

The Third Way: Myth and Reality

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What is the Third Way? Both historically and in the contemporary world, there are numerous examples of political leaders and movements that declare their allegiance to a Third Way—defining alternatives in opposition to what they perceive to be dominant paradigms. In the contemporary world, the best known exponent of the Third Way is British Prime Minister Tony Blair, though a number of other political leaders in Europe and elsewhere have expressed sympathy or support for the rhetoric or substance of Blair's version of the Third Way.

What we should keep in mind, however, is that there are many other varieties of a Third Way in the modern world besides the Euro-American brand. Moreover, the contemporary version represents a sharp divergence from earlier Third Way approaches, prominent in European politics throughout the twentieth century. This paper will begin with a brief exposition of the principal arguments of the contemporary Euro-American Third Way. We will then compare and discuss historical experiences and earlier exponents of the Third Way, critically analyzing their assumptions and prognostications. We will then proceed to discuss a variety of contemporary Third Ways, including the Euro-American one, before summing up our analysis and theoretical conclusions.

The Claims of the European Third Way

The Western European version of the Third Way (specifically the Tony Blair/Anthony Giddens account) begins by elaborating a critique of what they describe as free-market capitalism and state socialism. They argue that free-market capitalism is inhumane and exclusive—based on a class-bound establishment that denies equal opportunity to all classes and social groups. On the other hand, the ideologues of the Third Way claim that statist socialism denies the individual freedom of choice and incentives to engage in entrepreneurial activity. Having specified the two dominant modes of thought of the present or recent past, the Blairites and their cohorts claim that they are in favor of an economy and society that combines the individual choice of the marketplace and the social opportunities of the welfare state. Underlying the Third Way is a set of sociological assumptions that provide the theoretical gloss for Blair's political directives.

Sociohistorical Premises of the Third Way

According to Third Way theory, historical developments have dissolved old class-based politics and rendered class struggle approaches irrelevant. New technologies and market-driven incentives unite producers in a new, information-driven global economy. The principle that unites producers is the drive for higher productivity and greater competitiveness in the global marketplace. The state, according to Third Way theory, should play a role on the supply side, creating conditions and incentives to encourage entrepreneurship, innovation, and equal opportunity. The state's role in the social sphere is to promote personal responsibility and to encourage employment rather than welfare dependency. According to Third Way theory, society will retain social inequalities but encourage equal opportunity; the goal accordingly is not to redistribute income but to increase income for all. In confronting the assumptions and propositions of contemporary Third Way theory, it is useful to compare and contrast it with earlier Third Way arguments. In doing so, we can clearly identify its radical break with the past, as well as gain a critical perspective on the

limitations of previous Third Way approaches. Following this historical comparison, we can then turn to an examination of each of the basic premises of contemporary Third Way approaches and draw some general conclusions about the contextual emergence and possible demise of the Third Way.

Comparative Historical Experiences of Third Ways

It is important to distinguish between two distinct but interrelated efforts to elaborate Third Ways in the twentieth century: the reform socialist approach that dates from the turn of the nineteenth century to the end of the Second World War; and the welfare capitalism approach that emerged in the period after the Second World War and lasted until the mid-1980s. Each approach developed arguments against what its proponents described as extremes, and attempted to formulate an alternative based on an analysis of sociopolitical developments at the time.

Reform Socialism: Between Savage Capitalism and Revolutionary Socialism

Beginning in the late nineteenth century, within the German Social Democratic Party and in all other social democratic parties, an alternative paradigm to the original revolutionary perspective outlined by Karl Marx was elaborated. One of the leading theorists of this new perspective was Eduard Bernstein, whose book *Evolutionary Socialism* laid out the argument for a Third Way between capitalism and revolutionary socialism. Later, in the aftermath of the Bolshevik Revolution in Russia, the arguments for a Third Way between Revolutionary Bolshevism and capitalist reaction were taken up by Karl Kautsky and other like-minded writers in various European countries. Essentially, these reform socialists constructed their Third Ways as counterpoints to their adversaries on the right and left.

