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Socializing Capital, Capitalizing the Social: Contemporary Social Democracy and the Knowledge Economy[1]

by

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Abstract

This paper analyzes the Third Way's relationship to the knowledge economy, and the way the Third Way's understanding of the knowledge economy leads to a reinterpretation of fundamental postulates of the Left in relation to capitalism. The paper argues that Third Way ideology is informed by a discursive logic of capitalization, a logic whereby social democracy identifies human potential – human knowledge, talent, creativity – as economic goods and ultimately new forms of capital. It insists that the Third Way is not neoliberal, as suggested by much research on the Third Way. The paper concludes that while the Third Way draws on fundamental continuities in the social democratic project, it nevertheless breaks with many of social democracy's historic articulations *in critique* of capitalism, since these are transformed instead into arguments *in favor* of capitalism and are thus drawn into the process of capitalist improvement. The paper looks into this tension by analyzing particularly the notions of conflict, the Third Way's notion of public good, and its articulation of culture.

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Introduction

Much attention has been devoted, in the last years, to the Third Way, particularly its Anglo-Saxon form, but substantially 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, regarding the economy, industrial relations, and social justice.[2] I suggest, rather, that the Third Way draws on fundamental continuities in the social democratic project, continuities that are not unproblematic, however. Particularly, I am concerned in this paper with the Third Way's relationship to the knowledge economy, and the way the Third Way's understanding of the knowledge economy leads to a reinterpretation of fundamental postulates of the Left around capitalism.

The knowledge economy has been a central element of the Third Way, almost to the point of becoming its raison d'etre.[3] 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. Some of its articulations are indeed strikingly similar to social democracy's 1950s and 1960s modernization discourses around the industrial society. New Labour's modernization narrative has striking similarities to the "White Heat" of the Wilson era, which was also a discourse construed around the idea of adaptation to a new technology-intensive industrial economy.[4] From the mid-1990s, the notion of the knowledge economy has occupied a similar function in social democratic discourse, as the corner stone of a modernization narrative around information technology, education and lifelong learning, innovation and entrepreneurship. Just as social democrats in the 1950s and 1960s saw the industrial economy as the promise of an affluence that would lead away from class conflict and poverty, the Third Way, from the mid 1990s, saw the knowledge economy as a new stage of capitalism that promised "prosperity for all."[5] Moreover, the knowledge economy provided a new progressive narrative around questions of social justice – since social exclusion and the unequal distribution of opportunity is understood as a problem for the development of the human capital that is at a premium in the new economy. The knowledge economy also pinpointed the role of public intervention for education and new information technologies. It was thus, by a

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[2]Influential studies of this first wave were Alex Callinicos, *Against the Third Way* (Cambridge, U.K.; Malden, MA: Polity Press; Blackwell, 2001), Steven Driver and Luke Martell, *New Labour: Politics After Thatcherism* (Cambridge: Polity, 1998), Stuart Hall, "The Great Moving Nowhere Show," *Marxism Today* (1998), Colin Hay, *The political economy of New Labour* (Manchester: Manchester University Press, 1998), Richard Heffernan, *New Labour and Thatcherism: Political change in Britain* (Basingstoke, New York: Macmillan; St. Martin's Press, 2000). For Sweden see J. Magnus Ryner, *Capitalist restructuring, globalisation and the Third Way: Lessons from the Swedish model*, *Routledge/RIPE studies in global political economy 5* (London: Routledge, 2002).

[3]The meaning of the concept the knowledge economy, and its relationship to other related terms such as post-Fordism, the information age or network production. is all but clear. As Bob Jessop suggests, the idea of a knowledge-based economy has emerged in the post-Fordist world as a pervasive metanarrative, while its empirical foundations in changing economies are still uncertain. It is not my intention here to try to clarify it. Suffice it to point out that the concept of the knowledge-based economy clearly has a productive function in contemporary politics, as a pervasive future vision of a new capitalist era. To this extent, the notion itself and its links to new forms of economic and social governance are worthy of our attention. See Bob Jessop, *The future of the capitalist state* (Cambridge: Polity, 2002), and Fred Block, *Postindustrial possibilities: a critique of economic discourse* (Berkeley: U. of California Press, 1990).

[4]Ilaria Favretto, *The long search for a Third Way: the British Labour Party and the Italian Left since 1945*, *St. Antony's series* (Basingstoke: Palgrave Macmillan, 2003).

[5]See Tony Blair, *New Britain. My vision of a young country.* (London: Fourth Estate Limited, 1996), Tony Blair, *The Third Way: new politics for the new century* (London: Fabian Society, 1998), White paper DfTI, "Our Competitive Future. Building the Knowledge Economy," (1998), Charles Leadbeater, *Living on Thin Air. The New Economy.* (London: Penguin, 2000).

nascent new center-left from the mid 1990s on, seen 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.[6]

There is another reason why contemporary social democracy is so fascinated by the knowledge economy, and it's that the knowledge economy seems, to the optimists, to be a nicer kind of capitalism, a more social economic order, one that draws on human potential instead of destroying it. As the French economist Daniel Cohen has argued, the knowledge economy could be the era of human capital, a fundamentally more humane variety of capitalism.[7] This struck a cord with a reinvented social democracy looking for new ways of working with capital. To the British Chancellor of the Exchequer Gordon Brown, in texts from the mid 1990s when New Labour was taking form, the knowledge economy was an "opportunity economics," a new economic egalitarianism that was truly dependent on "exploiting the potential of all." It is people's potential that is the driving force of the modern economy, and it's the capacity to enhance the value of labor through that which will make a modern economy succeed or fail. The challenge to social democratic politics, then, is to "ensure labour can use capital to the benefit of all," rather than "let capital exploit labour for the benefit of the few."[8] To Brown, this is the point of departure for a new relationship between capital and labor. The knowledge economy signifies the final reversal of Marx's power relationship between labor and capital as the skills revolution makes capital a mere commodity and puts labor in control of the production of value. The knowledge economy, then, is 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 labour 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.[9]

This analysis of a new power balance between labor and capital stemmed from the idea, inspired by neo-endogenous growth theory, that since knowledge is a kind of capital within, located within the worker, it also makes the worker the owner of his or her capital, and no longer subject to other logics of capital.

This is a mindboggling suggestion to orthodox 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 labor government, works for the emancipation of labor, then what is capital? In Brown's words, labor is now free to exploit the capital put into the creation of knowledge in order to enhance its own value, while the role of financial capital has been reduced to "a commodity like plant and machinery rather than the directing force of the economy." Politics of partnership, the Third Way's emphasis on bringing the market into the public sector, are thus a new mixed economy, a new way of exploiting capital for the benefit of all. [10]

To that extent, Third Way discourse contains a notion that might be described as the end of capital, or at least the end of the old labor/capital controversy and its relevance for social democratic politics. This was a central postulate of New Labour, starting from the rewriting of Clause 4 in 1994, and the rejection of labor/capital conflict is a central claim of the Third Way's appeal to a po-

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[6]In the UK this theme was launched by the New Times debate around Marxism Today, Stuart Hall and Martin Jacques, eds., *New times* (London: Verso, 1989).

