

‘The Third Way’ and its Remedies for Inequalities

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I. Introduction

‘The third way’ is a center-left political approach which borrows its ideas from both classic social democracy and neoliberalism. Neoliberalism was brought into the limelight in the 1970s. The Thatcher Government tried to activate the economy by bringing competitive elements into the market. This, however, widened the income differential and ruined public medical treatment and education. The Blair Government declared that this situation should be remedied. Tony Blair’s policies are in clear contrast with Thatcher’s. He follows Giddens’ “Third Way” politics. The third way aims at substantial welfare and a fair distribution of wealth. It simultaneously considers that the merits of an efficient economic policy are also required in order to improve the state’s administrative efficiency. It purports to establish a positive welfare state based on the fact that the classical welfare state demanded immense social security costs. It also has the purpose of preventing serious benefit dependency, such as an increasing number of applications for social assistance and less eagerness to search for jobs. In addition, ‘the third way’ rejects the privatization theory based on meritocracy. In this essay, I will critically discuss ‘the third way’ politics and its ways of amending inequalities.

II. What is the Third Way?

A. How the Third Way came into existence?: the political situation in the UK

In this section, we will discuss the social background against which ‘the third way’ appeared.

Originally British society was an ‘accountable’ one, based on the spirit of the self-reliance of the Victoria era. (Gray, pp.7-15) The Attlee government adopted the welfare policy of William Beveridge, the architect of the British welfare state, (Giddens, 1998, p.111) and Keynes, who was ready to harness the powers of the state to relieve poverty and promote social welfare. (Gray, p.15) In other words, British society changed from an ‘accountable’ one to a ‘from the cradle to the grave’ one.

The Thatcher government (1979-90) introduced a ‘free market’ system, which liberal economists believed in, and aimed at a capitalist rebirth of Britain. This kind of society created economic inequalities, but this did not matter as long as people with determination and ability rose to positions that fit their capacities. In other words, Thatcher saw equality of opportunity as desirable and a necessity. Thatcherism was effectively against egalitarianism: her policies were, put briefly, based on market fundamentalism, the acceptance of inequality as its inevitable consequence, and the welfare state as a safety net.

Income tax, which from a socialist viewpoint is meant to help bridge the gap between the rich and the poor through redistribution, was cut.

Behind Thatcher's choice of policies was Friedrich von Hayek's neo-liberalism. He pursued equality of opportunity, saying,

“[F]ormal equality before the law is in conflict, and in fact incompatible, with any activity of the government deliberately aiming at material or substantive equality of different people, and that any policy aiming directly at a substantive ideal of distributive justice must lead to the destruction of the Rule of Law. To produce the same result for different people, it is necessary to treat them differently. To give different people the same objective opportunities is not to give them the same subjective chance”. (pp. 87-88)

Hayek concludes that it cannot be denied that the Rule of Law produces economic inequalities; he rejects the ideal of distributive justice, or equality of outcome, because it is not a practical premise.

Thatcherite policies promoted a striking growth in economic inequality. Inequality increased in Britain between 1977 and 1990. (cf. Gray 1999)

The Blair Government was born under these circumstances.

B. The Left, the Right, and the Third Way

As its name indicates, the Third Way is an attempt to go beyond the traditional Left/Right dichotomy. Giddens made important statements on the distinction of the right and the left in his book *Conversation with Anthony Giddens*:

Those on the left believe in promoting equality and hold this goal can be furthered by government action, whatever level of government is in question...People on the right are more comfortable with inequality and are sceptical that government can or should seek to limit it. They may see inequalities as given by nature, or alternatively as properly enshrined in tradition. (p.152)

According to Giddens, one of the major points which distinguishes the left from the right is the attitudes towards equality. The Left considers that state involvement in private life is necessary in order to create a more equal society. Classical social democracy, in particular, believes that “state benefits are vital for rescuing families in need, and the state should step in wherever individuals, for one reason or another, are unable to fend for themselves”.(1998, p.9)

On the contrary, the Right considers that “A society where the market has free play may create large economic inequalities, but these don’t matter as long as people with determination and ability can rise to position that fit their capacities”.(1998, p.13)

Neoliberalism accepts inequalities as the inevitable consequence of market-oriented capitalism, while the left thinks that social inequality is all wrong.

