

# BUILDING THE GOOD SOCIETY

THE PROJECT OF THE DEMOCRATIC LEFT

Jon Cruddas and Andrea Nahles

compass

A young girl with long brown hair, wearing a pink jacket and a red scarf, is seen from the side, looking out over a field of wind turbines. She is holding a large, colorful pinwheel on a blue stick. The background is a clear blue sky with some light clouds. The wind turbines are visible in the lower left and bottom center of the frame.



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DIRECTION FOR  
THE DEMOCRATIC LEFT

## I. EUROPE AT A TURNING POINT

Europe is at a turning point. Our banks are not working, businesses are collapsing and unemployment is increasing. The economic wreckage of market failure is spreading across the continent.

But this is not just a crisis of capitalism. It is also a failure of democracy and society to regulate and manage the power of the market. At this moment of crisis we reject the attempt to turn back to the business as usual of unsustainable growth, inequality and anxiety economics. But we recognise too that there is no golden age of social democracy to go back to either.

The future is uncertain and full of threats; before us lie the dangers of climate change, the end of oil and growing social dislocation. **But it is also a moment full of opportunities and promise: to revitalise our common purpose and fulfill the European dream of freedom and equality for all.** To face these threats and realise this promise demands a new political approach.

On the tenth anniversary of the Blair–Schroeder declaration of a European Third Way, the Democratic Left offers an alternative project: the good society.

This politics of the good society is about democracy, community and pluralism. It is democratic because only the free participation of each individual can guarantee true freedom and progress. It is collective because it is grounded in the recognition of our interdependency and common interest. And it is pluralist because it knows that from a diversity of political institutions, forms of economic activity and individual cultural identities, society can derive the energy and inventiveness to create a better world. To achieve a good society based on these values we are committed to:

- restoring the primacy of politics and rejecting the subordination of political to economic interests;
- remaking the relationship between the individual and the state in a democratic partnership;
- creating a democratic state that is accountable and more transparent, strengthening our institutions of democracy at all levels including the economy;
- enlarging and defending individual civil liberties;
- reasserting the interests of the common good, such as education, health and welfare, over the market;
- redistributing the risk, wealth and power associated

with class, race and gender to create a more equal society;

- recognising and respecting differences of race, religion and culture;
- putting the needs of people and the planet before profit.

**The foundation of the good society is an ecologically sustainable and equitable economic development for the good of all.**

There are no short cuts or ready-made blueprints. Instead, based on these values and aspirations, we will take each step together and in this way we will make our world a better place to live in. As Willy Brandt said: 'What we need is the synthesis of practical thinking and idealistic striving.'

Working in our own national arenas we can achieve a great deal, but we need to recognise that capital has gone global while democracy has remained largely stuck at nation state level. This statement brings social democrats from Germany and Britain together and in doing so makes each stronger. The next stage is to use this exploratory text to build a pan-European network of social democrats who, like us, don't want to turn back to the past but are looking ahead to build the good society.

## 2. LEARNING FROM EXPERIENCE

In June 1999, Tony Blair and Gerhard Schroeder, the Prime Minister of Britain and the Chancellor of Germany, published a joint declaration of European social democracy. Their statement brought together the ideas of the British Third Way and the German Neue Mitte. They claimed that this new model of social democracy had found widespread acceptance: 'Social democrats are in government in almost all the countries of the union.' Today the reverse is true. Social democrats are out of government in almost all the countries of the union.

The historic stage of social democracy associated with the Third Way and the Neue Mitte was a response to the long period of right wing dominance that had taken hold following the economic crisis of the 1970s. A new historic stage of capitalism had emerged, destroying the post-war welfare consensus and establishing a new consensus around neo-liberal values and a free market economy.