Reform or Revolution

The reform socialists argued for a process of gradual, evolutionary change—as opposed to a revolution in which large-scale, long-term changes would occur in an abrupt and radical fashion. They argued for an accumulation of political power and piecemeal reforms which would eventually limit capitalist power and lead to its demise. The reform socialists placed their hopes for social transformation on their accessibility to elections and the durability of representative legislative institutions (democracy). Hence, they had an almost singular trust in power gained via electoral politics; this was in sharp contrast to the revolutionary left, which engaged in extra-parliamentary, direct-action politics. The third distinction which the proponents of this earlier variant of the Third Way drew between themselves and the revolutionary left had to do with their analysis of capitalist society and the emerging class structure. The reform socialists argued that capitalist growth and social reforms were producing a growing middle class which, properly understood, would become a major ally of the socialist reformers in extending social ownership and greater equality. This perspective was contrasted with the revolutionary analysis, which argued that the process of capitalist concentration was undermining the middle class and proletarianizing the workforce, polarizing society between capital and labor.

Reform versus Capitalism

The early Third Way of the reform socialists also counterposed their approach to the dominant capitalist classes. The reform socialists proposed to widen and deepen the role of the state in the economy and society, as opposed to the right wing, which argued for unregulated private ownership, private philanthropy, and moral exhortations directed at the working class to exercise greater personal responsibility over their lives. The reform socialists favored state regulations over working conditions, health, and housing as well as rational planning over the economy to ensure full employment. Their approach differed from the right-wing capitalist political formations, who argued that the invisible hand of the market best served to promote societal wealth. The reform socialists argued that the state's role was to provide incentives and encourage business enterprise. A central concern of the reform socialists was the reduction of social inequalities

through legislation that raised wage levels, taxed the wealthy for social welfare, and strengthened the collective bargaining rights of trade unions. The right wing, in contrast, argued that inequalities reflected natural differences in abilities, and differential rewards encouraged entrepreneurship and private initiative. Finally, the socialist reformers posited that true democracy could only be obtained through economic as well as political democracy.

They argued that there was a contradiction between the great differentials in economic wealth and power and political democracy leading to formal democracy. Only by greater economic equality could there be truly substantive democracy. Their opponents believed that economic democracy would lead to tyranny and undermine political democracy, which depended on competing groups vying for power in the marketplace. The reform socialists thus carved out a Third Way between revolutionary socialism and capitalist reaction, attempting to meld elements of socialist socioeconomic reforms with liberal capitalist political institutions.

Critique of the Reform Socialist Third Way

This early version of the Third Way was based on a set of political, economic, and social premises that proved to be of dubious validity. First, they totally underestimated the instability of the capitalist system and its propensity toward crises. Their basic vision of capitalism was of an expansive system, gradually incorporating different layers of society into productive life and citizenship. In this process, the reform socialists would bargain, negotiate, and legislate reforms that would equalize society and induce the capitalist class to accept their eventual demise. In reality, the world capitalist system went into a prolonged economic depression in the late 1920s, leading to massive unemployment, severe cuts in social budgets, and widespread corporate bankruptcies. Secondly, the reform socialist vision of social harmony based on increasing homogenization in society (the growth of the middle class) clashed with the reality of growing social polarity emerging from the economic crises and the proletarianization of the middle class. Lacking an analysis of capitalist crises, and ill-prepared to deal with heightened class polarization and conflict, the reform socialists were not ready for the advent of the authoritarian onslaught of the capitalist classes and their political formations. This led to the third flaw in the reform socialists' perspective: the overestimation of the stability of capitalist democracy, and the fundamental misconception of the instrumental nature of democracy for the capitalist class. The reform socialists' conception of the political institutions focused almost exclusively on the electoral or democratic aspects of the political regime, ignoring the authoritarian nature of the permanent institutions of the state. As a result, as the economic crises continued and social polarization deepened, the reform socialists were totally unprepared to face the authoritarian and totalitarian turn of the capitalist classes, resulting in the fascist ascendancy to power without any consequential opposition from the reform socialists. Finally, the reform socialists' vision of the world economy as one evolving toward greater global interdependency came into sharp conflict with the reality of increasing inter-imperialist rivalry. The reform socialists' mistaken view of global integration blinded them to the coming of the Second World War. By tying themselves to the capitalist class' demand for greater competitiveness in the world economy, they laid the groundwork for the war preparations of their rulers. The reform socialist Third Way failed to deal with the major crises of capitalism: depression, fascism, and war. Its flawed analysis of historical developments led it to pursue programs and strategies which were incompatible with emerging realities. While the early Third Way sought to promote evolutionary socialism and did improve social welfare, it was not able to sustain those gains in the face of capitalist crises and war. Moreover, while it purported to define a Third Way between capitalism and revolution, it sided with the capitalists against revolution (on the basis of political democracy) while failing to ally with the revolutionary forces against fascism and authoritarian capitalism.

