you would also expect the welfare system to improve in the same way. But the demand is even higher since actually you do not need 3 or 4 televisions, there is a certain limit. However the demand for healthcare, the demand for education, the demand for care, these kinds of demands are constantly increasing”

-Sebastian de Toro

However, the country is not able to provide all these new demands since productivity is improving at a slower rate in welfare services.

Globalization and Technological Challenges

Globalization increases inequality within countries, mostly because the global labor market is flooded with low-skilled workers. The huge increase in the supply of these workers lowers

their market value. Companies prefer to open factories in countries with cheaper labor (such as China) and to outsource work.

At the same time, technological changes and the expansion of the international market for goods and services has raised the marginal value of high-skilled workers, who face less competition. When a new technology is developed, there is a need for skilled labor to work with the new products or further develop them. Therefore, high-skilled workers gain more from technological advancement. In the past, the inequality created by the new technology declined over time as the technological benefits spread to the rest of the population (the Kuznets curve represents a similar general hypothesis on the development of the economy).

However the current situation is different:

“If technological innovations persist wave after wave after wave, inequality can become permanent, or growth in inequality can become permanent over a longer period of time. This seems to be the present situation. Because what we have now is not an industrial revolution, but repeated waves of very radical technological changes“

-Prof. Gur Ofer

The outcome of globalization and constant technological progress is an increase of inequality between skilled and unskilled workers. With the increase of inequality there is an obligatory increase in welfare services, since more people eventually fall below the poverty line and need the country's support. As a result, the welfare system becomes more expensive and the burden on the high-skill workers who finance the system grows. Eventually, these workers may oppose the welfare system and cease to identify with the rest of society.

Cultural Challenges

The welfare states which shaped after the Second World War were based on relatively homogenous societies. In the industrialized society, people of the same class also shared the same culture and it was only logical to promote class interests. People were willing to contribute to society and to support social democratic parties which relate to collective interests, solidarity and communal values. However, in the past few decades, individualism became a more important factor and identity politics have taken over class politics. The public now tends to perceive itself as a cluster of individuals and not as a community.

This challenge is further amplified by the disappearance of homogenous societies as a result of increased immigration. EU countries have substantial immigrant populations, consisting mostly of Muslim immigrants (and Slavic immigrants in Germany). In Norway, the number of immigrants is around half a million, 11.4% of the total population and 27% of the population in the capital, Oslo. Close to six million immigrants live in Spain (12.2% of the population) and in Sweden 1.3 million are foreign born (14.3%).

In most cases, immigrants are gathered in communities that differ from the rest of the population, due to difficulties with the local language and culture, socio-economic gaps and the need for religious and community services. With the increase of immigrant population entering the workforce in Europe, the society has become profoundly fragmented, and it is becoming increasingly difficult to create a sense of solidarity among people who do not share similar cultural identities. So far, social democrats have not proposed a solution to this issue, a distinct immigration and integration policy. Therefore, more people are turning to right-wing parties for solutions and xenophobia is rising in Europe.

Identity Challenges

The final challenge facing social democrats is the movement's loss of identity caused mainly by adopting a centrist ideology. The loss of identity creates a feeling among the public that social democrats do not have the relevant solutions to deal with current problems.

“Social democracy has lost the battle already in the 1990's because of lack of a clear ideological message. We have said almost nothing in face of the dominant liberal thinking; quite on the contrary, we have tried the way of compromise”

-Henri Nallet

An additional reason for the loss of identity is the lack of a united leadership. The lack of unity was demonstrated in the 2008 financial crisis. The movement could not agree on a suitable economic policy to deal with the consequences of the financial crisis. Some social democrats still support the Keynesian approach and demand to increase the role of the public sector, while others support a neoclassical economic policy which advocates a greater role for the private sector. The contradictions within the movement contribute to its ambiguity.

Social Democracy and the Current Economic Crisis

The challenges mentioned so far have been relevant for at least a decade and they have increased over the past few years. The severe economic crisis of 2008 demonstrated the danger of unregulated capitalism. Despite this crisis, surprisingly, social democratic parties are losing elections and this for several reasons: First, the social democratic parties took an active part in the neo-liberalization policies, in reducing regulation and generally in promoting a more capitalistic economy. Therefore, they could not lay the blame on the right when the crisis broke out. Furthermore, the social-democratic movement could not agree on the correct solutions to the crisis, and did not present a real alternative at the time.

In addition, as Alfred Gusenbauer, Chair of the Next Left Focus Group and Former Chancellor of Austria, explains, according to empirical evidence from many countries, the political right is mainly perceived as responsible for the economy, while the political left is perceived as responsible for social policies, equality and welfare. During the crisis the public was looking for decision-makers to handle the banking system, bail out programs, public debt and growth, while social policies were temporarily cast aside. Since the political right is seen as most suitable to handle these situations, when the economy needs recovery, people trust right wing parties. The left is not only associated with social policies but also with government, and during the crisis people lose faith in governments and parties. Therefore, it is not surprising that past European economic crises have increased the power of the right. The crisis in the 1930s did not lead to a substantial swing to the left, rather it ended up in the establishment of fascism in Europe.

The results of the economic crisis on Europe's political landscape are clear. As of December 2011, social democrats control governments in only four countries in the EU27: Austria, Greece, Slovenia and Denmark (in Cyprus the communist party rules), and that is bound to change as well. Meanwhile center-right or conservative parties lead the governments in Bulgaria, the Czech Republic, Estonia, Finland, France, Germany, Hungary, Italy, Latvia, Lithuania, Luxemburg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Spain, Sweden and the United Kingdom.

In 2002 social democrats still governed in 15 EU countries, but they have been losing power steadily since. For example, the Social Democratic Party of Finland won the election for the last time in 1999. In 2003 the party received 24.5% of the votes, in 2007 it received 21.4% and in the election of 2011 it received only 19.1% of votes. Similarly, the Hungarian Socialist Party is experiencing a sharp decline in the amount of supporting votes. In the elections of

2002 and 2006 the party received more than 40% of the votes, while in the latest election it received 19.3% of the votes and it is no longer the dominant party in the country.

In Sweden the Social Democratic Party is still the largest party, yet it suffers a decline in the amount of voters. It received 39.8% of the votes in the general election of 2002, 37.7% in 2006 and 30.1% in the election of 2010. Even in Austria, where the Social Democratic Party still leads the government, the party suffers from a decline in support. The party received 29.3% of the votes in 2008, leaving it in power but reducing its strength significantly. In comparison, the party received 35.7% of the votes in 2006 and 36.5% in 2002.

Another expression of the decline of the left is the growing strength of the extreme right. The far-right nationalist "Sweden Democrats" party crossed the 4% election threshold for the first time in 2010. In Hungary, the radical nationalist "Jobbik" party received 17% of the votes and became the third biggest party. When Europe faces one of the worst economic crises in its history, at a time of rising immigration and social tension, the left wing is not offering a coherent alternative social and economic strategy. People who are dissatisfied with the government and see no alternative based on cooperation and solidarity may decide to support extreme parties that blame the foreigners for the countries' problems.

To conclude, social democracy is facing a twofold challenge: It must crystallize a modern distinct identity, and at the same time regain public support to return to power

Chapter 2 - Increasing Voter Mobilization

The current chapter focuses on strategies to mobilize votes. The first section describes the social democratic movement's target voters, with special emphasis on the segments of the society that are not supporting social democracy today. The second section presents applicable tactics for mobilizing these target voters, using the campaign strategy, the messages to be conveyed to the voters and the means to deliver them.

Target Voters

One of the major problems facing the social democracy movement is that it is being perceived as the representative of the poor and the weak, the victims of society. For example, in the recent elections in Sweden the social democrats were not perceived as the party of the working class:

“Now we have started to see why we lost and one figure is more shocking than others. Only 22% of those with a job in Sweden voted for social democrats. 51% of those who are in sick leave voted for us; those who have no jobs voted for us; those who live in the very poor areas in the big cities voted for us; but we have lost our relevance for most people who have a job.”

-Ann Linde

For a party holding aspirations to lead the country, there is a need to mobilize different types of voters, first and foremost the employed, who constitute the majority and provide the foundations of the civil society.

The Employed

The emphasis of the campaign of the social democratic movement could focus on the damages of conservative policies, which affect everyone except the wealthy. Between 1991 and 2001, the real wages of the lowest 5 deciles in Germany sank by 12 percent. At the same time, the income of the top 15 percent of the richer West German population increased by more than 10 percent. The average real wage in the United States actually decreased since 1976 by more than 7%. These figures are persistent and characterize most of the Western Countries. In Israel, the average wage decreased constantly during the past decade despite economic growth. The social democratic campaign should stress that under the current system only the capital owners enjoy the fruits of GDP growth, whilst the salaried workers' rights are constantly being eroded.

Youth

Another important segment that the social democratic movement is not representing enough is the youth. Young people usually presume that the welfare system is mostly for the elderly, because its most conspicuous functions are distributing pensions for the elderly and providing health care. Focusing on pensions, services for the elderly and protecting existing jobs, instead of dealing with the concerns which are relevant to the youth, including education and reducing youth unemployment, results in alienating young voters. These voters often fail to understand the significance of the welfare system and its importance to the sustainability of society.

"In order to connect also the youngsters with the welfare state, it is very important to have a balance between services that are mainly directed to the younger generation and to empower them for a more active economic life, and the services for the elderly. If youngsters have the impression that the welfare

state is just a service organization for the elder generation, they will not be interested in this system anymore."

