
After Capital's Revolt: an interview with Wolfgang Streeck

By Baptiste Touverey / 02 June 2017

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Frankfurt Stock Exchange, 1988. via Wikimedia Commons.

What can we still learn from Karl Marx?

Firstly, that our society is a historically determinate one, inscribed in a flow of events. Next, that this flow of events is structurally ordered, that the evolution of society obeys a logic that we must understand if we are to be able to interpret whatever takes place. This logic is difficult to reconstruct, but it has an extraordinary role in giving historical experience and theory their dynamic.

You accept that present-day capitalism is very different from the capitalism of Marx's day.

I would not put that so categorically. For Marx, capitalism is the form taken by modern society, whose development rests on the infinite accumulation of capital in the private sector.

Capitalism is linked to an ideology of progress that goes back to the eighteenth century, and the persuasion — formulated by Adam Smith — that this process profits not only those who hold capital, but society as a whole, through the intrinsic virtue of the market.

The fundamental logic of accumulation — as well as its corollary, the illusion that makes it possible, the "invisible hand" — still applies just as much today! And the question that Marx directed at capitalism — "does this system really benefit everyone, or only the possessing class" — has never stopped being posed.

But all the same, we cannot say that history has confirmed Marx's predictions: the death of capitalism he heralded has not taken place.

Indeed, something happened that Marx had not predicted: over a certain period, the democratic state was able to act such that the system's profits would be more equally distributed. This was the result of the compromise between labour and capital in 1945, which led to the emergence of the welfare state. In a certain sense, we can say that Marx had not predicted Keynes. Across the three decades after the Second World War, in applying Keynes's ideas the developed Western countries managed to regulate capitalism. They successfully conducted a planning policy that aimed to guarantee growth, full employment, more egalitarian profit distribution and a social protection that in part guarded against the unpredictability of the market. Even to the point, indeed, that it was possible to imagine the convergence of capitalism and communism.

But that is not what happened. You show in your book that since the 1970s we have seen a revolt by capital.

Yes, the history of capitalism since the 1970s is the history of an escape: capitalism has broken out of the straitjacket of social regulation that was forced upon it after 1945, and which it had only unwillingly accepted.

Why did this turn take place in the 1970s?

Because of the conjunction, in this era, of two phenomena. On the one hand, this was the moment when the power of the welfare state was at its peak and, conversely, capital's power was weaker than ever. The global strike wave in 1968 and 1969 constituted the culmination point of this test of strength, and, at the same time, the event that triggered capital's reaction. These strikes terrified capital. In capital's eyes, they showed the lack of restraint among workers overly indulged by prosperity and the welfare state. So from then on its goal was clear: to undo the postwar social contract.

In carrying this project to a successful conclusion, capital benefited from the second phenomenon that characterised the 1970s: globalisation. The borders between nation states, within which capital was controlled, and felt itself prisoner, gradually faded away. This owed to the mobility of capital, trade deals and the progress of the transport industry.

But was this globalisation a cause or an effect of capital's revolt? Was it not encouraged by capital in order to facilitate its "escape"?

Initially this internationalisation was encouraged by technological developments. For example, the container ships invented after the war made it possible to transport Japanese cars to Europe [see *Books*, no. 78, July-August 2016], which had previously been unimaginable. In the *Manifesto of the Communist Party* Marx and Engels describe the complete coming-together of the world market. Yet in their era this was far from being a reality. It was only realised thanks to these new means which had not existed in the nineteenth century. And yes, starting from that basis capital did everything it could to encourage this internationalisation of the economy. For big enterprises this opened up hitherto unsuspected possibilities for transferring their tax liabilities to the least demanding countries. It also allowed them to outsource, or use the possibility of outsourcing as blackmail in order to obtain cuts in tax levels in the original countries.

Is this refusal to pay tax the main form that the revolt by capital has taken?

This is a curious paradox, no? Capital has relentlessly castigated workers' "inflated demands": demands that it claimed were ruining the state and thus had to be put back in their place. But if there was any "inflation of demands," it took place among the upper classes. Their incomes and assets increased at dizzying rates, including because of the tax cuts they enjoyed, whereas wage and social benefit levels stagnated or completely collapsed, falling to the bottom of the scale. The truth is that the present structural deficits in developed countries do not come from overspending, but from a lack of tax receipts: capital is not taxed enough.

If I am following you correctly, today capitalism has rediscovered the same traits that it had before the 1945 compromise, and for this same reason Marxist theory has become relevant again?

Yes, but only partly. After all, even for Marx himself — lest we forget — history does not simply repeat itself. The accumulation mechanism which I spoke about, and which still largely applies, today obeys other modalities. There has not been any pure and simple turn back to what

there was before. Capital could not just abolish the gains of the postwar period. It was necessary to preserve social peace. The "trick" in the 1970s consisted of using inflation to defuse the emerging conflict between labour and capital over redistribution. The money machine was used to compensate for the loss of income which resulted from the reduction in capital's contribution to the welfare state... Evidently, that could not last. So from the late 1970s inflation was replaced with public debt, and states borrowed (rather than tax) in order to be able to keep up the level of services. Then, in the 1990s, when states began to worry about the growing weight of debt servicing as part of their budgets, and reduced their spending (and thus social services) we took recourse to private debt. In other words, we made it easier than ever for households to take on debt so that they could preserve their purchasing power, which was being cut back by these budget consolidation measures. And that led us to the 2008 catastrophe.