[7]Daniel Cohen, *Nos temps modernes* (Paris: Flammarion, 1999).

[8]Gordon Brown, *Fair is Efficient*, vol. 563, *Fabian Pamphlet* (London: the Fabian Society, 1994a), Gordon Brown, "The Politics of Potential. A New Agenda for Labour," in *Reinventing the Left*, ed. David Miliband (Cambridge: Polity press, 1994b).

[9]Brown, "The Politics of Potential," p. 116.

[10]Ibid.

litical space beyond conflict and antagonism.[11] This claim went hand in hand with the presumption, or perhaps *aspiration,*[12] that the knowledge economy holds a promise for emancipation, and that an economy driven by potential will also bring the realization, finally, of the old socialist notion of "freeing potential."[13] Two important political conclusions were drawn from this in the mid-1990s, which have formed the basis particularly of New Labour's political strategy, but that also inform, with differences, other social democratic parties.[14] The first one is the idea that the role of politics in the knowledge economy must be to strengthen the strategic role of human capital, i.e., labor, essentially by investing in it. This has given rise to a new political economy, which in contrast to neoliberalism emphasizes the role of the state and the importance of public intervention for the creation of prosperity. The second conclusion, however, is one that follows from Brown's suggestion that the knowledge economy is somehow detached from the logics of capital accumulation and works for the emancipation of potential, a postulate which has lead to a thorough rethinking in social democratic politics of problems previously associated with structures of capitalism.

An opportunity economics would be one that frees opportunity for individuals to grasp, and gives them the means with which to realize their inherent potential. The Third Way's notion of emancipation is this notion of everybody's freedom to fully realize their potential – of "bridging the gap between what we are and what we have it in us to become." However, emancipation does not seem to be the dominant feature of what the knowledge economy brings. There is sufficient critical analysis of the post-Fordist production order to point to the possibility that, while it might hold the potential for emancipation for some, it also brings about new forms of exploitation for others, a relationship that is obvious and yet still poorly understood.[15] The tension between emancipation and exploitation in the knowledge economy can be thought of in terms of the dilemma set up by the French economist Daniel Cohen – if the era of human capital is, on the one hand, a promise of a more humane form of capitalism, it also brings with it, on the other, a highly economistic understanding of human potential and human beings as a form of capital.[16] Conceivably, rather than representing the final end to the labor/capital conflict and hence the decommodification of all, the knowledge economy could be the ultimate commodification, as forms of good hitherto seen primarily as non-economic resources (culture, talent, knowledge, social relations) become forms of capital. The very notion of human capital is an illustration of this logic of capitalization in the

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[11]See David Coates, *Prolonged labour. The slow birth of New Labour Britain* (Hampshire, New York: Palgrave Macmillan, 2005). Chantal Mouffe, "Politics without adversaries," *Soundings.*

[12]I think the term aspiration, in an otherwise critical paper, is important. A crucial feature of Third Way ideology is that it brings together many incoherent and even contradictory standpoints. These points of tension are, arguably, the points of future political change.

[13]See particularly Brown, "The Politics of Potential."

[14]See Jenny Andersson, "The People's Library and the Electronic Workshop: Social democracy and the knowledge society," *Politics and Society* 34, 3 (2006).

[15]Arguably, the social sciences have so far not offered a lot in terms of helping us understand the social hierarchies of the knowledge society. The 1970s debate on the two-tier society, a debate that followed post-Fordism, seems to have given way to cultural theories of social exclusion and descriptions of the spatial organization of the network society. I would refer the reader to the works of the American sociologist Richard Sennett, one of the long-term critics of the social and cultural impacts of the knowledge economy, Richard Sennett, *The corrosion of character: the personal consequences of work in the new capitalism*, 1st ed. (New York: W.W. Norton, 1998); Richard Sennett, *The Culture of the New Capitalism*, *The Castles lectures in ethics, politics and economics* (New Haven London: Yale University Press, 2006); Richard Sennett, *Respect: the formation of character in an age of inequality* (London: Penguin, 2004). See also D. Barney, *Prometheus Wired, The hope for democracy in the age of network technology* (Chicago: University of Chicago Press, 2000). The newly published French collection, *La nouvelle critique sociale*, *La république des idées* (Paris: Seuil/le Monde, 2006), contains an interesting debate on social effects of the new economy.

[16]Cohen, *Nos temps modernes.*

knowledge economy. How does social democracy deal with this dilemma? There are many elements to Third Way policies that suggest that they are ultimately more about extracting the value of this capital than they are about controlling and disciplining markets and capitalist structures. It thus seems relevant to ask the question, does contemporary social democracy have a critique of knowledge capitalism or, rather, a theory of knowledge capital?

Clearly, contemporary social democracy does not speak of capitalism as a system of the exploitation of labor in the interest of capital, or at least, New Labour doesn't, while there are varieties of this in social democratic discourse. The Third Way denies, in fact, as we have seen in the Brown quote, that a distinction between labor and capital can be made in knowledge capitalism, since labor *is* capital. Rather, it appeals to a higher common good in terms of "prosperity for all." It lacks, at least in its British form, a debate on capitalist structures, on the dimensions between emancipation and exploitation in the knowledge economy, a notion of conflict. It does have, however, a persuasive and at times authoritarian discourse of what drives the production of value in the knowledge economy. This new growth discourse is influenced by new growth theory and supply-side economics, and construed around a plethora of new metaphors of capital (skill, knowledge, social and human capital, potential, talent, creativity), metaphors that bring human dispositions and social relations directly into the process of the production of value. When contemporary social democracy defines the socialist project as freeing the potential of all – such as socialists have traditionally defined the socialist project - this seems to contain a fundamental ambiguity, between bringing out those aspects of the knowledge economy that could have a deeply emancipatory and progressive bearing, and an infinitely economistic logic of turning human potential into economic capital.[17]

I argue in this paper that Third Way ideology is informed by a discursive logic of capitalization, a logic whereby social democracy identifies human potential – human knowledge, talent, creativity – as economic goods and ultimately new forms of capital, indeed, as the raw material of the new economy. This is not a new phenomenon to social democracy. Processes of social democratic revisionism, throughout history, are to a large extent about reconceptualizations and new definitions of what capital is and what creates value.[18] Social democratic growth discourses have always been concerned with the rationalization and utilization of labor. It is thus extremely important to thread very carefully around the issue of the Third Way as a radical break or continuity with "old" social democracy. While I argue that the Third Way draws on fundamental continuities with "old" social democracy, my argument is nevertheless that these continuities, in the Third Way, seemed to be turned on their head. The Third Way breaks with many of social democracy's historic articulations *in critique* of capitalism, as notions of human potential, culture, education, public good, notions that in the history of social democracy have referred to social values, in conflict with the idea of profit, become, rather, arguments *in favor* of capitalism and thus drawn into the process of capitalist improvement. The paper looks into this tension by analyzing particularly the notions of conflict, the Third Way's notion of public good, and its articulation of culture. Throughout, I base my argument on New Labour discourse.

The Neoliberalization of Social Democracy?

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[17]See Michael Freeden, "The ideology of new labour," *Political Quarterly* 70, 1 (1999).

