

Introduction

In recent years, much attention has been devoted to the repositioning of social democracy known as the Third Way, particularly in its Anglo-Saxon form, but far less to its place in the history of social democracy. The first wave of studies of the Third Way saw it as neoliberal, as a continuation of significant elements of Thatcherism as regards the economy, industrial relations, and social justice.¹ Rather, I suggest, the Third Way draws on fundamental continuities in the social democratic project, continuities that are, however, not unproblematic. In particular, this book explores the Third Way's relationship to the knowledge economy and the way in which the Third Way's understanding of the knowledge economy leads to a reinterpretation of fundamental postulates of social democracy around capitalism.

The knowledge economy has been a central element of the Third Way, almost to the point of being its *raison d'être*. Just as earlier processes of social democratic revisionism took place around processes of industrial transformation, so the Third Way can be understood as the rearticulation of a set of ideological postulates in relationship to its conception of a new economic and social order. Similar to the way in which Social Democrats in the 1950s and 1960s tried to provide ideological coherence to the industrial economy and the social and cultural changes it brought with it, the Third Way is an ideological project that attempts to establish coherent articulations of the knowledge economy. Some of its articulations are indeed strikingly similar to social democracy's discourses on the need for adaptation to the industrial economy during the Wilson era in the United Kingdom and the Erlander years in Sweden. Since the

mid-1990s, the notion of the knowledge economy has occupied a similar function in social democratic discourse, as the cornerstone of a modernization narrative around information technology, education and lifelong learning, innovation, and entrepreneurship. Where Social Democrats in the postwar period saw the industrial economy as the promise of an affluence that would lead away from class conflict and poverty, the Third Way saw the knowledge economy as a new stage of capitalism that promised “prosperity for all.”² Moreover, the knowledge economy provided a new progressive narrative around questions of social justice—because social exclusion and the unequal distribution of opportunity are understood as problems for the development of the human capital that is at a premium in the new economy. The knowledge economy seemed to give a new role to the social democratic state for the creation of value, by investing in learning, education, and information technology—the drivers of prosperity in the new economy. Thus it was seen, by a nascent new center Left, as offering a way out of the neoliberal “there is no such thing as society” while also providing a reason for breaking with the legacies of Fordism and the mechanistic notions of change of the old Left.

The knowledge economy concerns core issues in social democracy’s understanding of contemporary capitalism—the creation of value and its distribution, the role of markets and the balance between public and private, the balance between labor and capital, the nature of need and want, the role of social justice, the dream of equality. Indeed, the knowledge economy has new implications for age-old social democratic questions of class, exploitation, and emancipation. To the British, then Chancellor of the Exchequer Gordon Brown, in texts from the mid-1990s when New Labour was taking shape, the knowledge economy was an “opportunity economics,” a new economic egalitarianism that was truly dependent on “exploiting the potential of all.” People’s potential was the driving force of the modern economy, and it was the capacity to enhance the value of labor through education and learning that made a modern economy succeed or fail. The challenge to social democratic politics, then, was to “ensure labour can use capital to the benefit of all,” rather than “let capital exploit labor for the benefit of the few.”³ To Brown, this was the point of departure for a new relationship between capital and labour. The knowledge economy signified the final reversal of Marx’s power relationship between labor and capital as the skills revolution made capital a mere commodity and put labor in control of the production of value. Hence, the knowledge economy was the promise of socialism.

The important conclusion that we reach is that the Left's century-old case—that we must enhance the value of labor as the key to economic prosperity—is now realizable in the modern economy. If this analysis is right, socialist analysis fits the economic facts of the 1990s more closely than those of the 1890s.⁴

This analysis of a new balance of power between labor and capital stemmed from the idea, inspired by endogenous growth theory, that because knowledge is a kind of capital located within the worker, it also makes workers the owners of their capital and no longer subject to other logics of capital. This is a mindboggling suggestion to socialist thinking. If capital is within us, then how can it exploit us? And if, as Brown suggested, capital is no longer an exploiting force but a force that, in the hands of a Labour government, works for the emancipation of labor, then what is capitalism?

This book explores the way that social democracy makes sense of a new economic and social order based on knowledge. In particular, it points to the different interpretations of the knowledge economy and the knowledge society that exist within Third Way discourse, through an analysis of the different interpretations of a knowledge age of New Labour and the Swedish Social Democratic Party, SAP (*socialdemokraterna*). These differences, the book argues, can be brought back to different definitions of what kind of good knowledge is, how knowledge acts as an economic and social resource, and what that means in terms of economy and society, individuals and politics. To the SAP, knowledge is a democratic, public good that should be created and redistributed on the basis of universalism. Its discourse on the knowledge economy is highly egalitarian, drawing on ideological legacies from the universal welfare state and the party's historic project, the People's Home. To quote the Swedish slogan, "knowledge grows the more we share it."⁵ Key metaphors used in party rhetoric to describe the knowledge economy have been the library or the study circle, both of which draw on the idea of knowledge as produced and distributed on the basis of solidarity and also allude to central elements in party history—the public libraries and study circles that laid the foundation for worker education in the nineteenth century. New Labour, in contrast, spoke in the 1990s of the knowledge economy as the chance for Britain to rise again, as the electronic workshop of the world. To New Labour, knowledge is a competitive commodity and an individual good, to be bartered and sold on the markets of the knowledge economy.

