

## Comment on Wolfgang Merkel, “Is capitalism compatible with democracy?”

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**Article by an MPIfG researcher**

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There is good news and bad news—and as sometimes, good news inside the bad. The bad news is that the crisis of Western-liberal democracy has apparently grown to a point where it can no longer be ignored by mainstream political science—while the good news is that it is now actually being noticed there. What is more, it is beginning to make its leading representatives to leave behind institutionalism pure and simple and move forward (or in fact back?) to a political economy perspective on democracy that deserves its name. Democracy and capitalism is now the subject, if not of choice then of necessity. Gone are the good times, or so it seems, when *Glasperlen* issues as harmless and comfortable as first-past-the-post vs. proportional representation, Westminster vs. veto point, consociational vs. majoritarian democracy, parliamentary vs. presidential rule, unitary vs. federal government, monocameralism vs. bicameralism etc. could rule supreme in the discipline's official journals. Back to the basics!—so I read the message of Merkel's remarkable essay (Merkel 2014) in which he challenges nothing less than the foundational assumption of postwar political science that capitalism and democracy are birds of a feather: that just as capitalism needs as well as supports democracy, democracy needs as well as supports capitalism, the two flocking together in ever-lasting pre-established harmony.

Is capitalism compatible with democracy? Responding to the problem posed in the title of his paper, Merkel offers an impressive catalogue of historical developments during the past three or four decades that, according to him, have deeply diminished the efficacy of democracy in the capitalist world—in a way that suggests that the answer to his question must be: increasingly not. Rightly, I believe, Merkel designates capitalism as “the challenger, the independent variable, while democracy functions (in his model—WS) as the dependent variable” (Merkel 2014, p. 111)—although

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I would have preferred a simpler language of ultimate cause and proximate effect, reminiscent of the materialist image of social relations that unmistakably and quiet rightly underlies Merkel's reasoning. In particular, Merkel focusses on the transformation of the postwar "social market economy"—of what he calls "embedded" capitalism—in the course of its financialization, a process that began in the 1980s and reached its climax, for the time being, in the financial crisis of 2008. Among other things, Merkel mentions deregulation and privatization, the retrenchment of the welfare state, the ideational swing towards neoliberalism, the growth of a global financial sector, international competition undermining national regulation while failing to give rise to regulation at the global level, the victory of shareholders over workers and the associated tipping of the balance of class forces. Among the consequences for democracy, Merkel emphasizes four: asymmetric political participation—the exclusion of the lower classes from the political process—caused by rising inequality and poverty; the impossibility in open polities for democratic politics to stem the rise in economic inequality; the pressures in financialized national economies on governments to turn their countries into "market-conforming democracies" (Angela Merkel); and the transfer of decision-making powers under globalization toward the executives, at the expense of parliaments.

There is nothing in Merkel's list that I feel should not be there. I might have added a few points and slightly changed the emphasis on some. For example, one might have mentioned declining overall growth rates intensifying distributional conflicts and sharply paring down the willingness of the rich to make concessions to the poor. One could also have spent more time on what I believe is a particularly important aspect of the weakening of states and governments, which is the immense capacity today of rich citizens and corporations to escape taxation by moving income to low-tax jurisdictions, or capital to tax havens. The results include a weakening ability of states to redistribute to the bottom of their societies, together with increasingly degressive taxation and rising indebtedness of underfunded states unable to discharge their obligations to their citizens with their stagnant or shrinking tax revenue. An upshot is growing dependence of citizens on private borrowing to compensate for declining public services and supports. Moreover, rising public debt means a growing share in public spending of interest payments to creditors, putting pressure on social expenditure and public investment. Oligarchic redistribution thus comes with a neoliberal re-building of the state, manifested among other things in a shrinking public sector (Streeck [forthcoming](#)). Public poverty opens a space for oligarchic philanthropy, in an emerging neo-feudal relationship between private wealth and the public sphere.

