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Taking Crisis Seriously: Capitalism on Its Way Out

I.

Contemplating the more than three decades of *Stato e mercato* and its brand of social science, we cannot fail to notice that capitalism was during the entire time in some sort of crisis. My impression now is that, while we of course saw this and wrote about it, we did not take it seriously enough. One important reason, I believe, was that we – some more so, some less – had early on committed ourselves to a fundamentally optimistic worldview, in two respects in particular: regarding the general stability of a capitalism that we had learned to call «advanced», and concerning the capacity of radical-reformist politics and policies to build an alternative, more communal and solidaristic way of life inside, or with, or around the postwar capitalist economy. It was in this persuasion, this fundamental outlook, this *Gestimmtheit* that we found our identity as non-sectarian, non-dogmatic Leftists, happy to differ from what we saw as orthodox-Marxist crisis theory with its economistic determinism and mechanistic laws of history.

So it went. In the late 1960s we tried to convince ourselves that we were seeing, or might be seeing provided the right decisions were taken, a gradual transition to democratic socialism, to be accomplished by politicized trade unions pressured by their rank-and-file and acting in concert with stronger-than-ever Social-Democratic or Eurocommunist political parties. In the 1970s we placed our hope on the concessions to be extracted by unions from governments and employers in «political exchange» for not causing wage inflation – the high time of neo-corporatism (Schmitter 1974; Pizzorno 1978). In the 1980s, when we observed the beginning erosion of the mixed economy (Shonfield 1965) and of the «de-commodifying» postwar welfare state (Esping-Andersen 1985), we found consolation in the fact that neoliberalism had apparently not beset all countries equally; that there seemed to be «varieties of capitalism» offering alternatives from which national societies could in principle choose (Crouch and Streeck 1997; Hall and Soskice 2001); that less-than-fully-liberal «capitalisms», like those of Germany and Japan, seemed to be doing better in important respects, not just socially but also economically, thus serving as «models» for others (Dore 1986); and that therefore there was no need, certainly no functional one, for neoliberal «convergence». Later, in the 1990s, the Clinton boom suggested to some the possibility of renewed social-democratic prosperity, to be achieved by market-accommodating «modernization» of social and economic institutions, including labor markets in particular, to make them fit for the challenges of «globalization» – a message that was powerfully transmitted to Europe by «New Labour» and its «Third Way» (Giddens 1999).

For some of us, certainly for me, it took the «Great Recession» of 2008 ff. to bring this «comedy of errors», with its continuously falling level of political aspiration, to an end. One thing that became clear to me was that we had almost completely failed to understand the «financialization» of contemporary capitalism, although it had taken place before our eyes. Money, finance, credit, debt we had basically left to the specialists, at a time when financial markets surreptitiously established hierarchical supremacy over labor markets. What had been brewing in the new Chicago-style theory of finance had escaped our attention; only belatedly we noticed that the prosperity of the 1990s, which we had hoped signified that labor market and welfare state «reform» was worth its price, had almost entirely derived from a global growth of finance and credit, allowed for by deregulation as justified and demanded by economic «science». And we also failed to understand the close and extremely explosive coupling between public and private finance, and generally missed the historical significance of ever-rising levels of debt, public as well as private.

2008 – the Lehman moment of postwar capitalism – was an event so powerful that it should radically alter our view of the course of recent history, not just of the *Stato e mercato* years but also further back. What before 2008 could have been seen as a series of changing constraints, challenges and opportunities for politics and policy, may now with hindsight look more like four decades of continuous crisis – a period of permanent instability, of political economies on the brink of getting out of control, manageable only with a great deal of luck and at high cost, a time when the pilots of capitalism were more often than not flying blind, or a protracted ride on a tiger who could at any time develop a desire to devour its would-be masters. Also, looking back over the longer term from Lehman to the 1970s, one cannot but feel a sense of loss, and even defeat, regarding a broad array of protections from «the free play of market forces» that have on the long march to neoliberalism been abolished, dismantled, curtailed, sidelined and circumvented.

Neoliberal rhetoric calls memories like these nostalgic and tells us that crisis – or «creative destruction» – is the normal condition of capitalism and that the *trente glorieuses* were no more than an exception in the course of history, one that is unlikely ever to be repeated. Translated in the language of social science, this is to tell us that even the most sophisticated institutional arrangements cannot in the long run contain the dynamism of capitalist development. I suggest that, institutionalists though many of us are, we take this seriously, but without in any way subscribing to the sanguine message that it is meant to convey. No doubt capitalism is anything but crisis-free, and it never was regardless of how it was institutionalized. But what is not at all clear is why this should give us comfort. The 1950s and 1960s were exceptional, in comparison not just with the decades that followed, but also and even more so with the first half of the twentieth century, after the end of its long predecessor. It must not be forgotten that the Great Depression was overcome, not through the reflationary policies of the New Deal, but only through the war. Nor must it be forgotten that the construction of a half-way workable global order for international capitalism took two world wars that inflicted unbelievable destruction on humanity. This was capitalism's way of making space and providing for a modicum of stability for a socially sustainable but, as we now know, only temporary rebuilding of modern societies after 1945. Today we live in the aftermath of this unique achievement. In a longer-term perspective, then, the question can only be how in the world will we manage to prevent capitalism from fully returning to what has clearly been its historical normal, namely economic and political uncertainty, precariousness, insecurity and disorder of a life-threatening and more often than not life-destroying magnitude?