[18]As Ben Fine points out, what is at each point in time considered capital or value-creating activity is not a given; rather this changes with the discursive struggles that accompany periods of economic transformations. B Fine and F Green, "Economics, social capital, and the colonisation of the social sciences," in *Social capital. Critical perspectives*, ed. Schuller, Davon, and Field (Oxford: Oxford University Press, 2000). See also Block, Block, *Postindustrial possibilities: a critique of economic discourse*.

This difference between a critique of capitalism and a discourse of improvement or indeed a theory of capital in the Third Way can be brought back to tensions deep in the history of social democracy. While social democracy has, throughout its history, incorporated strands of utopian critique and radical alternative, it is not an anticapitalist movement, and it has never been. Social democracy is a movement torn between its critique of capitalism and its emphasis on gradual amelioration and improvement.[19] What distinguishes the Third Way from "old" social democracy is thus not, as many observers have suggested, a sudden acceptance of market forces, nor a new pro-capitalist stance; rather it is the way that it gives new meanings to its historical articulations around capitalism in relationship to new ideas of what drives prosperity in the new economy. In this process, I argue, the Third Way turns arguments that, in the history of social democracy, were arguments in critique of capitalism, into arguments for capitalist improvement.

The tension between radical, utopian critique of capitalism and gradual improvement can be thought of in terms of another, related dilemma in the history of social democracy, which also takes on a new relevance in the Third Way. This is the tension between what I call *socializing capital* and *capitalizing the social*, between social democracy's desire to intervene into capitalist structures in reaction to their social effects, and its equally important strand, through history, of using social intervention to create economic efficiency and of thus embedding capitalism in society and social relations.[20] Social democracy is a historical agent that throughout the history of welfare capitalism has intervened into the relationship between the economic and the social, mediating it and arbitrating it, thereby also defining what constitute economic and social activities and thus also redrawing the boundaries between them; indeed, constructing the Economic and the Social as fields of action, existence and intervention. Its various modernization and rationalization discourses, through history, have all been concerned with the rational organization and restructuring of this relationship. The Third Way does so again, with particular reference to the knowledge economy.

Let's consider, for the sake of this argument, that the Third Way is neoliberal, which was the suggestion of the first wave of studies on the Third Way. The point of departure of the Third Way project was, as we know, the end of Keynesian demand management and national economic policies in a world dominated by globalization. In contrast to the way that "old" social democracy's Keynesian policies were focused on controlling capital within the boundaries of the nation-state through macroeconomic policies and demand management, a central tenet of the Third Way is the idea of globalization and of an open economy, where capital can not be controlled by the boundaries of the nation-state and where the scope of macroeconomic policies is circumscribed by the constant flux of capital.[21] The Third Way, since the mid-1990s, can thus be described as a political project based on a rethinking of the nature of contemporary capitalism and the logic of capital, as well as of the role of state intervention and the scope of economic policies in this new world. This rearticulation of politics around the imperative of globalization is what has often been described as the neoliberalization of social democracy.

In the British context, New Labour's economic policies have been seen as the continuation of Thatcherism, because of their fundamental acceptance of the monetarist framework, their rejec-

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[19]See Peter Beilharz, *Labour's Utopias: Bolshevism, Fabianism, social democracy* (London: Routledge, 1992), Donald Sassoon, *One hundred years of socialism: the West European left in the twentieth century* (London: Tauris, 1996).

[20]For historic tensions in the social democratic project see Geoff Eley, *Forging democracy. The history of the left in Europe 1850-2000.* (Oxford: Oxford University Press, 2002), Sassoon, *One hundred years of socialism.*

[21]Hay, *The political economy of new labour*. Colin Hay and Matthew Watson, "The discourse of globalisation and the logic of no alternative: rendering the contingent necessary in the political economy of New Labour," *Policy and Politics* 31, 3 (2003). Wickham-Jones, Mark, "Recasting social democracy."

tion of collective action, and the refusal to tear up the changes in labor law introduced by Thatcher.[22] Colin Hay put it most critically when he described New Labour's political economy as "studiously courting capital," a "reconception of the parameters of political possibility in terms of the imperatives imposed by economic integration, financial liberalisation and heightened capital mobility – in short globalisation."[23] Based on the political presumption that capital is in a fundamentally uncontrollable liquid state, what is left in terms of macroeconomic strategy is, in Hay's terms, to accommodate to the perceived interest of capital for political, economic and social survival. But the Third Way also contains a strong rejection both of the social philosophy of neoliberalism and the economic doctrine of monetarism, as if not entirely ideologically misconstrued at least economically inefficient in an era driven by skill, knowledge, and information, all drivers of change that are understood to require a rethinking of the very scope of politics, similar to the redefinition of politics carried out by neoliberalism.[24] As Colin Hay has shown, the Third Way is a political economy based on the assumption of the reality of globalization, and accordingly it redefines the role of social democratic politics to act for the creation of wealth within the parameters set by globalization. Since capital is uncontrollable, what government must do is to provide the stable framework and infrastructure so as to attract capital and inward investment.[25] The other leg of this strategy, however, is to increase the value of the capital within its borders, that is, the human capital or the potential of the people. Attracting foreign investment has a parallel here in those labor-market policies, education policies, or asylum policies which attempt to attract the "best brains." If the macro-strategy can be described, then, in Hay's terms, as a courting of the liquid financial capital of the information age, the micro-strategy could be described as a capitalization of those human, social and cultural resources that are defined as productive capital; subject, in Third Way discourse, to investment and rationalization. We can bring this macro/micro strategy back to Gordon Brown's statement, that in an economy where capital moves "at the press of a key," the fundamental resource of the nation-state is the potential and talent of its people, the "brainpower" that makes up the skills revolution.[26] In a matter of speaking, the earlier attempts of labor to control capital have been replaced, in Third Way policies, by the attempts to control the capital embedded in labor. New cultural modes of governance aim at creating this capital, change the values and dispositions within knowledge workers, "build human capital." This is the politics of intangible capital – a macro-strategy based on the volatility of financial capital, and a micro-strategy based on the equally intangible capital within us.

This is very far from neoliberal. The Third Way is, I suggest, better understood as a political economy based on an understanding of knowledge as a specific form of capital embodied in people, and the creation of new means of economic governance to bring it out. These new means of governance go much further than the traditional means of economic intervention of social democracy. To this extent, somewhat paradoxically, the parameters of state intervention in the age of globalization, the eroding nation-state and what ever other flux become, if anything, larger, as virtually everything becomes the object of economic policies. As Alan Finlayson has pointed out, the

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[22]Driver and Martell, *New Labour: Politics After Thatcherism*. Hall, "The Great Moving Nowhere Show." Andrew Glyn, *Social democracy in neoliberal times: the left and economic policy since 1980* (Oxford: Oxford University Press, 2001), Chris Howell, *Trade unions and the state. The construction of industrial relations institutions in Britain, 1890-2000* (Princeton, New Jersey: Princeton University Press, 2005).

[23]Hay, *The political economy of new labour*, p. 145.

[24]See Cabinet office, "Modernising Government," (cm4310, HMSO, 1999). Ed Balls, "Open Macroeconomics in an open economy," ed. Centre for economic performance (1997). Ed Balls, Joe Grice and Gus O´Donnell, eds., *Reforming Britain's Economic and Financial Policy* (London: Palgrave/Treasury, 2002).