In terms of political power, the transition currently under way in Europe from a debt state toward a consolidation state shows the meanwhile well-established primacy of what I have identified as the second constituency of contemporary capitalist democracy—the financial markets—over its first and original constituency, its citizens (Streeck 2014). In this context, and that of the rise of executive power mentioned by Merkel, I would have more explicitly emphasized the ascendancy of the leading central banks to the status of quasi-sovereign economic governments, free from any sort of democratic control. Furthermore, that their desperate efforts to revive inflation have up to now failed testifies to the effective destruction of trade unions in the course of the neoliberal revolution—another channel of political partic-

ipation through which the asymmetry of power in a capitalist political economy has sometimes been redressed. We also observe an emerging new political configuration pitting Grand Coalitions of center-left and center-right TINA parties—parties that subscribe to the *There Is No Alternative* rhetoric of the age of globalization—against so-called “populist” movements cut off from official policy-making: an opposition excluded from ever becoming the government, and easy to discredit as insufficiently *responsible* due to being improperly or unrealistically *responsive* to those that feel railroaded by developments that established democratic parties tell them they can do nothing about.<sup>1</sup>

Why is it so difficult, in spite of a veritable plethora of alarming symptoms, for people to understand the crisis of contemporary democracy and take it as seriously as it deserves? Too many, I believe, still cling to the traditional, putsch-like view of democracy being abolished: elections cancelled, opposition leaders and dissenters in prison or forced into exile or murdered, TV stations taken over by storm troopers—the Argentinian or Chilean model. There are also the strong voluntaristic illusions associated with democratic institutions, as imprinted on people in civics lessons: that as long as “we” can speak up and throw out the rascals at the ballot box, “we the people” are responsible for the condition of our community: if we really wanted it to be different, we would only need to get up and rectify things, provided we can convince a sufficiently large number of fellow-citizens of the validity of our grievances. As long as there are still elections, our world is what we have willed, or what “the people” have willed. Wolfgang Merkel importantly departs from this to suggest that at the heart of the matter is the relationship between democracy and social structure, and indeed the specific dynamic of the social structure of capitalism and how it affects, among other things, the status and effective reach of democracy in society. It is with respect to this relationship that I have argued that we have come a long way already on the road to a “Hayekian dictatorship of the market”, a vision that Merkel finds “apocalyptic” but with which he nevertheless seems reluctantly to concur. What I meant when I characterized the emerging political economy of neoliberalism as “Hayekian” was a condition of acquired inconsequence, of inflicted as well as self-inflicted irrelevance, of contracted insignificance of democratic politics in relation to the capitalist economy, a condition in which democracy has lost its egalitarian-redistributive capacity, so that it makes no difference any more who is voted into office in what may or may not continue to be more or less competitive elections.

Putting, that is, Merkel’s question slightly differently to ask whether democracy *can be made* compatible with *contemporary* capitalism, my answer is: only by building a Chinese Wall between the two—by sterilizing the redistributive potential of democratic politics while continuing to rely on electoral competition to produce legitimacy for the outcomes of free markets shielded from egalitarian distortion. Hayekian democracy serves the function of making a capitalist market society appear to be “the people’s choice” even though it has long been removed from democratic con-

<sup>1</sup>Typically it is political leaders or organizations that promise voters that they will resist the demands of international financial and other investors that are most likely to be branded “populist”—“left” or “right”, often interchangeably—by the TINA parties of the center, who define themselves as “responsible” on account of their willingness faithfully to comply with the rules of the market.