-Dr. Alfred Gusenbauer

To attract the support of the young, the welfare system should meet their needs and interests, such as the quality of education in schools and universities. Social democrats need to find a balance between services that mainly focus on the elderly and the services that are meant for to the younger generation.

Immigration

The issue of immigration requires an intensive effort directed to both the general population and to immigrants. The social democratic movement has blurred its agenda with regards to societal problems which arise from co-existence of extremely different ethnic groups. A new ideological compass should be articulated for solving such problems of co-existence. The compass will attempt to reestablish solidarity within the society and narrow the differences to promote common interests. In addition, social democrats can attempt to mobilize the immigrant groups and other marginalized populations, while convincing them to integrate into society. Empowering these populations and helping them integrate will not only assist the economy and reduce cultural tension, but it will also provide a basis of support for the social democratic movement.

Non-Voters

The decline in the number of voters is not only an outcome of stronger support for competing parties, but a result of public indifference. Voter turnout has sharply decreased in many countries over the past two decades. In the UK, for example, voter turnout reached a record

low of 59.4% in the 2001 elections. Turnout has increased since, but remained below 70% and lower than the participation rate in elections between 1945 and 1997. The non-voters, are usually disconnected from the political life and are not interested in current events, they do not believe in politics and in their own capacity to create a change through the political system. The base of activists of the party should try to reach these non-voters, to include them in the open debate and show them different ways for effective participation. For this purpose, it is important that the activists become familiar with particular local interests and find ways to utilize optional solutions to local problems in favor of the social democratic party and its activities.

"The decrease of participation in votes is especially among people who are not educated and disconnected from the daily political life. People using the Internet vote, jobless people don't vote and that is one of the biggest problems for us. I discovered that the people I am connected with do not vote for me. But those I need to vote for me, I have no access to. Why? Because 25 years ago, we had an infrastructure of our party with 1 million militants and today we have only 500,000."

-Martin Schultz

Participatory Politics

In order to strengthen the movement, and consequently mobilize voters, it is important to recruit and increase motivation among volunteers and activists. One way of enhancing motivation within the electorate and among target populations involves participatory politics strategies. Participatory politics is based on the inclusion of the public in political activities. The goal of participatory politics strategies is to create a political system that enables and encourages the public to take an active part in the political arena.

One of the advantages of embracing participatory politics is that by involving many actors in the political activity, the parties are becoming more active, effective and democratic. The activities of the parties' members usually permeate the community and increase support among the party's target population, and in that respect participatory politics can mobilize votes. Furthermore, participatory politics leads to the election of officials who represent the voters' interests more accurately and thus further increase the parties' pool of potential voters.

Participatory politics usually include an active dialogue between the party's members and the public. The social democratic movement could pick topics that are within the scope of the movement's set of ideas and values, and create for a that discuss the manifestations of those ideas and values in every society. In those for local adjustments to the general ideas will be translated into practical agendas. The dialogue with the public should be maintained not only during elections, but it is also important to sustain it in between elections in order to deepen the connection of the public to the social democratic ideas, by involving the people in current topics and party matters.

Another and more direct means of involving the public in politics is by conducting referendums. This democratic means is however controversial, because of its high cost and mostly since referendums can have destabilizing effects on the democratic system.

The Primaries in Italy in 2005, the first open primaries in Europe, serve as an example of a success story in terms of mobilizing voters. The elections ended with the victory of Romano Prodi, who was elected as the candidate of The Olive Tree Coalition, the center-left coalition of Italy. The number of voters, approximately four million, represented a 400% rise in the level of participation compared to the previous primaries. The members of the Olive Tree Coalition felt at that time that the political system was in a crucial need of a shift away from the traditional practices to more progressive political methods that incorporate the citizens in

the political process. The methods included requesting from the party members to leave their offices and meet people in the streets, in schools, or in polling stations, asking them to elect the leader of the major center-left party. The process of meeting and communicating with the community empowered the members and strengthened the party.

“We decided to apply this method of the primaries elections to every level of leadership selection. From the party leader at the city level, party leader at the regional level, party leader at national level to candidate for mayor, candidate for Governor of the region and candidate for Prime Minister. The reason why we wanted to move into a coherent practice within the party for co-deciding is because we wanted to move out from what was inevitably considered to be an old and traditional way of doing politics in Italy.

You have to understand that Berlusconi has changed the way of communicating politics since he entered into the arena. Deciding who is going to be the leader according to the traditional way of internal party congresses was not anymore considered to be a very appealing and attractive way of doing things. At the same time, trying to compete with someone who owns the three major private television stations in the country and when he is in power also controls the three public television station is complicated. So you cannot challenge him on the classical media.

The thing you can do instead, is to try to put in place a method of mobilization that empowers the people directly and to ask to your members to wake up on a Sunday morning and to go in the streets, in gazebos, or in schools or in polling stations to select who could be the leader of a coalition challenging the right-wing. It's something that goes much beyond the classical party membership.”

-Giacomo Filiback

Practices of face to face politics do have their disadvantages too. This process, which gives birth to multiple local leaders, can bring about inner disputes and controversies within the party. Another problem associated with grassroots politics is that when the discourse and the

political processes are open, and not restricted to party members, voters often join on an ad-hoc basis, trying to influence a specific issue. Those voters are not interested in social democracy with its implicit set of values and ideas, and therefore their loyalty to social democracy is weak or nonexistent.

Relevance

One of the main problems facing the social democracy movement is that right wing parties are perceived as being more capable to deal with certain burning issues such as economic deficit, national identity and co-existence. The social democratic movement has failed to supply its voters with a concrete agenda that could offer solutions to those issues. Social democracy is identified with the welfare state, but globalization, the economic crisis and the way that the movement dealt with those problems in the past, left it irrelevant even when dealing with the welfare state.

The social democratic movement must find ways to update its ideals on issues of concern to the public. Voters are losing interest in a party when it is not suggesting ways to act on issues connected to their daily lives or concerns. In order to mobilize voters, the movement and its ideas need to be relevant to as many as people as possible, and to relate to current matters.

"I would say that if we are entering into an age of insecurity, uncertainty, then the main social democratic message should be social security. All the issues that are of relevance, such as creating jobs and innovation should be under this headline of social security change."

-Prof. Thomas Meyer

An additional problem for the social democratic movement is the shift of the values and ideas to the center of the political map; this shift has caused a loss of distinct identity. As every

political scientist knows, there is a trade-off between offering the voters centrist policies which would attract more voters, and the necessity to distinguish the party from other parties so that it would present a possibility for change.

Naturally, each social democratic party has to find the right mixture between those two ends. On one hand, the party wants to present solutions that will be relevant to as many voters as possible. But on the other hand, the party needs to put an emphasis on maintaining its identity. If the party would try to please all voters, these will lose interest, for they could no longer identify with the ideals the party stands for. An optimal mixture between distinctiveness and gaining public support results in presenting an alternative policy which demonstrates that social democrats can govern and are not focused only on ideology.

Campaigns

Building the campaign is the most obvious means to attract voters. After the target voters have been defined, bases of activists and members have been established and a relevant election platform has been decided upon, the question is what does it take to have a successful political campaign? The answer can be divided to three main categories which have a direct and crucial influence on the elections results: personality, program and presentation.

The campaign is extremely important because it reaches audiences who are not a take part of the political scene. Empirical studies suggest that a large sector of the public consists of politically uninformed and uninterested citizens called "Non-Discussants". The non-discussants are not inclined to engage in face to face interaction about politics or to go to political meetings, and therefore come into contact with political issues and campaigns only via media communications.

The Campaign Program

The program should consist of two or three convincing ideas, on issues that the public considers as the main challenges facing the country. The ideas need to be simple, and offer an alternative to the platform of other parties. They should be strong and combine basic values with feasible policy. Strong and simple ideas provide the necessary link between the party's media campaigns and the work of the party's activists in the field. Furthermore, it is necessary that these ideas be formulated in a strong and simple way in order to convey the party's messages effectively. For example, the campaign of the Norwegian Labor Party during the 2009 Norwegian parliamentary election included for the first time a plan for tightening the national immigration policy. The party increased the number of its supporters by 2.5% immediately after announcing the plan.

It is important that these messages and ideas be integrated consistently within the party's platform. Voters who support a party usually need to sympathize and agree with the party's platform as a whole and not only with part of it, and therefore it is vital to refrain from internal contradictions.

Personality

The top candidate is the person who leads the campaign and the one most identified with the party. Therefore, the candidate should advocate and embody the main ideas of the party. If the candidate does not fully advocate the party's ideas, the campaign will not be convincing.

In order for the public to trust and support the party and its platform, the public needs to see that the top candidate (who represents the other members of the party as well) believes and lives according to the party's notions and values. For example, the prospective UK Labor

candidate Stuart MacLennan posted several offensive comments on his Twitter page (including comments referring to elderly voters) during the recent elections. The party understood that the behavior of its leader reflects on the image of the party and as a result his party membership was suspended.

A successful candidate will be perceived by the public as an ideological figure, as a person who wants to deal with the challenges of the country and to solve them, and not as a person that is using politics as a stepping stone towards money and power, or for his own good.

The Campaign Presentation

As aforementioned, a significant segment of the electorate is being exposed and getting acquainted with the political discourse and voting alternatives via media communications alone. Consequently, the party needs to convey its message in the most effective way and translate it into "media language". It is crucial that the party formulate its media-language messages by itself; if not, the media could misinterpret the message and that in turn could damage the party.