The Second Wave of the Third Way: Welfare Capitalism

In the period immediately after the Second World War, the Third Way was redefined, from reform socialism

to reform capitalism. This second wave of the Third Way no longer called into question (even theoretically) capitalist property relations, nor did it call for the gradual transformation of the capital-worker relationship. Instead, the new Third Way counterposed capitalist welfare to both state socialism and liberal capitalism. Led by the mass German and Swedish Social Democratic parties, the new Third Way paradigm accepted capitalist property relations and opposed communism in exchange for increased social expenditures, progressive taxation, and the extension of public services in health, education, and recreation. Between the early 1950s and the mid-1970s, and particularly during the period of rapid capitalist expansion, social services and social transfer payments to wage workers expanded while paid vacations increased and the number of hours of work. The share of national income accruing to wage workers increased and employment seemed to stabilize. On the other hand, the threat to capitalist property relations which loomed over Europe in the aftermath of the Second World War disappeared. With the collaboration of the welfare state social democrats, capitalist power was consolidated throughout Europe. With the exception of France in 1968 and Italy 1969, the trade-off between welfare-state social democrats and capital provided medium-term benefits to labor and strategic gains for capital. Equally importantly, welfare state gains were secured by overt collaboration between social democrats and imperial policymakers and capital. In Algeria, Indochina, Africa, and Latin America, major labor confederations and welfare-state-oriented parties inside and outside of the government provided overt or tacit support to imperial military interventions and multinational corporate expansion. The long term impact of this collaboration (or trade-off) was the deradicalization of the working classes; their leaders and the political and social organizations they purported to represent. Deradicalization involved not only an inability to respond to the fundamental changes in capitalist strategies in the 1980s and 1990s—more specifically the capitalist assault on the welfare state—but an organic incapacity to rethink the original premises which informed the social pact between capital and labor.

Critique of the Second Wave of the Third Way

The proponents of welfare capitalism as a Third Way lacked a realistic assessment of the historical context which allowed them to play a seemingly central role in engineering the welfare state. For them, the welfare state was a product of their own ingenuity, pragmatism, and skill in organizing labor and negotiating with capital. They saw the welfare state as a structural process inherent in the evolution of mature capitalism. What they failed to see—in large part because of their antiradical animus—was that the welfare state was not structurally but contextually determined (a conjunctural phenomenon, a historical compromise between capitalism and reform capitalists in a particular set of circumstances). These circumstances—which defined the basic conditions for the social pact—were rooted in the political conditions following the Second World War. Firstly, capitalism was discredited as a result of its ties to fascism. Secondly, there was the rise of communism and the prestige of the USSR, which played a leading role in the defeat of Nazi Germany. Thirdly, there was the advanced welfare programs that existed in the communist countries that competed for the allegiance of western workers. Fourthly, revolutionary movements were growing in the colonial and semicolonial countries. For the capitalist class in Europe and, to a lesser degree, in the United States, welfare-state social democracy was a lesser evil than communism and the extra-parliamentary left in their own countries and abroad. The rebuilding of Europe and the economic strategy of growth via demand-side economics, combined with cheap raw materials (oil was less than two dollars a barrel in the late 1940s and early 1950s) and Cold War military spending, provided the necessary resources to sustain high profits as well as growing social-welfare payments. But the crucial factor that conditioned the capitalist class' acceptance of the welfare-state bargain was the correlation of class forces. This is evident with the end of communism and the sharp reduction of welfare payments everywhere. The end of the welfare state had its origins in the postwar consolidation of capitalism, its overseas expansion, and the decline of labor radicalism and organization. These strategic shifts in power provided the basis for the paradigmatic shift from welfare capitalism to neoliberalism. Neoliberalism, the shift from demand-side to supply-side capitalism, was an explicit break with the social pact that epitomized welfare capitalism: it involved a shift from progressive to regressive taxation, from social expenditures to subsidies to corporate enterprises

and, above all, a new regulatory regime which increased the mobility of capital and eliminated protective legislation for labor. The second wave of Third Way reform capitalism failed to recognize that the success of its program was contingent on the wider equation of power. It failed to acknowledge that the growth of working-class wages and benefits was conceded by capitalists to avoid larger structural changes. Proponents confused welfarism as a structural feature of capitalism with its contextual contingency—threats from the left. In a deeper sense, the welfarists failed to recognize the underlying drive of capital to control the state for exclusively instrumental reasons and to understand how democracy would be subverted from within—by the increasing influence of nonelected officials and powerful national and international financial institutions. The welfarists, believing their own rhetoric, assumed that the inherent dynamism of capitalism (its capacity for growth) would continue to provide welfare payments. Even the crises of 1972 and 1973, and the long-term stagnation which followed, failed to provoke a critical rethinking of this optimistic assessment. Finally, because of deradicalization and incorporation into the capitalist system, the proponents of capitalist welfarism lacked the capacity to examine the premises underlying the welfare state in crisis.