[25]Alan Finlayson, *Making sense of New Labour* (London: Lawrence and Wishart, 2003), Hay, *The political economy of new labour*. p 177.

[26]Brown, "The Politics of Potential."

economy, in New Labour thinking, is almost omnipresent. Practically all New Labour policies, whether they be aimed at social inclusion, the pre-schooling of young children, or the preservation of the historical heritage, are economic in the sense of being given a role for the strategic creation of the human and social capital of the knowledge economy. In the same way, virtually all social or cultural values, from trust to curiosity and aesthetics are in New Labour thinking also economic values and therefore legitimate objects for economic intervention.[27] This is directly related to the capitalization of knowledge in the Third Way's economic theory, or, as Finlayson puts it,

> When knowledge is understood as the central commodity flowing in the economy, it is a short step to such a cultural mode of governance. After all a culture can, at one level, be understood as a set of shared knowledges. As such the analysis of economic production and the analysis of culture begin to fuse.[28]

This expansion of the field of the Economy has meant that areas such as education policies, cultural policies and social policies have become new forms of industrial policies.[29] Particularly the Social has emerged as a central sphere of economic intervention. The Third Way is fundamentally interested in social relations, because it sees them as producers of wealth. It is not economically *dirigiste*, in its prudent macroeconomic norm politics, but it is socially *dirigiste* in a way that is not considered politically possible or socially desirable for the economic sphere.[30] The Third Way, to this extent, contains a distinct interventionism that goes well beyond that of "old" social democracy, since it goes beyond economic policy and into the social sphere. Indeed the object of regulation is not the economy, but the "soft" or "wet" capital located within the knowledge worker, his or her very attitudes towards learning, employers or the community at large. In this respect, many aspects of Third Way policies are closer to social utopian discourses of intervention and engineering in social democracy's own history than they are to neoliberalism.[31]

This capitalization of the Social is a central part of the political economy of the Third Way. The Third Way rearticulates human and social relations as forms of capital, and designates policies aiming at the Social as growth policies, directed at bringing out the value of this capital. There is, as will be discussed, no better example of this than the notion of social capital, which has had a central place in New Labour policy. This reappraisal of the social sphere through the metaphor of "capital" displays paradoxical tendencies. On the one hand, it leads to a socializing logic of capital, in the sense of a discursive legitimation of the social function of capital, which leads to new discourses of rationalization, partnership and corporatism in the Third Way, since the interest of capital and of society is presumed to be the same. On the other, it displays a capitalizing logic of the social, an economic determinism that defines social relations as economic goods, and thus makes them the object of rationalization and modernization. Both these reflect a dream of harmony between the economic and the social, which gives them a central place in the Third Way's reconciliatory modernization discourse, but which also plays out tensions deep in the historic project of social democracy.

Socializing Capital : Politics Beyond Conflict

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[27]Finlayson, *Making sense of New Labour*, p. 185.
[28]Ibid. p. 196.
[29]Coates, *Prolonged labour. The slow birth of New Labour Britain* (Basingstoke, New York: Palgrave Macmillan, 2005); Finlayson, *Making sense of New Labour*; Gail Stedward, "Education as industrial policy: New Labour's marriage of the social and the economic," *Policy and politics* 31, 2 (2003).
[30]Driver and Martell, *New Labour: Politics After Thatcherism*. Vivien A Schmidt, "Values and Discourse in the Politics of Adjustment," in *Welfare and Work in the Open Economy*, ed. Schmidt and Scharpf (2000).
[31]See Michael Freeden, *Liberal languages. Ideological imaginaries and 20th century progressive thought.* (Princeton, Oxford: Princeton University Press, 2005).

Certainly the Third Way differs from "old" social democracy in the role it ascribes to the market. In the UK, the symbolic importance of the Clause 4 debate was that it set the market at the heart of labor politics, and firmly established that capital, through dialogue and partnership, can work for the common good, a common good defined as "prosperity for all." The market, in consequence, has been seen as a driver of social progress, introduced into education policies, social policies and cultural policies as a way of bringing in investment and financial capital, but also as a way of creating a "culture of aspiration" and fostering drive and entrepreneurship, particularly in deprived areas.[32]

This logic of socializing capital, of making capital a part of the common good, not to be confused with socializing the means of production, is not new in the history of social democracy, rather the historical project of social democracy is exactly to make capital work in the interest of a particular definition of the common good and to embed the market in social relations. What is new, however, is the way that the Third Way's understanding of knowledge capitalism inherently denies the notion of conflict or of differences of interest between labor and capital. Making the market a force for the common good by bringing it further into social relations and defining market virtues as a fundamental driver of social change is not the same thing as trying to discipline capital in the name of solidarity and equality, which is arguably where New Labour's notions of partnership and community differ from the idea of corporatism that laid the foundation for the Swedish model. It is important to make this distinction.

There are certain specific presumptions as to the nature of knowledge as a non-rival good with positive externalities that add to the Third Way's well noted emphasis on reconciliation and its appeal to politics beyond conflict. Knowledge is created through learning – and learning is a social activity, one that depends on trust, communication and reciprocity. The idea of knowledge-driven economic expansion contains a reappraisal of the social sphere; of trust, civic virtues, shared norms and values, partnership and dialogue, all things that stress interconnection, embeddedness and interlinkages rather than conflict or atomism.[33] New Labour's social philosophy of communitarianism was clearly influenced, here, by certain key ideas of network production, for instance the idea of the social as a web or social fabric of interdependent and interconnected people, tied together through mutuality and reciprocity.[34] Network production is described as ahierarchical, cooperative, and based on trust relations between employer/employee. Economic dynamism in network production stems from partnership and dialogue rather than asymmetries, hierarchies, and conflicts. The idea of partnerships has been described as a new form of "competitive" corporatism, where the production of surplus takes place in concertation and "coproduction" between state and market, through a social contract where the state assumes an overall responsibility for creating the competitive environment for industry, through strategic investment in education, research, and knowledge infrastructure such as high cost technology, information highways etc., while the firm assumes a certain responsibility for fostering social capital and encouraging learning. In this way, the firm – just like the family – becomes a provider of social virtues, trust and learning in harmony with the surrounding community. The Third Way embraces this understanding of capitalism because it offers a way out of the conflicts and struggles of the 1970s, while still escaping the dilemma of neoliberalism. It gives a relevance to limited notions of stakeholding,[35]

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[32]See Department for education and skills, *Higher standards, better schools for all. More choice for parents and pupils. Education white paper* (London: HMO, 2005).

[33]Compare Fukuyama, 1995: *Trust: the Social Virtues and the Creation of Prosperity*.

[34]Mark Bevir, *New Labour: a critique* (London: Routledge, 2005).p 106f.