trol. What I refer to as a technocratic-authoritarian market dictatorship is a political-economic regime that delegates decisions on the distribution of people's life chances to the "free play" of market forces or, which is the same, concentrates them in the hands of executive agencies that supposedly command the technical knowledge necessary to organize such markets so that they perform best. Emptied of distributional politics, Hayekian democracy is free to busy itself with national interests and international conflicts, especially on the exotic margins of the capitalist world, or with the public spectacles offered by the personal rivalries and private lives of competing leaders. Culture wars, "family values", lifestyle choices, "political correctness", the age and sex of politicians, and the way they dress and look and speak deliver an unending supply of opportunities for pseudo-participation in pseudo-debates, never allowing for boredom to arise: whether the Foreign Minister should or should not have his male companion accompany him on a state visit to the Middle East; if there are enough women cabinet members, and in sufficiently powerful positions; how female ministers attend to their small children, too little or too much; whether the President of the Republic should use a motor cycle when visiting his lover; and how often a week the minister of economic affairs takes his daughter to *Kindergarten* in the morning. With exciting issues like these filling the public space, who will want to hear about the entirely predictable failure of international financial diplomacy to agree on meaningful regulation of offshore banking and the shadow banking system?

While I fully concur with Merkel's diagnosis of the current demise of democracy in the course of capitalist development, I am a little concerned about the way Merkel sets up his argument conceptually, in particular about the "model" language he uses to structure his exposition. To determine if and under what conditions democracy and capitalism are compatible, Merkel distinguishes three "types" of capitalism—"market-liberal", "organized and embedded", and "neoliberal"—and three types of democracy—"minimalist", "embedded" or "middle-ground", and "maximizing" (Merkel 2014, pp. 112–113). Having laid out his menu, he then picks the two models, one of capitalism and one of democracy, that he thinks best match each other. Not surprisingly, it turns out that these are the two "embedded" ones—although their superior fit has obviously failed to protect their union from breaking up as capitalism extracted itself from the joint embedding and morphed into its neoliberal, financialized, or Anglo-American version (defining the political problem of our age as making capitalism morph back into embedded capitalism and rejoin embedded democracy, so they might live "*glücklich und zufrieden bis an ihr Lebensende*").

What worries me about this conceptual *spiel* is that it may all too easily evoke the image of an intelligent designer picking from a collection of prefabricated parts those that work optimally together in producing a desired outcome. Alternatively, in a less technocratic reading, it may give rise to a voluntaristic conception of politics in which an all-powerful *ideeller Gesamtbürger*—an ideal collective citizen, to paraphrase Karl Marx—reflects, assisted by knowledgeable political scientists, on how to build an optimal political economy out of the institutional material furnished by history, and then puts in place what he thinks is best, or repairs what has got out of control when nobody was paying attention. What I am missing here (more precisely: what I am afraid other readers may not recognize is missing, thereby being seduced into a technocratic-voluntaristic doability worldview that is more likely to contribute

to the problem rather than help resolve it) are the fundamental political categories of *class* and *power*—and the insight that both capitalism and democracy are shorthand summary concepts that in order to make sense need to be broken down, unpacked and repackaged, de-and reconstructed in terms of underlying conflicts between social classes and their different and historically changing capacities to impose their interests on society as a whole.

Capitalism and democracy, in short, are not two modules, like an engine and a steering system, to be combined or not depending on their technical compatibility. They are both, individually as well as in their respective combination, the outcome of specific configurations of classes and class interests as evolved in a historical process driven, not by intelligent design, but by the distribution of class political capacities. Thus postwar democratic capitalism was not a selection by skillful social engineers or concerned citizens from a range of less optimal alternatives, but a historical compromise between a then uniquely powerful working class and an equally uniquely weakened capitalist class that was as never before on the political and economic defensive—which was true in all capitalist countries at the time, among the winners of the war as well as the losers. For the capitalist hunting license to be restored after the Great Depression, with its international repercussions and the subsequent global devastation, a high price had to be paid by the capitalist class, including a promise of politically guaranteed full and stable employment, steadily rising prosperity, redistribution of income, wealth and life chances in favor of ordinary people, social protection in the workplace through strong trade unions and free collective bargaining, and beyond the workplace through a comprehensive welfare state—all negotiated, as it were, with a pistol pointed to the head of liberal capitalism, forcing it into a shotgun marriage with social democracy. Subtle distinctions of the “varieties of capitalism” sort do not apply here: postwar Japan had a trade union membership density of 80–90% and a socialist government until it was removed by the American occupation; in Germany the country’s leading capitalists were in prison until they were freed by the Americans to be of help in the Korean War, and in the 1947 party manifesto of the Christian Democratic Union (CDU) capitalism was declared a threat to the “vital political and social interests of the German people”<sup>2</sup>; in the United Kingdom a Labour government was voted in, which nationalized some 40% of the country’s industrial capacity; and the United States were still the land of the New Deal, with extensive capital controls, a highly regulated financial sector, strong industrial trade unions, and ambitious social programs to compensate its soldier-citizens for the sacrifices they had made for their country on the global battle field.<sup>3</sup>

