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Taking Capitalism Seriously
Toward an Institutional Approach to
Contemporary Political Economy

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Abstract

This paper outlines an institutionalist political economy approach to capitalism as a specific type of social order. Social science institutionalism considers social systems to be structured by sanctioned rules of obligatory behavior. Its perspective is one of collective ordering, or governance, through regularization and normalization of social action, either by public authority or by private contract. Political economy looks at the interrelations between collective action in general and collective rule-making in particular, and the economy; it extends from economic and social policy-making to the way in which economic interests and constraints influence policy, politics and social life as a whole. The approach proposed in this article looks at society and economy as densely intertwined and closely interdependent, which is what traditional concepts of capitalism stood for. Proceeding from an institutionalist perspective, it elaborates a concept of capitalism not as a self-driven mechanism of surplus extraction and accumulation governed by objective laws, but as a set of interrelated social institutions, and as a historically specific system of structured as well as structuring social interaction within and in relation to an institutionalized social order.

Zusammenfassung

Das Papier entwickelt den Ansatz einer institutionalistischen politischen Ökonomie des Kapitalismus als einer spezifischen Form sozialer Ordnung. Sozialwissenschaftlicher Institutionalismus betrachtet soziale Systeme als durch sanktionierte Regeln obligatorischen Handelns strukturiert. Seine Perspektive ist die der Produktion kollektiver Ordnung („governance“) durch Regulierung und Normalisierung sozialen Handelns, vermittelt öffentlicher Autorität oder durch private Verträge. Politische Ökonomie betrachtet das Wechselspiel zwischen kollektivem Handeln im Allgemeinen und kollektiver Regelsetzung im Besonderen auf der einen Seite und der Wirtschaft auf der anderen; ihr Gebiet schließt wirtschafts- und sozialpolitische Entscheidungen ebenso ein wie die Beeinflussung des politischen und sozialen Leben durch wirtschaftliche Interessen und Zwänge. Der vorgeschlagene Ansatz behandelt Gesellschaft und Wirtschaft, in Einklang mit traditionellen Theorien des Kapitalismus, als eng ineinander verschränkt und hoch interdependent. Ausgehend von einer institutionalistischen Perspektive wird ein Konzept des Kapitalismus als System aufeinander bezogener Institutionen entwickelt – als historisch spezifisches System strukturierter und strukturierender sozialer Interaktion innerhalb und gegenüber einer institutionalisierten sozialen Ordnung.

I

Attempts to theorize capitalism as a social formation tend to suffer from an unfortunate legacy of economistic reductionism. Some believe that the problem had its origins already in the work of Karl Marx, while others ascribe it to his followers; I will not get involved in this difficult and specialist discussion. A social theory is economistic-reductionist if it treats social relations and social order as being derived from “laws of motion,” or motives, that govern “the economy” – or, in the case of a capitalist economy, the accumulation of capital. Action and actors are eliminated from view as social relations are reduced to economic relations, processes, functions or laws of a quasi-natural kind: They make no difference, or if they do, it is only temporarily and “in between.” Social institutions – the rules that govern social action and constitute social order – do not matter, or not really, as they ultimately cannot do more than reflect the structural constraints, or the functional “needs,” of “the economy.” Social order evolves, not on its own terms, but on those of the economic processes “underlying” it, which are independent from actors’ intentions, or in any case somehow dictate them. While “the economy” is the real thing, society is its derivative. In other words, it is not agency that counts but structure – and where there is change: structure begetting structure – as one structural condition follows another, unfolding according to a logic of its own, and intelligible without recourse to what social science today refers to as the micro level of social action. Rather than *intended meaning*, it is *pre-established function* that controls social life, with everything that happens being fully accounted for in terms of its contribution to a pre-determined functional equilibrium or, in the case of structural change, to an inexorable movement into a pre-determined future.

“Bourgeois” theories of capitalism, or modern society – often in explicit rejection of “Marxist” economic determinism – emphasized the role of agency and choice in social life, as did revisionist socialists. In particular, the new discipline of sociology insisted on the more than just ephemeral importance in society of subjective meaning and intentional action. But as sociological theory distanced itself from economic reductionism-cum-determinism, it gradually shifted into an abstract universalism that divided capitalism into two ahistoric constructs: “society” and “economy,” the latter to be turned over to economists and economics.¹ Moreover, structuralism and functionalism gradu-

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1 Who, in turn, conceived of it not much differently from the vulgar materialism of orthodox Marxism: as a self-contained machinery of wealth creation governed by quasi-natural laws of motion (in the case of standard economics, powered by an aggregation of individual rational choices informed by fixed preferences). The main difference between Marxist and bourgeois economism would appear to be that whereas the former treats “the economy” as self-destructive, the latter describes it as self-stabilizing.

ally reasserted themselves, the one returning in the form of modernization theory, the other as a general theory of a self-stabilizing equilibrium of social action orientations surrounding and embedding an “economic subsystem” that was no longer recognizable as capitalist. What remained of the theoretical tradition were abstract discussions, first between sociology and economics, then increasingly within sociology, about the motivating dispositions of actors *in general*: about the significance of “moral norms” as compared to “rational interests,” and about “altruistic” versus “rational-egoistic” motives or behavior (Knight 1940; Parsons 1940).

In this paper, I will outline an *institutionalist political economy approach to capitalism* as a *specific type of social order*. Social science *institutionalism* considers social systems to be structured by sanctioned rules of obligatory behavior. Its perspective is one of collective ordering, or governance, through regularization and normalization of social action, either by public authority or by private contract.² *Political economy* looks at the interrelations between collective action in general and collective rule-making in particular, and “the economy,” extending from economic and social policy-making to the way in which economic interests and constraints influence policy, politics and social life as a whole. However, while much of contemporary political economy, not to mention contemporary institutionalism, treats the economy as a black box, relying at best on standard economics to account for the constraints and opportunities it poses for politics and society, the approach that I am suggesting is in line with a general programmatic conviction that economic action is but a subtype of social action and must therefore be analyzed in basically the same way (Beckert/Streeck 2008). This is why the kind of institutionalist political economy that I am proposing looks at society and economy together as densely intertwined and closely interdependent, which is exactly what traditional concepts of *capitalism* stood for.

More precisely, proceeding from an institutionalist perspective, I will elaborate a concept of capitalism not as a self-driven mechanism of surplus extraction and accumulation governed by objective laws, but as a set of interrelated social institutions, and as a historically specific system of structured as well as structuring (Giddens 1984) social interaction within and in relation to an institutionalized social order.³ In this way, I hope to exploit the strengths of institutionalist analysis (Hall/Taylor 1996) – and in particular of its “historical” (Thelen 1999) and “actor-centered” (Mayntz/Scharpf 1995) versions – for a better understanding of capitalism, and especially of the problems of governing capitalism through socio-economic institutions. At the same time, by “bringing capitalism back in” (Streeck 2009c), I expect to make institutionalism, and institu-

2 Conventionally one distinguishes, with Hall and Taylor (1996), three versions of institutionalism: *rational choice institutionalism*, which accounts for social order in terms of economic efficiency; *sociological institutionalism*, which emphasizes legitimacy as the main force regulating social action; and *historical institutionalism*, which focuses on the interplay between historical legacies of social order and political and economic interests, and on the resulting politics of rule-making and rule-enforcing. For more on this, see below.

3 Or, in the words of Polanyi ([1957]1992), as an “instituted process.”

tionalist political economy in particular, substantively richer in the sense of closer to the real world. The way I will do this is by specifying what are, in my view, overly abstract categories of institutionalist political economy – i.e., the general properties and dispositions it attributes to political and economic actors, actions and institutions – in such a way that they better match the particular properties of the capitalist social configuration. In the process I hope to replace what I believe to be *misplaced generality* with *desirable concreteness*, and indeed *historical concreteness*, following the insight of the Marxist tradition that different socio-economic formations require different theories, or at least different specifications of general theories.⁴

The approach I will suggest should be particularly relevant to the analysis of political-economic institutional *change* – which is, incidentally, a central theme of classical theories of capitalism, from Marx to Schumpeter. Significant progress has recently been made towards an institutionalist account of change in social or economic orders, associated in particular with concepts like “path dependence” and “increasing returns” (Pierson 2000), with the notion of “punctuated equilibrium” and the distinction between disruptive and gradual change (Krasner 1988), the development of various typologies of gradual but nevertheless transformative change (Thelen 2002; Streeck/Thelen 2005a), and the discovery, or re-discovery, of self-undermining institutions and dialectical change (Greif/Laitin 2004; Greif 2006; Streeck 2009c). Some of the most interesting new insights into the dynamics of contemporary political economies originated in the context of research on the gradual worldwide transformation of modern capitalism in the 1980s and 1990s following the dissolution of the postwar economic order (Glyn 2006) – a process of market expansion and intensified commodification that came to be described as one of “liberalization,” or “disorganization,” of capitalism (Offe 1985; Lash/Urry 1987; Streeck/Thelen 2005b). However, while the new conceptual toolkit offered a rich language with which to catalogue processes of continuous, non-disruptive change, what it failed (and in fact never intended) to do was to account for the *historical emergence* and the *pervasiveness* of the sort of change that it had been developed to capture – its location in time and space as well as its direction and driving forces.