[35]The notion of partnership should of course not be confused with Will Hutton's idea of stakeholding. Hutton, *The State we're in* (London: Jonathan Cape, 1995).

and it permits the Third Way's critique of the state, a heritage it got both from the new Left and the new Right. The notion of partnership draws on the quintessentially Third Way claim that the new economy challenges both the old Left's and the new Right's understanding of the boundaries between market and state. The old Left, or so the New Labour story goes, thought that it could steer innovation and change and did not realize the individualism and private nature of creativity and entrepreneurship, while neoliberalism with its atomistic theory of economic man and free market did not see the fundamental social logics of processes such as learning and creativity. To that extent, the Third Way contains a firm rejection of both socialism and neoliberalism, both with reference to knowledge as a good with specific social externalities, fostered in trust and not in conflict.[36]

It could be argued that the politics of partnership reflect a new historical compromise between labor and capital, similar to the one that laid the foundations for social democratic hegemony in Sweden, and that the historic corporatism of the Swedish model drew on exactly such an organic notion of the market that New Labour set in place in its rewriting of Clause 4.[37] But the corporatism of the Swedish model was based on the mediation of the differing interests of labor and capital, and it was also, arguably, a way of disciplining the market in the name of the wider social good.[38] The emphasis on partnerships seems, rather, to avoid the very problematic that the historical compromise attempted to solve, since it doesn't recognize the notion of a difference of interest in the first place. Politics of partnership presume that interests and norms are essentially the same among market, state and citizen; an interest defined by the Third Way with the nebulous "prosperity for all." In industrial relations, the notion of partnership is a reference to trust relations that will provide the basis for productivity and competitiveness in the interest of both employer and employee.[39] As Chris Howell has argued, the notion of partnership was the basis of New Labour's "New Deal" with business, a new "partnership for prosperity" based on mutual trust and collaboration, which also meant that New Labour continued on the path in industrial relations laid out by Thatcher, recognizing the role of unions to protect individual workers' rights, such as the minimum wage, but remaining skeptical of collective action.[40] The notion of partnership set out a new role for trade unions in the knowledge economy, which is not that of representing the interests of organized labor, but one closer to the Japanese capitalism that was a source of inspiration for the debate on the new firm and specialized production in the period from the 1970s onwards. Worker influence, in this conception of industrial relations, is about making productivity gains through new forms of managerialism where the role of labor organization is to reintegrate skills into the production. This includes fostering trust, loyalty, and enthusiasm. As many writers on the organization of work in post-Fordist regimes have pointed out, ideas of flexible production sets the worker and his or her attitudes at the heart of the production process. New forms of management, indeed of Taylorism, are directed at the rational management of the worker's inner self.[41]

We can take this argument one step further by contrasting the Third Way's conceptions of the relationship between private and public production with social democracy's historic notions of

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[36]Cabinet office, "Modernising Government," DTI, "Fairness at work," ed. Department of trade and industry (HMO, 1998?).

[37]See Jenny Andersson, *Between Growth and Security. Swedish social democracy from a strong society to a Third Way* (Manchester: Manchester University Press, 2006); Francis Sejersted, Lars Andersson, and Per Lennart Månsson, *Socialdemokratins tidsålder: Sverige och Norge under 1900-talet*, *Sverige och Norge under 200 år* (Nora: Nya Doxa, 2005).

[38]Bo Rothstein, *The social democratic state: the Swedish model and the bureaucratic problem of social reforms*, *Pitt series in policy and institutional studies,* (Pittsburgh: University of Pittsburgh Press, 1996).

[39]Howell, *Trade unions and the state. The construction of industrial relations institutions in Britain, 1890-2000*.

[40]Ibid, Institute for Public Policy Research, *Promoting Prosperity* (London: IPPR, 1997).

[41]Finlayson, *Making sense of New Labour*.

the public good. The knowledge era brings with it a number of challenges to the boundaries between private and public production and consumption, since knowledge is often understood as a non-rival good with specific externalities and spillover effects that give it important characteristics of a public good. In fact, it is hard to think of a resource that would more easily lend itself to a progressive theory of public good than knowledge. Indeed, the Third Way has a notion of public good. Its appraisal of the market is matched by a discussion of the limits of the market in an age defined by the spread of intangibles such as knowledge and information. However, this is also radically different from how social democracy used to think about public good. The Third Way's notion of public good is intimately connected to its analysis of the needs of capital in a globalized and highly competitive economy. Its theorization of public good depends on its understanding of the interest of capital. In policies from the mid 1990s, New Labour, and, it can be added, also the Swedish SAP argue, following the theories of Romer and others, that because knowledge is a particular kind of capital that is essentially owned and controlled by the worker and that has fundamental externalities in terms of its social returns (a higher level of knowledge in society promoting further learning and resulting in a skilled and adaptable labor force, better climate for innovation, etc.), the state has to take a larger responsibility for its creation, since if left to the market the lack of incentives and property rights and the problems of control for the individual firm will result in fundamental market failures, causing fatal underinvestment in knowledge. Thus both parties see a new balance between state and market, where the role of the state is to set in place an infrastructure for knowledge, learning and information technology, while the role of economic actors is that of thinking up new ideas, innovate and be creative – processes that are seen as beyond the capacity of the state.[42] The Third Way, then, contains a strong notion of public responsibility in the knowledge economy. As the slogan goes, it is not for the state to pick the winners (or subsidize the losers) – but to remove barriers to entry, set in place a stable framework for business and individuals, foster entrepreneurship, creativity and competition.

Similar to the way in which, in the postwar period, social democracy accepted a responsibility for the public good of the industrial economy in terms of investment in railroads, highways, and education and hospitals for a productive industrial work force, in the knowledge economy this is the "electronic superhighways" and digital railways of ICT infrastructure and the education and learning to provide for a knowledgeable work force. The state effectively takes over investment for some of these public goods, with reference to the economically beneficial effects of access for all. In Sweden, the creation of a nation-wide broadband network was subsidized by such public investment. In the UK, the "wiring up" of schools and the so-called national grid for learning took place in public/private partnership with BT.[43] This is a different notion of public good from "old" social democracy. A theory of public good, for instance in learning and education, that follows from an analysis of what the market needs but cannot do is different from a notion of public good as what the public needs and what the market will not or cannot do, because the latter implies a critique of key tendencies in capitalism. Social democracy's postwar notions of public good were informed by exactly such a critique of the tendencies of industrial capitalism. The mixed economy, for revisionists such as Anthony Crosland, was an answer to the dilemma of advanced industrialism.[44] In Sweden in the postwar period, the expansion of the public sector drew on the notion of social balance of the American economist J.K. Galbraith, who argued that affluence has to be steered by a greater emphasis on public consumption, since consumption would otherwise lead to increasing social

[42]Sveriges socialdemokratiska arbetareparti, *Näringspolitik för tillväxt, Vårt alternativ, 5* (Stockholm: Sveriges socialdemokratiska arbetareparti, 1994), UK Treasury, *Microeconomic reform in Britain: Delivering opportunities for all* (London: Treasury/Palgrave McMillan, 2004), UK Treasury, "Productivity in the UK," ed. UK Treasury (Treasury, 2000).