There is a need in conducting empirical media research to get the best results from messages delivered through the media. The findings will reveal various types of audience, and the party should use that information to adjust the message to the target audience. Different types of audiences need to be addressed in different ways in order to understand, digest and accept the message.

An additional sector of the public is the "Discussant", people who take the media message only as the first step in forming their opinion and rely more heavily on the second step of social communications with their family, friends and acquaintances. If parties want to reach the discussants, they need to rely on the party activists and their circle of supporters. With the

help of activists who are competent in contents, communication skills and motivation, social face to face communications continue to play a key role, and help in effectively conveying the party's message and in mobilizing new voters.

Image and Language

In addition, the social democratic movement needs a new image, since it is perceived as outdated and irrelevant. There is a need to replace some of the old terminology associated with social democracy, and use language that will attract people to listen and get interested in the movement. This goal can be achieved by adopting a new narrative, including a new set of symbols and vocabulary. Perhaps the term "Solidarity" is too rigid, and there is a need to replace it with a term that is more suitable to our times, one possible option is to talk about "Inclusion":

"We talk a lot about inclusion as a strategy, inclusion of minorities, inclusion of young people both in the decision making process and in the labor market through vocational training; inclusion of women as an agenda boost, as a way also to reduce poverty among working families and improve income distribution; inclusion of trade unions in the sense of improving also the social dialogue that has been deteriorating during the years in many countries, including in Israel."

-Dr. Roby Nathanson

Another term that can be used is "Equal Opportunities". Today the public is aware that people are not born equal in terms of wealth, social status, physical and mental abilities, and therefore social democrats need to emphasize the importance of offering the public conditions that will enable equal opportunities and social mobility. It is important to note that the movement does not presume to give the society full equality, but to give each and every citizen the possibility to accomplish their goals and fulfill their potential.

An additional option for a new narrative is promoting a “Decent Life”:

“My message is to give to our voters a decent life. What are people expecting from social democrats? They are not expecting that they will become millionaires when we are in office. They are expecting from us a decent life.

What is a decent life? Respect. The Prime Minister is respected like the last worker in the street. Respect to the individual. Respect in the working place. Respect in the schools. Respect in the universities. Respect in the sports clubs. Respect on the streets. Everybody has a right to be respected wherever he comes from, whoever he is.

Second, a decent life is to have a job, a job of eight hours working time with a decent salary. What is a decent salary? A salary which is enough to live. A salary that makes you able to have an apartment or a house, people are not expecting a castle. In addition clothes, a small car, perhaps once a year a holiday and the possibility to have a family, to have children, and to have for their children a good education.

Why a good education? Because a good education is the basis for the children to have one day a decent life.”

-Martin Schultz

Perhaps there is even a need in considering replacing the name "Social Democracy" in order to remove any stigma that people are holding regarding the movement .In several European countries the social democratic parties are already called “Labor” parties or the “Democratic Left”.

New-Media

The media is the most significant and most popular tool of political communications. However, the media landscape itself is constantly changing. In recent years the ‘new media’ has become more prominent at the expense of traditional media outlets and the internet is becoming dominant as a media communications tool. 82% of the UK’s population is using

the internet, 94.4% of Norway's population, 79.9% of Germany's population and 77.8% of Belgium's population.

One of the advantages of using an instrument such as the internet is that it is not privately owned and therefore can convey most messages, unlike private TV and radio stations who can decide to oppose or support the party. Furthermore, to reach out to the younger generation, one should use their preferred platforms, namely the internet, and more specifically social network websites. These platforms could be used to encourage and stir debates on the core issues pertaining to social democracy such as: distribution of wealth, civil rights, global regulation, environmental value, etc. A further advantage in the use of new media is that it enables to actually measure the campaign's impact:

“One of the major advantages of digital media is that everything is quantifiable, in contrast to the past when politicians had to base their decision only on the opinion of a media advisor, today we can actually see which campaigns work, and we are no longer living in a world of speculation. However, all the elements of the campaign are still needed. If anyone thinks he can win using the internet alone, he is wrong. A combination of field operations, activity in the traditional media, activity in the digital media and of course strong funding are all required.”

-Itay Ben Horin

The Internet should also be considered as a method for increasing mobilization among party activists. The potential of the internet was demonstrated in the last US presidential elections. The internet was one of the success factors behind Barak Obama's extraordinary campaign. While the internet contributed to the success of the campaign, specific conditions enabled it. First, there was a countrywide dissatisfaction with the incumbent President. Second, there

was an obvious need for a policy change, which was supported countrywide as well. Furthermore, Obama participated in hundreds of face to face town hall meetings and was perceived as credible and charismatic. Therefore, it should be stressed that the internet is efficient for creating information and spreading it, but principles like solidarity and trust can be built only through face to face communication.

Part of Obama's campaign was conducted on social networks and popular websites, such as Facebook, YouTube and Tweeter. The use of such websites allows direct communication, and that in turn leads to feelings of empowerment among the supporters, who feel solidarity with the rest of the group. Nevertheless, this kind of communication must be continued after the elections are over. When the supporters are getting used to having an ongoing conversation with their candidate, stopping this communication will lead to disappointment and damage to the party.



Henri Nallet



Espen Barth Eide



Henri Nallet and Colette Avital





Raymond Johansen, Yonnec Polet and Jesus Caldera



Dr. Alfred Gusenbauer



Jean-Michel Rosenfeld



Jesus Caldera and Dr. Roby Nathanson



Martin Schulz



Sebastian de Toro



Victor Ponta and Thomas Meyer



Ann Linde

Chapter 3 - Policy

The following chapter will discuss a modern platform for the social democratic movement.

The purpose of this chapter is to present a strategy relevant to the challenges the social democratic movement faces today. The first section will focus on the main principles which the platform could be based on, the second section will define the social and economic strategy social democrats can pursue and the final section will demonstrate actual policies implemented in Norway and Sweden.

Principles

Before deciding on specific policies a party needs a basic common value system that defines and distinguishes it. These values or principles not only give voters confidence that the party represents them properly; they also serve as the main rationale for the party's involvement in politics and guide its decision-making process. The three key principles discussed in this chapter - solidarity, democracy and social justice with quality of life - are not new, yet they may have been neglected in the past decade, as social democratic parties lost their unique identity and *raison d'être*.

Social Justice and Quality of Life

While social justice is probably the most important element of the social democratic movement, quality of life is not usually perceived as one of the principles of the movement. It is proposed that these two elements be joined as a guiding principle. This will help refute the common misconception that there always is a trade-off between social justice and quality of life (or between progressive taxes and economic growth). In addition, even if such a tradeoff

exists, a joint principle signals that social democrats will promote both causes and will not sacrifice the quality of life for the sake of social justice. Indeed, social justice is almost meaningless in a society that does not grow and improve its overall quality of life, just as improving the average quality of life should not be considered real progress if the improvement is only enjoyed by the wealthiest.

Social justice is ever more crucial when income inequality is on the rise. In the US, the share of total income of the top 1% earners rose from 9% in 1976 to 43.5% by 2007. During the same period, the average inflation-adjusted hourly wage declined. In the UK, a similar trend occurred: during the 1980s income at the ninetieth percentile rose by 38% compared to only 7% in the tenth percentile. Unfortunately, income inequality has continued to grow since.

Social democrats will have to demonstrate that social justice does not contradict innovation, efficiency or quality of life. This is best shown by the Gini index which measures inequality. Among OECD countries, there is a clear correlation between a low Gini score (low inequality) and high GDP per capita. While the correlation does not prove that there is a casual relationship between these elements, it definitely shows that social justice is not an obstacle to quality of life.

The correlation can be explained by several factors. Social safety nets allow people to take risks, since they know that even if they fail, the society will keep them from collapsing. While unregulated financial risks can be dangerous for the economy, encouraging some risk-taking is crucial in order to promote innovation and entrepreneurship, and both are key for a prosperous economy. Second, increasing equality results in a more talented workforce as explained by Jesus Calder, Vice President of the Foundation of Ideas and former Minister of Labor and Social Affairs of Spain:

“With more equality, we can make use of a larger pool of talents, which is vital especially now, when our economy is based on knowledge.”

Jesus Caldera

Policies promoting social justice proved economically wiser during the initial phase of the financial crisis. Most developed countries agreed that the best response to the crisis is to increase demand by various stimulation packages. When governments aspire to increase demand, a broad distribution of social power is required, since the extra profit of the very wealthy is often not channeled to the real economy. The very rich will save a larger share of their money or simply channel it again into the financial market, while spreading money more equally promises that people will spend it in higher rates and help the economy grow.

Beyond the direct economic benefits, inequality holds social consequences. Stress is often connected to inequality and a recent study among US counties found a correlation between inequality and financial distress and showed that counties which reported the greatest increase in inequality also reported the greatest increase in divorce rates. Moreover, welfare systems improve the quality of life by lowering the crime rate, improving the healthcare system and fostering community life. Spain, for example, is facing a great economic crisis with high unemployment rates caused by the global financial crisis and a housing bubble, social democratic policies are helping weather the crisis:

“Despite the difficult crisis, the rate of violence has not gone up, it has gone down during this crisis, gone down to the minimum historical level. We have one of the best life expectancy ratios; we have a very good health state of the population and one of the highest self-confidence ratios in the world.”

-Jesus Caldera

In addition, poverty has decreased even during the crisis and in contrast to other European countries, Spain has not experienced a social divide or an outbreak of xenophobia. These can be attributed to investment in social expenditure, social protection and equality politics.

