

# Why there is less between social democracy and neoliberalism than meets the eye



*Social democracy and neoliberalism are typically treated as opposing philosophies, with each entailing radically different visions for how society should be structured. But as [Steve Fuller](#) writes, social democratic and neoliberal approaches may have more in common than we think. Tracing the history of the two ideologies, he argues that their differences have often turned more on rhetoric than substance.*

I recently debated Philip Mirowski on whether neoliberalism can provide a positive basis for [university policy](#). This may seem strange, since neoliberalism is usually blamed for all the problems that universities face these days. Nevertheless, I argued that it is also the source of all that is [good](#), starting with Lionel Robbins' landmark 1963 report which opened the door to state-driven marketisation in UK higher education, effectively breaking down the Oxbridge monopoly. After Robbins, new academic providers sporting US-style campuses and new interdisciplinary programmes attracted young people who might otherwise have been deterred from attending university altogether. The strategy worked and was extended in a less capital-intensive way in 1992, resulting in today's diverse higher education sector and unprecedented enrolment levels that are only now declining.

The long arc of this policy has been neoliberalism writ large, which becomes less surprising once we recall that Robbins himself was one of the staunchest opponents of Keynes' collectivist idea of 'welfare' as the prime objective of economic science, and as LSE economics chair he had hired the neoliberal luminary Friedrich Hayek. Nevertheless, my audience thought that I was attributing to 'neoliberalism' what properly was due to 'social democracy'. What's at stake in the alternative labelling? Much less than meets the eye, I believe. In fact, their overlapping ideological space defines what I have previously called the '[Alt-Left](#)'.

As it turns out, Robbins began life – like both Hayek and Keynes – as a Fabian socialist, but with Hayek he parted company with all forms of socialism in the 1920s in the wake of the First World War and the Bolshevik Revolution. This was in fact typical of how social democracy and neoliberalism parted ways in the twentieth century, a division that became enshrined over time in the Mont Pelerin Society. But very often the policy differences have turned more on rhetoric than substance, which in recent times has made it easy for, say, Bill Clinton, Tony Blair, Gerhard Schröder and François Mitterrand to advertise themselves as 'social democrats' but end up appearing 'neoliberal'.

Here it is worth recalling that after Robert Michels' classic [Political Parties](#), social democracy has been the paradigm case of an ideology that will do anything to secure power, not least by adapting its principles to circumstances. Michels recounts how the German Social Democratic Party (SPD) quickly sold out much of its Marxist heritage by championing Bismarck's social insurance proposals, a set of Tory reforms designed to avert a working class revolt that soon afterward became the template for what we now call the 'welfare state'. As for the part of the Marxist heritage that the SPD retained – the championing of the labour movement – concern was mainly focused on getting people to join unions so as to render their votes 'reliable' in elections.

To be sure, Michels, a follower of Vilfredo Pareto, spun a cynical tale, given that by the eve of the First World War, the SPD was the largest party in the Reichstag and fully behind the Kaiser's belligerent foreign policy. However, the SPD's ascendancy was taken quite seriously overseas, especially by the UK Fabians and the US Progressives. Bertrand Russell's first book was based on his lectures on the SPD as a lecturer in the newly formed LSE. And both Theodore Roosevelt and Woodrow Wilson frequently expressed their admiration for Bismarck's transformation of Germany's political landscape, of which the SPD was – perhaps ironically – the biggest beneficiary.

However, the people we now call 'social democrats' and 'neoliberals' went down divergent paths over the question of whether the state has its own aims that are distinct from those of the people who authorise its existence. The First World War had largely been a tragedy of diplomatic errors that needlessly cost the lives of millions. Moreover, Wilson raised a national income tax to draft Americans into this war even though the US was not material to the conflict. The deep unpopularity of Wilson's move resulted in a domestic backlash, two decades of US isolationism that ended only with the Japanese attack on Pearl Harbor in 1941. Meanwhile the newly formed Soviet Union took enormous steps to reorganise land and wealth with little meaningful consent of anyone concerned. However the absolute nature of the Soviet state contained all backlash, which enabled the Leninist project to proceed full steam ahead for seventy years.

Neoliberals characteristically group Wilson and Lenin together as the ‘original sinners’ against liberalism. However, it would be a mistake to say neoliberals are anti-state. On the contrary, neoliberals believe that a strong state is needed to create and maintain markets, which – following the [Marquis de Condorcet](#) – they treat as social mechanisms for ‘making people free’. Neoliberal hostility to collectivism in the twentieth century should be seen as extending liberal hostility to the herd mentality in the nineteenth century, as enshrined in Mill’s *On Liberty*. Mill too believed that the apparatus of government had to be organised in a certain way to enable people to be free, since they might otherwise just follow the crowd. Whereas for Mill truth itself was at stake (*a la* Hayek and Popper), neoliberals have been more concerned with the full realisation of human potential, which after the US Progressive economist [Irving Fisher](#) is still called ‘human capital’.

Both social democracy and neoliberalism can be credited with an enormous amount of social experimentation and innovation, some of which succeeded and some of which failed – but all of which is worthy of study. My guess is that a crucial difference between the two lies in their respective attitudes toward policy failure. A rough first approximation is that social democrats are inclined to blame the rich and absolve the poor, while neoliberals absolve the rich and blame the poor – which in turn reflects a divergence in how they think about how power in society is organised. That is only a start at an analysis of two ideologies that deserve to be understood as closer together than they currently are.

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*Note: This article gives the views of the author, not the position of EUROPP – European Politics and Policy or the London School of Economics. Featured image credit: [Musa Zero](#) (CC BY-SA 3.0)*

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