Giddens asserts that the cause of the collapse of socialism was that “socialism stood or fell by its capacity to deliver a society that would generate greater wealth than capitalism and spread that wealth in more equitable fashion” (1998, p.4). He refers to social democrats as "parties and other groups of the reformist left, including the British Labour Party ". (1998, p.6)

Neoliberalism gained power during the process of globalization and under technical innovation in the 1970s. Giddens clarifies the difference between neoliberalism and classic social democracy, saying that neoliberalism is characterized by the minimum government, autonomous civil society, market fundamentalism, strong economic individualism, acceptance of inequality and welfare state as a safety net. Classical social democracy, on the other hand, is characterized by the state which dominates over civil society, the mixed or social economy, full employment, strong egalitarianism and a comprehensive welfare state. (1998, pp.7-8) However, there is only a limited validity in this clear-cut picture of opposition. The collapse of socialism has altered the profile of left and right. To quote Giddens:

“With demise of socialism as a theory of economic management, one of the major division lines between left and right has disappeared...As these circumstances have shifted, a whole range of other problems and possibilities have come to the fore that are not within the reach of the left/right scheme.”(1998, pp.43-44)

Socialism began to break away from old-style social democracy in the 1980s. ‘The third way’ emerged from the process of this shift. It seemed to be a framework, to quote Giddens, “of thinking and policy-making that seeks to adapt social democracy to a world which has changed fundamentally over the past two or three decades”. (1998, p.26) That is, ‘the third way’ is an attempt to exceed a classical social democracy and neoliberalism.

C. Outline of the Third Way political position

Giddens presents the third way values as follows: equality, protection of the vulnerable, freedom as autonomy, no rights without responsibilities, no authority without democracy, cosmopolitan pluralism and philosophic conservatism. (1998, p.66) Giddens also presents the third way program as follows: the radical centre, the new democratic state, active civil society, the democrat family, the new mixed economy, equality as inclusion, positive welfare, the social investment state, the cosmopolitan nation and cosmopolitan democracy. (1998, p.70) Giddens asserts that government should act in partnership with agencies in civil society in order to foster community renewal and development. He calls the

partnership the new mixed economy.

The classical social democrats put more emphasis on economic security and redistribution than on creating wealth. On the other hand, the neoliberals emphasize competitiveness and the creation of wealth. 'The third way' thinks both of these are important, but it also thinks that it is important to invest in human resources in order to develop an entrepreneurial culture because entrepreneurship is a direct source of jobs. Rosabeth Moss Kanter asserts that government policy should provide direct support for entrepreneurship in terms of its large job creation effect. (pp.65-68)

Giddens advocates the concept of 'generative politics' which goes beyond the Left/Right opposition in his work *Beyond Right and Left*. He describes 'generative politics' as follows:

“[G]enerative politics is the main means of effectively approaching problems of poverty and social exclusion in the present day.”(1994, p.15)

Giddens says that generative politics is not the minimal state politics, which neoliberalists advocate, but the one which paves the way for allowing people autonomous power and can solve the problem of poverty and exclusion. This is what he means by positive welfare.

III. The Third Way policy proposals—specifically for amending inequalities

Giddens advocates policies which amends inequalities such as equality as inclusion, positive welfare and the social investment state. (1998, p.70) To quote Giddens: “The new politics defines equality as inclusion and inequality as exclusion”. (1998 p. 102)

The problem which we have to consider here is the fact that the competition which neoliberalism accepts makes people unequal. Although neoliberalism advocates the equality of opportunity, a meritocratic society creates inequalities of outcome, which, from the Third Way point of view, are forms of social exclusion. Two forms of exclusion exist in a meritocratic society. One is the exclusion of those people at the bottom of society. They are deprived of the basic opportunities society has to offer such as education, welfare and the health care. The other is the exclusion of those at the top. The elites voluntarily exclude themselves from public education and health care systems, and prefer private system.