It is interesting to compare Spain with California, which has also gone through a debt crisis in recent years. Spain has a population that is 25% larger than California, yet Spain holds about half the number of prisoners. California spends almost 11% on its budget on the prison system, compared to 7.5% spent on higher education, while Spain can spend much less on its prisons. The health care system in Spain demonstrates that efficiency and equality do not contradict. Spain has a single-payer healthcare system which offers universal coverage as a constitutionally-guaranteed right and no out-of-pocket expenses besides prescription drugs. As a result, no one in the country worries about their health coverage. In the US, general spending on healthcare is much higher (mostly due to private expenditure, which increases inequality); yet according to a report of the World Health Organization the healthcare system in the US is ranked much lower than Spain's system. This demonstrates that just and inclusive systems can also be more efficient.

All the same, social democrats will have to promote growth, and not to expect social justice to be an instant solution for the nation's economic problems. In practice this means that social democrats will have to be more flexible and not to automatically protect the welfare system or object to any case of privatization. If certain policies offer an opportunity for growth, for example by increasing the workforce participation rates, increasing productivity and embracing globalization, social democrats should consider supporting them as long as they do not considerably increase inequality.

Solidarity

The term solidarity has lost its popularity during the past few decades. However, the basic significance of the concept is still relevant today. Solidarity represents a mutual relationship between individuals and the rest of society. On the one hand, society is responsible for each member and every person deserves to be granted an opportunity to succeed and receive

support when needed. On the other hand, solidarity demands every single individual to take responsibility and to take an active role in society.

The term solidarity has important implications domestically, in defining the attitude towards immigration and also on the international scene. Within the country's borders, solidarity means that each person is entitled to social rights and a safety net provided by a country. The economic benefits of social rights have already been established, but when discussing solidarity, the moral imperative is of greater importance. People want to live in a society which offers basic social protection to people who run out of luck, were born with less means, or even made a mistake, especially since no one knows in advance when they will be the ones requiring assistance.

Another aspect of solidarity is that each person is entitled to the same rights as the other, and that the country should actively promote equality. This is relevant when shaping immigration policies. It should be stated unequivocally that immigrants are part of the country, part of the social fabric, and are entitled to basic rights just like anyone else. Solidarity is an inclusive concept and does not differentiate between citizens. In addition, the immigrants' contributions to society can be emphasized. It is no secret that even now, when unemployment is high, Europe lacks working hands, and due to demographic trends, this need for labor will only grow in the next decades. Italy and Germany have seen the size of their labor force stabilize in recent years, and they can expect it to decrease in the future. The population of Germany already peaked in 2003 and most nations in Europe have a sub-replacement fertility rate, which will inevitably lead to population decline without immigration.

At the same time immigrants should be required to accept the constitution, the countries' laws and obligations. In other words, solidarity is not synonymous to multiculturalism. The solidarity principle actually enables society to formulate duties that apply to the entire

population, including the immigrants. For example, a country should require immigrants to learn the official language and enforce mandatory education.

On the international scene, solidarity is a more complex concept. Over the past few decades social democrats often supported protectionist policies in order to protect their own local workers. These policies, similarly to the beggar-thy-neighbor policies of the 1930s (a term referring to policies that seek to improve one country's well-being at the expense of others), came at the direct expense of workers in other countries. Thus solidarity was only implemented within the countries' territorial borders, but was ignored as a principle outside of the country. Of course, it is legitimate to prioritize the nation's citizens before foreigners, but social democrats should stay consistent with the principle of solidarity and seek out policies that try to benefit the country and its neighbors and not treat the international arena as a zero-sum game.

“To deliver a decent life in this globalized world, we need an international movement, international solidarity. That means for example, an international right to strike. If you have intercontinental enterprises, we must have an intercontinental right to strike. In Europe we have Europe-wide enterprises, but we have 27 national rights of strike and 27 national trade union rights. Therefore the answer of socialism must be internationalism”

-Martin Schultz

Globalization offers a challenge and an opportunity in that aspect. On the one hand, globalization can promote growth and increase interdependence. In a globalized world, protectionist measures are becoming outdated, trade is recognized as a crucial element of growth and countries have an actual interest in their neighbors' economic well-being. On the other hand, the globalization process is unregulated and the influx of unskilled labor into the international labor market often threatens the low-income workers in developed countries.

Instead of trying to stop globalization, social democrats will need to cooperate internationally to regulate the process and enjoy its benefits while minimizing any negative social effects.

Democracy

The third critical principle of the social democratic movement is democracy itself. Social democracy distinguishes itself from other socialist movements by its insistence on democratic means. Democracy is not only a means to improve society's welfare, but also promises freedom from abusive political power.

One could claim that in most Western countries, defending democracy is an anachronistic principle and will not distinguish social democratic parties from others. However, a democratic system is not only based on free and fair elections but also includes equality before the law, political and civil right and minority protections. These principles are threatened by extremist parties and social democrats should be the first to vigorously defend basic liberties, equality and the democratic process.

Strategy

The second part of this chapter focuses on a social and economic strategy for the social democratic movement.

The Welfare State

The most outstanding success of social democracy is the post-World War II welfare state. The welfare system provided high-quality public goods and significantly decreased poverty rates and inequality. Nevertheless, the welfare state had many critics, some justified: Services

often were not efficient enough, encouraged people not to work, suffered from an ingrained bureaucracy and limited private choice excessively.

Social democrats, therefore, must be flexible. They should whole-heartedly protect the welfare state and strive to continue to fight inequality, since social services and healthcare are the immediate realization of the solidarity principle, and a society cannot morally abandon the people who need it most, including the sick, the elderly, the unemployed and the disabled. However, some elements of the welfare system could be modified. While there is no one-size-fits-all solution, and each country will adapt the welfare system according to its unique characteristics, several common elements are required for the sustainable success of all welfare systems.

First and foremost, the system must be integrated in the general economic system. A common approach of 'Third Way' parties in the past couple of decades was to basically promote a prosperous economy and then pour revenues into welfare; the welfare system should, however, be linked to the economy from the outset. When possible, the welfare system should be designed as a tool to promote the economy, especially in regard to the labor market. An example of integrating the welfare and economic systems is the rendering of public services performed by women from their home, such as kindergartens and services for the elderly. Once these services will be supplied by the state, more women will be able to look for employment, the formal economy will grow at the expense of the informal economy, and the services will be provided to all those who require them, regardless of their income.

"The welfare state is not anymore for us, socialists, a concept of charity, rather it is one that has to be part of the economy, that makes the economy bloom, that should empower the people."

-Colette Avital

The welfare system will also have to be kept efficient. Inefficiency raises the cost of maintaining the welfare system and jeopardizes it by making it a constant target when budget cuts are needed. Efficiency requires flexibility and a dynamic system that constantly adapts to changes.

Finally, it is crucial that the welfare system retains high quality. To maintain the quality of services, a universal public system is often required, as common in most European health care systems. Only a universal welfare system that supports all citizens including the middle and higher classes will gain popular support.

Proposals to reform the system could be assessed according to their ability to promote its goals – solidarity and social justice – and then according to the criteria mentioned above: integration with the economic system, efficiency and high quality. There is no inherent need to preserve existing services in their current form.

The privatization of a service or its transfer to a non-profit organization should not be automatically objected. In many cases, privatized systems will increase inequality, but in other cases, the state can regulate the rendering of services and privatizations could improve their quality. Therefore, there is no need to block privatizations automatically just because they decrease the power of the state.

“If we, as social democrats, end up defending these anachronistic systems, we will of course lose, because others will change them anyway. For example, we should avoid trying to defend the particular workplace. If you are building cars and nobody buys the cars, why should the state keep producing those cars? Instead we should change, innovate, help transition into new sectors. I think sometimes social democrats have ended up becoming too static and too much in love with the already existing economic structure.”

-Espen Barth Eide

The Education System

A high-quality public education system for all ages is probably the most important tool that can foster equal opportunities. In addition to promoting gender equality by providing public day-care centers, education can increase social cohesiveness. Furthermore, investments in public education are an optimal response to globalization and to the rapid pace of innovation. In a globalized market, developed countries will not be able to compete with the prices of labor in the BRIC countries (Brazil, Russia, India and China), let alone with less developed countries such as Indonesia or Vietnam, and will depend on high-skilled labor in order to continue to lead the world economy. Such dependence poses risks for the middle and lower classes of the developed economies. Therefore, it is crucial that the state will offer everyone an opportunity to obtain high-skills.

“In order to cope with these problems, we need to focus our attention and investment on these weakened population groups, allowing them access to the education system from a very young age, from the kindergarten and school years, till they attain high school matriculation. This will allow them to join academic learning institutions, which are the key to accessing good working positions in the Israeli economy.”

- Benjamin Ben-Eliezer

The education system of course does not end at 18. It is suggested that social democrats insist on affordable higher education. Advocates of a free market often claim that subsidizing higher education actually assists the higher classes who pursue post-secondary education in higher numbers. The answer to this line of criticism is twofold: First, the welfare state is responsible for all its citizens. Just as some social service expenses are invested mainly in lower classes, it is important that the country provides services to the upper classes. Moreover, the welfare state will survive only if the middle class supports it and is aware of its actual benefits. Second, and more important, investing in academic institutions is another

means to provide equal opportunities. Without subsidizing higher education, many low income students will not attend colleges and universities, because they will not be able to afford it.

