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The post-capitalist interregnum

The old system is dying, but a new social order cannot yet be born

A 'post-capitalist interregnum' is dawning, argues **Wolfgang Streeck** – a prolonged period of social entropy, radical uncertainty and indeterminacy, in which society is essentially ungovernable and no new world order waits in the wings. Tracing the four-stage crisis sequence of neoliberal capitalism up to today's disintegrating state system, he finds it exemplified in borderless Europe – and specifically in Britain's fateful referenda.

Capitalism was always a fragile and improbable order that depended on continuous repair work for its survival.¹ Today, however, too many of its frailties have become acute simultaneously, while too many remedies to them have been exhausted or destroyed. Rather than picking one of the various manifestations of the crisis and privileging it over others, I suggest that all – or most – of them may add up to a condition of *multi-morbidity*, in which different disorders coexist and, more often than not, reinforce each other. The end of capitalism may, then, occur as a death from a thousand cuts – from multiple infirmities, each of which will become all the more untreatable as all will demand treatment at the same time.

In other words, I do not believe that any of the potentially stabilising forces frequently mentioned – be it regime pluralism, regional diversity and uneven development, political reform, independent crisis cycles or whatever² – will be strong enough to neutralise the syndrome of accumulated weaknesses that characterises contemporary capitalism as a social order. No effective opposition being left, and no successor waiting in the wings of history, capitalism's accumulation of defects – paralleling its accumulation of capital – amounts to an entirely endogenous dynamic of self-destruction, one that follows an evolutionary logic that is moulded by contingent circumstances and coincidental events but cannot be suspended by them, along a historical trajectory from early liberal capitalism, via state-administered capitalism, to neoliberal capitalism, which for the time being culminated in the financial crisis of 2008.

TOWARDS SOCIAL ENTROPY

For the decline of capitalism to continue, I suggest, no revolutionary alternative is required, and certainly no masterplan of a better society that will displace or replace capitalism. Contemporary capitalism as

1 This article draws in part on the introductory chapter of my forthcoming book, *How Will Capitalism End? Essays on a Failing System*, to be published by Verso in November 2016.

2 Wallerstein I, Collins R, Mann M, Derluigan G and Calhoun C (2013) *Does Capitalism Have a Future?*, Oxford University Press.

a functioning social order is vanishing on its own account, collapsing from internal contradictions – not least as a result of having vanquished its enemies, who have often *rescued* capitalism from itself by forcing it to evolve into a new form. What will follow on from capitalism next will, I submit, not be socialism or some other defined social order, but a long *interregnum*³ – no new world system equilibrium, but rather a prolonged period of social entropy; of radical uncertainty⁴ and indeterminacy. It is an interesting problem for sociological theory whether and (if so) how a society can turn for a significant length of time into *less than a society* – a *post-social society*, or a *society lite* – until it may or may not recover to again become a society in the full meaning of the term. I believe that one can get a conceptual handle on this by drawing liberally on the distinction, introduced by David Lockwood back in 1964, between *system integration* and *social integration*, or integration at the macro and micro levels.⁵ An ‘interregnum’ would then be defined as a breakdown of macro-level system integration, depriving individuals at the micro-level of institutional structuring and collective support and shifting the burden of ordering social life, of providing it with a modicum of security and stability, to individual actors and such social arrangements as they can improvise on their own. A society in interregnum, in other words, would be a *de-institutionalised* or *under-institutionalised* society, one in which expectations can be stabilised only now and then by local extemporisation, and which for this very reason is essentially ungovernable.

A post-capitalist society would, then, appear to be one whose system integration is critically and irremediably weakened, so that the continuation of capital accumulation – for a final, intermediate period of uncertain duration – becomes dependent on the opportunism of collectively incapacitated *individualised individuals*, struggling to protect themselves from risk in their social and economic lives. Undergoverned and undermanaged, the social world of the post-capitalist interregnum – in the wake of neoliberal capitalism’s neutralisation of states, governments, borders, trade unions and other moderating forces – can at any time be hit by disaster: bubbles may implode, for example, or violence penetrate from a collapsing periphery into the centre. With individuals deprived of collective defences and left to their own devices, what remains of a social order hinges on their motivation to co-operate ad hoc with other individuals, driven by elementary interests in individual survival and, often enough, fear and greed. As society loses its ability to provide its members with effective protection and proven templates of social action and social existence, individuals have only themselves to rely on while social order must depend on the weakest possible mode of social integration – *Zweckrationalität* (or ‘instrumental rationality’).

