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## REVIEW ESSAY

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# THE SOCIAL ECONOMY TRADITION RENEWED?

**Geoff Dow**

**Adrian Pabst**

**Postliberal Politics: The Coming Era of Renewal**

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The idea of post-liberal politics has had a long gestation. Liberalism has traditionally implied an emphasis on individual freedoms, priority to market mechanisms (and self-interest) in the determination of living standards and distributional questions, minimal taxation, a basically non-interventionist state (or at least one without mercantilist or developmental or ownership pretensions), celebration of the imagined effects of competitive behaviour, and free trade internationally. These features are accompanied by constraints on trade union and corporate propensities towards ‘organisation’ and its reputed capacity to ‘capture’ regulation. Post-liberalism then would appear to imply a transformation away from these characteristics of market liberalism. This entails a shift towards collective provision and social responsibility, a societally sanctioned floor under (real) incomes, societally determined limits to inequality, taxation-financed capacities beyond the economic realm (in conflict-resolution and public infrastructure, for example), as well as wealth-enhancing social

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development, along with encouragement of institution building designed to facilitate prudential plenty and openness to democratic experiment.

In political economy, liberal principles achieved their apogee with Adam Smith's presumption of Enlightenment rationality, though even here a role for political morality – an unavoidable brake on rationalism – was allowed. For example, it has often been noted that Smith (2000 [1776]: 366) himself anticipated that a consequence of the division of labour was that a labourer might become 'as stupid and ignorant as it is possible for a human creature to become [...] unless government takes some pains to prevent it'. If necessary, substantive public convictions could override undiscussed secular developments.

Meanwhile political philosophy confirmed that conscious departures from rationalist principles - anticipated or not, compensatory or not - were recurrent and inevitable; to be suppressed only at human cost. Interventionist, post-liberal, principles therefore imagined that some combination of unintended, structural forces *and* intended, deliberated action, preferably coordinated by appropriately bespoke institutions, would likely result in better, not worse, material outcomes. This implies that supportive, apparently anti-rational, arrangements can actually consolidate, enhance and amplify social and economic progress. Under propitious circumstances, though perhaps not everywhere, well developed welfare states, high incomes with egalitarian distributions of affluence could be seen to be compatible with, if not actually a guarantor of, prosperity.

A trajectory for post-liberalism in the twentieth century can be seen through attempts, within rich societies, to effect a transition from political democracy (where voting and constitutional rights were conceded), to social democracy (which extended citizenship entitlements towards those implied by society's capacity to provide), on to industrial democracy (isolating the fraught question of the rights of employed citizens) and, eventually, to economic democracy (wherein the entire economy was claimed as a legitimate arena for democratic determination). Clearly, each successive 'stage' in the process was understood to be more dismissive of preceding proscriptions than the earlier ones, thereby becoming increasingly 'post-liberal'. Equally clearly, because practical implementation of each step implies extension of the political impulse as well as assertion of democratic momentum itself, it has met resistance.

However, despite continual suspicion, sporadic challenge and recurrent misunderstanding, social democratic elements in this long-term (sometimes deliberate, sometimes fortuitous) transition away from the liberal-market ideal have been enduring. Social transfers, consisting of welfare payments, unemployment benefits, income replacement guarantees, public pensions, public health and housing subsidies – together representing the proportion of real income decided through political (rather than strictly economic) calculation – have been increasing for a century. Such transfers have been above 20 percent of GDP in OECD countries for almost five decades. For the richest countries, moreover, the figure appears quite resistant to liberalising reforms. The social democratic movement is endorsed in most strands of post-liberalism, with total taxation and total government spending exhibiting long-term increase, even since the 1970s when challenges to the tendency began to be exhorted.

Central to an anti-rational tradition in political economy has been religious social thought, more recently known as the *social economy* perspective. This is the viewpoint Adrian Pabst has long shared – in past writings for example, he has dealt, convincingly, with Papal encyclicals and their critiques of economic liberalism and globalisation. Pabst's current book seeks to reformulate this old tradition for the current age of populism, 'new polarities' and our 'shared sense of failure' (p. 17). He is noticeably irritated both by what he sees as contemporary liberalism's destruction of the 'liberal tradition' (p. 36) and by what he sees as the statist aspects of social democracy (too top-down, too homogeneous, too self-serving, over-centralised). He then actually endorses further development of state capacities with reinvigorated opportunities for political judgement (p. 67), restored 'intermediary institutions' (to combat populism) (p. 105), though with more subsidiarity (as in the 'social market economy'), and less 'dirigisme' (p.140), but more able to redress the society-destroying excesses of neo-liberalism. Policy itself should be more instinctual and less rationalistic (p. 175).