I cannot possibly discuss here in detail how this settlement—Wolfgang Merkel’s twice-embedded capitalist-democratic compound—broke up after it had held

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<sup>2</sup>“Das kapitalistische Wirtschaftssystem ist den staatlichen und sozialen Lebensinteressen des deutschen Volkes nicht gerecht geworden. Nach dem furchtbaren politischen, wirtschaftlichen und sozialen Zusammenbruch kann nur eine Neuordnung von Grund auf erfolgen. Inhalt und Ziel dieser sozialen und wirtschaftlichen Neuordnung kann nicht mehr das kapitalistische Gewinn- und Machtstreben, sondern nur das Wohlergehen unseres Volkes sein.”

<sup>3</sup>Ironically, it was in the aftermath of the two great wars of the twentieth century, in 1918 and 1945, respectively, that the working classes under capitalism made their most effective advances in the capitalist political economy (Piketty 2014).

together, by and large, for roughly three decades. What Merkel refers to as a transformation of European embedded capitalism in an Anglo-American, financialized direction—the stepwise progress of the neoliberal revolution—goes back to a secular shift in the relative power of capital and labor, or of the owners and governors of increasingly mobile capital on the one hand and ordinary people on the other. It was this shift which pulled the floor out from under the social-democratic postwar compromise in which the latter had agreed to the restoration of markets and private property in exchange for a promise of the former to provide for steady economic improvement and social security for all (“*Wohlstand für alle!*”). Underlying the neoliberal turn one finds a long trajectory of change in the structure of classes and wealth, in the mode of production, and in political constraints and opportunities, with an important role played by both contingent circumstances and the differential endowment of classes and their political organizations with strategic skills and capacities.<sup>4</sup> What matters here is that for decades now, it was the development of capitalism that has driven the development of democracy rather than *vice versa*, with advancing capitalism breaking through its postwar democratic-institutional containment to enthrone a new political-economic paradigm: the Hayekian formula of economic progress by redistribution from the bottom to the top—greater incentives for the winners, more severe punishments for the losers—taking the place of the Keynesian recipe of bolstering aggregate demand by taking from the rich to give to the poor.

Looking at the sequence of crises in the course of which the postwar settlement of democratic capitalism unraveled, one cannot escape the impression that the relationship between capitalism and democracy is a good deal less mechanical or additive, and much more dialectical and dilemmatic, than is suggested by Merkel’s modelling exercise. Taking class and power into consideration, one can see the state, government, and politics in democratic-capitalist societies being fundamentally exposed to continuous pressures to accommodate contradictory needs and demands—pressures that permanently produce new constraints and opportunities for revision of the institutions governing the political economy. On the one hand, it is only by political intervention into the free play of market forces that the collective benefits that a democratic society expects from a capitalist economy can be extracted from it—that, in other words, the private vice of profit maximization may be converted into the public benefit of social progress, to sustain a political equilibrium helping the sitting government to build political legitimacy. On the other hand, except in special situations of very high economic growth, it would appear that the social corrections of the market that are needed to achieve political equilibrium in a democracy tend to undermine the confidence of capital owners and investors, thereby upsetting the economic equilibrium that is equally essential for capitalist-democratic stability. Capitalism and democracy thus seem to *simultaneously support and undermine* one another: while an economic equilibrium is necessary for a democratic society to reap the collective benefits of private capital accumulation, it is put at risk by the very same policies that are needed to make private capital accumulation socially acceptable; and while a political equilibrium is needed to generate consent also with capitalism, it is threatened by the policies that are required for economic equilibrium.