Giddens says:

“Inclusion refers to in its broadest sense to citizenship to the civil and political rights and obligations that all members of a society should have, not just formally, but as a reality of their lives. It also refers to opportunities and to involvement in public space.”

(1998, pp. 102-103)

Thus, in order to solve these problems, inclusion plays an important role. In this respect, Giddens insists on an inclusive society where all people are included.

‘The third way’ aims to promote a diversified society based on egalitarian principles. It also aims at maximizing ‘equality of opportunity’. This is exemplified by Blair’s "Welfare to Work" policy. What Blair aims at with this policy is to have those who can work but without jobs work instead of receiving an unemployment allowance. Many young people, though physically able to work, were receiving the unemployment benefit. Blair wanted to give them motivation and opportunity to work in society, so that they could earn their own living themselves. This way the government could cut down on social welfare finances. (2000, p.53) It is also effective to increase tax revenue by changing unemployed people who are the recipient of insurance to taxpayers.

Since an unemployed can receive benefits even when they can work, they will lose the will to find a job. Blair thinks that unemployment benefits should carry the obligation to look actively for work. Under the Blair Government, unemployed people are obliged to receive an interview at the job center to continue to receive the same amount of benefit. Thus, the feature of ‘the third way’ is to urge autonomy.

‘The third way’ seeks a new relationship between the individual and society and a redefinition of rights and obligations. Giddens’ answer is ‘no rights without responsibilities’: He also thinks that the motto must apply not only to welfare recipients, but to everyone.

Economic benefits alone cannot establish well-being because welfare is not only an economic concept but it depends on whether people are satisfied with their life mentally. It is important to foster the psychological support instead of direct economic benefits. The Third Way politics aims to establish the Social Investment State. A welfare state needs to be reconstructed as the social investment state. Giddens refers to a positive welfare system:

“The guideline is investment *in human capital* wherever possible, rather than the direct provision of economic maintenance. In place of the welfare state we should put the social investment state, operating in the context of a positive welfare society.” (1998, p.117 italics in the original)

Giddens suggests abolishing the fixed age of retirement and regarding them as a human resource. The term ‘pensioner’ was invented by the welfare state and it is also typical of welfare dependency. It is more meaningful to continue to employ older people in the aging society to make effective use of the talent of older people. Society should not just exclude

as 'pensioners' those who are eager to work and have the capability and/or talent. (1998, p.120)

Recent discussion among social democrats has quite rightly shifted the emphasis towards the 'redistribution of possibilities'. Investment in education is a key basis of the 'redistribution of possibilities'. The policy for preventing exclusion is substantial public education, and the aim of investment in education is for fulfilling "redistribution of the possibility" and the way to achieve this aim is education for all citizens. Those who have been excluded from education cannot take advantage of the freedom and opportunity for choosing the work they want, which should be guaranteed in a "third way" society.

Giddens asserts that investment in education by the government is imperative. Education is an important for Blair. He wants to put children back into school to help with solving the problem of inequality and poverty.

Moreover, the welfare programs for the unemployed should be to develop life-long education from an individual's early years to late in life. Training in specific skills may be necessary to get a new job. (1998, p.125)

IV. The Third Way Critics—can the Third Way politics really amend inequalities?

‘The third way’ has been criticized from both the left and the right. In his book *The Third Way and its Critics*, Giddens responds especially to the criticism from the left. Some from the left attack the notion of ‘social exclusion’ saying that it is “a means of trying sweep uncomfortable facts under the carpet”. (2000, p104)

Giddens replies as follows:

‘Social exclusion’ directs our attention to the social mechanisms that produce or sustain deprivation. Some of these are new, such as the declining demand for male unskilled or semi-skilled workers. Others derive from the welfare state itself (like poverty traps) or from social engineering that went wrong. The most notable examples of the second of these are ‘estates on the edge’—housing estates built to help alleviate poverty, but which have instead become areas of social and economic desolation. (2000, pp.104-105)

The old left has criticized the third way as having accepted the framework of neoliberalism, especially as to the global marketplace. They say that the third way does not actively cope with the gap between the rich and the poor, although it promotes globalization, which creates a world of winners and losers. Third way adopts the perspective of the winners and

pays little attention to the losers. Moreover, the Left is arguing that the third way fails to contest inequalities of income, wealth and power.