II.

By 2008, the long crisis of postwar capitalism had moved through three stages; now it is in its fourth stage (Streeck 2013a). Until Lehman, the general pattern was one in which something that had been adopted or accepted or tolerated as a provisional fix for an array of distributional conflicts turned, after roughly a decade, into a problem itself and had to be replaced with a different fix – one that another decade later also became dysfunctional. Inflation, admitted to enable strong unions and weak employers to agree increases in nominal wages, ultimately resulted in stagnation as it distorted relative prices and undermined the confidence of owners of monetary assets. Then, after successful monetary stabilization, rising unemployment and increasing tax resistance caused growing deficits in public finances which served, among other things, to slow down the cuts in welfare state spending needed ultimately to avoid a «fiscal crisis of the state». When, third, fiscal consolidation began in the 1990s, stagnant wages and declining public transfers were compensated, in the course of the «financialization» of the capitalist political economy, with extended possibilities for households to supplement their incomes by indebting themselves on a previously unknown scale. In 2008, then, the pyramid of private debt artfully accumulated during almost two decades of financial liberalization collapsed and for a moment brought the, now truly global, capitalist economy to a standstill.

Considering the four decades of crisis as one long-drawn historical process, in a bird's eye perspective, one notices remarkable continuities. Growth rates underwent a secular decline throughout the OECD world, while base levels of unemployment increased. Aggregate debt – of governments, households and non-financial as well as financial businesses – increased as well, at an astonishingly steady rate. At the same time, trade unions almost disappeared, as did strikes, and voter turnout declined, especially at the lower end of the social structure

(Schäfer and Streeck 2013). Moreover, arenas of political and economic conflict moved upwards, as it were, more and more out of reach for ordinary citizens and their collective action and organization. In the 1970s, when the distribution of life chances was still fought out in the labor market, workers could intervene through direct action: the enemy was visible, and collective power or, increasingly, impotence could be almost physically felt. When subsequently conflict moved to the electoral arena, focused on the use and defense of the welfare state and pitting social-democratic against conservative political parties, voting for the former, although a good deal less tangible and unifying as an experience, sometimes was an effective remedy. This ended in the third phase, after a broad consensus had evolved among all major political forces on welfare state «reform» and fiscal consolidation by means of all manner of privatization. Then the struggle became even more individualized, centered on the fine print in privatized supplementary pension plans, or on how much your banker was willing to loan you for a new car, for a year at a community college, or for an apartment after governments had ceased to provide cheap public housing. Now it was everybody for himself, in a new world whose logic was not always and necessarily intelligible even for its principal inhabitants, the dealers in and providers of other people's money.

The fourth phase, in which we now live, prolongs and reinforces the trends that we have seen unfold since the 1970s. Growth is lower than ever, unemployment, on cross-country average, higher, the same holds for inequality, wages continue to stagnate, and social benefits are on a steady decline. The arena where it is decided who is to suffer and who is not has become even more remote: it has moved to international financial diplomacy and the backrooms of a handful of leading central banks. Their governors, claiming to command the higher wisdom of arcane economic theories that only they understand, now tell governments what «structural reforms» they have to impose on their citizens: how wages are to be set and whose pensions are to be cut by what percentage. It had taken a long time for central banks to become nationalized – in the UK and France until 1945 – and in a number of countries, including the US, one still finds in their charters remnants of their origin as private firms. Then, in the course of the neoliberal revolution, central banks were made «independent» almost everywhere, *de facto* re-privatizing them so that they could win back the confidence of the business class after the inflation of the 1970s. Now they are free to cultivate and develop further the intimate relationship with the world of private banking that they have always maintained, supplying banks with unlimited amounts of fresh money that, since the end of Bretton Woods, they have the capacity to produce *ex nihilo*.

Today it is central banks that dictate to governments, rather than vice versa. It is their money that not only keeps their friends in the financial system afloat, sparing states from the need to «rescue» them, but also enables states for the time being to close the gap between their revenues and expenditures. Moreover, by bringing real interest rates down to zero they make it possible for governments to service their debt – much of which incurred after 2008 to prevent the financial system from crashing – and to subject their citizens to «financial repression», restoring states' credibility with «the markets» by collecting from the recipients of supplementary pensions what governments have ceased collecting from corporations and the earners of high and, still, rapidly rising incomes.