<sup>4</sup>I have sketched out this dynamic in Streeck (2014).

Democratic governments under capitalism, this implies, are faced with a dilemma between two systemic crises, one political, the other economic, where managing one of them is possible only at the price of rekindling the other, forcing politics to move back and forth between them, in the hope that the crisis cycle will allow them enough time to regroup for addressing the inevitably emerging new problem caused by the most recent solution.

Wolfgang Merkel ends his essay on a less than completely pessimistic note, by urging “democratic and economic reforms” to put an end to “the present form of financialized ‘disembedded capitalism’” and restore a not-just-minimalist concept of democracy that “takes the imperative of political equality... seriously” and allows for the setting of “autonomous norms” (Merkel 2014, p. 126) by the *pouvoir publique*. But while nobody could disagree with this, one feels obliged to ask where those reforms are to come from, reversing a now decades-old mainstream of economic and political-institutional development that went in the exact opposite direction—with capitalism building itself a new democracy (“minimalist”, in Merkel’s term), rather than the old “embedded democracy” stabilizing its complementary “embedded capitalism”? Can a democratic renewal—a re-establishment of the primacy of democratic politics over the inherent dynamics of capitalist development—really be expected from a public no longer used to taking politics seriously, after decades of re-education, at best, in the spirit of what Merkel calls the “cultural turn of progressive democratic politics”—like the struggle for “gay marriage”, the symbolic “gendering” of everything, and the promotion of high-class women to high-class management positions on the boards of large firms as a signal policy objective of, one would not believe it, social-democratic parties and trade unions, at a time when the greatest risk of poverty is associated with being a single mother? How much serious politics are the democratic masses, politically expropriated by their “responsible” cartel parties (Mair 2009), willing and able to concern themselves with? Under the spell of post-Fordist consumerism and post-democratic politainment, how many people still believe that there can be collective goods worth fighting for? In a world where the culturally most highly esteemed skill seems to have become the competitive coping with adversity in good spirits, as opposed to establishing common interests with others and organizing for them—where democracy has been emptied of serious content and politics trivialized beyond recognition—democratic participation, as Merkel reminds us, is all too easily mistaken for the saving of whales and similar local improvements, replacing political conflict with the public expression of private moral convictions: a de-politicized pluralistic *laissez-faire* under which political participation is turned into something like a morally correct form of advanced consumption.

Again, who is to be the driving force—the “revolutionary subject”, as one used to say—in the historical turnaround envisaged by Wolfgang Merkel, and how much time do we have left before the path towards, at best, authoritarian neoliberal technocracy becomes entrenched beyond redemption? Who is to demand and force through the democratic reforms that will, for example, end and reverse the growth of precarious employment; stop privatization and restore equitable public services; tax Google and its ilk; increase public social investment, to make for more equal starting positions and opportunities in the marketplace; control working time; make the production and regulation of money more transparent, less oligarchic, and less dangerous? In Europe



we are being told that this can only be done at the supranational level, by democratizing the European Union and, in particular, its Monetary Union. Of course, at present European institutions are ruled by a camarilla of national governments conspiring to hide from their citizens what they are doing in their name—to ensure that the loans the international money industry has pushed into their economies get properly serviced—all of this presided over by a power-grabbing central bank insulated from popular-democratic pressures and therefore free to align itself at will with its comrades in global finance. Fittingly the majority of the European electorate refused to take part in the 2014 European Parliament election charade, in spite of several years of economic crisis and institutional turmoil. Nevertheless, the travesty of the two old “European” soul mates, Juncker and Schulz, running against each other as self-appointed *Spitzenkandidaten* for the job of President of the European Commission—a performance celebrated by their respective clagues as an epoch-making step toward European democracy—resulted in the promotion of the master architect of “Europe” as a tax haven for global corporations, and from 2005 to 2013 chairman, of all things, of the “Euro Group”—the command center of the European bank rescue effort—to the position of chief administrator of the “European project”, as publicly demanded on the day after the “election” by none other than Jürgen Habermas himself.<sup>5</sup>