In other words, while recent analyses of institutional change had made progress in classifying certain formal properties of the processes found to be at work in the real world of contemporary capitalism in general terms, they were unable to speak to the underlying causes of such processes. They also remained unconnected to a growing literature that had become dissatisfied with universalistic representations of “the economy” as nature, or as a black box, returning for remedy to the concept of *capitalism* as a historically specific socio-economic order (for many others McMurtry 1999; Peck/Theodore

4 “Political economy, in the widest sense, is the science of the laws governing the production and exchange of the material means of subsistence in human society . . . The conditions under which men produce and exchange vary from country to country, and within each country again from generation to generation. Political economy, therefore, cannot be the same for all countries and for all historical epochs.” (Engels [1878]1947, Part II, Ch. 1)

2007; Ingham 2008; Sewell 2008; Bohle/Greskovits 2009). I suggest that this was because the decline of postwar organized capitalism and its neoliberal re-formation were treated by institutionalists, including historical institutionalists, as essentially no more than coincidental research material for what was ultimately to be a theory of the general properties of institutions, or of political economies conceived as institutionalized social orders, and the way they change (Streeck 2010), sidelining historical context and the historical forces that condition when and how and for what purpose particular institutional processes may emerge. I will briefly expand on this before I begin my outline of an institutionalist political-economy approach to capitalism.

II

As indicated, while modern capitalism typically serves as an empirical research site for institutionalist political economy, its defining characteristics appear only as accidental properties of actors and social structures in general. Owners of capital, workers, firms, central banks, governments, political parties and the like figure as examples of actors *as such*, just as capitalist property rights or labor law are treated as examples of institutions regulating individual action and social relations *as such*. What is important about them is not that they are capitalist but that they are actors and institutions. For the purposes of theory, they could just as well be exchanged for, say, medieval traders, military rulers or feudal entitlements and obligations, since the insights that are to result from their investigation are meant to apply to all actors and institutions, not just to a particular kind of them in a particular time and space.

In other words, in mainstream institutionalist political economy, what is capitalist about an actor or an institution is not really what matters. Where the disciplinary background is political science, the issue is the way in which powerful actors in their respective settings make deals with one another regarding the shape of the institutions over which they share control; how they make others adhere to those deals; and under what general conditions elite agreements are re-negotiated and institutions changed accordingly. Or, alternatively, in the economic version of neo-institutionalism, the question is how actors rationalize their mutual relations in search of optimally efficient exchange arrangements, and what are the factors which make them revise extant institutions or, conversely, keep them from doing so. Typically, firm-centered explanations compete with politics-centered ones; power rivals efficiency for the status of principal driver and privileged explanation of institutional change; and rational-design accounts struggle for primacy with functionalist, behind-the-back explanations of institutions and institutional adjustment.⁵ The question of which side wins is treated as an empirical issue,

5 While in the economic sociology version of institutionalism, the struggle tends to be over legitimacy and its social construction (Zelizer 1978; DiMaggio/Powell 1983).

or depends on who does the theorizing: Often political and economic explanations are accepted simultaneously, their relative importance being considered, again, an empirical question.

Thus, in most of contemporary institutionalism, capitalism simply does not show: It dissolves in a contingent configuration of contingent values assumed by the variable properties of actors and institutions, values that are conceived essentially as varying independently from one another, with no systematic, historical or evolutionary clustering – co-variance having to be established case by case by empirical research, guided again by timeless general theory. Consequently, the study of change mostly focuses on individual institutions studied one-by-one rather than on the socio-economic system as a whole. Moreover, institutions are considered to be basically unrelated to one another, or related only contingently – i.e., empirically and accidentally. The way in which institutions change depends on the intentions of their governors and designers, and on the latter's power and control; on the coalitions they are able to forge; on the opportunities offered by changing external conditions – for example, technological progress; and on the way extant institutional structures constrain their choices through increasing returns, sunk costs, inter-institutional complementarities, norms of appropriateness, etc. Or, alternatively, change is assumed to be driven by some “hidden hand” providing for systemic efficiency through feedback loops that restore systemic equilibrium even in the absence of purposive action by controlling actors. Generally, the objective for theory is to be as abstract and generic as possible in order to cover as many empirical observations as possible. Not least for this reason, institutionalist approaches of this sort tend to adopt a “rational choice” model to represent the motivations of actors – i.e., one that is maximally emptied of specific substantive content and therefore maximally suited for formal analysis.

I do not claim that one cannot learn something from analyses of this kind. I believe, however, that one can learn more by introducing a number of distinctions and specifications into institutionalist theory that take the institutionalist approach closer to the particularities of contemporary capitalism. By taking into account that what we study when we study political-economic institutions today is not political economy in general but a *capitalist* political economy, historical institutionalism will – as I hope to be able to show – make major gains in both substantive content and theoretical precision.

III

Before I begin, I should like to point out that I do not consider what I am about to present to be a *theory* in any deterministic or predictive sense – if only because in my view, the social sciences are, for fundamental ontological reasons, incapable of producing such theories. Nor, as indicated, do I intend to offer a conceptual framework for institu-

tional analysis in general. I rather prefer to think more modestly of what will follow as a *heuristic checklist*, hopefully drawing attention to empirical phenomena that might be a *worthwhile explanandum* or a *promising explanans* in dealing with contemporary, i.e., capitalist, political economy. In other words, I regard what I am undertaking to develop as basically a set of suggestions as to *where to look and what to look for* when doing political economy today: as *informed conjectures* as to what would be a good question to ask, or a worthwhile problem to address, and where to search for particularly satisfactory answers. Note that a heuristic is not necessarily “falsified” if what it recommends looking for is not found. In fact, the absence of something it offers reasons to expect may be a particularly interesting observation. Of course, if a heuristic keeps failing to produce instructive cues as to relevant observations and convincing conclusions, it should rightly be abandoned as useless.

Another way to think of my list is as a collection of *parametric specifications* of the conceptual framework of institutionalist political economy, for dealing with its capitalist version in particular. Perhaps at some stage that collection may develop into something like a stylized representation of capitalism as a complex and dynamic configuration of actions and actors – i.e., as an institutionalized social order, much like the Weberian “ideal type.” An ideal type presents a simplified, abstracted image of the world that is not necessarily disproven by the fact that it does not include everything that exists in it. What matters is that it captures what is *essential*, and that the differences between it and the real world are peripheral for the latter or from the point of view of the investigation. As I have indicated, roughly the same logic applies to a heuristic.

Finally, I note that the list of parametric specifications that I will suggest for institutionalist political economy to better capture the essence of capitalism as a social order is mostly derived from classical theories, as associated with the names of Marx, Luxemburg, Weber, Schumpeter and Polanyi. Obviously my list is incomplete, sketchy, eclectic and syncretistic, and no more than a first try. Also, unlike, for example, Commons (1924) or, in a different way, Williamson (1985), I am not dealing with individual capitalist institutions such as wage labor or the credit system. Instead, as I have pointed out, my concern is with the specific problems of institutionalizing social order or governance *as such* in capitalism as a social and economic system. It is from this perspective that my list directs attention, for example, to the central distinction for capitalism between traditionalist, subsistence-oriented and modern, maximizing action dispositions; the role of competition in destabilizing institutions and social relationships; the differential resource endowment and agentic capacities of actors from different classes; the inherent dynamism of the capitalist social and economic order and the specifically capitalist mechanisms of economic and social innovation; the fundamental tension between social cohesion and market expansion, and between “embedding” and “disembedding” institutions and politics; the directionality and systemic nature of institutional change in capitalist political economies, and the ways in which it tends to be politically contested; etc.

IV

Recent progress in institutionalist political economy has involved a conception of institutions as Weberian *Herrschaftsverbände* linking rule makers and rule takers inside a surrounding society of “third parties” (Streeck/Thelen 2005b). Rule makers govern the behavior of rule takers – the distinction being an analytical one, as the two may be identical⁶ – by creating and enforcing a normative order that is sanctioned by the society at large. The concept distinguishes not just between makers and takers of rules, but also between institutions as social structures and the actors they constrain and enable, as well as between norms of behavior and actors’ compliance with them. The basic model resembles that of the “actor-centered institutionalism” defined by Mayntz and Scharpf (1995), with which it shares its emphasis on the strategic, or agentic, capacities of actors in relation to institutions. Where it differs is in the special attention it pays to the *enactment* of institutions or, in other words, to what it means to “follow a rule.”⁷

Briefly, the argument runs as follows: Institutions impose rules on the behavior of social actors – or they are supposed to do so. However, it cannot be assumed that those whose behavior is to be ruled, or governed, have always internalized the rule in question (i.e., adopted it as a “script”) or will follow it voluntarily out of self-interest.⁸ Rule takers can and do rebel against the rule they are expected to follow – or they may follow it in bad faith, like workers fighting management by “working to rule.” The important point is that the opportunity for actors to take a strategic posture in relation to the institutions that are supposed to govern them arises from the very nature of the “application” of a general rule to what always is a specific, unique situation. Any such application requires a creative interpretation of what the rule is supposed to mean and how it might fit the inevitably unique circumstances of the individual case.⁹ Applying, or following, a rule involves bridging the ontological gaps between the general and the specific as well as between the normative and the factual; none of this is straightforward or fully predictable in its event, even if the rule is applied entirely in good faith. This makes the “spirit,” or ethos, of action in relation to an institution crucially important, and with it the institutionally expected ethos of the actors in question, and the effect such expectations have on actors’ perceptions and definitions of self. As time passes, precedents accumulate which help with the interpretation of the rule while also, more or less perceptibly,

6 In a democracy, identity between the makers and the takers of policy is presumed as the former are supposed to be the agents of the latter. To the extent that principal-agent problems obtain, identity is fictional. For another, simultaneously important variant of identity between rule-makers and rule-takers see below, where I discuss the case of contracted institutions.

7 This is a theme prominent in the work of the philosopher, Ludwig Wittgenstein. See Schatzki (1997).

8 In other words, neither an “over-socialized” nor an “under-socialized” concept of the human actor (Wrong 1961) is presupposed. In more modern terms, the institutionalism adopted is neither a “sociological” nor a “rational choice” one (see Hall/Taylor 1996).