The present stage, then, of the long departure from the postwar settlement features a technocratic dictatorship of the most mysterious and elitist institutions of modern capitalism, the central banks. Their leaders claim to have learned from the Great Depression that the survival of capitalism requires, and can safely be achieved by, ultimately unlimited provision of state-backed «liquidity» (Friedman and Schwartz 1963). As a result the balances of central banks have multiplied since 2008, reflecting mounting promises of repayment and uninterrupted debt service in coming decades, all precariously premised on a return of economic growth. Up to now, of course, while debt continues to rise, growth has remained weak as the fresh money goes into, often speculative, asset markets, or fills the coffers of a hypertrophic financial system which, since the 2008 experience, has held a strong «liquidity preference». This – that the «easy money» of the central banks is easy to get only for the masters of finance and never trickles down to ordinary people – seems to be why inflation, as conventionally defined, remains low, and indeed too low for both growth and effective «financial repression».

It is not that central banks were not aware of the risks associated with the good offices they are providing to capitalism and its governments. Asset inflation – «bubbles» like the one that exploded in 2008 – is an ever-present danger, and over the past two decades they seem to have become progressively worse. If the next one came too soon, states may still be too weak from last time for another rescue operation. What is urgently needed, therefore, is that those in commend of financial assets invest them in the «real economy», making for real and sustainable rather than pseudo growth, so that societies can begin to deliver on the promises embodied by the accumulated debt. Here is where the calls for «structural reform» come in, untiringly issued by central banks on behalf of owners and lenders of capital, measures that are to create better conditions for profit-making, at the expense of workers and those depending on an effective welfare state. This, however, may well clash with what has remained of democracy, which in the eyes of the technocracy governing capitalist finance is nothing but a stronghold of irrational resistance to economic progress. Only when and if the deadlock between markets and citizens, between technocracy and democracy will be resolved in favor of the former can the ride on the tiger of boundless central bank liquidity be ended, and even then only very cautiously to avoid a crash of stock and commodities markets. Just as the other fixes that preceded it, fiat money, while it cannot be administered indefinitely, can be withdrawn only with a lot of pain.

III.

I suggest it is high time, in the light of decades of declining growth, growing inequality and increasing indebtedness, to think seriously about capitalism as a historical phenomenon, one that has not just a beginning but also an end. To do so, however, we need a language that provides us with concepts up to the task, a language that has left behind outdated and misleading models of large-scale social and institutional change. As long as we imagine the end of capitalism being decreed, Leninist style, by some government or central committee we cannot but ultimately consider capitalism immortal. This is different if we allow for capitalism to go out, not with a bang but with a whimper: by dying off rather than by being exchanged for an intelligently designed new order. Epochal change does not happen like this, and never did. It is a Marxist, or better: modernist, mistake to assume that capitalism will end only if a new, better society has been conceived and some revolutionary subject is waiting to implement it for the progress of mankind.

My point, then, is that we should learn to think about capitalism coming to an end without assuming responsibility for answering a question like: What do you propose to put in its place? No utopian vision of an alternative future should any more be required to validate a claim that capitalism is on its way out. I am willing to make exactly this claim, and not just for the sake of argument, although I am of course aware how often capitalism has been prematurely pronounced dead[1]. My image of the demiser of capitalism – a demise I suggest has already begun – is one of a long-drawn death by a thousand cuts, over an extended period of time, the event of which will be uncertain and probably surprising. Perhaps the best metaphor for what we are likely to be seeing is aging: the continuous accumulation of small and, increasingly, not so small dysfunctions, none of them deadly as such, but most of them beyond repair, certainly as they occur at the same time and become too many for individual address. As time passes, the parts of the whole will less and less fit together; the elements of the system will be more and more out-of-joint; frictions of all kinds will multiply; unanticipated consequences will spread, along ever more twisted and unpredictable lines of causation; equilibrium will become the exception instead of the rule – until in the end something new will have emerged, out of a myriad of provisional fixes invented on-the-go to cope with the proliferating daily disasters produced by a society in anomic disorder.

Conceiving of the end of capitalism as a process rather than an event raises the issue of how we define capitalism. Obviously this can be a bottomless pit, but we cannot entirely

[1] In fact all of the main theorists of capitalism have predicted its impending expiration, ever since the concept has come into use in the mid-1800s. This includes not just radical critics like Marx or Polanyi, but also bourgeois thinkers such as Weber, Schumpeter, Sombart and Keynes. If history will prove me wrong, I will be in good company.

avoid it as societies are complex entities that do not die in the way organisms die: with the rare exception of total extinction, discontinuity is always embedded in at least some continuity. If we say that a society has died this can only mean that certain features of its social organization that we consider as definitive of its identity have disappeared; other features, considered less central, may well have survived. Thus ancient Mediterranean civilization can be said to have ended when paganism had to give way to Christianity, and this is not negated by the fact that the Mediterranean wine trade carried on largely undisturbed. I propose that in order to determine if capitalism is alive, dying, or dead, we define it *as a social order built on a promise of boundless collective progress* – as measured by the size of its money economy – *coming about as a side-product of independent maximization of individual utility, prosperity, and profit*[2]. It is this feature of modern society, I maintain, that has begun to break down.