Why have states given in to capital?

Out of fear of capital's refusal to invest. Capital has the ability to exert blackmail: if you do not accept its conditions, it will invest elsewhere. And with governments that has always been enough. We should not underestimate the attractive power of contemporary consumerist capitalism, which allows the consumption of countless, very varied products. And everyone wants to buy the most goods possible, as cheaply as possible. Obviously, what is good for the consumer is not necessarily good for the worker. We buy more stuff, more cheaply, but we lose our jobs and ultimately we can no longer buy anything at all. Individuals are not always conscious of this contradiction between their needs as consumers and their needs as workers.

In your book you mention another factor that has contributed to the triumph of present-day capitalism: the unexpected rehabilitation of wage labour. What exactly has happened, here?

This rehabilitation is linked to what I mentioned, the consumerist intoxication of these last three decades — what Adorno called the "well-being in alienation." Workers have not only accepted their dependence on their remuneration, but have drawn a form of pride from it.

The influx of women into the labour market from the 1970s onward played a decisive role in this process. They experienced wage-labour as an emancipation from tasks in the home, which they now saw as slavery. Encouraged to exercise some professional activity, they very often became the allies of employers concerned to deregulate the labour market, who could henceforth oppose these new, more competitive female newcomers to their masculine counterparts.

So it is women's fault?

The history of their arrival on the labour market shows all of capitalism's ambiguity. This is an ambiguity, indeed, which Marx and Engels had already underlined in the *Manifesto of the Communist Party*. In the *Manifesto* they described the opposition between the traditionalism that does not want to see anything changing, refusing to submit itself to the laws of the market, and the market's own promises of emancipation and autonomy. And this whole ambivalence is there in this history: the history of women's arrival on the labour market can be narrated as the consequence of pressure on wages and the retreat of the welfare state, forcing families to seek a second salary. But we can also narrate it — just as convincingly — as the history of women's emancipation, as they escaped the dictatorship of men and marriage.

The paradox, if we believe your book, is that this emancipation promised by capitalism results in a weakening of democracy. How is that possible?

One of the great myths of standard economics scholarship is that in order to get elected or re-elected politicians will inevitably give in to the pressure of the majority and its excessive demands, which lead to a wasting of resources. The market, conversely — impersonal and independent — supposedly obeys a pure rationality. All this is false. When we retrace the genesis of the current financial crisis, it becomes clear that the most dramatic explosion of indebtedness since the Second World War — the explosion of 2008 and the years that followed — had absolutely nothing to do with any supposed explosion in democratic demands. It is the result of the blackmail from the banks, who finding themselves in a critical situation, managed to present themselves as "too big to fail" and were bailed out by the state.

Yet despite everything — and paradoxically, even more so since 2008 — the dominant doctrine has succeeded in getting people to believe that it was necessary to protect the public finances from democratically generated demands. We adopted an economic policy based on rules (like the famous "golden rule" written into the [European] constitutions which obliged states to have balanced budgets), on central bank independence, and on the reign of "experts" and supranational bodies — in short, a politics made immune to electoral results.

But is it not true that for a long time — and particularly during the Cold War — democracy and capitalism were presented as inextricably linked?

This was just an alliance of convenience. It was sealed in 1945, and was cemented by the fear of communism.

But why not go back to the compromise of 1945?

It was the fruit of exceptional conditions. After the war the capitalist class was discredited and it had to resolve to sealing a new contract with the forces of labour. The soldiers returning from the war, especially in the United States, demanded that there be no more unemployment. They also wanted the possibility of education, as well as a chance of social mobility for themselves and their children. And you cannot say "no" to an army returning from the battlefield. That is also what happened in the UK. The welfare state there was imposed by soldiers returning from the front. In that era capital had to display great prudence with regard to labour, and it (temporarily) accepted what it would never have accepted in other circumstances. Moreover, I think that today the globalisation of capital is too advanced to go back.

How do you see the future?

As a long transition marked by increasingly frequent crises and a rise in inequalities, which will end up with a situation of anomie. The state finds itself more and more powerless. In the article you reproduced in your magazine, which it was a pleasure to read, Menand cites Piketty's book. And this book's last chapter makes proposals: in particular, a worldwide tax on capital in order to put an end to growing inequalities. But when we consider the current state of not only the economy but also — above all — of politics, this is a completely unrealistic perspective.

So for you there is no solution?

I do not know — I do not see any. I do not see what, today, could allow us to take back control. Marx thought that the alternative would be within the grasp of an International with an organised proletariat. I see nothing like that today — no vast and organised popular movement, capable of opposing globalised capital. That is a decisively important difference with the nineteenth century.