9 Lawyers devote their entire lives to learning and developing complex techniques of “subsuming” individual cases under general norms. As subsumption is a creative act, the result is not *a priori* certain and may be contested.

changing its “meaning.” Normally, the environment of the institution will change as well, thereby continuously upsetting its emergent interpretation and evolving re-interpretation.

The rule taker vs. rule maker model is particularly relevant for the analysis of *institutional change*. The fact that in principle, any rule-following, even if intended to be fully conforming, must call forth what Hans Joas has called the “creativity of action” (Joas 2005), implies that no social order can ever be perfectly reproduced in its enactment. What an institution “really means” must *and therefore can* be continuously re-invented by actors in the light of both specific situations and changing general circumstances. As rule takers creatively apply a rule that is supposed to govern them, they inevitably produce outcomes that rule makers could not have expected when making the rule, since they could not possibly anticipate the variety of future conditions under which the rule would have to be followed. Nor could they know in advance the innovative ways rule takers would invent either to follow or to circumvent the rule. Since rule takers are always both at liberty and compelled to find out the situational meaning of a rule for themselves, they can and will, in following a rule, impart a bias on it. As a result, rule makers may, in the light of what with time and “in practice” has become “the rule,” feel a need to revise it in order to restore its originally intended meaning. Thus, not only rule-breaking but also rule-following tends to set in motion interactive processes between rule makers and rule takers which make the institution and its meaning evolve over time. At this level of generality, no particular direction of the continuous revision of institutionalized rules in the interplay between governors and governed is assumed, apart from the general principles that the reproduction of any social order can only be an imperfect one; that all social-institutional orders are always in flux; and that slow and gradual change is an ever-present condition in institutional structures.¹⁰

V

In the following I will introduce into this model a number of *parametric specifications* that characterize the functioning of institutions *in a capitalist political economy in particular*. My – incomplete and preliminary – list of what I suggest are empirical characteristics of capitalism as an institutionalized socio-economic order begins at the micro level of social action from where it gradually proceeds, in a clearly less than systemic fashion, to institutional structures at the macro level of society as a whole.

10 The various modes of institutional change in the typology suggested by Streeck and Thelen (2005b) dock in different ways onto the ontological gap between rules and their enactment. For example, “drift” denotes a situation where rule makers refuse to adjust a rule to its changing meaning in the course of its enactment, thereby avoiding responsibility for the institution’s slow transformation.

(1) *Legitimate greed.* Capitalist markets are as institutions based on civil rights of private agents to engage in contractual exchange with other private agents in pursuit of material gain (Marshall [1949]1965). Capitalist societies are self-described as societies of traders relentlessly striving to improve their material position, with “sweet commerce” (Hirschman 1982) having taken the place of violence on the one hand and of reciprocity and redistribution (Polanyi [1957]1992) on the other. Free market exchange is guaranteed by a non-predatory state which respects private property and safeguards freedom of contract. Participants in market exchange – in other words, all members of market society – are entitled to, and stylized as enthusiastically engaged in, the pursuit of, in principle, unlimited material wealth: what Marx contemptuously called *Plusmacherei*, represented by his famous formula $M \rightarrow C \rightarrow M'$.¹¹ Open-ended maximization of material possessions was considered morally inferior in pre-capitalist times, remained socially marginal, and was at best tolerated as unfortunately irrepressible. Under capitalism, by comparison, where material greed is satisfied through voluntary agreement instead of force,¹² it figures as normal and is considered legitimate.¹³ Where voluntarism ends and force begins (where contracts cease to be voluntary and begin to be concluded under duress) is a matter of definition and regulation, and it is for the state to ensure that the borderline between voluntary exchange and forcible extortion is properly drawn and observed. The same applies to the equally crucial distinction between trade and fraud.

(2) *Institutionalized cynicism.* The expected action disposition of rule takers under capitalism is *rational-egoistic*. This is to say that rule makers cannot expect rule takers to interpret their rules in other ways than in *studied bad faith*. There is no language available in a capitalist social order to dissuade agents from dealing with rules in a purely instrumental way, i.e., from the perspective of how they may be applied, avoided or circumvented for individual benefit. Ultimately this is because the free market, being the core institution of capitalism, promises to produce the common good as an unintended by-product of the self-interested pursuit of private goods, all by itself and unmotivated. “It is not,” writes Adam Smith famously,

from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity, but to their self-love, and never talk to them of our own necessities, but of their advantages.

(Smith [1776]1993: 22)

11 While Marx reserved *Plusmacherei* to the owners of industrial capital, and in particular of money capital, modern self-descriptions of capitalism treat workers, too, as utility-maximizing capitalists, in their capacity of owners of “human capital.” Alternatively utility maximization among workers is represented in labor economics as “shirking,” which may be seen as the illegitimate counterpart, or the travesty, of legitimate surplus extraction by capitalists proper.

12 This being the difference between Spencer’s two types of society, “military” (meaning feudal) and “industrial” (meaning capitalist, Spencer [1882]2003).

13 As famously expressed by François Guizot, Minister in the reactionary French government of the 1840s, when he urged his supporters, “Messieurs, enrichissez-vous!” (Gentlemen, enrich yourselves!).

Sentimentality¹⁴ is not envisaged and is in fact frowned upon, not only as individual stupidity but as a source of a distorted allocation of resources. Where common interests are best taken care of by the unrestrained pursuit of individual interests, there is no way to demand individual sacrifice in their name. Regulatory institutions must therefore be designed to fit actors who can only be expected to read rules, as it were, like tax lawyers, i.e., not as normative principles to be adhered to and applied in good will, so that their intended meaning is realized as much as possible, but as potential obstacles to the maximization of individual utility, and as a test of an actor's ability to find innovative ways of overcoming them. I suggest considering this to be the typical – or better: *normal*, in the sense of both *institutionally expected* and *empirically prevailing* – kind of compliance in a capitalist social order.

Avoidance of social obligations is not of course confined to capitalism. The difference is that here, the inventive pursuit of self-interest is in the spirit of the social order itself, so that the blame for a rule being circumvented lies importantly with its makers: Those avoiding a rule “only do what is in their interest,” while not having made the rule watertight is considered its makers’ “own fault.”¹⁵ Put otherwise, whereas there is always high legitimacy in a capitalist regime for being creative in maximizing one's utility, normative resources for voluntary self-restraint would have to be generated outside the market and imported into a capitalist social order that continuously generates good reasons for actors *not* to restrain themselves.¹⁶ Since institutions always require a modicum of good faith on the part of their constituents, the high social legitimacy under capitalism of *creative cleverness* in relation to social obligations must give rise to a typical conflict between rule makers and rule takers in which the latter permanently test the vigilance of the former. The result is a particular direction in the evolution of capitalist institutions, in the course of which these are continuously redesigned to anticipate and adapt to a systemic bad faith of interest-seeking rule takers.¹⁷

14 Of course Adam Smith is the author, not just of *The Wealth of Nations*, but also of *The Theory of Moral Sentiments* ([1759]1979), where he explores the moral and communal underpinnings of the emerging modern society of his time. But how the two books relate is far from clear. In any case, the “other” book is never mentioned when the true spirit of modern capitalism is being celebrated, and those who have made *Wealth* their Bible consider *Moral Sentiments* with embarrassment as something like a youthful sin. In capitalist practice and in the worldview that comes with it Smith reduces to Mandeville and his idea of public benefits being the product of private vices (Mandeville [1714]1988).

15 This holds true even for the capitalist welfare state where recipients of benefits who exploit loopholes in the law often defend themselves, and are defended by others, in these terms.

16 That the ethos capitalist institutions presuppose is categorically different from, say, that which is expected and required of an engineer running a nuclear power plant is indicated by the general consensus that moral appeals, for example to bankers – the financial engineers in charge of the fast breeders operated by the money industry – are not suitable instruments of economic policy.

17 See the difference between the figures of the patriotic citizen who faithfully pays his taxes out of a sense of moral obligation to his country on the one hand, and that of the average loss-minimizing taxpayer on the other. In a modern-capitalist social context there is agreement that the former type is somewhat out-of-fashion, and to be pitied if not ridiculed, while the latter

Note that by referring to the bad faith of the stylized typical actor under capitalism, I refer to the *normalized intentions* informing the design of capitalist political-economic institutions. Just as military strategists feel obliged to the worst possible motives attribute to the potential enemy, even though they may not now be empirically observed, capitalist institutions in order to be on the safe side assume that those supposed to be governed by them are nothing but self-seeking opportunists “with guile” (Williamson 1975).¹⁸ That the cynicism¹⁹ of this attribution is not, however, entirely unrealistic is due, for one thing, to the dynamic effects of what the conservative German institutional economist Götz Briefs once called the “marginal ethics” (*Grenzmoral*) of a pluralist-competitive society:

By “marginal ethics” I mean the ethics of those least restrained in the competitive struggle by moral inhibitions, that is of those who because of their minimal ethics have under otherwise equal conditions the best chances of success and who on this account force competing groups, at the penalty of elimination from competition, gradually to adapt in their trading to the respectively lowest level of social ethics (i.e., to the “marginal ethics”).²⁰

Moreover, as we also learn from military planning, and in a different way from “labeling theories” of criminal behavior, policies and institutions that expect actors to have a certain intention may thereby make them develop it, causing a downward spiral in which expectations of undesirable behavior call forth such behavior, which subsequently confirms the expectations.