The demise of capitalism so defined is likely to take time, and unlikely to follow anybody's blueprint or happen by anybody's fiat. The closest example of a powerful imperial structure ending and being succeeded by something else may still be the fall of the Western Roman Empire. In fact, I believe that nothing less will do for comparison when speaking of the global imperial structure of today, capitalism. Note that, when Roman rule began to crumble, nobody knew, or was able to divine, what was to take its place after what was no less than half a millennium of slow and painful transition. Indeed for a long time, people could make themselves believe that the old order, defunct as it had already in large parts become, could someday be made whole again: if only because they knew of no other order. Also, in quite a few places in the early Middle Ages one could, if one belonged to the right class of people, still lead quite comfortable lives, provided there happened to be no wild bunch of Franks or Germans traveling through looking for food, entertainment, and treasure. And when the new order was finally in place, as an idiosyncratic combination of elements old and new, domestic and foreign, planned and improvised, people needed time to recognize it

[2] In other words, where the public goods on which the society's viability depends emerge as the unintended side-effects of the private vices of its members (Mandeville 1997, p. 1714).

as such, so different was it from what was in their collective memory and imagination.

IV.

But is it not true that capitalism, whatever its deficiencies, has today no opposition any more that deserves its name – that capitalism has become the only game in town, and that there really *is* «no alternative» to it? When communism imploded in 1989, this was widely viewed as capitalism's final victory, in fact as the «end of history» (Fukuyama 1992). Even today, after 2008, the Old Left remains on the brink of extinction everywhere while a new New Left has up to now failed to appear. The masses, the poor and powerless as much as the relatively well-to-do, seem firmly in the grip of consumerism, with collective goods, collective action and collective organization thoroughly out of fashion, in particular among the young (Streeck 2012). No opposition in sight, why should capitalism not carry on, by default if by nothing else?

My answer is that having no opposition may actually be more a liability for capitalism than an asset. Social systems thrive on internal heterogeneity, on a pluralism of organizing principles protecting them from dedicating themselves to a single purpose, at the expense of other purposes that also must be attended to. Capitalism as we know it has greatly benefitted from the rise of countermovements against the rule of profit and of the market (Polanyi 1957 [1944]). Socialism and trade unionism, but also the Christian religion, by putting a brake on commodification, prevented capitalism from destroying its non-capitalist foundations, like trust, loyalty, good faith, altruism, thrift, solidarity within families and communities, and the like. Also, under Keynesianism and Fordism, capitalism's more or less loyal opposition secured and helped stabilize aggregate demand, especially in recessions. Where circumstances were favorable, working class organization even served as a «productivity whip», by forcing capital to embark on more advanced production concepts (Rogers and Streeck 1994). It is in this sense that Geoffrey Hodgson (2001) has argued that capitalism can survive only as long as it is not completely capitalist – as it has not yet rid itself, or the society in which it resides, of «necessary impurities»[3]. Seen this way, capitalism's defeat of its opposition may actually have been a Pyrrhic victory, depriving it of countervailing forces which, while sometimes uncomfortable, had in fact supported it. Could it be that victorious capitalism has become its own worst enemy?

To illustrate what I have in mind I can conveniently refer to Karl Polanyi's notion of «fictitious commodities» (Polanyi 1957 [1944], pp. 68-76). There are three of these, labor, land (or nature), and money. A fictitious commodity is defined as a resource to which the laws of supply and demand apply only partly and awkwardly if at all; it can therefore only in a carefully circumscribed, regulated way be treated as a commodity since complete commodification will destroy it, or make it unusable. The problem is that capitalist markets have an inherent tendency to expand beyond their original field, the trading of material goods, to all other spheres of life, regardless of their suitability for commodification, or in Marx's terms: for subsumption under the logic of capital accumulation. Unless held back by constraining institutions, market expansion is therefore at risk of ultimately undermining itself, and with it the viability of the capitalist an economic and social system.

In fact it would appear that one important aspect of the lasting crisis of contemporary capitalism is that market expansion seems to have reached a critical threshold with respect to all three of Polanyi's fictitious commodities, due to a simultaneous erosion of institutional safeguards that once served to protect them from full marketization. This is what seems to be behind the search currently under way in all advanced capitalist societies for a new *time regime* with respect to *labor*, in particular a new *family-work balance*; for a sustainable *energy regime* in relation to *nature;* and for a stable *financial regime* for the production and allocation of *money*. The Polanyian theme common to the three crisis areas is an urgent need for new and more effective limitations on the *logic of expansion*[4],

[3] «Every socio-economic system must rely on at least one structurally dissimilar subsystem to function. There must always be a coexistent plurality of modes of production, so that the social formation as a whole has the requisite structural variety to cope with change» (Hodgson 2001, pp. 71 f.). For a less functionalist formulation of the same idea see my concept of «beneficial constraint» (Streeck 1997).