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3 I take this concept from Antonio Gramsci’s *Prison notebooks*, in which he speaks of an era in which ‘the old is dying but the new cannot yet be born’, ushering in ‘an interregnum in which sinister phenomena of the most diverse sort come into existence’. See Gramsci A (1971) *Selections from the Prison Notebooks of Antonio Gramsci*, edited and translated by Hoare Q and Nowell-Smith G, Lawrence & Wishart Ltd.

4 King M (2016) *The End of Alchemy: Money, Banking and the Future of the Global Economy*, Little, Brown.

5 Lockwood D (1964) ‘Social Integration and System Integration’, in Zollschan G K and Hirsch W (eds) *Explorations in Social Change*, Houghton Mifflin: 244–257.

As explained elsewhere,⁶ I anchor this condition in a variety of interrelated developments, including the intensification of distributional conflict as a result of declining growth; the rising inequality that results from this; vanishing macroeconomic manageability, as manifested in, among other things, steadily growing indebtedness, a pumped-up money supply, and the possibility of another economic breakdown at any time; the suspension of postwar capitalism's engine of social progress, democracy, and the associated rise of oligarchy; the dwindling capacity of governments and the systemic inability of governance to limit the commodification of labour, nature and money; the omnipresence of corruption of all sorts, in response to intensified competition in winner-take-all markets with virtually unlimited opportunities for self-enrichment; the erosion of public infrastructures and collective benefits in the course of commodification and privatisation; the failure, after 1989, of capitalism's carrier nation, the US, to build and maintain a stable global order; and so on and so on. These and other developments, I suggest, have resulted in widespread cynicism regarding political and economic life, forever ruling out a recovery of normative legitimacy for capitalism as a just society that offers equal opportunities for individual progress – a legitimacy that capitalism needs to draw on in critical moments.

MOVING DISEQUILIBRIUM

In recent work I have argued that OECD capitalism has been on a crisis trajectory since the 1970s, the historical turning point being the abandonment of the postwar settlement by capital in response to a global profit squeeze. Subsequently, three crises followed one another: the global inflation of the 1970s, the explosion of public debt in the 1980s, and rapidly rising private indebtedness in the subsequent decade, resulting in the collapse of financial markets in 2008. This sequence was, by and large, the same for all major capitalist countries, whose economies have never nearly been in equilibrium since the end of postwar growth. All three crises began and ended in the same way, following the same political-economic logic: inflation, public debt and the deregulation of private debt started out as politically expedient solutions to distributional conflicts between capital and labour (and, in the 1970s, between the two and the producers of raw material whose cost had long been negligible), until they became problems themselves. Inflation begot unemployment as relative prices became distorted and owners of monetary assets abstained from investment; mounting public debt made creditors nervous and produced pressures for fiscal consolidation in the 1990s; and the pyramid of private debt that had filled the gaps in aggregate demand and citizen satisfaction caused by cuts in public spending imploded when the bubbles produced by easy money burst.

Solutions thus turned into problems requiring new solutions which, after another decade or so, became problems themselves – which then called for yet other solutions that soon turned out to be as short-lived and self-defeating as their predecessors. Government policies vacillated between two equilibrium points, one political, the other economic, that

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6 Streeck W (2014) 'How Will Capitalism End?', *New Left Review* 87: 35–64.

had become impossible to attain simultaneously. Attending to the need for democratic political legitimacy and social peace, so as to live up to citizen expectations of economic prosperity and social stability, they found themselves at risk of damaging economic performance. Conversely, efforts to restore the economy to equilibrium tended to trigger political dissatisfaction and undermine support for the government of the day, and for the liberal-capitalist market economy in general.