Unable to analyze their original assumptions, they lost the capacity to elaborate any radical alternative. As a result, the subsequent neoliberal capitalist offensive led to the assimilation and incorporation of the previous capitalist reform parties into the neoliberal project.

Four Variants of the Third Way

With the collapse of the USSR, the demise of the welfare state in the West, and the deepening capitalist crises throughout the third world, a broad gamut of Third Ways emerged, each claiming to define a new direction between capitalism and socialism. The Anglo-American Third Way of Blair, Clinton, and Schröder is thus one variant on a theme: an attempt to capture the profound popular disenchantment with the social and economic failures of free-market capitalism and Soviet communism and their moral bankruptcy. Each variant of the Third Way reflects distinct political cultures and social structures as well as very different political projects. The Third Way has a long history in the third world, dating back to the mid-1940s, when President Juan Peron of Argentina defined a political-economic strategy that rejected liberal capitalism under the tutelage of Euro-American capitalism and Moscow communism.

His nationalist-populist program combined a relatively nonaligned foreign policy, strong state intervention, promotion of national capitalism, and an extensive social welfare program for labor. The overthrow of Peron in 1955 occurred precisely when a broader political movement emerged throughout the third world, led by Afro-Asian leaders from recently decolonized countries. The nonaligned movement led by nationalist-populist leaders such as Nasser of Egypt, Nehru of India, Tito of Yugoslavia, Nkrumah of Ghana, and Sukarno of Indonesia provided a new impetus for a Third Way between Soviet communism and western capitalism. The violent overthrow or demise of these regimes by the early 1970s set the stage for the ascendancy of prowestern, authoritarian, free-market regimes. However, these western-aligned regimes failed to satisfy the material or spiritual needs of the popular classes. Beginning in the 1980s and continuing to this day, a variety of new Third Way movements have emerged. The most striking development in this regard is the emergence of Islamic movements and regimes, headed by the Iranian clerical government which took power in 1979, with the overthrow of the U.S.-backed Shah dictatorship. Throughout the Middle East, North Africa, and Southern Asia, a variety of Islamic Third Way movements and regimes emerged. All railed against western decadence and atheistic communism. In practice, some combined cultural Islamism with prowestern free market policies, while other adopted a clerical paternalism that combined social welfare with nationalist policies. A second variant that crossed North-South distinctions was the alternative development strategies promoted by the non-governmental organizations (NGOs). This variant of the Third Way argued for the pre-eminence of what they dubbed civil society against neoliberal capitalism on the one hand and statism (which presumably covered socialism, communism, national populism, and welfare statism) on the other. They argued for community-based

development based on self-help, micro-enterprises, and reciprocity between small groups. Since this variant functioned in the interstices of the dominant system of capitalist power and essentially adapted to the overall free-market model, the NGOs received substantial funding from international financial institutions despite their occasional rhetorical outbursts against neoliberalism. The third variant of the Third Way is an anti-technology eco-social movement which proposes a back to nature and social simplicity model against the centralized, consumerist, and ecologically destructive communist and capitalist technostates. An earlier version in the first part of the twentieth century, headed by Mahatma Gandhi, developed a powerful social following in India, and has not been replicated. Today, this movement is strongest in the United States and Western Europe, particularly among disenfranchised members of the affluent classes and radical ecological activists. It fails to resonate, however, among the impoverished popular classes of the third world. The Euro-American Third Way articulated by Prime Minister Anthony Blair and practiced, if not preached, by President Clinton, German Prime Minister Schröder, and the prime ministers of other western European regimes provides a rhetorical gloss over a new style of right-wing politics. Essentially, the Euro-American variant of the Third Way builds on and extends the Old Right Thatcher-Reagan doctrines of privatization and the promotion of concentrated, centralized capital (witness the gigantic mergers under the auspices of Third Way regimes). Despite their leadership of putative labor and/or social democratic parties, the Third Way regimes faithfully follow the Old Right policies against labor by promoting state advocacy of supply-side policies. As much or more so, the Third Way regimes exceed the Old Right in their zeal to promote the international expansion of their multinational corporations (MNCs) and banks, while admonishing labor to accept social welfare cuts and to lower wage expectations to further the competitiveness (profits) of MNCs.