The last aspect of the education system is vocational training and lifelong learning. In today's dynamic workforce a high school diploma or even a university degree cannot satisfy the individual's long term needs. In most professions, workers' skills will need to be updated every few years. The country has an interest to increase the productivity of its workforce, but often cannot trust the free market to do so. Small and medium-level firms will often avoid investing in their workers, since they do not have the means, and larger firms may fear that their investment will not pay off since the workers might not remain in the firm in the long run. Consequently, the country will have to provide vocational training or encourage private firms to provide it. Vocational training is also needed in cases of career change. As the labor market changes in an accelerated pace, some professions may become unnecessary due to outsourcing (which mostly affects the manufacturing sector) and technological changes (for example, the Internet's effect on the music industry). However, new fields of work are also being created, such as green housing, new media campaigns, genetic engineering and many more. These sectors create opportunities for employees at different education levels. Vocational training can assist people who are unemployed or looking for a new profession to adjust to labor market changes.

Economic Strategy

The economic policy of social-democrats is based on progressive taxes. History has shown that citizens are willing to pay high taxes as long as they feel that they receive high quality services in return. Globalization has created a new challenge to raise corporate taxes. Governments fear that multinational corporations will prefer to base their plants in countries

with lower taxes, and therefore, they lower their own taxes, and this in turn draws a response from other countries that lower their taxes as well, and vice versa. Such an effect is a type of a race to the bottom, and the result has been a steady worldwide decline in corporate tax rates and a decrease in the individual tax rates at the highest bracket. While OECD company tax rates averaged around 41% at 1990, they average around 26% today. This makes the tax system more regressive. Company owners and shareholders pay fewer taxes, and in order to balance the budget the government must either raise more taxes from working citizens or reduce expenses and provide fewer public services. The rich, who enjoyed the tax cuts, can usually afford private services, but this is not the case for the rest of the population. Social democrats will have to find a way to stop this process. One option is offering companies other incentives, such as a high quality workforce to base their operations. Another possibility is international cooperation to prevent a race to the bottom, for example by agreeing on a unified corporate tax base for Europe.

In addition to progressive taxes, the economic strategy should be based on regulation. The results of insufficient regulation have been demonstrated all too clearly in the last financial crisis. A profit-maximizing firm cannot be trusted to take social considerations into account and the state has to intervene in these matters. Effective regulation not only ensures a fair market, it also fosters confidence in the markets. Regulation may also be used to limit ill-gotten wealth. There is a growing consensus that the high bonuses and paychecks in the financial sector were not just socially wrong, they also had no economic justification. Social democrats can take advantage of the populist agenda against these cases and regulate them.

On fiscal matters, social democrats could implement counter-cyclic Keynesian policies to smoothen business cycles, by increasing spending during a recession and decreasing spending when the economy prospers. If implemented, such a policy can weather the financial crises and provide support to those who need it without risking default. Reducing spending and

saving money when the economy is growing will demonstrate that social democrats are fiscally responsible, and that their policies help moderate the damages of a highly volatile market. These measures will eventually lead European countries back to a strong public finance system which is necessary to maintain the welfare state.

In contrast to the strategies discussed so far, social democrats might have to reconsider some of their positions regarding labor relations. They often support the labor unions automatically and emphasize the right of the producer over the consumer. However, this approach is sometimes inadequate since defending the demands of strong labor unions directly affects the rest of the population. Social democrats will have to realize that every producer is also a consumer and should not only be protected in the workplace, but also offered transportation, utilities, food and other needs in affordable prices. This requires a fundamental transformation for social democrats that are used to concentrating on the workers, but as long as social democrats focus on providing social justice this transformation is possible.

The last element of a social democratic economic policy can focus on sustainability and the promotion of green growth. Though sustainability has become a buzz word that encompasses many different phenomena, its essence is as relevant as ever. Sustainability is the potential for long-term maintenance of well-being and requires long-term planning and recognition of society's limited resources.

Climate change demonstrates the pressing need for a transition to a sustainable economy. Scientists agree that the earth is warming, that this change is caused by human activity and that actions to mitigate global warming are urgently needed. Social democrats can take an active role in reducing emissions which lead to global warming, especially since warming will probably hurt mostly the weaker populations in society.

Long term planning should be based on investments in research and development. Investments of firms in R&D are often lower than the optimal levels because of the spillover effect. The effect describes the fact that firms know that they will not receive a full return on their research investment since some of the new technologies and techniques developed will eventually flow to other companies. Therefore, the country has an interest to step in and fill the R&D investment gap.

The transfer to a sustainable economy and investments in the future can create many new jobs. Spain, for example, recently discussed a sustainability law that intends to boost seven sectors, including renewable energies, eco-industries, information and communication technologies, bio-technology, and the aerospace industry. Sustainability is also based on a social agenda. Promoting an egalitarian society is more sustainable in the long run, since these societies suffer from lower fragmentation and less inner tensions.

Policy - Sweden and Norway as Examples

The last section of this chapter will deal with actual policies. Since it is impossible to list specific policies relevant for all countries, this part will focus on Norwegian and Swedish policies. Scandinavian countries have provided an example of the possibilities social democracy offers. These countries have the lowest income inequality in the world, are among the top countries in GDP per capita, they lead in terms of gender equality, are ranked highly in the Global Competitiveness Index, have very high life expectancy and rank within the top five countries in the Economist Quality of Life Index and the OECD Better Life Index.

These have all been gained through social democratic policies. The Swedish Social Democratic Workers party has for long been the dominant party in the country. Though it has lost in the last elections, it was responsible for the development of the welfare state after

World War II and for reforming it in 1994. The Labor Party has been the largest party in Norway since 1927 and is one of the only European social democratic parties currently in power. The policies in these countries are not necessarily suitable to every social democratic movement, but they demonstrate concrete successful policies that can be adapted to local needs.

The policies described below were chosen to demonstrate how the welfare system can thrive even in the face of the challenges posed by globalization and the current European demographic trends.

- **The 'Work First' Principle** - The Swedish welfare system had to be reinvented when the social democrats regained power in 1994 since its costs were too high and people lost faith in the welfare model. As part of the reform the 'work first' principle was strengthened, according to which people cannot receive unemployment benefits if they are not part of the labor market. Reforming the pension system and encouraging people to work more years, were required in order to be able to afford a welfare system for Sweden's aging population. The reform demonstrates the importance of integrating the welfare system within the macroeconomic strategy.
- **Childcare** – Sweden's national policy of early-childhood education and childcare aims to make it possible to combine parenthood with employment and to encourage child development. Starting at age four, parents are entitled to 525 free hours of childcare per year. For younger ages, Sweden limits the maximum amount paid by the parents for municipal childcare to 1-3% of the income for each child. In addition, Sweden has a very generous parental leave policy (480 days until the child is 8, around 20% of these days taken by fathers). The result of these policies is that in contrast to Southern European countries where more women look after the elderly and the children, in Sweden women who carried on the same type of work, moved into the

formal economy and increased the county's GDP. Other women, who enjoyed the welfare system services, were given new opportunities to work in innovative sectors. In other words, the social services released talent that would be normally constrained by a traditional structure. Today, the female labor force participation in Sweden is the second highest in the OECD (after Iceland), so in essence many of the expenses on childcare pay off in the long run.

- **Social Bridges** – In Sweden and Norway specific jobs are not protected. The system offers flexicurity, which refers to a welfare state model with a pro-active policy that combines flexible labor laws with social security. Losing one's job is less catastrophic in these countries due to social bridges. 'Social Bridges' is a term used to describe measures aimed at reducing adjustment costs for employees and enabling them to seize new opportunities. The system is based on generous unemployment benefits and financial support to assist people who suffered due to structural changes in the economy. More importantly, both countries invest greatly in human capital, including lifelong learning. In 1999, Norway started implementing a competence reform with an emphasis on lifelong learning. The reform included the right for educational leave, a system of validation and documentation of qualifications, development of educational opportunities in the workplace and a right for secondary and upper education for individuals who need it. Sweden has one of the highest education expenditures in the world and it is no surprise that it is the leading country in the European innovation index.

“When we talk about globalization, a lot of people are afraid of what is happening. They see China and India and other countries emerging and they are thinking - what will happen to my job in the future? The economic answer is not so difficult. You should adapt to the new circumstances prevailing, you should switch from old industries to new industries. The difficult thing is how to convince people to accept these changes. How would you tell people ‘you have

to move from this town to another town'; 'you have to move from being an industrial worker, perhaps to work in healthcare services'; perhaps a difficult move for many men, at least in the country where I come from. These are the kind of difficult questions that you have to deal with.

So we are talking about social bridges. These are bridges that make it easier for people to move from the old circumstances to new circumstances. For example, when you are unemployed, there are a lot of opportunities to retrain, making it easier to get a new job. When you are unemployed, you have re-introductory schemes that make it cheaper for the employer to hire you. The unemployment benefits also make it easier for people to accept being unemployed for a short while because they are generous. So they will not cling on to the present industry, they will not fight and do everything they can to keep the job, but they will understand that there are opportunities to change to new jobs. You have to convince people that change is taking place and that we will help them to be the winners of change, not the losers of change."

-Sebastian de Toro

- **Moderate-High Tax Level on a Wide Tax Base** - Due to the 'Work First' principle, promotion of equality in the work force and investments in education, Norway and Sweden have a high workforce participation level compared to other European countries and low unemployment rates. This allows Norway to finance good and modern public services with a tax level that is similar to many other European countries such as France, Austria, Germany and Hungary. Sweden has higher tax levels, partly due to a large public sector.
- **Education Vouchers** - In Sweden anyone can create a school (for-profit or non-profit) and receive government funding for each child. Parents have a virtual voucher and can choose where to enroll their child. The schools are not allowed to charge extra fees, discriminate or require admission examinations. The competition improves

the quality of the schools and increases individual freedom to choose without compromising on universal access and equal opportunities.