Actors under capitalism, summing up so far, are *socially constructed* as *constitutively devious* by the institutions designed to govern them. The typical rule *taker* that capitalist institutions must reckon with as the normal case is a rule *bender*: He reads rules entrepreneurially, untiringly looking for ways of twisting them in his favor. Capitalist institutions cannot but stylize capitalist actors as rational-utilitarian exploiters of gaps

does just “what everybody else does,” namely look after his interests, which is *prima facie* and *per se* considered highly legitimate.

18 “Guile” is later explained by Williamson to mean “lying, stealing, cheating, and calculated efforts to mislead, distort, disguise, obfuscate, or otherwise confuse” (1985: 47). The logic behind the normalization of this behavioral syndrome in institutional design is the military one of *Si vis pacem para bellum* (If you want peace prepare for war).

19 According to Wikipedia, cynicism in its contemporary usage means “a disposition to disbelieve in the sincerity or goodness of human motives and actions.” It shares with its ancient meaning the implication that people are, or must be expected to be, like dogs (Greek: ΚΥΒΟΙ) – or today one would probably say: pigs.

20 My translation from the German original: “Unter ‘Grenzmoral’ verstehe ich die Moral der am wenigsten durch moralische Hemmungen im Konkurrenzkampf behinderten Sozialschicht, die aufgrund ihrer Mindestmoral unter übrigens gleichen Umständen die stärksten Erfolgsaussichten hat und sohin die übrigen konkurrierenden Gruppen bei Strafe der Ausschaltung vom Wettbewerb zwingt, allmählich in Kauf und Verkauf sich dem jeweiligen tiefsten Stand der Sozialmoral (der ‘Grenzmoral’) anzugleichen” (Briefs 1957). There is an English translation of the article, by Henry Briefs and Michael Malloy, which appeared in 1983 in the *Journal of Social Economy* (Briefs 1983). It is, however, less literal than one might want it to be.

in rules. This is because of a dominant ethos that cannot condemn egoistically-rational innovation in rule following, if not in rule breaking, and a culture that lacks the normative means by which to enforce and reward behavior in good faith. Interactions between rule makers and rule takers thus assume a specifically capitalist flavor, in the sense of actors being

fundamentally unruly: a permanent source of disorder from the perspective of social institutions, relentlessly whacking away at social rules, continuously forcing rulers to rewrite them, and undoing them again by creatively exploiting the inevitable gap between general rules and their local enactment. (Streeck 2009: 241)

(3) *A moral deficit.* As convincingly argued by economic sociology, even a capitalist economy cannot function in an exclusively Williamsonian mode, i.e., without some shared normative, i.e., non-rational principles of reciprocity, solidarity, fairness, good will, kindness to strangers, mutual trust and the like. Adherence to such principles, however, cannot be assumed since it may detract from actors' individual utility and because its rewards are likely to be diffuse and uncertain. Moreover, in the marginal case, which for the dynamic of the system is the critical one (Briefs 1983), what one could call the *market excuse* trumps any rhetoric of moral restraint²¹ and makes such rhetoric vulnerable to being denounced as an expression of the resentment of losers, or as outdated, unsophisticated, and indeed irrational and "unscientific." As a consequence, institutions that assume actors to be sentimental, or less than fully rational-egoistic, would therefore risk being subverted, as they would be exposed to relentless attacks from the margins eating into the core by cunning opportunists foregoing being virtuous in favor of being smart. One may well subscribe to Etzioni's observation at the end of his seminal book, *The Moral Dimension*, that "the more people accept the neoclassical paradigm as a guide for their behavior, the more their ability to sustain a market economy is undermined" (Etzioni 1988: 257). But this does not mean that one could rely on capitalist utility-maximizers exercising self-restraint in the name of a collective interest in the long-term sustainability of capitalist utility maximization. Indeed the fact that capitalist actors may be willing to destroy the commons on which they depend and deplete moral resources without which they cannot exist even though they cannot restore them, is a point that has often been made, from Karl Marx to Fred Hirsch (Hirsch 1976).²²

21 In particular where it is reinforced, as it commonly is, by an *organization excuse*. Since most major economic transactions in a modern capitalist economy are conducted on behalf of organizations, they are doubly protected against a "moral economy" that can appeal to the conscience only of individuals. Organizations, as impersonal social constructions, have no conscience (which is, among other things, why they are not liable to criminal prosecution). Although moral argument may manage to touch the hearts or minds of a firm's executive officers, this does not mean that it will affect the firm's behavior. See Friedman ([1973]1983) on why whatever moral sentiments business managers may develop must not make them forget the one and only "social responsibility" of their firms, which is to maximize their profits.

22 The answer of standard economic theory, as well as, incidentally, of rational choice sociology, is of course to ground social order conceptually in an equilibrium of individual interests enlightened by the experience of opposing counter-interests. Greed is to be restrained, and social sta-

(4) *A non-traditionalist super-norm.* Actors in a modern-capitalist context, as they confront institutionalized expectations, find themselves encouraged and enabled to proceed on the premise that everything that is not explicitly forbidden is allowed. In traditionalist settings, by comparison, the governing premise is the opposite: Everything that is not allowed is forbidden. Obviously the capitalist version of what is – one’s – “right” is more favorable to innovation, or imperfect reproduction, with respect to the way interests are pursued in the context of, and perhaps in conflict with, the social order. Such pursuit includes the deliberate stretching and testing of the law as it stands, in an effort to determine and push outward the borderline between fraud and, in principle welcome and indispensable, innovation (Balleisen/McKenna 2009).²³

(5) *Differential endowment of social classes with agentic capacities.* In a capitalist setting the functioning of social order is typically biased by a differential endowment of classes with resources which enable actors to calculate their interests and challenge or circumvent received interpretations of institutionalized social obligations. Not everybody can hire a tax lawyer or a financial adviser, not to mention a lobbyist, and the services of the best of them are available only to those who can pay the most. A promising working hypothesis for institutionalist accounts of capitalist political economy would therefore be that the capacity creatively to evade institutions or transform them in the course of their enactment, including the capacity to “capture” regulatory agencies, is not randomly distributed but rather correlated with the class structure. The same would apply to the ability to act in line with the modern as distinguished from the traditionalist super-norm, or indeed to participate in the pursuit of the general promise of unlimited wealth. Rather than talking about the general ability of actors as such and in general to use the gap between the normative and the factual to bend social rules in line with their rationally calculated self-interest, theories of a capitalist social order may become more realistic by assuming a *superior agentic capacity of the capitalist class*.

In a capitalist democracy with freedom of association, members of the under-resourced non-capitalist classes do have the possibility of pooling resources to hire their own experts in rule production, avoidance or enforcement. To do this, however, they need to organize collectively or capture the government of the state, each of which is difficult, and success is uncertain. Normally, business has an organizational advantage over labor, if only because individual members of the business class and their private organizations, or firms, are often sufficiently well-endowed not to require the support of other members or the government for getting their view of their institutional obligations validated (Offe/Wiesenthal 1980).

bility procured, not by morality – which is in any case no longer available – but by self-interest, that is, by greed itself. On the position of classical sociology concerning the theoretical and practical utopia of an amoral social order rooted in a balance of particularistic self-interests, see below.

23 How thin that borderline is was forcefully demonstrated recently by the “innovative” financial “products” sold to the public by a deregulated banking industry.

(6) *Unlimited rewards.* Capitalism as a social order may be defined by the absence of any cultural-normative ceiling on the amount of economic gain individuals can aspire to or imagine achieving. This is what Durkheim, in *Suicide*, described as anomy, resulting from open-ended possibilities for achievement combined with competitive pressures, as it affects businessmen but also artists and scientists (Durkheim [1897]1966)). While even in the most capitalist of societies there may be, and normally are, traditionalist informal *folk norms of decency* that condemn those “who cannot get enough,” the core capitalist institutions of market and money do not put a ceiling on the material rewards individuals can legitimately hope for; in this sense, they entail a promise of unlimited wealth (Deutschmann 2001).²⁴

The absence of institutionalized limits to economic gain can account for several other distinctive characteristics of capitalism. One is the dynamic growth of capitalist economies through relentless innovation, including the permanent revision of institutional arrangements in order to “economize” on transaction costs. Limitless rewards drive limitless growth, which in turn underwrites limitless rewards. The fact that under capitalism, the premium for a creative discharge of social obligations, or for circumventing traditional norms or legal regulations, can be very high is bound to sharpen the innovative intelligence of rule takers powerful and well-positioned enough to pursue capitalism’s unlimited opportunities for personal enrichment. It also helps suppress moral scruples as may interfere with the rational-egoistic maximization of self-interest: The higher the prize, the more virtue is needed for actors to refrain from going for it by less than virtuous means.²⁵

(7) *Maximization of gain instead of minimization of effort.* Capitalist rational-egoistic action is institutionally expected and licensed to be oriented toward a *maximization of economic gain*. The normalized actor under capitalism is someone who does not relent in his effort to get richer regardless of what he has already achieved; for him “the sky is the limit,” and there is no pre-established point where he “has enough,” or is institutionally expected to have enough. This holds true not just for capitalists or for capitalist firms but also for consumers, whose desires are ideal-typically assumed, and more often than not empirically prove to be, open-ended. Maximizing is the hallmark of the capitalist economic ethos whereas limiting effort to what is “necessary” for meeting

24 The first society in the history of the human species where every member was allowed and actually encouraged to pursue unending wealth may have been the United States after the Civil War, with its wide open Western frontier and the beginning of industrialization in the East. The dual promise of personal liberty and limitless prosperity in the “land of opportunity” remains of formative significance for American society up to the present day and makes the U.S. the true heartland of capitalism.