[4] In German: *Steigerungslogik.* A better English translation might be «unlimited expansion», «transgression», «extension» or «incontinence».

institutionalized by definition as one of *private enrichment*, that is fundamental to the capitalist social order – limitations on the increasingly demanding claims made by the *employment system* on human labor, by the *production and consumption systems* on finite natural resources, and by the *financial system* on people's confidence in ever more complex arrangements of money, credit and debt.

Looking at the three crisis zones one-by-one, we may note that it was an excessive *commodification of money* that brought down the global economy in 2008: the transformation of a limitless supply of cheap credit into ever more sophisticated financial «products» that gave rise to a real estate bubble of, then, unimagined size. Beginning in the 1980s, deregulation of financial markets had removed all of the restrictions on the private production and marketization of money that had been devised after the experience of the Great Depression. «Financialization»[5], as the process came to be known, seemed at the time the best remaining way to restore growth and profitability to the economy of the overextended hegemon of global capitalism, the United States. Once let loose, however, the money-making industry invested its enormous resources in lobbying for the removal of prudential regulation, not to mention the cunning circumvention of whatever rules were left. With hindsight the enormous risks that came with the attempt to de-materialize capital accumulation are easy to see, and so is the trend to ever increasing inequality associated with the disproportionate growth of the banking sector (Tomaskovic-Devey and Lin 2011).

Concerning *nature*, there is growing awareness of a fundamental tension between the capitalist principle of limitless expansion and the finite supply of indispensable natural resources. Neo-Malthusian discourses of various denominations have been popular since the 1970s. Whatever one may think of them, and of the fact that some are now rightly considered prematurely alarmist, nobody denies that the energy consumption patterns of rich capitalist societies cannot be extended to the rest of the world without destroying essential preconditions of human life. What seems to be shaping up is a race between the advancing exhaustion of nature

[5] For many others, see Strange (1998) and Krippner (2005).

on the one hand, and technological innovation on the other substituting artificial materials for natural ones, preventing or repairing environmental damage of all sorts and devising shelters against inexorable environmental degradation. One question that nobody seems able to answer is how the enormous collective resources potentially required for this may be mobilized in a society of possessive individualists (MacPherson 1962), and what actors and institutions are to secure the public good of a livable environment in a world devoted to the private vice of competitive production and consumption.

Thirdly, the commodification of human labor appears to have reached a critical point as well. Deregulation of labor markets under international competition has undone whatever prospects there might have been in the 1970s for a general limitation of working hours. It has also made employment more precarious for a growing share of the population. With rising labor market participation of women, due in part to disappearance of the «family wage», hours per month sold by families to employers have increased while wages have lagged behind productivity, most dramatically in the capitalist heartland, the United States. At the same time, deregulation and the destruction of trade unions notwithstanding, labor markets fail to clear, and residual unemployment in the order of seven to eight percent has become the new normal, even in a country like Sweden. Sweatshops have expanded in many industries including services, but mostly on the global periphery, beyond the reach of what remains of trade unions, and out of view of consumers in capitalist centers. As sweated labor competes for employment with workers in countries with historically strong labor protection, working conditions there deteriorate while unemployment turns endemic[6]. Meanwhile complaints proliferate about penetration of work into family life, together with relentless pressures from labor markets to join an unending race for upgrading one's «human capital». Moreover, global mobility enables employers to replace unwill-

[6] Neoliberal rhetoric expects workers in «rich» countries to accept a declining standard of living in the name of international solidarity while their employers become richer than ever by relocating production to «poor» countries. The dirty work of surplus extraction is delegated to local oligarchs who in turn spend or «invest» the bulk of their own profits in the safe havens of «the West».

ing local workers with willing immigrant ones. It also makes it possible to compensate for sub-replacement fertility, due in part to the changed balance between unpaid and paid work and between non-market and market consumption. The result is a secular weakening of social countermovements against the commodification of labor, caused by a loss of class and social solidarity and accompanied by crippling political conflicts over ethnic diversity even in traditionally liberal countries like the Netherlands, Sweden or Norway.

Where the limits of capital accumulation have to be drawn to protect the three fictitious commodities from total commodification was contested throughout the history of capitalism. But the present worldwide disorder in all three border zones at the same time is something different: it was caused by a spectacularly successful onslaught of more rapidly than ever expanding markets on a wide range of institutions, either inherited from the past or built in long political struggles, that for a while have kept capitalist progress more or less well in check. Labor, land and money have simultaneously become crisis zones in the course of «globalization» endowing market relations and production chains with an unprecedented capacity to cross the borders of the national legal and political jurisdictions that have in the modern era served to domesticate the capitalist «animal spirits». Globalization has disorganized the countervailing powers that have historically slowed down and contained capitalism's advance, for the sake of society as a whole as well as of capitalism itself. What we are now facing is increasing global competition in the absence of global capacities for collective regulation – and a depressing record of failed attempts to build something like global agency to replace the national agencies of the past that have become obsolete.