Actually the situation was even more critical than that, although it was not perceived as such for a long time as it unfolded only gradually, spread out over two or three political generations. Intertwined with the crisis sequence of the 1970s onwards was an evolving fiscal crisis of the democratic-capitalist state, again basically in all countries undergoing the secular transition from state-administered 'late' capitalism to neoliberal capitalism. While in the 1970s governments still had a choice, within limits, between inflation and public debt as means of bridging the gap between the combined claims of capital and labour and the resources available for distribution, after the end of inflation at the beginning of the 1980s the 'tax state' of postwar capitalism began to change into a 'debt state'. In this it was helped by the growth of a dynamic, increasingly global financial industry based in the de-industrialising headquarter country of global capitalism, the US. Concerned about the capacity of its new clients – who were, after all, sovereign states – to unilaterally cancel their debt, an increasingly powerful financial sector soon began to seek reassurance from governments on their economic and political ability to service and repay their loans. The result was another transformation of the democratic state, this time into what I have called a 'consolidation state', which began in the mid-1990s. To the extent that consolidation of public finances through spending cuts resulted in overall gaps in demand or in popular discontent, the financial industry was happy to step in with loans to private households, provided that credit markets were sufficiently deregulated.

Since 2008, we have been living in a fourth stage of the post-1970s crisis sequence, and the by now familiar dialectic of problems treated with solutions that themselves turn into problems is again making itself felt. The three apocalyptic horsemen of contemporary capitalism – stagnation, debt and inequality – are continuing to devastate the economic and political landscape. With ever-lower growth, as recovery from the Great Recession made little or no progress, deleveraging had to be postponed *ad calendas graecas*, and overall indebtedness is higher than ever.⁷ As part of a total debt burden of unprecedented magnitude, public debt has jumped up again, not only annihilating all gains made in the first phase of consolidation but also effectively blocking any fiscal effort to restart growth. Thus unemployment remains high throughout the OECD world, even in a country like Sweden where full employment had for decades been a cornerstone of national identity. Where employment has been restored it has tended to be at lower pay and inferior conditions, due to technological change, 'reforms' in social security systems that lower workers' reservation wage, and de-unionisation

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7 Dobbs R, Lund S, Woetzel J and Mutafchieva M (2015) *Debt and (not much) deleveraging*, McKinsey Global Institute, McKinsey & Company.

with the attendant increase in the power of employers. Indeed, ‘recovery’ often amounts to replacement of unemployment with underemployment. Although interest rates are at a record low, investment and growth refuse to respond, giving rise to discussions among policymakers about lowering them further, to below zero. While in the 1970s inflation was public enemy number one, now desperate efforts are being made throughout the OECD world to bring it up to at least 2 per cent, thus far without success. Whereas in the past it was the coincidence of inflation and unemployment that left economists clueless, now it is very cheap money coinciding with deflationary pressures, raising the spectre of ‘debt deflation’ and the collapse of a pyramid of accumulated debt that far exceeds that of 2008.

Foremost among the signature characteristics of the current, fourth phase of the post-1970s crisis sequence is the rise of the central banks to supreme economic policymaking power – central banks that have, in the course of the liberalisation process, been made independent from national governments by national governments, consequently making them all the more dependent on their other partner, the private banking industry. Since the Great Recession, the same central banks that had been responsible for the easy money policies that had produced the bubble have been keeping the global economy alive by injecting a continuous stream of cash, created out of thin air, into the international banking system. How long they will continue to do so, and on what conditions, is considered a technical question beyond the competence of governments and electorates. This also applies to the question of which commercial and government bonds central banks should buy in order to bring new money into circulation – a practice that has no less than tripled the balance sheets of the leading central banks since 2007. Unlike governments, central banks deliberate and make decisions in full secrecy, out of the public view, with the full support of governments which, given the proven uselessness of their own policy instruments and their complete lack of ideas on how to bring back growth and stability, depend vitally on being able to delegate responsibility for economic policy to supposedly non-political actors and institutions.