25 See Freeman (2011), with convincing examples and an illustration from a Marx Brothers movie: “Groucho (to pretty lady at dinner): Would you sleep with me for \$52 million? Pretty lady (laughing): Of course! Groucho (leering wildly): How about for \$10? Pretty lady: Mr. Marx, what do you take me for? Groucho: We’ve already established what you are. Now we’re just haggling over price.”

one's "needs" is the essence of economic traditionalism and the motivational basis of a subsistence economy.²⁶ At the actor level and empirically, both dispositions co-exist even in the most capitalist of societies. What matters is their distribution, by individuals and by class,²⁷ and their specific legitimacy or non-legitimacy. While not everybody maximizes in a capitalist economy, as a motivation of economic action maximizing is not considered monstrous, and indeed is almost by definition regarded as *rational*, and in this sense as *natural* and *normal*, and therefore *to be expected*.

Economically maximizing behavior, or greed, also exists outside of capitalism, but it is only inside it that it is not regarded as strange, or criminal. Non-capitalist economic maximizers like the Mobutus or the Marcoses of this world who rely on public violence to become unendingly rich are outcasts under capitalism, while the Swiss or American banks that invest their booty for them, also in pursuit of an open-ended "residual income," only do what banks do. Goals that are morally dubious outside capitalism may be fully legitimate inside it, capitalism being the only system where they ever were.²⁸

In abstract terms, capitalism's institutionally normalized maximizing ethos is represented in standard economic theory by the psychology ascribed to *homo oeconomicus*. In capitalist self-description, that psychology is both an *anthropological constant* and a differentially distributed *individual capacity* required for and rewarded by economic success. The implication is that capitalism both fits human nature and makes humans behave in line with it, with the "realism" of the market as an antidote against moral "illusions." Capitalism offers rich material rewards to those in whom human nature happens to be particularly strong, and punishes others who, for whatever reason, have failed fully to develop it – thereby reinforcing the *habitus* (Bourdieu 2005) that the system both assumes and produces.²⁹

26 I consider this distinction a parametric specification of the rational actor model. That model, which is intended to be general and universal, is ambivalent, and in fact empty, in that it includes both the maximization of output and the minimization of input. Only the former, however, is compatible with the dynamic economy of capitalism and culturally and institutionally enforced on investors, consumers and workers.

27 In fact, modern and traditionalist dispositions for economic action are traditionally institutionally ascribed under capitalism to different classes as normalized, or expected, motivations of individuals. Capitalists, stylized as willing to accept risk, are rewarded by what is interestingly called a "residual" income, namely profits. Workers, stylized as "risk-averse," receive and are assumed to prefer a fixed income (a wage). While owners of capital maximize their "residual" (in the sense of *a priori* unlimited) rewards, with capital accumulation as *Selbstzweck* (an end in itself), workers work for a "living wage" to provide for their and their family's subsistence.

28 In any case, today those who aspire to being very rich are well-advised to remember Brecht's ironic question in his *Threepenny Opera*: "Was ist ein Einbruch in eine Bank gegen die Gründung einer Bank?" (What is robbing a bank compared to founding one?).

29 Oliver Williamson seems to believe that the problem that workers may have with capitalism is that they are simply not sufficiently hard bargainers and cold enough rational egoists (see Streeck 2009c: 269). This suggests that one possible explanation for the way capitalist political economies work may be that some people, or some classes of people, are less willing or able, or simply have had less opportunity, than others to develop a full-fledged "opportunism with

(8) *Elite interests divorced from interest in system survival.* Unregulated rewards for which there is no ceiling are a source of steadily growing inequality, especially as they can be re-invested for cumulative advantage, not least in agentic rule bending capacity. Because of the inherent inegalitarian tendency in a capitalist political economy that arises from the open-endedness of potential material gain, the perennial question of redistributive countermeasures aimed at protecting or restoring social cohesion will always be on the political agenda. It at the same time gives rise to a characteristic disjuncture between the interests of economic elites in their and their family's personal fortune and in the stability of the economic system as a whole. The greater the gains an individual has managed to appropriate under capitalism's wide-open skies, the more irresponsible he can afford to be with respect to the capitalist system's long-term survival: Whatever happens, his accumulated riches, safely stashed away, will be enough to carry him and his family very comfortably through. In fact, in contemporary capitalism, unchallenged by any radical political alternative, it is the masses – who of course have little to no control over the system's fate – who depend on its stability much more than the elites do.

The way in which rising inequality separates the private interests of the winners from collective interests in system survival, effectively doing away with traditional ideas of elite "stewardship," is reflected in the notion of "plutonomy," which was coined by the personal finance department of Citibank during the Bush years, in a circular to its wealthiest clients (Citigroup Research 2005, 2006). The concept refers to an economic situation in which the very rich have become so rich that their consumption can sustain economic growth, and the profits that depend on it, even in the face of advancing impoverishment of mass consumers. Another facet of the same condition is the ruthlessness with which banks took on ever higher risks in the years leading to the Great Recession of 2008ff. While banking executives may have counted on a government bailout early on as their firms had become "too big to fail," they must also have been aware that even in case of a return of the 1930s or worse, they and their families could never become destitute after they have "earned" tens or hundreds of millions of dollars per year for several years in a row.³⁰ Perhaps advanced capitalism is the first society in history whose peasants cannot expect their lords to exercise self-restraint for the sake of the survival of their regime, given that they no longer need to fear decapitation after its collapse.

(9) *Competition privileged over solidarity.* The inherent dynamism of capitalism as a social order is reinforced by the omnipresence of competitive pressures in its free markets. Competition forces actors continuously to monitor their position and strategic behav-

guile" *habitus*, placing them at a disadvantage in competition with better socialized – or more precisely: better under-socialized – individuals.

30 The chief of Goldman Sachs, Henry Paulson, estimated his personal fortune to be about 700 million dollars when he acceded to the post of Secretary of the Treasury under George W. Bush. Paulson took the risk of forcing the bankruptcy of Lehman Brothers (which, of course, was Goldman's main competitor). Even if his gamble had resulted in a crisis worse and longer-lasting than the Great Depression, Paulson and his family would clearly not have had to make changes in their lifestyle.

ior in relation to that of competitors and potential competitors, and instills in them an attitude of permanent vigilance. Competition exists where there is a social license for actors to try to improve their position at the expense of others. A license to compete implies a license to behave in a way that is the opposite of solidarity. Capitalist political economies are characterized by the fact that they hold out very high rewards to actors who skillfully and innovatively breach norms of solidarity in order to enrich themselves, even if this means impoverishing others who are less successful.³¹

Although in principle governed by competitive markets, all capitalist political economies have seen efforts to contain competition through private agreement or public regulation. In fact, initiatives to “stabilize” markets tend to be as omnipresent in capitalism as competition.³² Not only workers but also capitalists have tried again and again to forge social compacts protecting them from market entry by outsiders and from the attacks of insiders. Especially among capitalists, however, where the potential rewards of undercutting public or private market-stabilizing institutions are high, success always remained precarious. Government regulation must ultimately prove as fragile as private cartels in an institutional environment in which competitive behavior is *a priori* assumed to be legal whereas “conspiracy against trade” is *a priori* under suspicion of being illegal, unless it is explicitly legalized. If it is, however, it is exposed to creative subversion just like any other rule. Moreover, the establishment and defense of an anti-competitive economic regime requires some sort of collective action organizing and controlling an entire class of potential competitors; whereas for competition to start, no more than one break-away is required. Given the potentially unlimited rewards a successful predator can reap, competition is more probable than solidarity, and its containment will never be more than temporary.

Foreclosing competition creates a traditionalist, *ständische*, live-and-let-live political economy, with profits limited to what is necessary to provide for subsistence at a level deemed socially appropriate. While that level can be high, especially for upper classes that turn from entrepreneur to *rentier*, any economic traditionalism is profoundly incompatible with the spirit of maximization that is at the heart of the capitalist mode of production and is idealized in its ethos (not to mention its organizations). A static, non-competitive economic order is not only hard to establish but is ultimately unsustainable in a capitalist system where the premium on defection is potentially unlimited, and undercutting the market position of others is a fundamental civil right rooted in the elementary principle of freedom of contract. Therefore, even in the most “coordinated” capitalist society, one can expect a general climate of nervous tension among potential competitors, of mutual distrust and permanent awareness of the possibility of competi-

31 On the moral dynamic of competition, especially where rewards are very high, see Briefs (1957, 1983).

32 Nobody knew this better than Adam Smith: “People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the publick, or in some contrivance to raise prices” ([1776]1993: 129).

tors appearing on the scene to upset the peace. Even while arrangements to suspend competition still hold, each actor will be constantly tempted to defect, if only because he cannot trust his fellow actors not to defect before him. This cannot be otherwise in a culture in which rational-egoistic advantage-seeking at the expense of others cannot be morally condemned and, if successful, is in fact entitled to the admiration even of those who find themselves left behind.

(10) *Two types on institutions.* Capitalist political economies are governed by two types of institutions, which complement as well as oppose one another. The general tendency in capitalist development is for the older, traditional type to be subverted and partially replaced by the modern one. In the institutionalist literature, the two types of institutions, or social orders, that precariously coexist in capitalism tend to appear as alternative conceptualizations of institutions as such – the former being put forward by what is called historical and sociological institutionalism, the latter by rational choice institutionalism (Hall/Taylor 1996). Treating them as different types resolves much of the confusion in the ongoing debate on “what institutions really are.”