At the same time that these differences evoke central questions concerning the social democratic project, past, present, and future, they also reflect

tensions at the heart of the knowledge economy. These are tensions that go back even to those embodied in the idea of knowledge that informs European modernity, between notions of knowledge as economic capital, defined by applicability and use, and knowledge as democratic or public capital, defined by democracy and the virtues of citizenship.⁶ Thus, through its focus on contemporary narratives of the knowledge economy, this book sheds light on a wider issue, namely, social democracy and its ambiguous place in the history of modernity and capitalism.

Coined in the late 1990s to describe a new and youthful social democratic project, the *Third Way* is now an awkward term, indeed one that is often regarded with some embarrassment by Third Way proponents themselves. For lack of a better term, however, it still functions as an analytical description of the ideological content of contemporary social democracy. At the very least, it is hard to discern any viable alternative to it. However, and contrary to what one might think due to the dominance of Anglo-Saxon literature, the Third Way is not and was never a one-way political space but a deeply heterogeneous project across time and space, with complex origins in ideologies in social democracy's past and complex relationships to national legacies and cultures.⁷ As I finish this book, social democracy is struggling to find a new sense of identity in a time when its infatuation with the market has suddenly become its largest liability. From the Third Way a contested field of discourses and counterdiscourses, ideologies and counterideologies, some with their origins in the 1990s, some with origins in historical discourses of social democracy, some new, all struggling to define the future of social democracy, has emerged. This book also aspires to shed light on these points of change.

Structure of This Book

This book's point of departure is that the idea of the knowledge economy and the modernization narrative to which it gives rise in both countries are dependent on a highly specific idea of knowledge, indeed, a form of capital, an intangible but marketable commodity located within those individuals whose brainpower constitutes the skills revolution. This has particular implications in the knowledge economy, where ideas of self-realization through learning and education are also at a premium. This book suggests that this represents a process of capitalization—a process whereby forms of good, previously not primarily thought of as economic goods, become defined as forms of economic capital. The growth discourses of the Third Way focus on “tapping po-

tential,” on ways to turn curiosity, talent, originality, and creativity into value. In this process, the socialist notion of exploring potential, of helping everyone “bridge the gap between what they are and what they have it in themselves to become” acquires a new meaning, and the distinction between emancipation and exploitation becomes fundamentally blurred.

The first chapter of this book, “Dilemmas of Social Democracy,” establishes a framework for understanding the Third Way in the context of the history of social democracy and capitalism. Chapter 2, “The Political Economy of Knowledge,” discusses the main features of what might be called a political economy of knowledge, the Third Way’s macro-micro strategy, and its understanding of a global order where “capital moves at the strike of a key,” and growth strategies increasingly built around the value of human capital. It argues that this political economy of knowledge is distinct from neoliberalism and that it brings with it a plethora of new means of governance that change the nature of social democracy’s intervention into the economic and the social. Chapter 3, “Defining Old and New Times,” traces the genealogy of the Third Way and its narrative of a new economy through its various trajectories, beginning in the 1970s. It maps the strategic ideological choices made by social democracy in this period and highlights the role of struggle around futures chosen and futures closed.

The three chapters that make up the second part of the book deal with the question of how social democracy understands knowledge capital, that is, the role and nature of capital in an era of knowledge. Chapter 4, “Capitalism?,” lays out the differences in the parties’ interpretation of knowledge capitalism, including notions of class and conflict, ownership, and equality. It puts this in the context of social democracy’s historic interpretations of capitalism and asks how it is different. Chapter 5, “Politics of Growth,” deals with the ambiguous notion of growth in the knowledge economy. As it is most clearly expressed in the concept of learning, growth in the knowledge economy takes on a double meaning of economic and individual improvement, hence, of accumulation and profit as well as of self-realization and self-fulfilment. The chapter probes this double bind and argues that the Third Way, through its articulations of potential, talent, and skill as forms of economic capital, rearticulates radical utopian notions in education or culture in terms of technocratic notions of efficiency, thus silencing other ideological heritages in the history of social democracy.

Chapter 6, “Knowledge Societies,” treats the social democratic vision of the knowledge *society* and its interpretation of the social organization of

knowledge as equality or meritocracy. It explores the differences between New Labour's meritocratic notion of community and the SAP's more egalitarian notion of society as *samhälle*, a notion that still occupies a central place in Swedish politics but that is today, after decades of ideological change, full of tensions and ambiguities that are demonstrated in the chapter with the example of voucher schools. Chapter 7, "Investing in People," is concerned with the different strategies for welfare state modernization of New Labour and the SAP and the different role that the parties give to social citizenship in the process of change. In the 1990s and 2000s, both parties emphasized and continue to emphasize the positive relationship between social justice and economic efficiency; they do so, however, in very different ways, reflecting different understandings in the liberal and social democratic tradition of the defining virtues of citizenship and the role of social citizenship for the efficient functioning of capitalism.

Chapter 8, "Creating the Knowledge Individual," explores the idea of the knowledge citizen, the constantly learning and relearning individual who supposedly inhabits the knowledge society. It argues that social democracy, preoccupied in the 1950s with the creation of industrial man, is equally preoccupied today with the idea of knowledge man and that many of the Third Way's means of governance are designed to actively create this utopic citizen. The Third Way's notion of improvement is inherently individualized, seeing, in actual fact, the process of modernization as one that essentially takes place within each individual. The chapter argues that the political construction of this knowledgeable individual has an other, discernable in discourses of social exclusion, in the form of those individuals and groups who are seen as lacking knowledge, talent, and potential. Chapter 9, "The Future of Social Democracy," opens a window to the future of social democracy by positing the conclusions of this book in the light of current debates in social democratic discourse at the end of the Third Way.