[43]See *the national grid for learning, the Learning age.*

[44]C.A.R. Crosland, *The future of socialism* (London/Southampton: Camelot press, 1956).

gaps. There is not, in the Third Way, such a debate on how to steer the results of production for the public good or, even less, for the creation of equality. It also lacks what might be called a public ethos. Social democracy's historic notion of public good was an ethos, an ethos of solidarity which stated that there are goods in society that should be beyond the control of the market because their public value is of a character fundamentally in conflict with the idea of profit or even property. It could be argued, as Daniel Cohen or Riccardo Petrella have done, that contemporary economic times would easily lend themselves to new theories of public goods because of the increased role of "*production pour l'homme*," of high-quality services that benefit those human beings who are of a newfound economic interest in the new economy.[45] But while the Third Way has a theory of the public good of knowledge because of its fundamental intangibility, that it cannot be owned and fenced in but is necessarily part of the commons, this is a very narrow notion of public good, defined by notions of market failure, as for instance in the double failure of the market to spread access to knowledge and to provide adequate property rights for knowledge. It is not an ethos of solidarity, nor is it a theory of public goods as limits to private consumption or market provisions. Its ethos, rather, is one of the good of market as provider of public value, for instance through more efficient delivery of welfare services, but also through more complex things such as the fostering of creativity and entrepreneurship through public/private partnerships in schools and other public institutions. To that extent, its notion of public good is dictated not only by the limits of the market but by the recognition of the fundamental good of the market, of what might quite simply be called the market ethos. In education, then, the market emerges not only as the efficient provider, but also as an injection of creativity, entrepreneurship and best practice, and, in the end, as the arbiter of what knowledge, skill and creativity are useful in society.

Capitalizing the Social – Capital Within

While the logic of socializing capital informs contemporary social democracy's attempts to rearticulate the market as a force for social progress, the Third Way's growth policies are construed around the related but different logic of capitalising the social, that is, a logic that essentially capitalizes social structures and identifies social relationships and processes as the origin of the process of wealth creation. The notion of social capital, which has had a central place in New Labour policies from fighting social exclusion to cultural policies, is the most illustrative example of this.[46]

In the previous pages, I have described the Third Way as an economic discourse that is construed around a new articulation of the relationship between the macro and micro side of the economy and a new set of metaphors for the process of value creation. This redrawing of macro and micro in the economic policies of social democracy, and social democracy's new ideas about what creates growth, has in turn, brought about a redrawing of boundaries between the Economic and the Social. What fundamentally sets the Third Way apart from neoliberalism is its explicit framework for political intervention in the social sphere. The Third Way's economic theory is based on the idea that that what drives growth in the new economy is essentially innovation, curiosity and creativity: individual activities that cannot be induced or controlled by politics or collective action, but that are dependent on certain social and cultural frameworks, that can be the creation of politics. This has lead to a new emphasis on the social structures and institutions that foster vs. hamper the production of human capital and knowledge.

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[45]Cohen, *Nos temps modernes*; Riccardo Petrella, *Le bien commun* (Bruxelles: Editions labor, 1996).

[46]See Ben Fine, *Social Capital vs. Social Theory. Political Economy and Social Science at the Turn of the Millennium* (Routledge, 2001); Ade Kearns, "Social capital, regeneration and urban renaissance," in *Urban renaissance? New Labour, community, and urban policy*, ed. Rob Imrie and Mike Raco (Bristol: Policy Press, 2003).

This capitalization of the social is a central part of the political economy of the Third Way. Vivien Schmidt, in her 2000 article, argued that the discourse created by New Labour since 1997 in this sense continued Thatcher's neoliberalization of the economic sphere, but in the social sphere.[47] Since knowledge is "out there," the state's responsibility for insuring a competitive, knowledge-fostering climate contains an emphasis on social rationalization and social interventionism as an integral part of growth policies and economic regulation, a new kind of growth politics that focuses increasingly on individual values, attributes and social structures, and the way that these are more or less conducive to the creation of knowledge. To that extent, it is not true that contemporary social democracy no longer takes an interest in questions of inequality, unemployment or poverty. On the contrary, the Third Way takes a great interest in these things because it sees them as integral parts of new growth policies. The difference – substantial as it is – is that where "old" social democracy saw inequalities as the effects and outcomes of a specific regime of capital accumulation, the Third Way sees them as the starting point of accumulation. New Labour's major preoccupation with the problem of social exclusion has not been a debate on inequality, but a debate on the problems of social capital, a problem taken seriously since it is understood to create fundamental inefficiencies.[48]

This capitalization of intellectual and social resources is central to neo-endogenous growth theory with its idea of human and social capital. Human capital refers to the aggregate level of knowledge, talent and skill, hence the sum of the knowledge-potential embodied in the individuals of a society. It is capital that "resides in individuals."[49] Importantly, human capital is not only educational levels and skills, but it is also composed of attributes and individual dispositions such as motivation, aptitude for teamwork, capacity to make ethical value-based judgements, problem solving, self-discipline, and is hence about a certain knowledge-fostering, reflective, applicable and innovative individual character. Social capital, in contrast, is generally defined as a resource that "resides in social relations," that is among people, created through social interaction, mutuality and reciprocal relationships. Social capital is about values, norms and trust, as the central resources which provide the individual with access to a social network that provides the social relations deemed to be necessary for the development of productive human capital. [50]

The notion of social capital has, as mentioned, attracted great interest in Britain. Indeed the notion of modernization, in New Labour discourse of the mid-1990s, took on a very specific meaning as the modernization of human and social capital, through measures directed at increasing skill levels. Human and social capital can be expanded through policies such as learning or social investment strategies in a way that physical capital cannot. But the limit of an economic expansion driven by human capital is also the limit inherent in that capital, which means that it is ultimately defined by the individual, and by the knowledge and ability to learn that he or she possesses. In this way, the individual and his or her capacities are located at the heart of social democracy's neo-Keynesian project; subject to investment, expansion and capitalization, a resource to exploit, potential to be tapped.[51] The investment politics of the 1970s have been replaced by the so-called social

[47]Schmidt, 2000, "Values and Discourse in the Politics of Adjustment," in Scharpf and Schmidt, eds. *Welfare and work in the open economy*, vol 1, pp. 228-309, p 243.
[48]David Halpern, *Social Capital* (Cambridge: Polity, 2005); Performance and Innovation Unit, *Social capital - a dicussion paper* (London: Performance and Innovation Unit, 2002).
[49]OECD 2001, *The wellbeing of nations. The role of human and social capital*, p. 17.
[50]See Coleman, 1990, *Foundations of social theory*, Cambridge.
[51]See Freeden, 1999, "The Political Ideology of New Labour," in *Political Quarterly* 70, 1: 42-51.

investment policies of the 2000s, policies designed to change attitudes and dispositions, "build social capital."[52]

There was a progressive emphasis in the concept of social capital, particularly in the way that it attempted to bring social issues into the sphere of economic reasoning. So the British economist Simon Szreter suggested that social capital could provide the conceptual basis for a new empirical economics in critique of neoclassical orthodoxies, similar to how once social economy or Fabian economics provided a critique of classical economics. To Szreter, social capital was the promise of a new progressive political economy of the Left, because it brought attention to the social foundation of the economy.[53] The Downing Street advisor David Halpern argued that social capital is a kind of public good; that is, a good that cannot be owned by any single individual, because of its fundamentally social nature.[54] There is in the notion of social capital a certain critique of the unequal redistribution of opportunity, particularly on breaking down exclusive social networks such as the "old boys clubs" of British class society, and thus redistributing access to social networks.[55] Still, the notion of social capital was oddly detached from notions of class or equality. It made no link between social networks and economic structures, other than its arguments for economic efficiency. It also failed to provide a theory of public good. As critical observers show, the notion of social capital as it exists from Coleman, Putnam and others, is ultimately built on an individual utility function, where social capital is seen as a strategic individual resource in navigating labor markets and meritocratic ladders of opportunity.[56] But social capital, following the French sociologist Pierre Bourdieu, could be about how individuals acquire status and power resources, creating exclusion and inclusion in a hierarchical socio-political field.[57] A radical concept of equality of opportunity would have to address not only individual aspirations and shortcomings, but also structural inequalities such as the unequal redistribution of opportunity in knowledge capitalism.