THE INTERREGNUM

Why, if capitalism is on its way out, is there no non-capitalism ready to succeed it? A social order breaks down if and when its elites are no longer able to maintain it; but for it to be cleared away, there has to be a new vanguard able to design and eager to install a new order. Obviously the incumbent management of advanced and not-so-advanced capitalism is uniquely clueless. Consider the senseless production of money to stimulate growth in the real economy; the desperate attempts to restore inflation with the help of negative interest rates; and the apparently inexorable coming apart of the modern state system on its periphery. Concerning the latter, systemic entropy originates in the weakening position of the US as the host nation of global capitalist expansion. Historically, capitalism always advanced on the coattails of a strong, hegemonic state opening up and preparing new landscapes for capital accumulation, through military force or free trade, and indeed typically through both. Political preparation for capitalist development included not just the breaking-up of pre- or anti-capitalist social orders, but

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also the creation of new, ‘modern’ societies supportive of private capital accumulation. After 1945, this meant the establishment of a global system of secular states with a ‘development’ agenda, sovereign but integrated in an international free trade regime. Also on the agenda was the containment and, if necessary and possible, suppression of alternative, oppositional systems – a program that at first glance came to its victorious completion in 1989.

This, however, was not the whole story. As it turned out, the US, while still able to destroy its enemies, had lost the capacity to replace them with stable pro-American and pro-capitalist regimes – *losing its constructive powers while retaining its destructive ones*. The causes of this include the demonstration effect of the defeats suffered by the US in successive wars, as well as declining domestic support for what a majority of US citizens now consider foreign ‘adventures’. ‘Nation-building’ having failed in large parts of the world, the global system of semi-sovereign, development-friendly free-trade states as originally envisaged shows growing holes and gaps, with *failed states* as a permanent source of unpredictable and increasingly unmanageable political and economic disorder. In many regions, fundamentalist religious movements have taken control, rejecting international law and modernism in general, and seeking an alternative to the capitalist consumerism which they can no longer expect to replicate in their countries. Others, having abandoned hope for ‘development’ at home, are trying to join advanced capitalism by migrating from the periphery to the center. There they meet with second-generation immigrants who have given up on ever being fully admitted to the capitalist-consumerist mainstream of their societies. One result of this is another migration – the migration of the violence that is destroying the stateless societies of the periphery into the metropolis, in the form of ‘terrorism’ wrought by a new class of ‘primitive rebels’ that lacks any vision of a practically possible progressive future, of a renewed industrial or new post-industrial society both developing further than and overcoming the capitalist society of today.

Not just capital and its running dogs, but also their opponents, today lack a capacity to act collectively. Just as capitalism’s movers and shakers do not know how to protect their society from decay, and in any case would lack the means to do so, their enemies, when it comes to the crunch, have to admit that they have no idea of how to escape neoliberal capitalism. See for example the Greek government and its capitulation in 2015, when the ‘Eurogroup’ began to play hardball and Syriza (to use a different metaphor) had to show its hand.

The historical period after the death of capitalist society from an overdose of capitalism will be one lacking collective political capacities, making for a long and indecisive transition – a time of crisis as the new normal, a crisis that is neither transformative nor adaptive, and unable to either restore capitalism to equilibrium or replace it with something better. Deep changes will occur, rapidly and continuously, but they will be unpredictable and in any case ungovernable. Western capitalism will decay, but non-Western capitalism will not take its place, certainly not on a global scale; and neither will Western non-capitalism.

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With regards to non-Western capitalism, China will for many reasons not be able to take over as capitalism's carrier nation and provide an orderly global environment for its further progress. Nor will there be a co-directorate of China and the US, amicably dividing between them the task of making the world safe for capitalism. And concerning non-capitalism, there is no such thing today as a global socialist movement comparable to the socialisms of the 19th and early 20th centuries, which so successfully confronted and transformed capitalism in national power struggles. As long as capitalist dynamism continues to outrun collective order-making and the development of non-market institutions, as it has for several decades now, it disempowers both capitalism's government and its opposition, resulting in capitalism being neither reborn nor replaced.

THE STATE SYSTEM IN DISARRAY

The social disorder of the emerging interregnum makes itself felt at the macro level in a wide variety of dysfunctions of states and governments. In one way or another, they are all related to the politically willed obsolescence of national borders in a global economy, and the contests that arise over it. Border contests raise basic issues concerning the relationship between nationalism and cosmopolitanism, national government and global governance, and particularism and universalism, in ever-new configurations and permutations. Generally, in an era of 'globalization', governments are coming under pressure to open up their countries, rendering national state borders economically and politically irrelevant. As a consequence they must commit to policies of structural 'adjustment' in order to make their societies ready for global competition, by cutting back on protective social policies in favor of 'enabling' ones, while increasingly allowing their citizens to be exposed to the vagaries of international markets.