- **Cooperation** - The Norwegian system is based on tri-party cooperation between the government, the industry and trade unions to regulate the labor market. The cooperation reduces conflicts and as a result each actor promotes long term national interests instead of concentrating only on the narrow interests of a specific group. Raymond Johansen, former State Security of Norway, explains the benefits of such cooperation:

“Trade unions in Norway are not only concerned about the wage levels, but they also care about the bases for salaries, which are economic growth and productivity, as building blocks for society. Imagine, in the end of the 1990s we imposed what we called a ‘solidarity alternative’. It was the leader of the trade union that said - we do not want more wages but instead, we demand that the employers invest in modern and new technology.

By showing responsibility, trade unions have become very influential. Trade unions are represented in company boards, something which increased focus on productivity in the work place and facilitated modernization. Allowing the trade unions' influence has reduced the number of labor conflicts. Over a long period trade unions have accepted moderate wages while employers have invested heavily in new technology.”

-Raymond Johansen

Despite the current challenges facing the social democratic movement, reforming the economy is possible as the success of social democratic policies in Scandinavia demonstrates.

Chapter 4 - The Israeli Labor Party

The Labor Party is the only big Israeli party with a basic ideology that is close to the social democratic ideal. Though the party seemed to lose interest in social democracy in the past 15 years, the current political atmosphere and the elections for its leadership are an opportunity for the party to return to its roots. The chapter will provide a short history of the Israeli Labor Party, suggest a strategy to mobilize voters and offer policies the Labor Party could promote today.

Historical Background

The Labor Party led a unique process of state and national building and played a leading role in shaping its character and institutions.

“Only in Israel a social democratic party had an opportunity to build a country and formulate the division of power between the old civil society and the new political institutions from scratch.”

Prof. Avi Bareli

Born in pre-state days, in 1930, the Labor Party (Mapai) created and shaped all the institutions with the purpose of caring for the welfare of the workers, while at the same time setting the basis for independence. The type of social democracy which developed in Palestine, "constructive socialism", was different from the movements which flourished in Europe at the time, in that it combined the personal and the national project of Jewish renaissance; it was based on the belief that for the Zionist project to be achieved it should first fulfill the spiritual, idealistic aspirations of the youth, and that therefore it should create a just and egalitarian society. Historical Mapai managed to rule the country and control all its institutions, single-handedly, for some 47 years.

After losing the elections in 1977 the party had to reinvent itself in order to regain public support. In 1984 Labor returned to power, as part of a national unity government with the right wing Likud Party. In order to fight hyperinflation the party had to implement the Economic Stabilization Plan in 1985. The plan was a big success economically, but took a toll on the public and laid the foundations for today's neoliberal economic policy. That date also represents the beginning of the gradual demise of the welfare state.

It is no surprise that the Labor Party which became identified with the higher classes also took part in the massive privatizations of the 1980s. Even if privatizations were often necessary, they increased inequality and transferred control of companies and services to the country's future tycoons. Worst of all, this happened without a satisfactory public debate.

The end of the eighties saw a few national and international events which had an impact on the course of the Labor party: the disintegration of the Soviet Union and the mass immigration of Soviet Jews to Israel, which changed the demographic map; and the detachment of Labor from its traditional ally the Histadrut Labor Federation, both weakened the Labor's basis of support. On the other hand, the Gulf War which made the Madrid Conference possible, brought renewed hope and in 1992 Labor, led by Itzhak Rabin, won the elections. The Oslo process and the agreement signed in 1993 with the PLO, creating a Palestinian Authority, turned the peace process into a priority. Even though Itzhak Rabin decided to change national priorities and devoted extraordinary means to redress social injustices, investing heavily in education and healthcare, and closing some of the existing gaps among the Arab population of Israel, Rabin himself and the party remained identified in the eyes of the public with the peace process.

Since Rabin's assassination in 1995, the party has not offered any unique social or economic agenda and focused only on fulfilling his legacy of peace. Even when the party won the elections and formed the government in 1999 it had no distinct economic agenda. One

exception was Amir Peretz, former head of the Histadrut Labor Federation, who ran on the social ticket in 2006, but did not pursue this agenda when he agreed to become the Minister of Defense immediately after the elections.

The focus on security issues and the party's participation in every coalition since 2001 caused the party to gradually lose its unique identity and its ability to offer an alternative to the current government. In the past decade, three representatives of the party served as Ministers of Defense and one served as Foreign Minister in right-wing led governments, but the party did not lead the Finance Ministry once.

Today, the Labor Party is at its lowest point. In the 2009 elections, the party won only 13 seats (11% of the votes), an unprecedented low, and became the fourth largest party after the Likud, Kadima and Yisrael Beiteinu. Despite the establishment of a right-wing government by Binyamin Netanyahu, the party joined the coalition. Criticism of Ehud Barak, the party's leader and Minister of Defense increased, and in January 2011 Barak and four other Members of Knesset left the Labor and formed a new "Independence" Party. Immediately afterwards the remaining members of the party left the coalition and the party was left with only eight Members of Knesset.

Both experts and the media predicted the dissolution of the party, which had shaped and led the country in its early years and was a major political force until the end of the 1990s. They were proven wrong. Surprisingly, in the past few months the party is resurging. After the departure of Ehud Barak, many new young members joined the party and four major candidates competed for the party's leadership in an intensive primary election in September 2011.

Moreover, in the summer of 2011 a protest movement swept the country calling for drastic reforms. The populist movement began when several people set up tents in Tel Aviv's main

boulevard to protest rising housing costs. The movement quickly spread to other cities and drew tens of thousands of participants to weekly demonstrations and hundreds of discussions in daily fora on the country's social problems. The narrative of the protest movement focused on social justice and was similar to the basic narrative of the social democratic movement.

It is too early to determine the influence of this protest movement on the country's future but one conclusion can already be stated clearly: The protests give new hopes to the Labor Party, now in opposition, to reinvent itself as an actual social democratic party. The election of Ms. Shelly Yachimovich as the new leader of the Labor party can symbolize a turning point for the party. As a Member of Knesset, Yachimovich promoted bills to protect workers' rights and stirred public debate on inequality. Her campaign focused on social and economic issues and her election provides an opportunity for the Labor party to concentrate on Israel's social problems, at a time when these issues are at the top of the public agenda.

Strategy

The Labor Party will have to focus on social-economic issues and stress that in contrast with the past, the important differences between the left and right today lie in the economic strategy and not in political ideology. The party will have to stress that, in essence, its foreign policies have been adopted by a majority of Israelis, and even the Likud now supports the two-state solution. If Israelis and Palestinians reach an agreement, its outline can already be drawn and will probably be very similar to the Clinton parameters. Such a deal receives full support in public opinion polls. The Labor Party can convince the public that such a deal is within reach and that the Labor has a better chance of signing an agreement and normalizing relations with the Arab world. More importantly, the party should state that its policies to

promote negotiations with the Palestinians have already become the consensus and therefore, the real choice the voters are facing is which economic policy to support.

In order to promote these issues the Labor Party will have to become an active party year-round. The primary elections showed that an actual public debate can revive the party. Such a debate with the public is needed regularly and not just before new elections. This will require major efforts by the party leaders and these could include leading the national public debate on the proposed social and economic strategy, parlor meetings, visits to universities and community centers and discussion with the party's youth supporters. The party should also broaden the policy discussions within the main party institutions. The tent protest movement demonstrated that there is great demand for public discussion on social issues.

"I think what happened to us is that we lost two of the qualities that our parties had after the Second World War for many years.

First of all, we no longer educate a strong activist basis, without which you cannot communicate or win elections. We have lost that in most of the places.

Secondly, we lost the ability for a dialogue with the public. We do not really speak to the public; we speak to each other. When I was in the Knesset, every time we had a debate, we came home and said - we had a very good debate, but we spoke to each other, in most of the cases. The problem was how to speak to the people that we want to get their support."

-Micha Harish

The Labor Party can also make more use of the new media. Its potential was widely illustrated in the demonstrations throughout the Arab World and in the tent protest movement which were organized almost completely on Facebook. The social media is a crucial outlet since the Labor Party must win back the votes of the younger generation. According to a recent survey 91% of Israeli internet users aged 13-17 have a profile in a social network (in

the general population the rate is 76%). The new media is also a useful means to increase the participation of party members in the decision-making process and should not be seen a one-way street to publicize the party's message. The party will be able to use social network sites to post polls, initiate discussions, ask members for feedback or suggestions and understand changes in public attitude.

Policy

Economic and Social Policy

The Labor Party will have to offer a substantial economic plan directly related to social policies, a plan that differs from the current *laissez-faire* attitude of the government and addresses the needs of the middle class. It should avoid being framed as the "social party" and allowing the Likud to brand itself as the "economic party." The Labor Party needs to be a social-economic party that offers both quality of life and social justice. The party will have to conduct campaigns to present its economic strategy and explain how it plans to finance new planned investments.