V.

Capitalism without opposition is left to its own devices, which definitely do not include self-restraint. The capitalist pursuit of profit is open-ended, and cannot be otherwise. That less could be more is not a principle a capitalist society could honor; it must be imposed on it, or else there will be no end to its progress, self-consuming as it may ultimately be.

Today, I claim, we are already in a position to imagine how capitalism will pass away, also as a result of having overcome its opposition, dying from an overdose of itself. To round off my scenario for the impending slow death of capitalism I will point to *five disorders* of capitalism today that have in common that no remedy for them is in sight. I call them *stagnation*, *oligarchic redistribution*, the *plundering of the public domain*, *corruption*, and *global anarchy*.

1. Five years after Lehman predictions of a long era of *economic stagnation* are *en vogue*. What is astonishing is how close they come to the Marxist underconsumption theories of authors like Sweezy and Magdoff in the 1970s and 1980s.[7] Recently none less than Lawrence «Larry» Summers, friend of Wall Street, chief architect of financial deregulation under Clinton, and Obama's first choice for president of the Federal Reserve until he had to throw the towel in the face of congressional opposition, has joined the stagnation theorists. At a meeting of central bankers in the fall of 2013, Summers confessed to having given up hope for monetary stimulus – for the unlimited production of central bank money – producing economic growth in the foreseeable future, in a world allegedly suffering from a «savings glut»[8]. Summers failed to mention that what he described as excess accumulation of capital coincided with a long-term increase in inequality, in the US and elsewhere. As Keynes would have known, concentration of income at the top is bound to detract from effective demand and make capital owners look for speculative profit opportunities outside the «real economy». Apparently this was one of the causes of the «financialization» of capitalism that began in the 1980s (Foster and Magdoff 2009).

Indications are that the power elites of global capitalism are resigning themselves to low or no growth for a long time, with profits being made mainly in the financial sector from speculative trading with fiat money supplied by central banks. Few seem to fear that the easy money provided to prevent stagnation from turning into deflation will be inflationary, as

[7] For an interesting assessment of the applicability of underconsumption theory to post-2008 capitalism, see Foster and Magdoff (2009).

[8] The same idea was invoked already in 2005 by Ben Bernanke, shortly before following Alan Greenspan at the Fed, to account for the Fed's «flooding the markets with liquidity» failing to stimulate investment.

unions that could claim a share in it no longer exist[9]. What seems to be beyond control, however, are asset price bubbles, and indeed Summers took pains to prepare his audience for a lot of them. Already under Greenspan, it was generally conceded that a bubble is difficult if not impossible to recognize until it blows up. There was, however, the confidence that monetary policy commanded the tools and the skills needed to clean up after an implosion. That confidence is today lacking.

For capitalists and their retainers, the future will be a bumpy ride. Low growth will refuse them additional resources with which to settle distributional conflicts and pacify discontent. Bubbles are waiting to burst, out of the blue, and it is not certain whether states will ever regain the capacity to bail out the victims. The stagnant economy that is shaping up will be far from a stationary or steady-state economy; as growth declines and risks increase, the struggle for survival will become more intense, and with political regulation unavailable to suspend competition, everyone will feel pressed to run faster only to stay in place. Rather than restoring the protective limits to commodification that were rendered obsolete by globalization, ever new ways will be sought to exploit nature, extend and intensify working time, and encourage creative finance, in desperate efforts to keep profits up and capital accumulation going. *Stagnation with a chance of bubbles* will mean a battle of all against all, punctured by recurrent panics and with the playing of endgames becoming a popular pastime.

2. There is no indication that the long-term trend to ever more economic inequality will be broken any time soon, or indeed ever. Inequality depresses growth, for Keynesian and other reasons (Stiglitz 2012). But the easy money provided by central banks to bring growth back – easy just for capital but not for labor – further adds to inequality, by blowing up the financial sector and inviting speculative rather than productive investment. Redistribution to the top thus becomes *oligarchic*: rather than serving collective interests in economic progress, as promised by neoclassical economics, it turns into parasitic extraction of resources from increasingly impoverished, declining societies. Countries that come to mind here are Russia

[9] Their absence, of course, in their capacity as a loyal opposition, was one of the reasons why excess profits could come about and depress demand in the first place.

and Ukraine, but also Greece and Spain, and increasingly the United States. Under oligarchic redistribution, the Keynesian bond which tied the profits of the rich to the wages of the poor is severed, cutting the fate of economic elites loose from that of the masses. This was famously anticipated in the infamous «plutonomy» memoranda distributed by Citibank in 2005 and 2006 to the select circle of its richest clients, to assure them that their prosperity no longer depended on that of wage earners (Citigroup Research 2005; 2006).