The Third Way regimes have gone far beyond the Old Right in promoting Euro-American hegemonic rule over the third world, central and eastern Europe, Asia, Africa, and Latin America via armed interventions, NATO bombings, military occupations, and concerted economic strategies that facilitate Euro-American economic domination. In summary, the Euro-American Third Way is a dramatic shift from reformist socialism and welfare capitalism to neoliberalism. Social democratic parties have been transformed from advocates of greater equality to regimes that increase inequalities between rich and poor, from supporters of increased social payments to abusive slashers of social welfare, from promoters of employment and job security to the architects of employer-friendly labor flexibility legislation and inexpensive redundancy policies. Today, the social democratic parties are neither social nor democratic—they represent a new and more virulent right-wing, capable of manipulating some of the earlier reform rhetoric while pursuing an unadulterated big-business, free-market agenda.

Critique of the Euro-American Third Way

It would be a mistake to ignore the sociological and economic ideology that legitimates the big-business ethos that informs New Labour and its supporters in continental Europe and elsewhere. The ideology of the Third Way has served to provide a justification and legitimation for the right turn of social democracy. It is crucial to examine the social, economic, and political premises and assumptions of the Third Way because its reactionary policies are based on a deeply flawed set of empirical and historical assumptions.

Sociological Flaws

The Third Way ideologues and leaders speak to a social system based on a meritocracy—the elimination of class-based inequalities in favor of inequalities based on merit (presumably knowledge and skill). Scholars and journalists, however, point to the growth of inequalities based on old and new wealth—particularly the vast and growing socioeconomic inequalities between the super-rich of the City of London and Wall Street and the growing army of workers in the low paid service sector. The increase of social inequalities is related to another flawed argument in Third Way ideology: the end of class struggle. Contrary to the ideology, a sustained and far-reaching class struggle from above has been engaged in and

has successfully weakened labor, diminished trade union membership, reduced living standards, worsened working conditions, and strengthened ruling-class control over the state and its allocation of expenditures and collection of tax revenues. The claims of Third Way ideologues that class politics are no longer relevant is belied by longitudinal studies of budgets, state policies toward crisis management, and state economic commitments to domestic markets and overseas expansion. Budgets have become heavily skewed toward tax reductions for the rich, cuts in health, welfare, and education, and sharp increases in expenditures for overseas expansion, military intervention, and bailout of overseas speculators. The winners and losers reflect the class nature of the state, the politicians who administer it, and the close ties between politicians, bankers and public policy.

What is most striking about the connections between Third Way rhetoric and New Right politics is that where the ideology is most deeply implanted—in the United States and England—social programs have suffered the worst and capitalist class prosperity is greatest.

Flaws in Economic Theorizing

Third Way theorists argue that their goal is a more competitive and open economy shaped by the market. In reality, Third Way regimes have approved and aligned themselves with the greatest merger movement in history—leading to greater concentration of economic power among a decreasing number of monopolistic giants. The size of the conglomerates has grown, while the number dominating markets has shrunk. Third Way ideologues have argued for greater efficiencies and competitiveness—but productivity has stagnated and markets are shaped by a few market-makers. Moreover, selective protectionism, massive state subsidies, and the sell-off of public enterprises to private monopolies has homogenized the market and made entry of new participants more difficult, except in specialized market niches. Secondly, capitalist prosperity has largely been confined to the speculative-financial and real estate sectors of the capitalist class—not to the productive, innovative sectors. The economic boom has been, in large part, a phenomenon of the stock market and related domestic and overseas speculative activity in which illicit activity—multibillion-dollar money laundering—plays a prominent part. In the productive sphere, the arms industry still plays a key role in the export sector, despite the fatuous moral posturing of Third Way leaders. Finally, the claims of Third Way ideologues that we are entering a new economic epoch—a postindustrial, high-tech information era—are patently false. In the United States, computer industries represent less than 3 percent of the economy. Their impact on productivity has been negligible and they have been greatly hyped in stock values by Third Way ideologues and stock market speculators. High-tech information systems are a subordinate element to a predominantly financial-industrial economy rather than an independent, dynamic force. The attempt by Third Way ideologues to provide a technological gloss on their linkages to super-rich financial magnates just doesn't hold water. Economic realities belie the ideological claims once again.