Redefining borders in line with the demands of globalisation and in pursuit of liberalisation invalidates national democratic institutions as channels for transmitting popular demands for social protection against market pressures. For a while this resulted in electorates – and particularly voters at the lower end of the income distribution – losing interest in democratic politics. As restructuring pressures increased, however, voters negatively affected by liberalisation and globalisation rediscovered political participation as a means of expressing protest. The resulting increase in electoral turnout benefits new 'populist' parties, mostly on the right but sometimes also on the left. Their common denominator is a radical rejection of established political elites, combined with insistence that national democracy must supersede the demands of international markets.

Ideologically, the ensuing conflict is complicated by the fact that free-market liberals have found it convenient to appropriate the internationalism of the progressive left as a rhetorical tool with which to discredit social protection and the institutions associated with it – particularly national democracy and the national welfare state. As a result, their defenders run the risk of being accused of nationalism or xenophobia, and indeed racism. The way the discourse over globalisation and democracy is unfolding,

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it is driving a wedge into the constituency of left-liberal political parties, between their new middle-class supporters who profess to internationalism in the name of universal solidarity, and their traditional working-class voters whose experience tends to be that open borders undermine their jobs and ways of life. The issue is particularly relevant when it comes to immigration and the possibility it raises for developed national economies to attract an unlimited supply of labour, without having to improve the conditions in which families raise children. Here, conflicts over economic interests may become particularly acute and emotionally and ideologically charged, as those hoping to benefit from lower prices and better quality – for example, in the provision of services – may be tempted to deploy a universalistic rhetoric of international solidarity in order to silence those who feel threatened by low-wage competition.

Returning to the architecture of the contemporary state system and its growing dysfunctionality, all attempts to move redistributive government and the protective national welfare state to the international level have failed – even in Europe, where such attempts were more consciously made than elsewhere. In the course of the 1980s, at the latest, the social democratic project to turn the then European Community into a transnational welfare state was aborted, its most effective opponent being the British government under Margaret Thatcher. Subsequently, ‘Europe’ became a liberalisation machine for its associated national political economies, with particular emphasis on social policy cutbacks, the privatisation of public services, and fiscal consolidation. Today, European integration is essentially about curtailing corrective state intervention into the capitalist market economy and extending the so-called ‘four freedoms’ of the internal market, including the free movement of labour, conceived as a quasi-constitutional right of citizens of all member states.

THE BRITISH CASE

Freedom of movement became a prominent issue with the eastern accession in 2004. It was, unsurprisingly, Britain (this time under New Labour) that made the most extensive use of the liberalisation of European labour markets, by waiving the waiting period allowed under the treaties and immediately opening its national economy to eastern European labour. (Germany under Schröder, by contrast, chose a waiting period of seven years.) Clearly the intention was to improve the labour supply in Britain both quantitatively and qualitatively, to compensate for domestic skill deficits while keeping wages low. It appears that the move added roughly 750,000 Polish workers and several hundred thousand other eastern Europeans to the British labour force in a short time.

In subsequent years, strong moral pressures from an all-party pro-immigration ‘grand coalition’ notwithstanding, dissatisfaction with labour market internationalism and EU immigration rules seems to have grown in Britain, frustrating all attempts to establish legitimacy for a borderless cosmopolitan (that is, non-protective) nation state. A powerful expression of this dissatisfaction was the rise of the UK Independence Party (Ukip),

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which articulated the rising popular discontent through a call for Britain to leave the EU that reflected an apparently widespread feeling that the country should 'take back control' over its borders. 'Taking back control' promised a restoration of democratic accountability that many, including many on the liberal left, felt had been lost to Brussels' summit diplomacy and technocracy. With hindsight it seems that the idea that Britain should again be free to make its own laws was given added momentum by the spectacle of the treatment of Greece as a member of the European monetary union, and also by the claim of the German government in 2015 that its peculiar, domestically motivated interpretation of European and international law on refugees and asylum seekers had to be binding for Europe as a whole, including Britain.

