

Social Democracy is Collapsing Before our Eyes

A sign of strange times: [1984](#) by George Orwell has become a bestseller yet again. Here is a book distinguished for its dark view of the state, together with a genuine despair about what to do about it.

Strangely, this view is held today by the Right, the Left, and even people who don't think of themselves as loyal to either way. The whole fiasco happening in D.C. seems insoluble, and the inevitable is already taking place today as it did under the presidents who preceded Trump: the realization that the new guy in town is not going to solve the problem.

Now arrives the genuine crisis of social democracy. True, it's been building for decades but with the rise of extremist parties in Europe, and the first signs of entrenched and sometimes violent political confrontations in the United States, the reality is ever more part of our lives. The times cry out for some new chapter in public life, and a complete rethinking of the relationship between the individual and the state and between society and its governing institutions.

Origins of the Problem

At a speech for college students, I asked the question: who here knows the term social democracy? Two hands of more than one hundred went up. That's sad. The short answer is that social democracy is what we have now and what everyone loves to hate. It's not constitutionalism, not liberalism, not socialism in full, and not conservatism. It's unlimited rule by self-proclaimed elites who think they know better than the rest of us how to manage our lives.

By way of background, at the end of the Second World War, the intellectual and political elites in the United States rallied

around the idea that ideology was dead. The classic statement summing up this view in book form came in 1960: [The End of Ideology](#) by Daniel Bell. A self-described “socialist in economics, a liberal in politics, and a conservative in culture,” he said that all wild-eyed visions of politics had come to an end. They would all be replaced by a system of rule by experts that everyone will love forever.

To be sure, the ultimate end-of-ideology system is freedom itself. Genuine liberalism (which probably shouldn't be classified as an ideology at all) doesn't require universal agreement on some system of public administration. It tolerates vast differences of opinion on religion, culture, behavioral norms, traditions, and personal ethics. It permits every form of speech, writing, association, and movement. Commerce, producing and trading toward living better lives, becomes the lifeblood. It only asks that people – including the state – not violate basic human rights.

But that is not the end of ideology that Bell and his generation tried to manufacture. What they wanted was what is today called the managerial state. Objective and scientific experts would be given power and authority to build and oversee large-scale state projects. These projects would touch on every area of life. They would build a cradle-to-grave welfare state, a regulatory apparatus to make all products and services perfect, labor law to create the perfect balance of capital and labor, huge infrastructure programs to inspire the public (highways! space! dams!), finetune macroeconomic life with Keynesian witchdoctors in charge, a foreign-policy regime that knew no limits of its power, and a central bank as the lender of last resort.

What Bell and that generation proposed wasn't really the end of ideology. It was a codification of an ideology called social democracy. It wasn't socialism, communism, or fascism as such. It was a gigantically invasive state, administered by elite bureaucrats, blessed by intellectuals, and given the

cover of agreement by the universal right of the vote. Surely nothing can truly be oppressive if it is takes place within the framework of democracy.

A Brief Peace

The whole thing turned out to be a pipe dream. Only a few years after the book appeared, ideology came roaring back with a vengeance, mostly in reaction to the ossification of public life, the draft for the Vietnam war, and the gradual diminution of economic prospects of the middle class. The student movement rose up, and gained momentum in response to the violent attempts to suppress it. Technology gave rise to new forms of freedom that were inconsistent with the static and officious structure of public administration. Political consensus fell apart, and the presidency itself – supposed to be sacrosanct in the postwar period – was dealt a mighty blow with the resignation of President Richard Nixon. Government no longer held the high ground.

All that seemed to hold the old post-war social-democratic consensus together was the Cold War itself. Surely we should put aside our differences so long as our country faces an existential threat of Soviet communism. And that perception put off the unleashing of mass discontent until later. In a shocking and completely unexpected turn, the Cold War ended in 1989, and thus began a new attempt to impose a post-ideological age, if only to preserve what the elites had worked to hard to build.

This attempt also had its book-form definitive statement: *The End of History* by Francis Fukuyama. Fukuyama wrote, "What we may be witnessing is not just the end of the Cold War, or the passing of a particular period of post-war history, but the end of history as such: that is, the end point of mankind's ideological evolution and the universalization of Western liberal democracy as the final form of human government."

It was Bell 2.0 and it didn't last long either. Over the last 25 years, every institution of social democracy has been discredited, on both the Right and the Left, even as the middle class began to face a grim economic reality: progress in one generation was no longer a reliable part of the American dream. The last time a government program really seemed to work well was the moon landing. After that, government just became a symbol of the worst unbearable and unworkable burden. Heavily ideological protest movements began to spring up in all corners of American public life: the Tea Party, Occupy Wall Street, Black Lives Matter, Bernie, Trump, and whatever comes next.