Institutions in the more traditional sense may be conceived of as normative social structures which precede actors and regulate their behavior with the force of legitimate authority, even though actors may have internalized the norms enforced on them (and even though all institutions depend on being creatively enacted). Rule makers and rule takers are not identical, the former perhaps – as in the case of a political constitution – being long dead. Institutions are authoritatively imposed, and the norms they represent are enforced by third parties – “society as a whole” – whose readiness to support them constitutes their legitimacy. Elsewhere (Streeck 2009c, 2010) I have called this type of institution “Durkheimian,” distinguishing it from “Williamsonian” institutions that are based on voluntary agreement between present partners and constructed to fit the present interests of their creators in making their transactions optimally efficient (Table 1). Whereas Durkheimian institutions are *moral* in nature in that they limit or regulate the rational-egoistic pursuit of material interests, Williamsonian institutions are *economic* in that they are designed by interested parties to increase the returns on their mutual transactions. Since in the latter case, rule takers and rule makers are identical, rules can at any time, if necessary or profitable, be revised by agreement among the consenting adults who have put them in place.

In a simplified way, one can say that Williamsonian institutions arise out of private market relations and compete with each other in a *market for institutions*, while Durkheimian institutions are based in public authority in a broad sense and, among other things, serve to *circumscribe markets*. Whereas Williamsonian institutions are a product of the rational choices of self-interested individuals under freedom of contract, representing a type of social order that is essentially voluntaristic, Durkheimian institutions arise from collective action, however it may be organized, on behalf of society as a whole, however

Table 1 Two types of political-economic institutions

Durkheimian	Williamsonian
Public order	Private ordering
Obligational	Voluntaristic
Exogenously imposed	Endogenously contracted
Authoritative organization	Voluntary coordination
Creation of obligations	Reduction of transaction costs
Government	Governance
Status	Contract

it is represented.³³ In a rational choice theory of the world – or better: a rational choice utopia – all institutions and the entire social order ultimately are, or should, can and will be, of the Williamsonian sort. In fact, liberal progressivism up to this day describes the expansion of markets as a long historical process replacing obligatory institutions with contractual ones – as an escape from traditionalism and as simultaneous progress toward political liberty and economic rationality.

On the other hand, as Durkheim ([1893]1964) never tired of pointing out, a regime of free contracts governing the growing division of labor could unfold only inside an already existing society. For functional reasons alone, the *order of freedom* must remain “embedded,” to use the key concept of contemporary economic sociology, in an *order of obligation*, whether inherited from tradition or reconstructed with modern means. Even under capitalism – contrary to the various Robinsonian founding myths of modernity – society is not a *product* of competitive contracting but its *precondition*. A world constituted by contract is to Durkheim, in Polanyian language, no more than a “frivolous experiment” that is doomed to fail.³⁴ Markets, or market economies, cannot function without being encased in a shell of obligatory, non-voluntary rules determining, among other things, who is entitled to engage in contractual relations and what may and may not be subject to contractual agreement, and generally safeguarding the “non-contractual conditions of contract” (Durkheim [1893]1964) without which contracts could be neither made nor enforced.³⁵

(11) *Capitalist development as market expansion*. Capitalist development, then, may be conceived of as a process of gradual or periodic *expansion* of the system of contracts – or, in other words, of market relations – as the privileged mode of social and economic

33 The distinction is, of course, reminiscent of Spencer’s evolutionary continuum from feudal-traditional to industrial-modern society, or from a *status*-based social order to one based on *contract* (Spencer [1882]2003).

34 The same idea is summarized in Joseph Schumpeter’s famous dictum, “No social system can work which is based exclusively upon a network of free contracts between (legally) equal contracting parties and in which everyone is supposed to be guided by nothing except his own (short-run) utilitarian ends” (Schumpeter [1942]1975: 417).

35 For more on the complexities of the relationship between authoritative public and voluntary private institutions, see Streeck (2009b: 156).

intercourse: of competitive contracting at prices that fluctuate with changes in supply and demand. The driving forces behind this are the potentially unlimited and highly unequal rewards to be gained in an economic regime that knows no profit ceilings, together with the pressures and attractions of competition and the incentive-cum-opportunity inherent in it to maximize the returns on invested resources. Capitalist advancement entails the progressive commercialization, or commodification, of social relations, with Polanyian regimes, or Durkheimian institutions, of reciprocity and redistribution being gradually replaced by markets for contractual exchange governed, increasingly, by cost-cutting Williamsonian arrangements. The widening, or spatial spread, of markets is accompanied by their deepening or intensification, as more and more social spheres and an increasing range of “necessaries of life” (Adam Smith) become commodified – i.e., subsumed under a “self-regulating” price mechanism driven by actors’ self-interest and made available in exchange for “*bare Zahlung*” (cash payment) (Marx/Engels [1848]1972). In a capitalist society, the system of contractual market exchange that inhabits it like an incubus constantly pushes outward against the limits set for it by its social containment, expanding the range of commercial activities to extend not just to traded goods but also to the “fictive” commodities of labor, nature, and money. This process, whereby freedom of contract fuels expansion of contractual relations, is what is meant by the concept of “self-sustaining economic growth.”

Capitalist market expansion, propelled by the restless inventiveness of interest-maximizing capitalist actors and their creatively biased enactment of market-containing institutions, has been metaphorically characterized *Landnahme*, or land-grabbing (Luxemburg 1913). *Landnahme* is conceived of as a process of social evolution linking previously parochial, or particularistic, social relations into ever more encompassing, increasingly universal economic contexts.³⁶ While Luxemburg emphasized the spatial *extension* of markets, reflecting the age of imperialism in the late nineteenth century, the concept may also be used to denote an increase in the *intensity* or *depth* of commodification: for example, the ongoing reorganization of private lives, including the commercialization of household services, accommodating an ever more “flexible” organization of work and of labor markets (Hochschild 2003). Capitalist market expansion, or economic growth, is fueled by innovation, both in technology and in the organization of social and commercial relations. Innovation upsets social structures and ways of life in that it unpredictably changes the relative prices of goods and services, causing fundamental uncertainty among groups and individuals whose life chances depend on their market position.

Looking at institutional change in capitalist economies, a central issue would seem to be the destabilizing effects of innovation and free price formation on social structures. Given the enormous flexibility of contracts and their capacity easily to extend beyond the reach of authoritative institutions, one can also expect the progress of market rela-

36 See Marx and Engels’ account of the “completion of the world market” by the “bourgeoisie,” in the *Manifesto* of 1848 (Marx/Engels [1848]1972).

tions typically to outpace that of their social regulation. A useful figure of thought in this context may be that as market relations expand spatially and substantively, thereby escaping control by authoritative regulation, they may consume the foundations of their efficient operation by breaking through the moral containment on which any social order, including that of markets, depends. Moreover, while one should expect that under capitalism public regulation will lag behind private contracts, one may also expect efforts by public authorities in charge of Durkheimian institutions to catch up with the evolution of markets. *Nota bene*, however, that it is only in a functionalist worldview that the success of such efforts is guaranteed, and this holds true even where the long-run viability of the economic system as such depends on its eventual re-regulation. Failure to re-regulate, in other words, is as much a possibility as success, as vividly illustrated by the recent financial crisis and its aftermath.

(12) *Commodification of the future.* Capitalist expansion depends to an important extent on credit, which is an institutionalized social relationship that serves to pull the proceeds from future economic activities into the present, making future production and future income available for present investment and consumption. Credit is based on an enforceable promise on the part of credit takers to engage for an extended period of time in productive activities profitable enough for them to repay their debt at a set rate of interest. The institutional machinery for pulling the future into the present is the financial system; it makes capitalism a society in which time is an added dimension. Private ordering in capitalism, especially with respect to credit and banking, is to ensure, as much as at all possible, that debtors live up to their promises and creditors can feel safe when they rely on this.

Capitalism, in other words, is more dynamic than other economic systems because it has found ways to turn promises and expectations into presently available resources, enabling the economy at any point in time to invest and consume more than it has already produced.³⁷ By creating binding obligations for individuals to devote long stretches of their future lives to working toward paying off their debts, the economy redeems the advances it continuously draws on its future production.³⁸ While profit is the carrot of capitalist growth, debt is the stick. Public policy, particularly monetary and fiscal policy and the regulation of banking and finance, must ensure that privately created entitlements to repayment with interest do not exceed the economy's future production capacities – that the banking system as a whole does not overdraw the society's account with the real economy's future growth (or better: does not allow the suspicion to arise that it may be doing so). In particular, financial regulation is to prevent bubbles and the panics they may cause, as these would interrupt the stream of transfers from the future

37 The *locus classicus* on the relationship between credit and capitalist development is Schumpeter ([1912]2006).

38 The same situation holds for public debt, which for example forces governments to ensure that future generations maintain or increase the existing level of labor market participation, so that governments can deliver on their promises to their creditors (including future beneficiaries of social security).

into the present and implode the complex web of mutual entitlements and obligations that makes up an advanced capitalist economy. Regulation may, however, err on the side of caution by underestimating the economy's future production capacities, which results in lower growth than would be possible.

Although capitalism unfetters and encourages the creative intelligence of rational-egoistic economic agents, it depends at the same time on their discipline as debtors, as much as on their prudence as creditors. It also requires that monetary policy and the banking system more or less correctly – or in any case credibly – assess a future that cannot be known with certainty. While statistical techniques and ever new methods of risk pooling promise to eliminate the uncertainty of the future, their main contribution may be that they make the future appear more knowable than it really is, and thereby help sustain the basic optimism of creditors and debtors, or investors and consumers, that is essential for the functioning of the complex and fragile system of social relations on which the capitalist mode of production is founded. Capitalist institutions of private ordering serve not least to produce an optimistic confidence in the face of an uncertain future. Even where it is at first unjustified, such confidence can become self-justifying by encouraging productive activities that a “realistic” assessment of the world would have advised against.³⁹

(13) *The indispensability of growth.* The social order of capitalism not only produces but also depends on economic growth in the form of a continuous expansion of market relations. Capitalism has rightly been compared to a bicycle that can stand up only as long as it is moving forward. The ethos of maximizing, the *habitus* of unruly opportunism, the pressures of competition and the attractions of private contracting give rise to an incessant search for ever new ways of commercializing and monetizing traditionally socially embedded transactions. At the same time, the general indebtedness of the capitalist economy to the future – the fact that it relies to an important extent on resources that still have to be generated – makes the stability of capitalist social relations conditional on the uninterrupted progress of *Landnahme*: on the inventive discovery of ever more opportunities for debtors to deliver on their promises and repay their debts, by innovatively replacing relations of reciprocity and redistribution with those of “catalytic” market exchange (Polanyi [1957]1992).