If appointing a notorious bank lobbyist and privy tax counselor to global corporations to the highest office of “Europe” exemplifies the kind of democratic reform currently in reach at the European level—and it must appear that this is what Habermas wanted to let us know—then clearly there is little hope if any for “Europe” being of help with Merkel’s project to re-establish egalitarian-democratic control over financialized capitalism. Merkel says nothing specific about the “democratic and economic reforms” that he deems necessary for us not to end up in “an oligarchy formally legitimized by general elections” (Merkel 2014, p. 126), excusing him from having to take a stand on the European Union—although it arguably was the first postwar political structure in Western Europe that was purposely designed *not* to be subject to democratic control (Mair 2013), making it an early forerunner of what was to come in train with the neoliberal transformation of postwar capitalism. Actually it would appear that after decades of “widening” and “deepening”, and with its adoption in the 1980s and 1990s of a “supply-side” economic policy, culminating in EMU, the European Union is now the foremost institution that would need to be “reformed” if there is to be any restoration of democracy of the sort Merkel has in mind. Indeed it is in this context that the idea of resolving Europe’s “democratic deficit” by providing the European Union with a new constitution, hoping to reunite democracy with capitalism by having the former follow the latter from the national to the supranational level, is being traded on the center left especially of the German public.

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<sup>5</sup> See “Jürgen Habermas im Gespräch: Europa wird direkt ins Herz getroffen”, Frankfurter Allgemeine Zeitung, 29. Mai 2014. One interesting irony is that Juncker ascended to the presidency shortly after the publication of Thomas Piketty’s now famous book in which he demands a general wealth tax to correct the long-term and inherent increase in inequality under capitalism (Piketty 2014). On the farce of last year’s “European election” see Susan Watkins (2014).



If Juncker won't solve the problem, would a European constitution, in spite of the complete disaster of the first attempt to create one?<sup>6</sup> I believe a major reason why there can still be talk of a democratizing constitution for “Europe” is that the recent history of the project has been utterly forgotten. Moreover, its promoters have been unbelievably successful evading all questions on even the most essential specifics, like who is to draft, discuss and pass the new constitution, what it is to deal with and what not, and when it is to begin working its miracles, at a time when Juncker and associated European governments are busy securing punctual repayment of the loans pressed by global finance into European economies. How is the constitutional assembly to be convened? By the governments, like last time, when consequently it became composed of national notables like the Giscard and Herzogs of the European world? Or is it to consist of insurgent citizens, elected like the *Arbeiter- und Bauernräte* of the past, bypassing nation-states and their artists of the possible that have not so long ago sold democracy to neoliberalism? Or something in between? And which countries are to be invited—only EMU members, all EU members, or a coalition of the willing including Serbia, Turkey, Ukraine, Georgia? What about Catalonia, Scotland, Corsica, Flanders, Padania—will they be represented by the delegations of the nation-states to which they (still) belong, or will they get delegations of their own? And how to deal with the growing nationalist opposition to “Europe”—will it be admitted, excluded, or tactically sidelined by the *juste milieu* as in the “European Parliament”?