The electoral successes of the Third Way and Neue Mitte were tempered by compromises and limitations. Neither New Labour nor the SPD were able to build lasting coalitions for transformational change. In the 2005 election both parties had millions fewer votes than in 1997

and 1998 and both have lost out in local and regional elections. Substantial numbers of traditional working-class supporters have lost faith in New Labour and the SPD as the historical advocates of their interests. Many abstain from voting while an increasing minority identify with other parties who would claim to represent their interests, such as the leftist 'Die Linke' in Germany, and – of greater concern – the fascist BNP in Britain. The institutions and cultures of the working class that sustained Labour and the SPD through the 20th century have either disappeared or lost their social vitality.

**The Third Way and the Neue Mitte models of social democracy uncritically embraced the new globalised capitalism. In doing so they underestimated the destructive potential of under-regulated markets.** They misunderstood the structural changes taking place in European societies. They believed that a class-based society had given way to a more individualised, meritocratic culture. But the new capitalism has not created a classless society. Under market-led globalisation the economic boom created unprecedented levels of affluence but Third Way politics were not able to prevent it from dividing societies. After a decade of social democratic government, class inequality remains the

defining structure of society. Success in education and life chances in general continue to depend on family background.

The era of neo-liberalism was always going to end in self-destruction. Now the economic crash has created a turning point. We have a choice: we can go back to how things were before – the unsustainable growth, the individualised and consumerised world of free markets, high levels of inequality and anxiety, and the failure to confront the danger of climate change. Or we can define a new vision of progress based on justice, sustainability and security in which there is a balance in our lives between producing and consuming, and a balance between work and our lives as individuals and members of society. There is an alternative, and it must be constructed at a European level.

### **3. THE GOOD SOCIETY**

Our values of freedom, equality, solidarity and sustainability promise a better world free of poverty, exploitation and fear. We have a vision of the good society and a more egalitarian economy, which will create a secure, green and fair future. But to achieve it capitalism

must now become accountable to democracy; and democracy will need to be renewed and deepened so that it is fit for the task. A good society cannot be built from the top down, but can only come from a movement made by and for the people. Creating the good society will be the greatest challenge of our time and it will shape the lives of generations to come.

#### **Our values**

A new model of social democracy begins with our values. On these we can build the good society.

In this new global age we must live together as free and equal individuals in multicultural societies, and as citizens of Europe. We must build political institutions that create a sense of belonging in a just society, and we must reach out to the rest of humanity by creating democratic forms of global governance.

The ideal of a better, fairer and more open world resonates among millions of people who are searching for new ways to live together. It is a hope expressed in global and local social movements, countless single-issue campaigns, community actions, pressure groups and a multitude of informal individual engagements with political, charitable and social issues. The task of the

Democratic Left is to develop the idea of a shared common good through argument, collective political action and campaigning among the people.

**The good society is about solidarity and social justice. Solidarity creates trust, which in turn provides the foundation of individual freedom.** Freedom grows out

of feelings of safety, a sense of belonging, and the experience of esteem and respect. These are the fundamental preconditions for the good society. We seek a life of self-invention and self-fulfillment. This desire for self-fulfillment involves the right of everyone to achieve their own unique way of being human. But it is not the selfishness of market capitalism, because to dispute this right in others is to fail to live within its own terms. Solidarity expresses our interdependency. In a globalised world solidarity has no boundaries.

The notion of autonomy is central to a future in which people have the greatest possible control over their lives. Autonomy is not licence; it carries with it the obligations and constraints of living with others. It requires that each citizen has the resources – money, time, relationships and political recognition – to make a good life for themselves. This means the right to decent work, education and social security. The market cannot distribute freedom fairly and



so a wider political community must be created in order to decide the just distribution of resources. Individual autonomy is the product of a political community. Democracy and its renewal is central to the politics of the good society.

The guiding principle of the good society is justice, the ethical core of which is equality. Each individual is irreplaceable and of equal worth. In the good society each is afforded equal respect, security and chances in life, regardless of background. Discrimination based on class, racism, homophobia and prejudice against women is outlawed and rigorously contested in culture, education and the workplace.