Moreover, the notion of social capital makes market virtues a central aspect of social capital. Policies such as asset-based welfare have had a crucial role in the discourse of building social capital, because owning assets is seen as fostering virtues such as being financially literate, entrenching a culture of saving, or cultivating a feeling for property.[58] Individual learning accounts, "baby bonds," or the creation of bank accounts with an initial deposit, some of which are potentially very radical policies of redistribution, have thus been framed within the logic of building social capital.[59] The emphasis on intervention into social networks has, rather than laying the foundation

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[52]See Jane Jenson and Denis Saint-Martin, "New Routes to Social Cohesion. Citizenship and the Social Investment State," *Canadian Journal of Sociology* 28, 1 (2003), Jonas Pontusson, *The limits of social democracy: investment politics in Sweden*, *Cornell studies in political economy,* (Ithaca: Cornell University Press, 1992).

[53]S. Szreter, "A New Political Economy: The Importance of social Capital," in *The global Third Way debate*, ed. Anthony Giddens (2001); S. Szreter, "Social capital, the economy and education in historical perspective," in *Social capital. Critical perspectives*, ed. Schuller, Baron, and Field (Oxford: Oxford University Press, 2000).

[54]See Halpern, *Social Capital*, p. 22. Interview with David Halpern, Cabinet office, Downing Street, October 20, 2005.

[55]See ibid, Szreter, "A New Political Economy: The Importance of social Capital"; Szreter, "Social capital, the economy and education in historical perspective."

[56]Somers, Fine and Green, "Economics, social capital, and the colonisation of the social sciences," Fine, *Social Capital vs. Social Theory.*

[57]P Bourdieu, "The Forms of Capital," in *Handbook of Theory and Research for the Sociology of Education*, ed. J.G. Richardson.

[58]David Blunkett, "The asset state - the future of welfare," speech to the IPPR, July 5 (2005).

[59]The so-called baby bonds, the child trust funds, were designed to counter the determining effects on individual life chances of asset owning by giving each newborn child an account with an initial government deposit. It was thus potentially a very radical policy of redistribution. See Alan Finlayson, "The child trust

for an analysis of the determinants of class or the distribution of social status in society, tilted towards an authoritarian logic; if social capital is created in networks and social norms, there must be sanctions against those forms of social networks that create bad social capital or destroy social capital. This has led to sanctions of asocial behaviour, such as the ASBOs, and also to highly interventionist and normative measures in family policy, such as the recent suggestions for state controlled supernannies to help parents, part of the government's Respect agenda that aims to protect communities from asocial behavior.[60] It might also be pointed out that, while New Labour has praised the social virtues of the market and its strategic role in building social capital, it has not been overly interested in the notion of corporate social responsibility, and it does not sanction asocial behavior on behalf of business.

The notion of social capital clearly contained the embryo of a social critique of capital, as it highlighted the negative impacts of problems of social exclusion on economic efficiency and growth. However, it was also a distinctly economistic approach to the social, one in which social relations effectively became forms of capital. While it drew attention to the problem of social exclusion, this was not framed as a question of equality, or even as a structural consequence of economic transitions, but as an individual lack of social capital and as a problem of economic efficiency. In this manner, the notion of social capital illustrates the tension, set out in the introduction, of socializing capital, capitalizing the social, well. It also highlights New Labour's unease with ideas of equality, redistribution and social justice. Social capital, social inclusion and community are all notions that have made it possible for New Labour to address issues of redistribution without an egalitarian language and without, one might add, a critique of the structures of knowledge capitalism.

The Cultivation of the Mind

Through the capitalizing logic of the Third Way, the Social is no longer seen as a sphere that sets limits to the market, but is reconceptualized as the sphere in which crucial forms of capital are produced. Themes of social inequality become framed in terms of their effects on wealth creation, and social policy becomes a means of economic policy, part of growth policies. A similar logic of capitalization is at play for another sphere, which to the Third Way is intimately connected to the economic, the field of culture. Just as social policies have become an integral part of growth policies, there is also a new affinity in the Third Way between economic policies and cultural policies, because of the importance, in the new economy, of new export industries such as the creative industries, and because of the instrumental role of culture for the development of human potential, creativity and learning. Culture thus becomes a sphere of cultivation and growth.

The concept of growth in the knowledge economy is inherently problematic. Growth is, of course, in the history of industrial modernity an ambiguous term intimately related to notions of progress.[61] In the history of social democracy, the idea of growth stands in a contested field between growth as human cultivation and self-realization, on the one hand, and growth as an economic process of capital accumulation, on the other. In the narrative of the knowledge economy, this ambiguity seems to be taken one step further. Since growth stems from the expansion of hu-

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fund, making new labours new subjects," *work in progress* (2005). It should be pointed out here that encouraging ownership and a culture of property is an old means of disciplining for social democracy, and was also part of strategies for worker emancipation and self-help from the mid-nineteenth century, with the creation of credit institutions and friendly societies. Property is, as Deirdre McCloskey points out, a central bourgeois virtue. Deirdre McCloskey, *The bourgeois virtues.* (Chicago: Chicago university press, 2005).

[60]Home office minister John Reid, in *The Guardian,* November 19, 2006.

[61]W.J. Samuels, *Economics as discourse* (Boston: Kluwer, 1990).

man capital, which occurs through processes of learning, the notions of growth and learning become almost synonymous. Lifelong learning, for instance, is conceptualized in Third Way discourse as the cultivation of individual character and a "continuous process of self improvement," but de facto also as a process of capital expansion. The enhancement of the value of knowledge, that is, the production of knowledge, is both an economic and a social process, leading to both an economic surplus and a more knowledgeable society.[62] Growth discourses of the Third Way are thus concerned not only with notions of productivity and profit, but also with notions of self-improvement and even self-fulfilment, since these processes, in discourses of the knowledge economy, are presumed to be essentially the same. So new means of governance such as lifelong learning become framed as a question of helping individuals realize their potential and become fulfilled and rounded human beings. Politics of exploiting or "tapping" potential are thus also politics of emancipation, and the growth policies of the Third Way also policies for individual cultivation.