While this alone should take time to work out, except in a revolutionary situation which, however, would take at least as much time to arise, the next issue would be what is to get on the agenda. Immigration and asylum? Abortion and “marriage for all”? The constitutional status of churches and of religion? Perhaps agreement could be reached, improbably, to set aside the culture wars<sup>7</sup> and focus on political-economic matters first, like guarantees or not of private property; tax systems and the division of tax revenues between “Europe” and its local, regional or national constituents; the extent and the limits of fiscal solidarity of the rich with the poor states and regions; balanced budgets or debt limits; rights for the federation to intervene in the fiscal behavior of member states; an industrial and regional policy regime; the regulation of financial and labor markets; the extent of the responsibility of the central government for equalizing living conditions across the Union; the unification (or not) of social insurance systems; a uniform pension age (or not); how to make tax collection in different parts of the union equally effective; and perhaps most importantly, how

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<sup>6</sup>The project to give the European Union a constitution began in 2001 with a resolution to this effect by the then member states of the EU. Two years later a Convention appointed by the national governments went to work, and in 2004 the member states signed the document it had produced. What was billed as a “European Constitution” was essentially a compilation of the existing Treaties and consisted of a book of 160,000 words. It was to take effect in 2006, 5 years after its inception—and this in a period when the famous “permissive consensus” on European integration was still around. When it failed to be approved in two national referenda it was replaced by the Treaty of Lisbon (effective 2010).

<sup>7</sup>Improbably, because the culture wars tend to be incited precisely in order to divert attention from the political economy—fanning the passions of popular majorities kept in the dark on the real issues to make them forget their interests.

to conduct monetary policy in the triangle between Europe's central and regional governments and its "independent" central bank.

A democracy may or may not need a *demos*—perhaps it can include several *demosi*, together constituting what some of those eager to transfer "European democracy" to the supranational level now call *demoicracy*. But this does not mean that a common democratic constitution does not presuppose a stock of common experiences, practices, and perspectives—of shared understandings of how things are and should be done on which to build a shared edifice of rights and obligations. A democratic constitution cannot be produced out of thin air—even the German *Grundgesetz* of 1949 was not, nor was the Weimar *Reichsverfassung* or, for that matter, the constitution of the United States as written by the planter aristocracies of the British colonies in North America. A constitution must represent a settlement of issues and interests that is recognizable for citizens as reflecting their histories, values, aspirations and compromises, and what they have learned about themselves, their world and how things and people work in it. Such a settlement takes time to evolve: it requires extended contemplation on and collective sifting of the complex and diverse materials constituting a community's collective memory. Even in the best of cases, to be acceptable to its *demos*, or *demosi*, a constitution may have to bracket a range of issues where experiences and expectations and capacities differ too much, or it may have to place under special protection and exempt from collective interference values and practices that, for whatever reason, cannot be generalized across the political community as a whole.

There is to my knowledge not a single example of two or more democratically constituted *demosi* voluntarily merging to form a multi-*demosi* democracy—apart from the nascent states, hardly comparable to modern European nations and highly homogenous in comparison, of eighteenth century North America. By the end of the twentieth century, not even the joint experience of Russian rule was sufficient to make the three Baltic States, Lithuania, Latvia and Estonia, enter a federated *demoicracy*—although they are all extremely small.<sup>8</sup> There are, however, examples of federated *demosi* parting company to set up their own democracies, like Czechia and Slovakia—not to mention the *demosi* of the former Yugoslavia after the end of Communism that never even thought of "*demoicratizing*" their federation (In the United States, incidentally, the supply of inter-state commonalities ran out soon after federation and had to be replenished in the Civil War, which formally removed what had become an unbridgeable political-economic cleavage, slavery. True federation under a truly shared constitution began, if at all, only a hundred years later when Presidents Eisenhower, Kennedy and Johnson deployed the National Guard to end official racial separation in Southern States' educational systems.).

<sup>8</sup>Which was why they were eager to join the European Union and NATO, on the premise and indeed the condition that neither of them will contest their claim to democratic legitimacy and national sovereignty. As to the European Union in particular, the Baltic States, like most other small member states, from Malta to Luxembourg to Ireland, consider it the most effective guarantee available of their continued sovereign independence. This is the exact opposite of the way the European Union is sometimes seen by German Europhiles: as a vehicle for trading in national identity for a "European" one. Economically, sovereignty is regarded especially by small nations as an indispensable capacity for them to carve out a niche for themselves in the global economy—or, alternatively, like in EMU, as a power tool for extracting "solidarity" from larger countries.