Oligarchic redistribution and the trend toward plutonomy even in countries that are still considered democracies conjure up the nightmare of elites able to survive the social system that is making them rich. There are reasons to believe that the oligarchic capitalists of today no longer have to worry about national economic growth because their transnational fortunes grow without it – *viz.* the exit of the superrich from countries like Russia or Greece who take their money, or that of their fellow-citizens, and run, preferably to Switzerland, Britain or the United States. The possibility of rescuing yourself and your family by exiting with your possessions, as offered by a global capital market, constitutes the strongest possible temptation for the rich to move into endgame mode: cash in, get out, burn bridges, and leave nothing behind but scorched earth.

3. Closely related to this is the third disorder, the *plundering of the public domain* through underfunding and privatization. I have traced its origin to the twofold transition since the 1970s from the *tax state* to the *debt state* to, finally, the *consolidation* or *austerity state* (Streeck 2013a). Foremost among the causes were the new opportunities offered by global capital markets since the 1980s for tax flight, tax evasion, tax regime shopping, and the extortion of tax cuts from governments under tax competition by corporations and earners of high incomes (Streeck 2013b). Attempts to close public deficits relied almost exclusively on cuts in public spending, on both social security and collective investment in physical infrastructures and human capital. As income gains accrued increasingly to the top one percent (Alvaredo *et al.* 2013), the public domain of capitalist economies shrunk, often dramatically, starved in favor of internationally mobile oligarchic wealth. Part of the process was privatization, regardless of the contribution public investment in productivity and social cohesion might have made to economic growth.

Already before 2008, it was generally taken for granted that the fiscal crisis of the postwar state had to be resolved by lowering government spending instead of raising taxes, especially on the rich. Consolidation of public finances by way of austerity was and is being imposed on societies even though it is likely to depress growth (Blyth 2013). This would seem another indication for the de-coupling of the economy of the oligarchs from that of ordinary people, as the rich no longer have to expect having to pay a price for maximizing their income at the expense of the non-rich, or for pursuing their interests at the expense of the economy as a whole. What may be surfacing here is a fundamental tension described by none other than Karl Marx between the increasingly social nature of production in an advanced economy and society on the one hand, and private ownership in the means of production on the other. As productivity growth requires more public provision, it tends to become incompatible with contemporary practices of private profit accumulation, forcing capitalist elites to choose between the two. The result is what we are seeing already today: economic stagnation combined with oligarchic redistribution[10].

4. In his attempt to rehabilitate capitalism by reclaiming its ethical foundations, Max Weber drew a sharp line between capitalism and greed, pointing to what he believed were the origins of capitalism in the religious tradition of Protestantism. According to Weber, greed existed all the time and everywhere; not only was it not distinctive of capitalism, but it was even apt to subvert it. Capitalism was based, not on a desire to get rich, but on self-discipline, methodical effort, responsible stewardship, sober devotion to a calling and a rational organization of life, and dedication to work as an end in itself. Weber did expect the cultural values of capitalism to fade as capitalism matured and turned into an «iron cage», where bureaucratic regulation and the factual constraints of competition would take the place of the cultural ideas that had originally served to decouple capital accumulation from both hedonistic-materialistic

[10] *Nota bene* that capitalism is about profit, not about productivity. While the two may sometimes go together with each other, they are likely to part company when economic growth begins to require disproportionate increase of the public domain, as envisaged incidentally in «Wagner's law». Capitalists preferring profit over productivity stand in the way of economic and social progress, and with them the regime of capitalist private property as a whole.

consumption and primitive hoarding instincts. What he could not anticipate, however, was the neoliberal revolution in the last third of the twentieth century and the unprecedented opportunities it provided to get very rich.

Pace Weber, fraud and *corruption* have forever been companions of capitalism. But there are good reasons to believe that with the rise of the financial sector to economic dominance they have become so pervasive that Weber's ethical vindication of capitalism now seems to be altogether *weltfremd*. Finance is an «industry» where innovation is hard to distinguish from rule-bending or rule-breaking; where the pay-offs from semi-legal and illegal activities are particularly high; where the gradient in expertise and pay between firms and regulatory authorities is extreme; where revolving doors between the two offer unending possibilities for subtle and not-so-subtle corruption; where the largest firms are not just too big to fail, but also too big to jail, given their importance for national economic policy and tax revenue; and where the borderline between the state and private firms is more blurred than anywhere else, as indicated by the 2008 bailout or by the huge number of former or future workers at of financial firms in the American government, like Goldman Sachs at the Fed and the US Treasury. Already in the 1990s, after Enron and Worldcom, it was observed that fraud and corruption had reached all-time highs in the US economy (Shutt 1998). But what came after 2008 beat everything: rating agencies being paid by the producers of toxic securities to award them top grades; offshore shadow banking, money laundering and assistance in large-scale tax evasion being the normal business of the biggest banks with the best addresses; the sale to unsuspecting customers of securities constructed so other customers could bet against them; the leading banks worldwide fraudulently fixing interest rates and the gold price etc. In 2013 several large banks had to pay billions of dollars in fines for activities of this sort, and more of this seems to be coming. What at first glance may look like quite significant sanctions, however, appears miniscule when compared to banks' balance sheets, not to mention the fact that all of these were out-of-court settlements of cases that governments didn't dare or didn't want to prosecute.