Giddens argues against this criticism, saying that the influences of globalization are inevitable. (1999, 34) The industrial restructuring that inevitably follows technological progress under globalization brings our society both unemployment and inequality. The appearance of new technology alters the lives of both the rich and the poor. He continues, “[T]o oppose economic globalization, and to opt for economic protectionism, would be a misplaced tactic for rich and poor nations alike...more permanent forms of protectionism will not help the development of the poor countries, and among the rich would lead to warring trade blocs”. (1999, p.35) He concludes as follows: “We need to reconstruct those we have, or create new ones. For globalization is not incidental to our lives today. It is a shift in our very life circumstances. It is the way we now live”. (1999, p.37)

Giddens continues, “[Globalization] offers the means of reconstructing and renewing public institutions, which is one of its prime objectives. Moreover, rather than simply accepting globalization as a given, the third way suggests policies that respond to it in a sophisticated fashion”. (2000, p.29) The dissemination of new technology has brought high levels of unemployment in Europe since 1970. In the US and the UK, where the economy is deregulated, the economical reaction to new technology appears in the form of the

extreme gap in the kinds of reward among different kinds of occupation. During the past 30 years, poverty and inequality increased in the US and the UK. In this respect, Giddens also emphasizes the necessity of 'risk management' to solve the problem of inequalities caused by globalization. (1999, p.52) We can safely say that 'risk management' effectively means investment in human capital in the context of a positive welfare society. Giddens advocates the 'social investment state', arguing:

“In the new information economy, human (and social) capital becomes central to economic success. The cultivation of these forms of capital demands extensive social investment - in education, communications and infrastructure. The principle 'wherever possible invest in human capital' applies equally to the welfare state - which needs to be reconstructed as a 'social investment state'.” (2000, p52)

There is a social benefit that society can take from the result of education as well as people can receive a private benefit like high income in the information world. Skills and high education are essential to the information economy. If the government increases the investment in human capital, like education, it is effective in decreasing other forms of social spending in future.

It has been also criticized that the third way has no distinctive economic policy, other than

allowing the market to govern all. Alan Ryan criticized that “the third way has been riding a wave of economic prosperity: it has no way of coping should there be an economic turndown.” (Giddens 2000, p.25) The third way lacks any distinctive policy orientations of its own although classical social democracy had a coherent economic strategy, and the neoliberals also had a clear policy outlook.

Giddens criticizes both Neoliberalism and old left’s policy toward the market. He points out the defect of Neoliberalism is that “[it] is a deeply flawed approach to politics, because it supposes that no responsibility needs to be taken for the social consequences of market-based decisions”. (2000, pp.32-33) Giddens believes that markets can not even function without a social and ethical framework. At the same time, he argues that “[y]et it won’t do, as writers from the old left suggest, merely to counterpose the state to markets. Markets do not always increase inequality, but can sometimes be the means of overcoming it”. (2000, p.33)

The third way policy is not a continuation of neoliberalism but the political philosophy to substitute it. Giddens concludes that third way is independent both from the neoliberalism and the old left, and it adopts advantages from both..

Conclusion

The aim of Giddens' 'third way' politics is well illustrated in his phrase, "Third way politics ... is an attempt to carry further the reform processes social democrats have already begun, and offers a framework within which those processes can be put".(2000, p.31) Our world has changed fundamentally after the fall of the Soviet Union. Most Western communist parties have changed their ideologies. 'The third way' has appeared in this situation to seek a new framework of policy-making. We can say that 'The third way' is an effort to rise above the right/left dichotomy.

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