Economic growth is required not just for the economy but also for the politics of capitalism (Habermas 1973). Economic institutions which provide for equal opportunity, unequal outcomes and cumulative advantage at the same time can coexist only if the cake grows, making it possible to dish out some of the proceeds of economic progress to the losers who would otherwise partake only in the risks inherent in a free market economy.

39 Note the crucial importance for economic policy of what its jargon calls “psychology,” which is essentially the spreading of good feelings about an unknowable future in the hope that optimistic forecasts will become self-fulfilling prophecies by stimulating the sort of behavior on which economic growth depends.

Moreover, a significant share of the resources governments draw on to manage distributional conflict is borrowed from the future: It is allocated now on the assumption that when it is actually needed it will have been produced.⁴⁰ Under capitalism, both politics and the economy work with more money than is covered by extant resources, hoping for future production to exceed present production and thereby redeem the promises of future consumption inherent in present entitlements (O'Connor 1973). Only when economic growth can be expected with a reasonable degree of certainty will citizens and market participants have sufficient confidence in the promise of system that it will be able to satisfy both the instincts of maximization and the demands for redistributive political intervention to which the pursuit of maximization gives rise.⁴¹

(14) *Market provision crowding out political provision.* One reason why markets expand seems to be that private contracts can match individual preferences more closely than collective decisions can. Private goods produced and allocated under a privately ordered market regime seem to fit the demands of a complex society better than public goods that cannot but be the same for everybody. Unlike politics, markets do not require a transformation of individual preferences into common, collective ones; they are less demanding in the sense that they do not involve collective deliberation. Markets adjust to and sanction raw, “unprocessed” individual desires while politics relies on political leadership, in a generic sense, to integrate individual preferences into collective choices. Whereas markets are monological, politics is by nature dialogical. The prospect of getting more direct, “customized” satisfaction as consumers than as citizens constantly tempts individuals to shift their loyalties from politics to markets, from publicly to privately ordered exchange relations, and from gratifications associated with public status to those available through private contract.⁴² This temptation seems to be an important source of institutional change, just as it appears as a major driver of economic growth, inviting as it does into the market latent idiosyncratic demands; inspiring differentiated supply; and promoting the monetization of hitherto informal transactions.

(15) *Freely fluctuating relative prices destabilizing social structures.* Fluctuating relative prices in self-regulating markets impose instability and uncertainty on social structures and social life, clashing with the needs of human beings for social integration in stable communities. While the extent of flexibility in social structures that is humanly acceptable is not fixed once and for all, and is obviously subject to cultural and historical variation (Streeck 2009a), it is likely always to be exceeded by the flexibility of free markets. Societies, according to Polanyi ([1944]1957), can therefore be expected to respond to increasing marketization and commodification with collective efforts to stabilize markets, and with them social life. Mobilization for protection from the socially destruc-

40 The classic case is, of course, a political commitment to raise old-age pensions that buys political support at present but has to be delivered on only in a distant future.

41 The 2004 program of the Christian Democratic Party (CDU) contains the phrase, all the more remarkable for a party that defines itself as “Christian”: “Wachstum ist nicht alles, aber ohne Wachstum ist alles nichts” (Growth is not everything, but without growth everything is nothing).

42 For a similar argument, see Monsen and Downs (1971).

tive effects of a free market economy is the second stage of what Polanyi has described as a “double movement” of capitalist modernization, when oppositional social forces emerge to impose on the political economy what may be called neo-Durkheimian, or post-Williamsonian, regulatory institutions.

Re-embedding the market economy to make it compatible with a livable life is a dialectical response on the part of society, as organized by its politics, to the potentially disruptive dynamics of capitalist “creative destruction.” For Polanyi, this response is the essence of politics under capitalism. Political conflicts in a capitalist social order will in one way or another be concerned with who should be protected by society, and how, from being undercut in their social position by “market forces.” The general question this raises is to what extent politics in a capitalist society can reliably mobilize the motivational, material and coercive resources required for containing capitalist *Landnahme*, and how long regulatory institutions can do their job without being captured by those they are supposed to regulate.

No general predictions are possible, and none are proposed, as to the eventual success of political countermovements against the marketization of social life. This holds true even where functionalist arguments can be made that without re-embedding in regulatory social institutions, a market economy will eventually be unable to function.⁴³ Catastrophes cannot be precluded *a priori*. For example, as indicated above, elites who profit from disembedding the economy may profit from it so much that they can expect to comfortably survive even if the system as a whole were to crash; having, as the Germans say, “ihre Schäfchen im Trockenen” (their sheep safe in the barn), they can continue individually to live the good life while the masses can survive only collectively with and within the society. Moreover, what will and will not suffice to stabilize “the system” will always be uncertain and can typically be found out only *ex post*; the same holds true for how much social instability individuals and groups will be able or willing to absorb without rebelling. This keeps the event of the struggle between pressures for flexible markets and stable societies open, in theory as well as in real life. No end to the dialectics of the double movement can be deductively postulated, implying that reading politics under capitalism as a manifestation of the tension between its two wings should be a promising and perhaps privileged approach to contemporary political economy.

(16) *A social space for rational egoism.* A related concept of politics under capitalism is that of a struggle over the size and containment of the social space within which rational egoism is to be considered legitimate. Metaphorically, one could speak of a “free trade zone” enclosed in and defined, or circumscribed, by the normative order of society. In the liberal utopia of economic theory, all of society can and should be arranged as a regime of free trade under full freedom of contract, with rational egoism

43 From which the “always embedded” reading of Polanyi draws the conclusion that capitalist development necessarily includes the development of market-stabilizing institutions (see Streeck 2009c: 246ff.). A typical example is Caporaso and Tarrow (2009).

generally being legitimized by the foundational premise of a market economy: that by looking after their own interests, individuals contribute to a socially optimal allocation of resources. If everybody takes care of himself, everybody will be taken care of. Egoism is the real altruism, or the altruism of those enlightened by economic theory. In real life, of course, moral norms have more to say about rational egoism, although what they do say is contested and constantly subject to revision in public discourse and political struggle. The somewhat paradoxical problem capitalist societies must come to terms with is demarcating a space where egoistic – i.e., strictly speaking, amoral – action is to be considered morally acceptable. Here, two broad principles compete, each of which represents a cornerstone of the social order: the one being that, in the language of the German civil code, “The owner of a thing ... may proceed with it at will,”⁴⁴ and the other that, as stated in the German constitution of 1949, “Property entails obligations. Its use should also serve the community.”⁴⁵ Capitalist *Landnahme* shifts the balance between these two principles in favor of the former, while social countermovements undertake to defend or restore the primacy of the latter.

(17) *Politics turned around.* Finally, an important complication in the politics of capitalism – as shaped by the tension between economic pressures for flexible adjustment of social relations and human needs for stable communities – is that politics may become subservient not just to the latter but also to the former. This is another dynamic to which Polanyi ([1944]1957) has drawn attention. While countermovements to marketization may get hold of the machinery of the state to protect society from being creatively destroyed by the dynamics of capitalist progress, the older configuration is one in which states create and enforce markets, first inside and then, as in imperialism, outside their territorial jurisdictions (Polanyi’s “frivolous experiment” of early liberalism). Moreover, the social-democratic version of the politics of re-embedding the capitalist market economy is typically one of mediation between the conflicting demands of markets and social structures, by helping citizens to reorganize their lives so as to be able to live with ever-increasing market flexibility.⁴⁶

Moreover, that politics may turn into a vehicle for disembedding the economy seems all the more likely given that those interested in free markets have command of superior economic resources that can, in principle, easily be converted into political ones.⁴⁷ Furthermore, marketization can be an attractive political strategy for governments over-

44 “Der Eigentümer einer Sache kann, soweit nicht das Gesetz oder Rechte Dritter entgegenstehen, mit der Sache nach Belieben verfahren und andere von jeder Einwirkung ausschließen” (§ 903 BGB).

45 “Eigentum verpflichtet. Sein Gebrauch soll zugleich dem Wohle der Allgemeinheit dienen” (Art. 14 GG).

46 For example, by providing public childcare facilities to help workers combine employment in increasingly flexible labor markets with family life.

47 There is a danger, however, that political attempts to control markets may be catastrophically misconceived. The most important example of this in Polanyi’s work and personal experience was, of course, fascism.

burdened by demands for political protection and the reconstruction of social relations. In democratic capitalism, the responsibilities ascribed to governments by a demanding citizenry may easily outgrow the resources available for public purposes in a society in which property is essentially private (Goldscheid [1917]1976). As governments face problems of “ungovernability” due to a disparity between growing political demands and limited public resources, marketization – or liberalization – may suggest itself to them as a last resort, as it did to quite a few European governments, including social-democratic ones, in the final quarter of the twentieth century (Streeck 2009c). For an institutionalist approach to capitalism, this would suggest exploring political processes as reflecting ambivalent pressures on the state to protect society from markets on the one hand and promote them on the other. While the politics of capitalism would entail struggles for power as much as any other politics, the substantive background of such struggles that would account for their specific content and direction would be a basic conflict between the two wings of the double movement over the proper use of politics in relation to the market.