According to the UN, the Gini Index which measures inequality in Israel is among the highest in the developed world and is lower only to that of Hong Kong, Singapore, the United States and Qatar. The party can regain support by promoting a comprehensive policy that will drastically improve the life of all the population in Israel. The low salaries of Arabs and Ultra-Orthodox cannot serve as an excuse for the high inequality rates. A recent report by the Bank of Israel showed that even when excluding the Arab and Ultra-Orthodox sectors, the Gini Index in Israeli it is still higher than many leading OECD countries. The inequality in Israel has constantly been growing over the past three decades and the result is that significant segments in the population are not enjoying the economic growth. In the years

2001-2008 the GDP grew by 28% but the real average wage actually decreased by 1%. The Labor Party can call for drastic changes in the government's policy, which will reduce inequality and enable a fair growth process that benefits the entire population.

The party can boldly state that it will give preference to non-military public spending, including health, education, welfare, transportation, infrastructure and research and development, over security expenses and high investments in the settlements. Today, Israel's defense budget amounts to more than 6% of its GDP; it is not only spending 2-6 times more than other industrial countries in comparison to its GDP, it also spends more than many Middle Eastern countries, including Iran. Even the incumbent Minister of Defense, Barak, agrees that the security budget should be spent more efficiently.

Another method to change the country's priorities without increasing the national debt is a major reform in the tax system. Israel's tax rate is similar to the average rate in OECD countries. However, while the direct tax rates are relatively low (especially for companies and on gained capital), the indirect tax rates in Israel are very high. This creates a tax system which is not progressive enough, since indirect taxes are collected on an equal basis from the entire population while direct taxes have separate rates according to income and are often collected only from the middle and higher classes. Balancing the tax system is urgently needed.

Israel should reinstate the inheritance tax which was abolished in 1981. In addition to the funds that such a tax would raise, it is a useful tool to reduce inequality. Such a tax is common in the developed world and exists in the UK, the US, France, Germany, Norway, the Netherlands and Italy. Second, Israel should stop decreasing taxes for companies and individuals and add a new tax bracket for the ultra-rich. Such a move will show that the country will not encourage excessive pay, which has become common in Israel in the past few years. Third, the country should consider increasing the capital gain tax rate, introducing

capital gain tax brackets (similar to those in Denmark) or merging the capital gain tax rate with the income tax rate in a manner similar to the Canadian system.

Finally, the economic system should reflect the fact that the country belongs to the people and not only to its wealthy citizens. Therefore, all citizens are entitled to share dividends from the country's public good, and it is only fair to tax significantly profits made from the country's natural resources, such as gas.

The resources generated from cut-backs in security expenses and changes in the tax system, could be used to reinstate the welfare state. The first two priorities are health and education. Since the passing of the National Health Insurance Law in 1995, which promised universal health coverage and increased public expenditure on health, the budget gradually eroded. Today only 57% of the total expenditure on health is public expenditure and the rest is spent privately. In all other developed countries, besides the United States a larger share of the total expenditure is spent publicly. Furthermore, the gaps between the health services provided in the center of Israel and those in the periphery are wide according to various objective indicators (such as the infant mortality rate and the number of hospital beds per capita) and services have not improved in the past decade.

The Labor Party can demand significant steps to improve Israel's health system such as a substantial increase of the services included in the national list of health services, an increase in personnel and equipment in hospitals located in the periphery, and the inclusion of dentistry, which amounts to more than 20% of the private expenditure on health, in the national list of health services.

The level of education in Israel has significantly declined. Today, the grades of pupils in international tests are often below the world average. In addition, the country suffers from a brain drain - a significant number of scholars choose to live abroad. This phenomenon is most

common in computer sciences and economics, where the number of Israeli professors teaching in the United States amounts to 30% of the number of professors staying in Israel. The damage is obvious, not only does the country's future depend on a better education system, but such a system is also required to provide equal opportunities.

Therefore, the Labor Party should promote broad and comprehensive improvements at all levels of the education system. These could include affordable public kindergartens and preschool classes for all parents (or all working parents), just like the Swedish model. Such a plan will not only assist the toddlers; it could help many women join the workforce:

"In Israel we have a high poverty rate among the working families with one wage earner, while the poverty rate among families with two wage earners is extremely low. One of the most efficient approaches to fight poverty and income inequalities is by boosting mostly women to join the labor market and providing childcare centers"

-Dr. Roby Nathanson

In the primary and high schools, the Labor Party should consider investing in the teachers' human capital, by significantly increasing their salaries so as to attract higher quality professionals. In addition, the party can implement an extended school day which will enable more working mothers to keep full-time employment. This would also foster growth and reduce the gender gap.

In the past decade, the investment in higher education and research has dramatically eroded endangering the future of science and technology in the country. While tuition in Israel's institutions of higher education remains relatively affordable, there is a pressing need to invest in academic institutions and research so as to maintain a similar standard to similar institutions in Europe.

Finally, Israel's investment in vocational training and life-long learning remains below the OECD average. New vocational training programs can increase the workforce participation

rate, especially among disadvantaged populations (and thus actually create revenue for the country) and improve the productivity of the workforce, which is often mediocre in the traditional industry and in the service sector. Increasing the productivity is essential for a developed country to be competitive in the liberalized international workforce of the 21st century, in which there is a surplus of cheaper labor in developing countries.

Welfare policies also include social services and the main goal the Labor Party should set is ensuring basic equal services to those who need them and to substantially reduce the poverty rate.

“The solution I am promoting is a ‘Social Services Law’, which will define, for the first time, the relationship between the municipality and the government. More important, the law will determine a national list of social services to be provided by the country universally”

-Isaac Herzog

In addition to promoting the Social Services Law, the party may update the level of transfer payments to the populations in need, including to single parents, the elderly and the handicapped. However, it is critical that these payments do not encourage people not to work. This may demand creative solutions that enable people to receive payments even when working, or require people to search for a job or participate in vocational training in order to receive the payments.

Strengthening the welfare state is an important key policy but it is not sufficient by itself. In addition, the Labor Party can support new environmental policies in order to promise green sustainable growth. Social Democratic ideology is closely linked to the environmental agenda as demonstrated by red-green alliances in Norway and Germany. Both ideologies aim to promote justice (environmental or social) instead of trusting the invisible hand of the market

to fix problems, and both focus on long-term benefits of the entire society instead of concentrating on maximizing the current benefit for the individual.

Despite the relatively low election threshold, a green party has not yet been elected to the Knesset. However, there is no doubt that environmental issues will stir greater public debate, since issues that usually affect the US and European publics eventually reach the Israeli public too, and since these issues will affect international treaties and trade. An investment in clean-tech R&D will help create a leading Israeli industry in the field, in a way similar to the Israeli high-tech industry. The party could also stimulate the creation of green jobs in housing, recycling and alternative energy. Finally, the party should consider supporting a major reform in public transportation, which is required both socially and environmentally. Today, the air pollution in Israel's largest cities is relatively high and less people are using public transportation since the country is lacking a modern transportation system (for example, in the Tel Aviv metropolitan area the number of users went down by 25% from 1994 to 2008 despite the population increase). An efficient, convenient, quick, affordable and accessible transportation system is urgently needed. The revenue needed for these policies could be generated from green taxes, which can be used as a tool to promote a just environmental policy.

Whereas education improves human capital and transportation is critical for physical capital, Israel also has to improve its political capital. The public service needs to improve its productivity and cut unnecessary bureaucratic hurdles.

"Our quality of government is low compared to many governments. Therefore, I believe one thing we have to do and fast is to change the government's political system of Israel and cut some of its bureaucracy."

-Avishay Braverman

Bureaucracy in Israel is one of the reasons why the many successful startup companies have not been able to grow into big enterprises based in Israel. The Labor Party will have to prove that enlarging the public sector (for example, in health and education) does not contradict improving its quality and efficiency. The private sector will be encouraged to innovate and thus prosper, and will receive quick and improved service from the government. The country should intervene, however, when the private sector becomes concentrated in very few hands and the lack of real competition raises the cost of living.

Policies Promoting Solidarity and Democracy

While promoting the economic policy outlined above is difficult but achievable, strengthening solidarity is an even more complex task in Israel's heterogenic society. Israel is defined as the country of the Jewish people and therefore almost 20% of the population (the share of citizens who are not Jewish) may feel as second-class citizens. Youth surveys show that the social alienation between Jews and Arabs is only increasing. In addition, the Ultra-Orthodox who tend to oppose the concept of a Zionist country, live in closed communities with solidarity inside the community but a great level of mistrust and suspicion between them and the rest of the country.

Reintroducing solidarity will have to begin in the education system. Even though there are four separate education systems in Israel, the Labor Party should consider insisting that some common values be taught in all school. These could include democracy, equal rights and basic solidarity. The country can set an example to basic solidarity by providing equal basic support to all residents and by treating all residents as part of the society. The current coalition includes a party which gained support by encouraging anti-Arab sentiments, and which promotes symbolic legislation specifically targeted against the Arab citizens in Israel. Obviously, this undermines integration and solidarity and the Labor Party must lead the

opposition to such policies and restate that it will treat the Arab citizens equally, both in symbolic actions and with actual allocations.

The Labor Party must promote the notion that people have to contribute to society and not only receive its support. In essence, this means that the country will actively encourage higher workforce participation rates especially among Arab women and Ultra-Orthodox men. It will have to face the Ultra-Orthodox and introduce the notion that the country will not have the means to continue supporting them if they do not work, and that their communities' future depends on more people working. Moreover, it will have to offer Arab citizens a real chance to integrate in the society and encourage them to participate in the workforce by various means, such as improving transportation to Arab cities and villages.

The issue should not be framed as 'us vs. them' which contradicts the essence of solidarity. On the contrary, the party can be as inclusive as possible and explain that as the demographic share of Ultra-Orthodox and Arabs grows, it becomes essential for the entire society to include these populations in the workforce. Therefore, the country should help these groups by offering concrete plans including special courses, improved access to work, methods to help overcome cultural barriers and financial incentives to join the workforce.