The idea of a constitutional convention entering the European stage at the last minute as a democratizing *and thereby crisis-resolving deus ex machina* is a pipe dream, and a dangerous one to boot—dangerous because it diverts attention and energy from much more urgent work to be done.<sup>9</sup> Europe, the really existing Europe after two hundred years of nation-building, is far too heterogeneous for a meaningful common constitution; not only does it lack a *demos* but its *demos* are too different to fit into one encompassing democratic polity. Abraham Lincoln’s famous dictum on the United States before the Civil War, “A house divided cannot stand”, would apply also and *a fortiori* to a European *demoicracy*, given the wide variety of labor market practices, corporate governance regimes and state traditions, not least with respect to monetary and fiscal policies, that have evolved in centuries of *Klassenkämpfe* in European nation-states—the manifold settlements that have been fought for and negotiated and subsequently became engrained in a wide variety of nationally specific interfaces between modern capitalism and modern society.<sup>10</sup>

The disaster of the first attempt to produce a “European Constitution” was far from an accident. Another try would and could only result in another hugely complex technocratic document bracketing more than what it resolves, replete with exceptions, reservation rights, open issues to be dealt with by the powers of the day (and we know who these will be)—a document that will not prevent and indeed promote continued chipping away at national democracies in the same way as the Maastricht and Lisbon Treaties. Both the politics of the culture wars and political-economic diversity would effectively block progress toward a Merkelian “embedded democracy” and instead help fortify the emerging Hayekian economic order of Europe. The heavy bleeding of democracy at the national level would not be stopped, quite to the contrary. Supranational, non-parochial, *verfassungspatriotische* democracy emerging on the coattails of international capitalism is a dangerous chimera: far from the Habermas project of European democracy being promoted by the Goldman Sachs project of global plutocracy, the former would unintentionally provide legitimacy to the latter until it would lose its usefulness for it and be discarded by it.

What is to be done to restore a democracy capable of serving as a meaningful corrective of capitalism? If there is nothing in supranational “Europe” that could provide for the sort of social cohesion and solidarity and governability that would be required, of the kind that was over two centuries more or less successfully established in European nation-states—if all there is at supranational level are the Junckers and Draghis and their fellow financial functionaries—then the general answer is that rather than,

<sup>9</sup>Work that Europe’s “responsible” intellectuals have today delegated to the likes of Occupy!, ATTAC, or SYRIZA.

<sup>10</sup>As Fritz Scharpf has recently pointed out in a reply to Habermas’ Sorbonne lecture (Habermas 2014; Scharpf [forthcoming](#)), what I would suggest to call the *acquises démocratiques* of the national *demos* in Europe include much more than liberal guarantees of freedom and equal treatment before the law (roughly what Merkel calls the minimalist version of democracy). It also and importantly comprises a wide range of political-economic institutions that provide for democratic correction of market outcomes – for democracy as *social* democracy. We should have learned, at the latest after the neoliberal turn of European integration in the 1980s, that these cannot instantly be absorbed into a pan-European *acquis communautaire*—and that, if this is tried against the interests and, sometimes at least, the resistance of those who depend on them, they are at an overwhelming risk of being watered down into a neoliberal one-size-fits-all market regime.

like latter-day Don Quixotes, trying to extend the scale of democracy to that of capitalist markets, do what you can to reduce the scale of the latter to fit the former. Bringing capitalism back into the ambit of democratic government, and thereby saving the latter from extinction, means *de-globalizing capitalism*; it is as simple and as difficult as that. There is no denying that this would be a huge agenda, and in certain respects, perhaps, also a costly one, with no guarantee of success. But it would at least be a goal worth fighting for. *Restoring embedded democracy means re-embedding capitalism*. In this context, thinking about a monetary regime less destructive of democracy than the pitiful monstrosity that is EMU would be a task that would justify the sweat of the best and brightest.

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