Flaws in the Politics of Third Way Ideologues

The ideologues of the Third Way have emphasized their commitment to encouraging a greater role for civil society and greater involvement of citizens in the political process. In practice the leaders of Third Way, particularly Tony Blair, have turned their parties into authoritarian instruments of personal rule; dissenting voices are marginalized or expelled. Local constituency parties have candidates imposed by the central leadership; candidates are handpicked for their conformity with the leadership views. Debate at national congresses is muffled or relegated to the margins. As a result, Third Way parties are more oligarchical and less responsive to their members. Increasingly, big financial interests overshadow voters in shaping electoral campaigns, the content of political programs, and the agendas of presidents and prime ministers. Unlike the Old Right parties, which were more open and direct in their relations with moneyed interests, the Third Way parties at first were more surreptitious in their relations with big business. Upon taking power, however, they have become more brazen in their carnal relations with financial power brokers,

flaunting their ties, always eager to show off their association with the major banking groups at their public functions.

Under Third Way rulers, key state institutions have been made less dependent on legislative oversight. This happens under the guise of granting them greater autonomy but, in reality, makes them more responsive to private financial powers. The increasing role of civil society translates into greater influence of the financial sectors of civil society over the strategic institutions of the state, while diminishing the political role of wage and salaried sectors of civil society. Civil society has become an ideological bludgeon to demolish comprehensive public programs and a code word for transferring public wealth into the hands of affluent private interests. Promotion of citizenship has in turn served as justification for fragmenting working-class organization, thus strengthening ruling-class organizations—turning public debate away from substantive class politics to civic morality devoid of specific social content. Finally, the very process of political power and decision-making has, under Third Way rule, taken on many of the attributes of authoritarian political systems. The frequent resort to executive decrees, the assumption of legislative, executive, and administrative powers by the presidents and prime ministers on questions affecting fundamental issues of property ownership, trade, and investments without any pretense of public consultation smacks of the powers exercised by third-world dictators. Vast areas of public activity, lucrative public enterprises, and basic public services have been privatized—turned over to big banking and industrial groups by executive decree, independently of public opinion or citizen rights. In the political sphere, the Third Way has deepened and expanded the centralizing and authoritarian politics of the Old Right while adopting the participatory rhetoric of the postmodern (pseudo) left.

Conclusion

The contemporary European Third Way is in most ways a completely different political animal than its predecessors. Its social and economic policies are clearly regressive and, in many ways, closer to the policies of the right-wing adversaries of the earlier Third Way reform socialists and welfare capitalists. Rather than breaking new ground, the contemporary Third Way reproduces and reinforces the neoliberal policies of the Old Right which they displaced, albeit while providing a new ideological gloss. Third Way leaders now compete with the Old Right for the allegiance of bankers, generals, and corporate chieftains to secure social recognition, financial backing, and personal gratification. The Third Way ideology is a way for the New Right to differentiate itself politically from the Old Right while assimilating the basic tenets of their program and putting distance between itself from the welfarism of the older, social democratic traditions and programs. The Third Way ideology masks the continuities with the discredited free-market policies of the Old Right while providing opportunities for the upwardly mobile professionals and entrepreneurs who form the core group of Third Way loyalists to connect with existing configurations of power. By seizing control of the political apparatus of the former social democratic parties, the Third Way leaders possess the levers of power that subordinate the labor base to new, free-market capitalists. However, as the ideology fails to come to grips with the underlying stagnation of productivity, the growing unemployment, and the decay of social services as social programs are slashed, a deeper disenchantment sets in among wage workers, trade unions, and community organizations. The contradiction between the new banking allies of the Third Way politicians and their traditional working-class constituencies deepen, and electoral revolts occur with increasing frequency. The electoral demise of Third Way Prime Minister Gerhard Schröder of Germany is the paramount (but certainly not the only) example. The rise and future demise of contemporary Third Way politics follows from its flawed understanding of the world, and its policies which are so out of tune with its electoral base and, more importantly, with the increasing social polarization that threaten to overwhelm it. The danger, however, is that the pre-emption of the left voting constituencies has blocked the rise of an authentic left and facilitated the growth of the far right—as is evidenced in the electoral growth of the right in Austria and Switzerland.