Much of Pabst's anxiety seems to derive from maladies specific to British policymaking. There, the policymakers' enthusiasm for 'Blairist' reforms – with their flawed accounts of what occasioned the economic disruptions of the 1970s, 1980s and 1990s and their wilfully constricted understandings of what could be legitimately achieved by a polity, themselves legacies of Hayek and Thatcher – foreshadowed the 'hollowing out' of many public competences, under the thrall of economic

liberalism. Elite endorsement of unwanted choices (many favouring globalist movements and ideas) subsequently led to the ‘populist backlash’ that has now become a rankling challenge for what remains of the progressive left. Yet these should be seen as neither specifically British nor welfare related.

Pabst’s book on *Postliberal Politics* shows that he has not entirely freed himself from dominant liberal conceptions of the role of government. State spending in Britain has been below the rich-country average since the 1970s and declining for a decade. Although briefly impressive (after the first world war), it has not exceeded Scandinavian levels since the 1970s and, in this period, has often been lower than in Germany and much lower than in France. UK welfare spending (measured by social transfers as a proportion of GDP) is far lower than the OECD average (though higher than in other Anglophone countries); and has been so for most of the past century. This under-performance (unwillingness of central institutions to endorse expansive opportunities) represents a failure of conservative politics as much as of social democracy in Britain.

Inevitably, politics is characterised by a gap between what is conceivable and what is actual and, as usual, current circumstances represent departures from the ‘politically possible’, as recognised in analytical traditions associated with Machiavelli, Marx and Weber. For the progressive left, such discrepancies can conceivably be seen as generic problems. However, insofar as a conscious hollowing-out of political achievement has simultaneously occurred – alongside continuing growth of the public realm, as noted above – it has very distinctive, contemporary elements. The current high threshold of state spending and taxation revenues across the OECD seems to be structural (an ‘agentless’ trend, apparently permanent, though without a distinct telos). Why is it not, then, an achievement to be celebrated, especially by admirers of Catholic and protestant social thought?

In Pabst’s book, the ascription of twenty-first century disorder to erosion of the post-war settlement’s implied reciprocity (p. 120), under the grip of ‘an old discredited ideology of Keynesian redistribution’ (p. 122), seems unjustified and perhaps offensive. Elsewhere, the book decries insufficient ‘national developmentalism’ (pp. 124-33) and failure to implement an ‘activist state’ (supporting research and investment but based on public utilities able to promote a ‘communitarian spirit’ and ‘social purpose’). It calls for ‘covenantal ties’ (negotiated agreements) but not costly ‘social

care' (pp. 148-54). The possibility of increasing taxation in the UK to bring revenue into line with other major national levels (and democratic expectations) has not been contemplated or addressed. Yet remedying this legacy of neo-liberalism would yield the equivalent of more than 5 percent of GDP for the augmentation of transfers, without putting the UK beyond the OECD norm (equivalent arguments for Australia could, with justification, readily be advanced too). The century-long expansion in the share of total income accruing to citizens in the form of politically mandated transfers (non-market income, independent of work effort or individual contribution) renders the current heart-wrenching over hedonistic universalism (p. 172), passivity and their allegedly dystopian consequences unconvincing.

One chapter, on democratic corporatism (Ch. 11), does broach solutions. It invokes, though, a somewhat limited version of corporatism (normally understood as the participation in political decision-making processes of organisations – unions, craft guilds, business associations, churches – as opposed to individuals). In accordance with religious social thought, corporatist arrangements can mollify both potentially oppressive state power *and* the indifference of markets to distributive outcomes (pp. 135-7), facilitating active citizenry including workplace democracy at a devolved, sub-national level. Pabst doesn't engage with the huge social science literature on these matters from the 1970s to the 1990s – in political science, sociology and (most importantly) political economy – which thrashed out much of the policy potential of the corporatist developments that emerged in those decades (also identifying some significant unresolved problems). This reticence is strange in view of the wholly compatible overlap between classical social science (particularly Durkheim and Weber, but also twentieth-century mavericks like Polanyi and Veblen) and religious perspectives on social development. Advocacy of corporatist decision-making was seen by sociologists and the churches as a post-liberal curb on market-induced instability, though by political economy and labour unions as a (post-liberal) step towards economic democracy.