VI

In this essay, I have sketched out elements of an account of contemporary capitalism as an institutionalized social order, with characteristic rules and mechanisms for their enforcement, and with actors institutionally expected to be endowed with typical values, interests, preferences and strategies. Starting from some general categories of an institutionalist theory of social order, I have arrived at a provisional catalogue of traits of a capitalist political economy through a process of parametric specification. Rather than speaking of actors in general, I have tried to capture, if not “model,” the particularities of actors *under capitalism* as they respond, and are, empirically if not normatively, expected to respond, to the constraints and opportunities provided by capitalist institutions. For example, instead of describing actors simply and generally as driven by rational egoism, I have attempted to specify the sort of rational egoism one must reckon with in a world characterized by institutionally unlimited economic opportunity, legitimate maximization, omnipresent competitive threats, unequal endowment with strategic resources by class, asymmetric economic dependence, and the like. Similarly, rather than speaking of institutions as such, and of what all institutions have in common, I have emphasized the specificity of markets as institutions in particular, as well as suggesting a dialectical distinction between two kinds of institutions, authoritative and contractual, thereby drawing attention to what I believe is a central dynamic in capitalist development and in social life under capitalism.

Very importantly, the institutionalized order of capitalism, as I conceive it, is a historical order, i.e., one that is continuously changing because it is inherently unstable and precarious. Indeed, capitalism as a social formation would appear to be torn by a fundamental contradiction between a “need,” functional as well as social, for stability on

the one hand and, on the other hand, an internal restlessness that makes stability impossible to achieve for more than short breathing periods. Time, I have suggested, is of the essence in capitalism, not just as historical time but also systematically as capitalist political economy extends into and commodifies its own future, continuously developing through expansion of markets causing economic growth as well as institutional transformation. An institutionalist theory of capitalism thus cannot but be a theory of institutional change, just as any theory of institutional change in contemporary political economy must, I believe, inevitably be linked to a theory of capitalist development.

The list of traits of a capitalist social order that I have proposed may be read as a *heuristic*, as an *ideal type*, or as a *model*, depending on how one wants to use it. In the first capacity, it would simply suggest a number of potential empirical conditions that one might want to be attentive to when studying the political economy of contemporary modern societies. To the extent that such conditions are in fact found, they would identify a social order as capitalist, pointing to potential explanations for observed properties and problems that could be tested in empirical research. Taken, on the other hand, as an ideal type, and in particular as a model, the list would imply that its elements form a cluster: Where one element appears, the others should appear as well. Whether this was actually the case would, again, have to be established empirically. Note, however, that even if the list is treated as a model, there is no assumption of static coherence or stability, as the contradiction between social life and capitalist economic organization is built into the “model” as proposed, as inevitable and ineradicable.

Capitalism as a social order, in other words, may be an “ideal type,” but it cannot be an ideal. Strictly speaking, it is a utopia, since it cannot exist outside of non-capitalist modes of social organization even though it continuously strives to emancipate itself from them and in fact is destructive of them. While the reality of capitalism is always mixed, the mix is far from stable and indeed always explosive. Although its internal logic of growth makes capitalism attempt to reorganize all social relations in its image – “subsume” them under the “laws of capitalist accumulation” – it can do so only at its own peril. “Really existing capitalism” depends on its being embedded in two kinds of non-capitalist social orders which it nevertheless permanently erodes: remnants of cultural traditionalism that are being undermined by institutionalized cynicism, and modern institutions of social regulation and reconstruction created by political countermovements against the marketization of society. In both cases, although capitalism “functionally requires” some sort of non- and even anti-capitalist institutional containment, it must be kept in it by actors motivated by objectives other than the capitalist desire for maximization of material utility. This, in a nutshell, is the most general formulation of what used to be called the basic contradiction of capitalism.

There are many interesting permutations to that contradiction as it appears today. For example, it is true that capitalists need to build cooperative alliances with other social groups in order pursue their projects, and it is also true that social skills are as indispensable for capitalist entrepreneurs as technological or economic skills, today perhaps

more than ever.⁴⁸ Such alliances require institutions that give a modicum of reassurance to those whose cooperation is being sought. But the problem is that those institutions are as exposed as any other to the corrosive effects of cynicism and competition and to the ever-present temptation to shift opportunistically into endgame mode and break away for maximum gain. Any alliance or leadership under capitalist auspices will therefore be inevitably fragile, and coordination will be precarious and fraught with suspicion, the reason being that the only social order that can be constructed on capitalist terms – i.e., on the Mandevillean premise of general benefit deriving from private vice – can be a rational order, i.e., one based on coinciding interests. However, as already Durkheim knew, and clearly Weber knew as well, an order of this kind can only be unstable, since interests can easily and unpredictably change at any time, especially in rapidly fluctuating self-regulating markets.⁴⁹ The offshoot is that building the alliances necessary for an advanced industrial society to fully use its productive potential cannot be left to capitalist actors, or for that matter to actors with a capitalist mindset. Capitalist self-interest, not to speak of capitalist prudence, is simply not enough to keep a society together and viable, even and precisely a capitalist one. In fact, capitalists cannot but strive to eliminate any remaining non-capitalist opposition, even though this would leave nothing to prevent them from consuming the social preconditions of their own continued profit-making.

In this paper, I have paid particular attention to what sort of micro-foundation an institutionalist approach to capitalism might require. In this context I have identified “typical” actor dispositions in a capitalist social order, not as an empirical central tendency in observed attitudes or actions, but as a stylized description of the *habitus* the institutions of a capitalist political economy – centered as they are around competitive markets and their Mandevillean promise of a blind commutation of private egoism into public interests – must be prepared to encounter among their constituents. While I have referred to a “spirit” which guides actors under contemporary capitalism as they characteristically interact with the institutions that are supposed to regulate their behavior, unlike Weber’s “Protestant spirit” or the “new spirit of capitalism” described by Boltanski and Chiapello (2005), my concept does not necessarily or primarily refer to a particular historical-cultural mentality. Instead, it tries ideal-typically to reconstruct a social character that the institutions of contemporary capitalism expect and thereby propagate as natural, in the sense of indispensable for individual survival, and legitimate in the sense of *Jenseits von Gut und Böse*.⁵⁰ Like theories of rational choice – or, for example, of the “survival of the fittest” – such institutionalized expectations, no matter how amoral and non-normative they may present themselves as being, function like moral rhetoric in practice, in that they offer those they address reasons for why a particular code of be-

48 This was pointed out to me by Fred Block and Christoph Deutschmann.

49 “For if interest relates men, it is never for more than some few moments ... There is nothing less constant than interest. Today, it unites me to you; tomorrow it will make me your enemy” (Durkheim [1893]1964: 203–204).

50 *Beyond Good and Evil*; the title of one of Friedrich Nietzsche’s more provocative books.

havior is (their) right – in the case of institutionalized cynicism, a code that ideally fits the conditions in the “iron cage” of established capitalism in its post-Protestant period.⁵¹ In this sense, institutionalized expectations do have strong “performative” effects.

Are we not simply speaking of neoliberal capitalism, and not of capitalism as such? Only of capitalism *now*, not of capitalism in the past? What about the domesticated capitalism of the postwar era: Was this not capitalism as well? Where are the self-correcting and stabilizing mechanisms of postwar society and economy that were at the center of theories of “organized” capitalism and neo-corporatism? Cannot “good governance” also be part of capitalism? Rather than defining them into it, I suggest that, following Polanyi, we treat the various institutional containments that have, over time, been invented for the capitalist political economy as additions to it that must be devised and maintained against its resistance: They do not actually come with the package but must be added to it in political struggles, and they fit into it only precariously and for a time until they are worn out by ever new, untiring attempts to push them aside. The postwar regime of “embedded liberalism” may have looked for a while as though it had been and was to be there forever, especially for the generation that came of age only after 1945. Now, after several decades of accelerated liberalization, financialization and commodification, it should be clear that this was no more than an illusion.

With the benefit of hindsight we may today want to return to a more traditional concept of capitalism, one in which two fundamental motives of human action, greed and fear, loom large (Bohle/Greskovits 2009). In a perspective like this, which allows us to distinguish between capitalism proper and its social containment, we can understand the past two or three decades as a period in which a wide range of institutions installed to protect society from the “vagaries of the market” underwent more or less continuous erosion. In the process, capitalism became “unleashed” (Glyn 2006): As it extricated itself from the social-democratic regime imposed on it after 1945 (Streeck 2009c: 190ff., 231ff.), it became *more like itself*, revealing in the course of its development its “true nature,” or its “essence.” Internationalization, of course, helped, as it provided an ideal opportunity to get out from under a postwar institutional regime that was heavily dependent on the nation-state. In the neoliberal era, which was also one of “globalization,” *capitalism became progressively more capitalist* as its inherent tendency of development unfolded – its drive to break out of the social-institutional arrangements that both contain and sustain it – posing new and historically unique challenges for a politics of social reconstruction condemned to be always caught off guard by the cunning restlessness it is supposed to keep under control.

51 “To-day the spirit of religious asceticism ... has escaped from the [iron] cage [of the modern economy]. But victorious capitalism, since it rests on mechanical foundations, needs its support no longer ... In the field of its highest development, in the United States, the pursuit of wealth, stripped of its religious and ethical meaning [after the dissolution of worldly asceticism into pure utilitarianism], tends to become associated with purely mundane passions, which often actually give it the character of sport.” (Weber [1904/1905]1984: 181ff.)

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