Capitalism's moral decline may have to do with its economic decline, the struggle for the remaining profit opportunities becoming uglier by the day and turning into asset stripping on a truly gigantic scale. However that may be, public perceptions of capitalism are now deeply cynical, the capitalist economy being as a matter of course perceived as a world of dirty tricks for the further enrichment of the already rich. Nobody believes today in a moral revival of capitalism, or only in a return to honest and effective government regulation. The Weberian defense of capitalism against being confounded with greed has finally failed as capitalism has more than ever become synonymous with corruption. As economic growth goes down, inequality goes up, and the public domain is transferred to private ownership, *corruption* is the fourth disorder that has befallen contemporary capitalism.

5. Global capitalism needs an economic and political center securing its periphery and providing it with a credible monetary regime. Until the 1920s this role was performed by Britain, and from 1945 until the 1970s by the United States; the years in between, when a center was missing, or different powers were hoping to become the center, were a time of chaos, economically as well as politically. Stable relations between the currencies of the countries participating in the capitalist world economy are essential for trade and capital flows across national borders which are in turn essential for capital accumulation; they need to be underwritten by a global banker of last resort. An effective center is also required to support collaborating regimes on the periphery supportive of low-price extraction of raw materials. Local collaboration is also required to hold down traditionalist opposition to capitalist *Landnahme* across the borders of the developed capitalist world.

Contemporary capitalism increasingly suffers from *global anarchy* as the United States is no longer able to serve as its hegemonic center. The dollar as international reserve currency is contested, and cannot be otherwise given the declining performance of the American economy, its ever-rising levels of public and private debt, and the recent experience of at least two highly destructive financial crises. The search for an international alternative, in the form of a currency basket (like the so-called Special Drawing Rights) or of a modern version of Keynes' bancor, is getting nowhere as the United States cannot afford to give up the privilege to indebt itself in its own currency. Moreover, the US have now been defeated in three consecutive land wars and will probably never again be able to intervene in local conflicts with «boots on the ground».

New, sophisticated means of violence are being deployed to reassure collaborating governments and restore confidence in the United States enforcing oligarchic property rights and providing a safe haven for oligarchic treasure. Among them are highly secretive «special forces» specializing in seeking out potential enemies for individualized liquidation; unmanned aircraft capable of killing anybody at any place of the globe; confinement and torture of unknown numbers of people in a global system of secret prison camps; and comprehensive surveillance worldwide with the help of «big data» technology. Whether this will be enough to restore global order, especially in light of the rise of China as an effective rival to the US both economically and militarily, may however be doubted.

VI.

Capitalism as «a social order built on a promise of boundless collective progress (...) coming about as a side-product of self-coordinated maximization of individual utility, prosperity, and profit» is in critical condition. Capitalist growth is, apparently inexorably, giving way to stagnation; what economic progress is left is less and less shared; and confidence in the capitalist money economy is leveraged on a growing mountain of promises that are becoming ever less likely to be kept. Since the 1970s, the capitalist center has undergone three successive crises, of inflation, public finance, and private debt; today, in an uneasy stage of transition, its survival depends on central banks providing it with unlimited synthetic liquidity. Step by step, capitalism's shotgun marriage with democracy after 1945 is breaking up. On the three frontiers of commodification, labor, nature and money, regulatory institutions restraining the advance of capitalism for its own good have collapsed, and political agency capable of rebuilding them is not in sight after the final victory of global capitalism over its local enemies. Today the capitalist system is stricken with at least five worsening disorders for which no cure is in sight: stagnation, oligarchy, starvation of the public sphere, corruption, and international anarchy. While capitalism will not end by fiat, to be succeeded by some utopian society-by-design, what is to be expected is a long and painful period of progressive decline: of accumulating dysfunctions, extreme fragility and uncertainty, and a steady succession of predictable and unpredictable «normal accidents» (Perrow 1984), not necessarily but not impossibly either of the dimension of the global breakdown of the 1930s.

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Taking Crisis Seriously: Capitalism on Its Way Out

Summary: Advanced capitalism has been in a critical condition since the 1970s but this was not taken seriously enough by the reformist Left. Looking back at the successive crises of inflation, public debt and financialization, and pointing to the related long-term trends of declining growth, rising inequality and growing overall indebtedness, it is suggested that now, finally, capitalism is beyond repair. Among other things, there is no political capacity in a global economy to protect the three «fictitious commodities» – labor, nature and money – from all-out commodification and, ultimately, destruction. Moreover, five disorders of contemporary capitalism are reviewed for which no remedy is in sight: stagnation, oligarchic redistribution, the plundering of the public domain, corruption, and international anarchy.

JEL Classification: P1 - Capitalist systems; G1 - Financial Crisis; P12 - Capitalist Enterprises.