Framing all these values is ecological sustainability. The good society is part of the planet and attuned to its ecology. It develops ways of flourishing within the constraints imposed on it.

### **A fair and sustainable economy**

At the centre of the good society is the individual as productive agent. Only by reorganising the system of production can we create a society of freedom and equality. The neo-liberal consensus did not deliver the individual freedom it promised. It created a winner takes all culture of

capitalism that has damaged society and so also the individual. It failed to create free, self-regulating markets.

We need to develop a new kind of economy rooted in the values and institutions of the good society. It will be one characterised by a variety of different economic structures and forms of ownership. It will make sure that workers codetermine economic decisions of their companies. From this economic pluralism we can ensure there is no going back to the globally unbalanced economic growth that led to the crisis.

We need ecologically sustainable development that meets human needs equitably and improves the quality of life of all. Climate change, peak oil and the need for energy and food security demand large-scale economic transformations. The time has come to start to discuss and then implement a new model of prosperity, which can be globalised but without leading to ecological disaster. Quality growth, meaningful work and technological progress can lead to more wealth and a better quality of life, but markets alone cannot achieve these goals. The future will demand a more active state engaging with long-term economic planning and development to build a sustainable economy.

The reform of the economy can begin with government taking services of general interest – utilities,



transport, post, banks and public services – back into public ownership or placed under public control, where this is the most accountable, equitable and economically sustainable way of guaranteeing these services. New rules for markets have to be established and stronger incentives fashioned for a more sustainable economy.

The market state and its agencies need to be transformed into a civic state that is democratised and made more responsive to individual citizens and small businesses. We need to balance a strong centre with effective power at local level for economic and social development. The advocacy roles of civil society organisations and the trade unions need to be strengthened.

The primacy of politics over the financial markets has to be restored. In the banking sector a plurality of more customer focused business models must be established, which include commercial banks, mutuals, regional and community banks and credit societies, all operating on a variety of scales. We have to make sure that the banking sector is restructured and that it develops transparent and accountable forms of corporate governance. A new regulatory and supervisory framework will define the role

and practice of banking and the system of executive remuneration. Only government with its democratic authority, global alliances and tax revenues can achieve the necessary level of reconstruction.

**The economic crisis requires new global alliances; countries must start working together rather than continuing the race to the bottom.** We need international and European regulation of financial markets. Transnational corporations must be made subject to democratic oversight through the introduction of global economic democracy with defined rights of information, consultation and codetermination of workers' representatives. Private ratings agencies, which have a huge influence on economic performance, need reform and supervision by public authority. The liberalisation and globalisation of capital has redistributed wealth from poor economies to the rich and increased systemic risk of worldwide economic collapse. Capital controls, the closing down of tax havens and the taxation of global financial transactions are needed to aid economic development and protect vulnerable economies.

A new industrial policy needs to map out the future priorities and needs of Europe and its national economies. Manufacturing is in decline as a share of GDP. Industrial

employment is falling and wages have been stagnating. Domestic demand has been falling and in some countries the gap was filled by cheap mortgage-backed credit. That short cut option to economic growth is now closed. Core structures of industry have to be maintained and modernised, because they secure employment and provide a basis for the services sector.

We have depended on the global economic imbalance between the huge trade surpluses of some economies and the deficits of others. This is unsustainable and we have to rethink how regionally in Europe and globally we can have more balanced trade relationships.

Economic policy must ensure a diversity of business models and forms of economic ownership. We do not want to substitute monopoly capitalism for state monopoly. But we want markets to be regulated for the common good and the greatest possible degree of economic pluralism. Government on different levels including local states should be encouraged to raise funds on the capital markets, issue mortgages and raise funding from bonds for their own infrastructure projects.

New green markets and a renewable technologies industry need developing, both for a carbon neutral economy and for energy security. In the short to medium

term the most effective solution to fight climate change is to establish a global carbon market based on a cap and trade system. In the meantime energy efficiency should be at the heart of the response to the economic crisis, as it is the quickest and fastest route to take for both job creation and emissions control. A Green Strategy needs to be developed and coordinated by governments across Europe. Advances and price reductions in large-scale renewable technologies have potential to replace carbon-intensive power-plants and nuclear. To ensure affordable warmth the energy markets and prices must be regulated and the energy companies brought to account.