The Core Problem

Every public intellectual today frets about the fracturing of American civic life. They wring their hands and wonder what has gone wrong. Actually, the answer is more simple than it might first appear. Every institution within this framework – which grew more bloated and imperious over time – turned out to be untenable in one or another sense. The experts didn't know what they were doing after all, and this realization is shared widely among the people who were supposed to be made so content by their creation.

Every program fell into one of three categories of failure.

1. **Financially unsustainable.** Many forms of welfare only worked because they leveraged the present against the future. The problem with that model is that the future eventually arrives. Think of Social Security. It worked so long as the few in older groups could pillage the numerous in younger groups. Eventually the demographics flipped so that the many were on the receiving end and the few were on the paying end. Now young people know that they will be paying their whole lives for what will amount to a terrible return on investment. It was the same with Medicare, Medicaid, and other forms of fake

“insurance” instituted by government. The welfare state generally took a bad turn, becoming a way of life rather than a temporary help. Subsidy programs like housing and student loans create unsustainable bubbles that burst and cause fear and panic.

2. **Terminally Inefficient.** All forms of government intervention presume a frozen world without change, and work to glue down institutions in a certain mode of operation. Public schools today operate as they did in the 1950s, despite the spectacular appearance of a new global information system that has otherwise transformed how we seek and acquire information. Antitrust regulations deal with industrial organization from years ago even as the market is moving forward; by the time the government announces its opinion, it hardly matters anymore. And you can make the same criticism of a huge number of programs: labor law, communications regulations, drug approvals and medical regulations, and so on. The costs grow and grow, while the service and results are ever worse.
3. **Morally unconscionable.** The bailouts after the 2008 financial crisis were indefensible to average people of all parties. How can you justify using all the powers of the federal government to feed billions and trillions overall to well-connected elites who were the very perpetrators of the crisis? Capitalism is supposed to be about profits and losses, not private profits and socialized losses. The sheer injustice of it boggles the mind, but this only scratches the surface. How can you pillage average Americans of 40% of their income while blowing the money on programs that are either terminally inefficient, financially unsustainable, or just plain wrong? How can a government expect to administer a comprehensive spying program that violates any expectation of privacy on the part of citizens? Then

there is the problem of wars lasting decades and leaving only destruction and terror guerilla armies in their wake.

All of this can remain true without creating a revolutionary situation. What actually creates the tipping point in which social democracy morphs into something else? What displaces one failed paradigm with another? The answer lies with an even a deeper problem with social democracy. You can discern it from this comment by F.A. Hayek in 1939. "Government by agreement is only possible provided that we do not require the government to act in fields other than those in which we can obtain true agreement."

Agreement No More

Exactly. All public institutions that are politically stable – even if they are inefficient, offer low quality, or skirt the demands of basic morality – must at the minimum presume certain levels of homogeneity of opinion (at least) in the subject population; that is to say, they presume a certain minimum level of public agreement to elicit consent. You might be able to cobble this together in small countries with homogeneous populations, but it becomes far less viable in large countries with diverse populations.

Opinion diversity and big government create politically unstable institutions because majority populations begin to conflict with minority populations over the proper functions of government. Under this system, some group is always feeling used. Some group is always feeling put upon and exploited by the other. And this creates huge and growing tensions in the top two ideals of social democracy: government control and broadly available public services.

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We created a vast machinery of public institutions that presumed the presence of agreement that the elites thought they could create in the 1950s but which has long since vanished. Now we live in a political environment divided between friends and foes, and these are increasingly defined along lines of class, race, religion, gender identity, and language. In other words, if the goal of social democracy was to bring about a state of public contentedness and confidence that the elites would take care of everything, the result has been the exact opposite. More people are discontented than ever.

F.A. Hayek warned us in 1944: when agreement breaks down in the face of unviable public services, strongmen come to the rescue. Indeed, I've previously [argued](#) that the smugness of today's social democrats is entirely unwarranted. Trump won for a reason: the old order is not likely coming back. Now the social democrats face a choice: jettison their multicultural ideals and keep their beloved unitary state, or keep their liberal ideals and jettison their attachment to rule by an administrative elite.

Something has to give. And it is. Dark and dangerous political movements are festering all over the Western world, built from strange ideological impulses and aspiring to new forms of command and control. Whatever comes of them, it will have little to do with the once-vaunted post-war consensus, and even less to do with liberty.

Presidential advisor [Steve Bannon](#) is a dark figure – straight out of Orwell – but he is smart enough to see what the Left does not see. He claims to want to use the Trump years to “deconstruct the administrative state.” Notice that he doesn't say dismantle much less abolish; he wants to use it for different purposes, to build a new national collective under a more powerful executive.

The institutions built by the paternalistic, urbane, and

deeply smug social democrats are being captured by interests and values with which they profoundly disagree. They had better get used to it. This is just the beginning.

The partisans of the old order can fight a hopeless battle for restoration. Or they can join the classical liberals in rallying around the only real solution to the crisis of our time: freedom itself. These are the ideological battle lines of the future, not Left vs. Right but freedom vs. all forms of government control.

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