This is also not new in the history of social democracy. Throughout its history, social democracy attempts to reconcile tensions between economic change and individual self-realization, by arguing that economic expansion goes hand in hand with processes of self-fulfilment, and by marrying together demands of technology with human needs and cultural expressions. There is a fine line here between social democracy's ideas of emancipation – as a process taking place through gradual improvement – and the disciplining that its discourses of improvement also contain. So social democracy in the industrial economy projected a vision of Industrial man, a vision that was both utopian and highly disciplinary. The Third Way, in a similar process, projects an ideal Knowledge man, which is no less utopian and no less disciplinary in its emphasis on continuous self-improvement and bringing out the hidden potential of all.[63] What seems to mark a break, however, with this continuity in the history of social democracy, is that the Third Way takes those radical social democratic articulations, that in industrial society functioned as critiques of industrialism, and turns them into arguments for efficiency. So, for instance Raymond William's argument that culture was a process of wholeness or self-fulfilment, in conflict with the alienation and fragmentation of the self caused by the division of labor in industrial capitalism, seems turned on its head.[64] The Third Way argues that the road to self-realization lies in the full exploration of one's talents, a process which is fundamentally about finding one's use in the labor and creative markets of the knowledge society. In a sense, the Third Way tries to bridge the gap between culture and economy observed by Williams. The result of this attempted reconciliation, however, is ambiguous, since culture, in the educational and cultural policies of the Third Way, is not a tool for radical thinking otherwise – but for thinking otherwise that results in useful creativity, the kind that gives rise to new competitive commodities, patents and products. The Third Way denies the possibility that there might be tensions between the process of self-realization and the process of becoming employable, and it breaks with ideas of learning and culture as the source of alternative, non-economic, forms of value and good.

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[62]See Geoffrey M Hodgson, *Economics and Utopia. Why the learning economy is not the end of history*, *Economics as social theory* (London and New York: Routledge, 1999).

[63]Jessop, *The future of the capitalist state*; Nikolas Rose, *Powers of freedom: reframing political thought* (Cambridge: Cambridge University Press, 1999). I shall leave aside in this short paper – but it deserves to be mentioned – that these representations had mirror images in constructions of Others – in the industrial economy those who were not good workers, and in the knowledge economy in discourses of social exclusion or asocial behavior as the lack of skills and ambition, that is individuals lacking knowledge and the dispositions for learning.

[64]Raymond Williams, *Culture and society* (New York: Columbia University Press, 1983 (1958).

In this sense, Third Way growth policies reflect what has often been emphasized as a particular cultural logic of the new economy, and a new mode of economic governance as the governance of culture, attitude and dispositions. As the postmodern philosopher Fredric Jameson has argued, late capitalism contains a cultural logic, a process in which the "fetishism of commodities" is extended to culture, while economic logics such as consumption and production also take cultural expression.[65] There is a distinct postmodern influence here on the Third Way as it sees cultural production, the creative industries, pop music, or even the historic heritage as elements of its growth strategy, all parts of turning creativity into marketable products. Again, this is an ambiguous process, perhaps best described as a *reevaluation* of the role of culture, a process that leads, on the one hand, to a rethinking of its productive role in society that moves culture up into a privileged position on the political agenda – breaking with neoliberal legacies of the privatization and strangulation of cultural institutions – but on the other hand also seems to commodify cultural expressions, as heritage, pop music, art and design become export commodities, parts of a national brand name or an instrumental means to building social capital and fostering the creativity and entrepreneurship that the new economy demands.[66]

Ultimately, this comes down to the very notion of knowledge that informs the idea of the knowledge economy. Knowledge, and related concepts such as creativity and talent, are essentially about individual dispositions, not specific skills, since skills in the knowledge economy are in constant flux. Learning is thus not the process of acquiring skills, but the disposition towards the process of learning itself, the "love of learning," the curiosity and aspiration of the individual.[67] The emphasis on early learning and children in the Third Way stems from this perception; since learning is not a skill, but an aptitude or even a cultural norm, it needs to be forged in the subject individual from its very early years. This, then, is a very specific understanding of improvement as a process that takes place, essentially, within people, as a perpetual process of modernization within, the constant upgrading of individuals themselves. Love of learning, in the UK, is also "a culture of continuous self-improvement," the "continuous education and development of the mind and the imagination."[68] While this may, in many ways, draw on elements in neoliberal economic thought, particularly its equation of freedom and entrepreneurship, it also falls back on a strong legacy of technocratic productivism or Fabian attitudes, where culture and education ultimately become means of rationalization and improvement.

Conclusion

I set out a provocative question in the Introduction, does social democracy have a critique of knowledge capitalism or merely a theory of knowledge capital?

In the previous pages I have argued against the interpretation that has tended to dominate much of the literature on the Third Way, and that has seen it as essentially a continuation of neoliberalism. Rather, I have pointed to important continuities between the Third Way and the historic

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[65]Fredric Jameson, *Postmodernism or the cultural logic of capitalism* (Durham: Duke University Press, 1991). See also Ellen Meiksins Wood, "Modernity, Postmodernity, or Capitalism?" in *Capitalism and the Information Age. The Political Economy of the Global Communications Era.*, ed. McChesney, Wood, and Foster (New York: Monthly Review Press, 1998).

[66]*Cultural capitalism*, ed. Timothy Bewes and Jeremy Gilbert (London: Lawrence and Wishart, 2000); Jo Littler and Roshi Naidoo, *The politics of heritage. The legacies of race.* (London New York: Routledge, 2005); David Lloyd and Paul Thomas, *Culture and the state* (London New York: Routledge, 1998).

[67]Excellence in Schools, 1997, See education papers, Department for education and skills, "Schools achieving success. White paper," (cm5230, HMSO, 2001); Department for education and skills, "Schools building on success. Raising standards, promoting diversity, achieving results. Green paper," (cm5050, HMSO).

[68]Department for education and employment, "The Learning Age: a renaissance for Britain. Green paper,"

discourses of social democracy. I have argued that the Third Way is informed by a logic of capitalization of the social, a logic through which elements of the Social become forms of capital. While this has elements that are specific to the Third Way, it also holds similarities with social democracy's historic rationalization discourses, and particularly with a technocratic or productivist legacy of Fabianism. In the knowledge economy, however, Fabianism takes new forms, as the economic policies of the Third Way target the capital embedded in human beings, in the disposition and character of individuals. This is a highly radical form of social intervention, directed towards the "tapping of potential" and the exploitation of talent and creativity in order to extract the value of human capital. In this process, I argue, the Third Way turns what in the social democratic project have been articulations in critique of capitalism into arguments *for* capitalism, thus incorporating strands of utopian critique in the social democratic tradition into an economistic discourse of improvement. On the one hand, then, in the Third Way this stands in a continuity with a technocratic strand in social democracy, from an Enlightenment value of "useful knowledge," where knowledge and skill were always parts of discourses of capitalist amelioration, productivism and Taylorism. On the other, it marks a break with radical notions of self-fulfilment or wholeness as critiques of capitalism. The idea of self-improvement, of fulfilling one's potential, of bridging the gap between what we are and what we have it in us to become, a deeply emancipatory notion in the history of social democracy, is in Third Way discourse a question of adapting to the demands of the market. Its notions of emancipation and exploitation in the knowledge economy, are fundamentally blurred. Freeing the potential of all, and exploiting the value of human capital, are seen as processes virtually without friction. The possible tensions and conflict between them are silenced.

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