The knowledge economy matters and we must focus on investment in innovation and the generation of high value added products. But knowledge and culture related economic activity must be extended beyond the limits of its current privileged zones and its demands should not be prioritised over the rest of the economy.

The market is failing to deliver high quality research and development. Organisation and product transforming and enhancing innovation require substantial initial government funding and a strong venture capital market aligned to it. Success needs buoyant, assertive and confident institutional cultures of risk taking. Such

conditions do not currently exist in higher education. Instead, universities driven by commercial imperatives and performance indicators are neglecting the convivial cultures in which innovation happens and ideas and communication flow. The higher education system must be decoupled from the market and from commercial imperatives and treated as a public good.

The full potential of the services sector has to be developed, especially in the fields of education and training, and in health, care and social services.

We need a new system of agriculture, both local and global. Investment should be made in sustainable organic food system where food is produced, prepared and consumed locally and where wealth created remains within local communities.

## Good work and social security

We must work for a social Europe in which people come before profits and where society asserts its interests over those of the market. This means economies that prioritise full employment, fair levels of pay, and labour market rights that guarantee good conditions and protect workers against discrimination and exploitation. It stands for social insurance against sickness, unemployment,

poverty and disability, and for good value pensions in old age. Economic democracy is central to the social Europe project. A social Europe must extend beyond work to decent housing, high quality energy and transportation networks, good quality health care services, egalitarian education systems, and skills training that prepares individuals for a good life as well as good work. This agenda is a competitive asset in a globalised economy, not an obstacle to economic success.

**We need a mix of cash benefits and social infrastructure to lift people out of poverty and to help stimulate demand.** The tax system must contribute to a more equitable distribution of income and wealth. Low wage earners should not pay taxes. Those at the top must start paying their fair share and legislation must tighten tax loopholes and tax avoidance schemes.

Welfare policies that provide preventive approaches are important and should be strengthened, but they must not be used to disguise cuts in benefits. Fixation on personal responsibility can create anxiety and social insecurity among the most vulnerable people in society, especially in a recession. People need help to lead dignified lives free from poverty and social exclusion. Social benefits are a right of citizenship and should help people manage



changes and vulnerable situations over the whole life-course.

Pensions are about the total economic system and they will play a key role in social investment strategies and wealth redistribution. The longevity revolution and the failure of financial markets to guarantee decent returns on personal pension plans make social insurance an economic priority. In the last decade, the replacement of defined benefit schemes with defined contribution schemes has created a fundamental shift of wealth in favour of the rich. They have transferred risk from the state and business to the individual. This trend must be reversed in favour of public pay-as-you-go systems for both the private and public sectors.

Labour market policies face the challenge of flexibility. The growth in short-term contracts, agency work, sub-contracting and use of the 'self-employed' have often left workers with fewer rights. Growth in employment has been in both low skill, low wage jobs in poor conditions and high skill, high wage jobs, but sometimes also in difficult contractual and working conditions. The growing use of temporary and agency workers is spreading these conditions to other parts of the economy. Regulation can end low pay, low skill and casualised labour. Strong trade

unions are the best defence against exploitation. Work and quality of life can be improved by introducing a living wage. But we must ensure that conditions of employment are compatible with caring responsibilities. The skills agenda should be extended but also democratised and radicalised so that it can provide the means not only to 'good work' but also to a good life.

### A new politics of democracy

The institutions which have in the past given people access to political ideas and activity, such as trade unions, churches and political parties, face the challenge of steep membership decline. Many people are disaffected with representative democracy. They have lost confidence in politicians and political parties. We live in societies where large numbers are pessimistic about our future. This is because for thirty years our democracies have offered only one vision of society: that governed by markets and profit. The economic crisis is a crisis of democracy but it also provides the opportunity to revitalise politics.