The main rationale for institutional influence over societal outcomes was macroeconomic. It had been the behaviour of institutions (usually labour unions and employer associations with their effect respectively on incomes and prices) that caused and exacerbated the inflation of the 1970s; so, institutions were deemed responsible for policy responses. Unusual institutional arrangements were even more imaginable, and imagined, as

the coincidence of inflation and unemployment began to assert divisive outcomes. Sometimes, as in Australia, new political institutions were created explicitly to deal with the new circumstances. Subsequently, even if the proximate cause of inflation (for example) had changed somewhat – or, more correctly, the type of inflation being endured had changed – distributive conflict and its inflationary potential had not been superseded, though undoubtedly weakened by successive bouts of austerity. Corporatist economic management would sensibly require preservation of policy expertise and societal capabilities inherited from the past – with a preserved cognizance of underlying structural dynamics, those analytically discernible forces that periodically but unsurprisingly exist to remind those able to see that policy is not condemned to reinforcing orthodoxy. Insouciant abrogation of lessons previously learned, after considerable struggle, is what has latterly rekindled discontent, including over intensified inequalities.

Institutionalisation – for example, centralised wage fixation systems – had previously managed to contain the dynamics of inequality. Neo-liberal ‘reforms’, however, then nullified the social justice elements built up in the early part of the twentieth century and precipitated societal dislocations unexperienced since the nineteenth century. Among these disruptions and losses has been the almost wilful neglect of intellectual understandings from pre-modern (mercantilist) and modern (Keynesian) political economy – urging deliberate efforts to secure sustainable accumulation with, then as now, a willingness to engage policy experiment without guarantees. The social economy tradition had always proclaimed a parallel need to respect (‘Burkean’) bonds between those living and those yet to be born, between activists today and those in whose name risks are taken (and costs borne) today (Ch.6). Wage regulation and purposeful industrial preservation strategies were always effectual ways of realising cross-generational decencies.

Though sometimes derided as ‘class collaboration’, trade union participation in either tripartite or bipartite forms of corporatism is commonly regarded as necessary for effective macro-level governance (bringing income distribution or industry structure or national development or moral stability under political guidance). Typically, this in turn involves assigning public responsibilities to left-wing parties or even licensing private or civic organisations with the same onus, something that has not generally troubled churches or conservatives with non-liberal dispositions. These processes were never able (nor intended) to eradicate

conflict, but rather to function tolerably despite their limits and complications. In chapter 5, Pabst often cites philosopher John Gray as sanctioning such a *modus vivendi*.

Where democratic corporatism or communitarianism have been well developed and long-lived, some enduring principles have materialised. A key cluster of issues concerns the welfare state. Self-evidently, the citizenship rights won by democratic polities may be tallied against obligations incurred by recipients. Importantly, however, this reckoning need not accord with liberal principles. Chapter 7, incorporating Pabst's critique of social democracy, transgresses against democracy by asserting that the discharge of obligations through taxation is always insufficient (p. 84) – because it's too statist, privileges citizenship indifference, and purports to expand the power of politics over society. This is the basis of his (and *Laudato Si*'s) enunciation of the domain of the 'radical middle' (p. 87). Pabst errs in his insistence that contributions earn entitlements (p. 88), because the link between citizens and citizen rights (to secure the dignity of labour [p. 104]) is one actualised only through (a thoroughly activist post-liberal) politics. Entitlements can be granted in advance of any commitment to pay, provided taxation (and a distributive capacity in the state) is available to finance what society is already prosperous enough to ensure. If not sufficient, this becomes a problem for public finance (the taxation system), not for the initiating democratic impulse itself. Rights are irrevocable; once conceded, they cannot be made conditional.

Scandinavian development of post-liberal politics was hard-headed enough to see that extravagant political promises were affordable only if they were rarely invoked; so, they would always need to be based on sedulous efforts to ensure full employment. Of course, the implied processes are never complete (p. 106); but the collective capital formation (and economic democracy) thereby entailed is a far cry from the 'blue labour'-'red tory' concoction imagined here. It is closer to the imaginings of *Rerum Novarum* more than a century ago. To be well embedded, post-liberalism needs to be defined in terms of campaigns for full employment, high levels of social security, high rates of labour force participation and high taxation equal to tasks and capabilities that can be specified. National contexts differ of course, and they matter; but, over the past six decades, British politics has endured self-imposed, unnecessary and damaging limits. If we want to take calls for political renewal seriously, battles fought in the past remain instructive.

So, in the end, Pabst's *Postliberal politics* is both incomplete and insipid. There's plenty of heart but without the mettle or audacity - or even religious radicalism - to equal its ambition. True, loss of statecraft, and the accompanying 'debasement' of politics' (p. 149), leading to decades of 'self-mutilation' (p. 178), portended ineliminable anger at what had been lost at the hands of elites and elite ideas. These are the parts of Pabst's book that have most resonance. Humiliations are still being experienced within society and the polity, but they should not be attributed to excess statism, rather to our excessive tolerance of elite resistance to what is reasonable. If this is what 'bourgeois decline' is, it might indeed remain irretrievable (pp. 144-5).

*Geoff Dow is Research Associate in the School of Political Science and International Studies at the University of Queensland.*

*geoff.dow@uq.edu.au*

## References

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