Throughout the chapter it has been stressed that the Labor Party should strive to increase workforce participation rates. Of course, the party will still continue to display solidarity with the workers and ensure that their rights are protected. Labor laws should be updated and more importantly, current labor laws including the minimum wage should be enforced. The party can continue fighting for strict monitoring of manpower contractors and an increase in the number of labor laws inspectors, as the OECD recommended.

Solidarity is also a useful concept internationally. The Labor Party can change its entire discourse on foreign policies, as it has successfully done in the past. Instead of adopting a

siege mentality of a country surrounded by enemies, the Labor Party could strengthen cooperation with the international community. Practically, this means that Israel will attempt to negotiate with other countries, respect international treaties and find ways to promote mutual interests in economics, environmental and military issues. No less important, such a shift in the country's attitude will improve Israel's legitimacy internationally.

Finally, it is proposed that the Labor Party protect and expand Israel's democracy. While protecting these values was once seen as part of a broad consensus, today these issues are becoming controversial. During the past couple of years several bills of undemocratic nature were introduced in Knesset (such as forbidding foreign countries to finance NGOs), some have gained a majority and actually have been legislated (such as a law defining a call for a boycott on the settlements as a civil tort). The Labor Party should strengthen the Supreme Court, which has become the main institution defending human rights and equality. It could also consider promoting new laws to ensure real equality, irrespective of religion, race or sex, in the spirit of the Declaration of Independence.

Promoting democratic values is also relevant to the economy. In 2009 and 2011 the country passed a two-year budget, a unique process that is not practiced in other countries. Such a budget may be efficient, but it goes against the democratic principle which allows representatives to create and revise the budget every year according to the nation's needs, especially during a crisis. A two-year budget gives more power to unelected bureaucrats at the Finance Ministry at the expense of Members of Knesset. The party should cancel this mechanism and continue its objection to the Economic Arrangement Law ("the Hesderim Law"). This law is passed every year since 1985 and includes a wide range of legislation on many social and economic issues. It is tabled together with the budget law in order to put pressure on the coalition to support it (not passing the budget by the end of March leads

automatically to new elections). This results in an extremely powerful law which is adopted despite insufficient\ debate and public objections to many of its sections.

Today, the Labor Party is facing a unique opportunity for revival based on a social democratic agenda. A just, comprehensive, responsible alternative that promises sustainable growth and equal opportunities can generate huge public support and make the Labor an important party once again.

Summary

The social democratic movement has gradually lost much public support in the past decade and is facing enormous economic, technological, cultural and identity challenges. However, the movement is also facing a unique opportunity. The upcoming years can serve a turning point on three different levels.

Social democrats can change the public debate. Such a process especially makes sense during an economic crisis and has already begun. In Israel, the summer of 2011 was remarkable, since the social and economic discourse became more important than discussions on the country's security situation and foreign affairs. The economic discourse is also changing in Europe, the free market is treated more skeptically than before and increasing inequality is harshly criticized. Yet, some changes have not taken place. The individualistic oriented point of view still dominates the discourse, and, as a result, solidarity is not often perceived as vital. Social democrats will need to focus on who enjoys economic growth rather than focusing only on the rate of growth. They will also need to redefine the debate on social values by stressing both the responsibility of the society to protect each individual and the individual's personal responsibility to society.

The second potential turning point for social democrats is returning to political power. The political system often tends to operate in cycles and the dominant movement in one decade often loses most of its power in the next decade. Social democrats can return to power if they offer a relevant platform and convey it efficiently to the public. Participatory politics, which have become possible using social media outlets, can increase the support for the party and mobilize its activists. Obviously, even when the presentation of a message is technically perfect, it still needs to relate to the needs of most people in order to gain support. The movement needs to focus on the youth and on the employed who often feel that social

democrats are not serving their interests. Social democrats should value the three basic principles of the movement – solidarity, democracy and social justice with quality of life - but the policies to promote these principles can be carried out with flexibility. They may have to abandon irrelevant policies of the past, such as trying to stop globalization, and promote new policies that will advance their ideas, such as attempting to impact on the globalization process by making it more just.

The third turning point is actually changing reality. Social democrats have had greater electoral success in the 1990s, but the “Third Way” candidates were often unable to significantly implement the social democratic ideology, possibly because the basic discourse remained the same even when they were elected. Changing basic policy is possible; inequality for example, was smaller in the past. Both Reagan and Thatcher were able to profoundly influence the public discourse and implement a conservative economic ideology in the long run. There is no reason for new social democratic leaders not to be able to do the same for their own movement.

The strategy emphasized in the booklet can only offer initial ideas and support the internal debate within the social democratic movement. Activists will have to continue this discussion and constantly look for the best policies and the optimal way to convey them to the public. The continued cooperation of social democratic parties will allow them to learn from successful platforms in other countries. Our conference and this booklet stressed that an opportunity to regain public support and create a turning point for social democracy exists. Now it is up to social democrats to actively seize the opportunity.

Speakers and International Participants in the Conference

- **Amb. Colette Avital** - Former MK and General Director of the Education and Research Center of the Berl Katznelson Foundation, Israel
- **MK Ehud Barak** - Minister of Defense and Chairman of the Labor Party, 2007 - 2011, Israel
- **Dr. Avi Bareli** - Political Scientist, Ben Gurion University of the Negev, Israel
- **Espen Barth Eide** - State Secretary in the Ministry of Foreign Affairs of Norway, Vice President of the Party of European Socialists (PES)
- **MK Benjamin (Fuad) Ben-Eliezer** – Minister of Industry, Trade and Labor, 2009 - 2011, Israel
- **Itay Ben-Horin** - Campaign Expert in Strategic Arenas, Israel
- **MK Prof. Avishay Braverman** – Minister of Minority Affairs, 2009 – 2011, Israel
- **Jesus Caldera** - Vice President of Foundation Ideas and former Minister of Labor and Social Affairs, Spain
- **Corina Cretu** - Member of the European Parliament and International Secretary of the Partidul Social Democrat (PSD), Romania
- **Giacomo Filiback** - International Secretary of the Democratic Party, Italy
- **Dr. Alfred Gusenbauer** - Chair of the “Next Left” focus Group and Former Chancellor, Austria
- **MK Isaac Herzog** - Minister of Welfare and Social Services, 2009 – 2011, Israel
- **Dr. Ralf Hexel** - Director of the Friedrich-Ebert-Stiftung in Israel
- **Raymond Johansen** - Former State Secretary and Secretary General of the Labor Party, Norway
- **Ann Linde** - International Secretary of the Social Democratic Party, Sweden
- **Prof. Thomas Meyer** - Political Scientist, University of Dortmund, Germany

- **Henri Nallet** - Vice President of the Jean-Jaurès Foundation, Former Minister of Agriculture in France and Vice President of the Foundation for European Progressive Studies (FEPS)
- **Dr. Roby Nathanson** - General Director of the Macro Center for Political Economics, Israel
- **Prof. Gur Ofer** - Economist, Hebrew University of Jerusalem, Israel
- **Yonnec Polet** - Head of International Unit, Party of European Socialists (PES)
- **Sever Plotzker** - Senior Publicist, Editor of the Economics Division in the Israeli newspaper Yediot Aharonot
- **Victor Ponta** - Head of the Partidul Social Democrat (PSD), Romania
- **Jean-Michel Rosenfeld** - Special Advisor to the President of the Jean-Jaurès Fondation, France
- **Martin Schulz** - Chair of the Group of the Progressive Alliance of Socialists and Democrats in the European Parliament
- **Daciana Octavia Sârbu** - Member of the European Parliament
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SOCIAL DEMOCRACY IS FACING NEW CHALLENGES WORLDWIDE. THESE ARE THE OUTCOME OF GLOBAL STRUCTURAL ECONOMIC CHANGES AS WELL AS SOCIAL AND DEMOGRAPHIC SHIFTS – SUCH AS IMMIGRATION AND THEY RESULT IN POLITICAL SETBACKS: THE LOSING OF ELECTIONS ON THE EUROPEAN CONTINENT, THE DECREASE IN MEMBERSHIP NUMBERS, AND THE RISE OF EXTREMIST RIGHT-WING PARTIES. IN ADDITION, NO NEW RELEVANT IDEOLOGICAL MESSAGES, ADAPTED TO CHANGING TIMES, HAVE REACHED OUR CONTEMPORARY SOCIETIES. THE LIMITED SUCCESS IN MEETING THESE CHALLENGES HAS CONSIDERABLY WEAKENED SOCIAL DEMOCRATIC PARTIES THROUGHOUT EUROPE AS WELL AS IN ISRAEL.

THIS COMMON ANALYSIS HAS BROUGHT TOGETHER THE BERL KATZNELSON FOUNDATION IN ISRAEL, THE FRIEDRICH EBERT STIFTUNG FROM GERMANY AND THE JEAN JAURES FOUNDATION IN FRANCE TO HOLD A COMMON CONSULTATION ON THE FUTURE OF PROGRESSIVE SOCIETIES. THE CONFERENCE ORGANIZED IN ISRAEL IN NOVEMBER 2010, ATTRACTED THINKERS AND POLITICIANS FROM NINE COUNTRIES AS WELL AS REPRESENTATIVES OF THE FOUNDATION IDEAS FROM SPAIN, THE PES AND THE FEDERATION FOR EUROPEAN PROGRESSIVE STUDIES.

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