Despite the disillusionment with political parties, there are extraordinary levels of political, cultural and community activism in our societies. Politics has become

more individualised and ethical, and rooted in a diversity of beliefs and lifestyles. The old collective styles and political monocultures are being rejected by some. These developments are stimulating a search for new kinds of democratic political structures and cultures that are reconnecting institutions of political power with social movements and political constituencies. Community empowerment and campaigns around social justice and sustainability are becoming more vigorous.

Power must begin at the bottom and be delegated upward. We cannot create the collective agents of social change; people can only empower themselves. But we can strengthen democracy and so create the conditions for their emergence and our capacity to build alliances with them. With real power and policy making influence they can develop the ethos of democracy.

We need a new culture of freedom of information and more open access to the media. Networks and databases facilitated by the web are of growing importance in campaigning, bringing political power to account and mobilising popular opinion. Political parties remain an essential part of our democracies. They provide institutional continuity while networks are often transient. There is much to be gained by synergies between the two.

For this to happen, parties will need to allow their own cultures and organisations to be opened up and democratised in the process.

We must, in the words of Willy Brandt, 'dare more democracy'. We need to strengthen our democratic cultures by introducing electoral reform where it is needed and by increasing opportunities for active participation and deliberative decision-making processes also inside our parties. This is a precondition for strong Social Democratic and Labour parties in Europe. The time of top-down communication is over. The same is true for technocratic governments that tell people about necessities rather than persuade with reasons. People do not believe in spin-doctors anymore.

**The main task in the years ahead will be to create and consolidate political trust in public life.** Trust is the basis of all political and social action. It is best created by bringing people together to agree common aims and decisions, not by excluding them. It is achieved by initiating and engaging in open debate not by seeking to avoid it.

In the process of democratic renewal, nation states can and must do more, alone and together. But it is the political community of Europe that must be used if the

economic crisis is to be a turning point for a new future and not a return to the failed politics of the past. The European ideal of a continent of secure citizens who all live as freely and fully as they can in sustainable and just societies is within our grasp. But it will take a leap of imagination and powerful ambition to make it happen.

## 4. A POLITICS FOR A BETTER EUROPE

### A politics for a Social Europe

Europe needs a 'Post Lisbon Strategy' that is based on the concept of 'social productivity'. Social productivity is about social growth: increasing the social value and quality of work, accounting for the environmental and social costs of markets, and developing sustainable patterns of consumption. The wellbeing of citizens and general quality of life must be improved beyond simple numerical and monetary values. Wealth needs to be redistributed in a more equal manner. Effective regulatory standards need to be introduced to guarantee good, affordable and comprehensive public services, fair wages, good working conditions, free education for all and a human approach to immigration and global solidarity.

## The financial economy

Our strategy for a social Europe must begin by tackling the economic crisis. By working together we will set the foundations for a Europe of greater cooperation, fairness and social justice. Member states are pursuing their own separate policies often at the expense of their EU partners. There is an urgent need for a coordinated Europe-wide fiscal stimulus. The multiplier on coordinated fiscal expansion is much greater than for any one country. In a coordinated response the tradeoff between increased debt and effective stimulus is much better for the EU as a whole than it is for any one country.

**We need to introduce European-wide reforms in financial and economic governance. The regulation of financial market actors in Europe is not sufficient.**

A European supervisory institution can enforce adequate capital requirements, increase transparency in financial market actors' investment behaviour and facilitate efficient information exchange between national supervisory authorities. European financial markets must become a source of stability and development in a production-orientated European economy. The emphasis on achieving shareholder value hinders capital investments in fixed assets, and thereby growth and employment.

To this end we need to reform the European Central Bank and the European Monetary Union. This will improve the prospects of Britain applying to join the Euro. The mandate for the European Central Bank needs to be broadened in the form of a law which the Council and Parliament can also amend. As well as price stability the mandate should permit other social objectives where necessary. These objectives would include the prevention and reduction of unemployment, the stability of the financial system, support for other EU economic policies and monetary cooperation with outside powers.