Politics makes strange bedfellows, particularly in times of systemic disintegration and radical uncertainty. The story of Brexit may be taken to illustrate the *bizarrieries* of the perverse political power plays that become possible when an old social order is dying without a new one waiting to take over. To the outside observer, it appears that popular anti-European pressure must at some point have become so strong that David Cameron's wing of the Conservative party felt a need to once and for all re-establish the legitimacy of open-borders liberalism. The way this was to be done was by calling a referendum on Britain's membership of the EU, which Cameron was confident he would win thanks to a package of superficial concessions on the free movement of labour that would be provided by Brussels. No thought was given to what would happen if the vote was lost, because it was firmly expected to be won. That the same Conservative party would spawn a movement to leave the EU must have come as a surprise, especially since Leavers and Remainers shared the same neoliberal economic philosophy. Probably the prospect of carving up the Labour party right down the middle by luring its working-class supporters into the Conservative camp while also finishing off Ukip – thereby establishing ever-lasting electoral hegemony for the Conservatives – was too tempting. Here, no thought was given to what was to be done if the referendum was *won*, perhaps because the strategic goal of the Leave camp within the Conservative party would have been achieved even if the vote was narrowly lost.⁸

The politics of Brexit, national idiosyncrasies notwithstanding, are informed (or misinformed) by a deep general crisis in the contemporary state system that is in turn related to the decline of the capitalist social order. This is already evident from the fact that the referendum on British membership of the EU was preceded by a referendum on Scottish membership of the UK. Like national sovereigntism, regional separatism reflects declining confidence in a (self-)disempowered national state that has given up its capacity to protect its citizens from market forces in deference to international liberalisation. (That Scottish separatists seem to intend to subject themselves, upon achieving independence, to the very liberalisation engine that the UK has just decided to leave is another

8 The Remain revolt of old New Labour against the 'populist' 'old Labour' (led by the Remainer Corbyn) might still result in the break-up of the Labour party. Cameron, of course, was also hoping to destroy Labour. Where he differed from Conservative Leaver Boris Johnson was that he placed his bet on attracting the progressive cosmopolitan middle-class Labour camp, especially since it was possible that Corbyn himself would opt for Leave. Since Corbyn didn't do him this favour, the Tories now depend on Labour cutting itself up.

oddy that is characteristic of a situation of radical uncertainty in which being small may seem beautiful but is also risky.) The struggle over British EU membership, intertwined as it is with the struggle over Scottish and, perhaps, Welsh and Northern Irish UK membership, may be taken as one manifestation among others of the ‘sinister phenomena of the most diverse sort’⁹ that, according to Gramsci, are to be expected in an age of interregnum: a search for political and institutional reconstruction under conditions of structural indeterminacy, offering ample opportunity for disoriented, arbitrary, frivolous and cynical maneuvering as the state system of neoliberal capitalism turns dysfunctional with no cure in sight.

Ironically, the first modern state, the UK, could be also the first to disintegrate, after having, under Thatcher, foreclosed the European rescue of the social-democratic welfare state in the 1980s. Equally ironically, it is Britain, which was instrumental in turning European integration into a neoliberal restructuring tool, that is now putting an end to its further progress. As the supranational order of integrated Europe is breaking down, nobody knows how a renationalised state system is to be sustained and operated in a globalised political economy – note the absence of a plan B on the part of the Remainers, and of a plan A among the Leavers. How will the newly sovereign Britain of the future use its reinstated borders to ‘take back control’ of its collective fate?

One cannot avoid taking note here of new prime minister Theresa May’s Birmingham speech of 11 July, which won her the support of her party. May vowed to honour the outcome of the referendum and duly resign from the EU (an organisation, of course, that is now – for reasons of its own, related again to the multi-morbidity of contemporary capitalism – so moribund that one doubts whether it will still exist in five years). But she also interspersed her obviously carefully crafted speech with a ‘one nation’ rhetoric not heard from a Conservative leader since the 1980s (but heard from a Labour one rather more recently): less inequality, controls on executive compensation, more equitable taxation, better public education, a voice for workers in corporate governance, the protection of British jobs from relocation abroad, and so on – all of this, of course, combined with less immigration. This program, clearly to the left of the Labour party in its New Labour incarnation, may have been ‘just political’ – and if not, it may soon turn out to be impractical. But it is interesting nevertheless that it appeared when and where it did.

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9 Gramsci 1971.

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