The EU's central budget needs to be significantly increased and it must be able to redistribute considerably more resources than at present. Alongside this reform, the Commission must have the right, when supported by Council and Parliament, to run deficits.

The Stability and Growth Pact should be replaced by an agreement on the coordination of member state budgetary policies. Coordination and centralisation are to some extent alternatives here; the greater and more reliable the coordination, the smaller the central budget could be – but between them the two measures must make possible some control over aggregate tax and spending policies in the EU.

## Employment and social security

Different national paths constitute a source of strength in the EU. To achieve a Social Europe does not mean enforcing a single system on all nations, but agreeing a set of welfare outcomes. A European minimum wage, corresponding to the national average income, would help limit the increasing wage differentials in Europe and prevent 'social dumping'. To push forward its implementation will require an organisation similar to Britain's Low Pay Commission with a remit for campaigning and working closely with the trade unions.

The series of European Court rulings – the Laval, Viking and Rueffert cases – have deregulated labour markets by changing the terms of the 1996 Posting of Workers Directive. This now needs reform to restore collective bargaining, workers' rights to strike, and establish equality for posted and migrant workers across Europe.

Europe needs fair policies on taxation. Current tax competition in Europe is leading to a shifting of the tax burden from companies to individual income and consumption. This is regressive and unjust and there needs to be a harmonisation of corporate tax policy to safeguard the financial basis of national social security

systems. In the medium term, the European Union (EU) should have its own financial resources, based on a European corporate tax and a European financial transactions tax. Offshore tax havens should be outlawed and corporate profits taxed in the countries where they are earned.

## Energy security and sustainability

Europe must become the most ecologically sustainable economy in the world. If the US is starting a competition to become the 'greenest economy in the world', Europe must take part in this race because all humankind will win. We need Europe-wide green standards for power stations that adopt a series of successively tougher targets for emissions standards, which will drive the introduction of carbon capture and storage. An efficiency target for electricity generation, which is similar to that proposed for cars in the EU, would make it difficult for a government to allow the construction of new coal-fired power stations without some form of carbon capture technology attached.

**Balancing the grid at an EU-wide level will reduce the need for coal and improve energy security by reducing reliance on foreign oil and gas.** It will make significant



cuts in carbon emissions and in the long run bring down fuel bills too. The current bilateral schemes that are being negotiated need to be extended across Europe.

### Global social justice

A social Europe must work for global trade justice. The EU is still pursuing an aggressive free trade agenda. It is currently negotiating Economic Partnership Agreements with African, Caribbean and Pacific countries which pose a serious risk to the development of the countries involved. The EU's latest 'Global Europe' trade strategy is trying to force dozens more countries into even more extreme free trade agreements for the benefit of big business. We need a full-scale review of EU trade policy and a new strategy that puts the rights of poor and marginalised people at its centre. Trade policy needs to be made more democratic and accountable, and include much greater sharing of information and real participation by civil society.

### European democracy

To strengthen European democracy in the economy we should use the potential of introducing supervisory boards through European Public Companies (SEs) for stakeholders to co-determine control over the management board. The EU

needs to build a European-wide civic culture, which will engage in voting, sustain its democratic institutions and subject them to scrutiny. The EU needs to trigger public debate before taking its major decisions. To respond to popular opinion the European Parliament, which is directly elected by the people, needs to get the right to initiate legislation and to elect the Commission President.

## 5. INVITATION TO DEBATE

This paper lays out the principles of the good society. But the project of the good society has to be developed by society itself, through debate and action. **We therefore invite civil society, social movements, trade unions and members of our parties and those in all other European nations to discuss and further develop the ideas set out in this paper.** Our invitation to debate extends to everyone who want a more socially just, sustainable and democratic Europe.

This is just the beginning.

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## MAKING CONTACT

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