

R Buying time and running out

Guest book review of Wolfgang Streeck's „Gekaufte Zeit: Die vertagte Krise des demokratischen Kapitalismus“. Berlin: Suhrkamp, 2013.

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(<http://thecurrentmoment.files.wordpress.com/2013/04/streeck-cover1.jpg>)

Democratic capitalist societies have been “buying time” with money for the past four decades – first via inflation, then public debt, then privatised Keynesianism – but are running out of resources for postponing the inevitable crisis. As a result, we now find ourselves at a crossroads where capitalism and democracy part ways. That in a nutshell is the thesis of Wolfgang Streeck’s new book, currently only available in German, but being translated for publication with Verso.

The book is based on a series of three “Adorno Lectures (http://www.ifs.uni-frankfurt.de/doc/adorno_vl.htm)” given by the director of the Max Planck Institute for the Study of Societies (<http://www.mpifg.de/>) in the summer of 2012 at the renowned Institut für Sozialforschung in Frankfurt (other lecturers in recent years included Judith Butler and Luc Boltanski). Its radical language and conclusions may be surprising for those who remember Streeck’s days as advisor to the “Bündnis für Arbeit” initiated by Germany’s former Chancellor Gerhard Schröder, which precipitated far-reaching labour market and social security reforms, or of Streeck’s demands for institutional reforms to forge a more competitive and flexible low-wage service sector in Germany modelled on the USA (Der Spiegel (<http://www.spiegel.de/spiegel/print/d-13220370.html>), 1999). But crises bring new beginnings, and Streeck’s defense of democracy against its subjugation to the market is auspicious. His analysis of the economic, political and ideological straightjacket that states have found themselves in, not just since the crisis but certainly more pronouncedly in its wake, ties together a revamped analysis of capitalism with a compelling critique of the “frivolous” politics of European integration. With some wit, a characteristic taste for good anecdotes, and above all great clarity, Streeck studies the processes of the *moyenne durée* which produced the “consolidation state” as the supreme fulfilment of a Hayekian liberal market vision, and which brought us to the impasse of the current period.

The book begins with a critical appraisal of how useful the Frankfurt School's crisis theories from the 1960s and 1970s still are for explaining today's crises. While their works are by no means invalidated, Streeck contends that yesteryear's crisis theorists could scarcely imagine how long capitalist societies would be able to "buy time with money" and thereby continually escape the contradictions and tensions diagnosed by their theories of late capitalism. He explains the developments in Western capitalism since the 1970s as "a revolt by capital against the mixed economy of the postwar era"; the disembedding of the economy being a prolonged act of

*successful resistance by the owners and managers of capital – the "profit-dependent" class – against the conditions which capitalism had had to accept after 1945 in order to remain politically acceptable in a rivalry of economic systems. (p. 26)**

By the 1970s, Streeck argues, capitalism had encountered severe problems of legitimacy, but less among the masses (as Adorno and Horkheimer had expected) than among the capitalist class. Referring to Kalecki, he suggests that theories of crises have to refocus on the side of capital, understanding modern economic crises as capital "going on strike" by denying society its powers of investment and growth-generation. The 1970s crisis, and the pathways that led out of it, thus were the result of capital's unwillingness to become a mere beast of burden for the production process – which many Frankfurt theorists had tacitly assumed would happen. Capital's reaction to its impending domestication set in motion a process of "de-democratising capitalism by de-economising democracy" (*Entdemokratisierung des Kapitalismus vermittelt Entökonomisierung der Demokratie*). This ultimately brought about the specific and novel form of today's crisis and its pseudo-remedies.

The rest, as they say, is history. In the second part, Streeck outlines how public debt rose with the neoliberal revolution, something mainstream economics and public choice quickly and falsely explained away as an instance of the "tragedy of the commons" with voters demanding too much from the state. However, the rise in debt came in fact with a *curtailment* of the power of democracy over the state and the economy. First, the good old "tax state" was ideologically restrained – starving the beast – and gradually found itself rendered a meek "debtor state" increasingly impervious to any remaining calls for redistribution by virtue of its objective impotence. Then, the resulting power shift to what Streeck calls the state's "second constituency" – the creditor class, which asserts control over its stake in public debt and demands "bondholder value" – generated a standoff which Streeck observes between the conflicting demands of *Staatsvolk und Marktvolk*. The fact that the debtor state owes its subsistence less to contributions from the taxpaying "state people" and more to the trust of its creditor "market people" leads to a situation in which debtor states must continually credibly signal their prioritisation of creditors' demands, even if it harms growth and welfare. Creditors, in their conflict with citizens, aim to secure fulfilment of *their* claims in the face of (potential) crises. The ultimate power balance remains unclear, but the "market people's" trump card is that they can mobilise other states to fulfil their demands, leading to a kind of international financial diplomacy in their interest.

The archetype of such a transnational financial diplomacy, Streeck contends in the third and final part, is Europe under the Euro, where we encounter an even more wretched type: the "consolidation state". Consolidation, Streeck argues, is a process of state re-structuring to better match the expectations of financial markets, and the consolidation state is a sort of perverse antithesis to the Keynesian state, acting in vain appeasement of the financial markets in hope of one day again being permitted to grow its economy. Its story begins with Friedrich Hayek, whose 1939 essay *The Economic Conditions of Interstate Federalism* Streeck presents as a strikingly accurate blueprint for the modern European Union, complete with references to the common market as assuring interstate peace. The European "liberalisation machine" slowly and successively reduced national-level capacity for discretionary intervention in markets; but it was European Monetary Union which ultimately rendered one of the last powerful (yet blunt) instruments available to states impracticable: currency devaluation. The resulting multi-level regime, a regime built on an unshakable belief in European

“Durchregierbarkeit” (roughly: the capacity to govern Europe) and driven by a bureaucratic centre (or centres) increasingly well-insulated from democratic meddling, completes the actual European consolidation state of the early 21st century. Within this kind of hollowed-out supra-state individual countries have to fulfil their duties *to pay* before fulfilling any duties *to protect*, and recent “growth pacts” like Hollande’s (<http://thecurrentmoment.wordpress.com/2012/08/24/still-no-alternative-to-austerity/>) are mere political showmanship. In the present framework even more substantial programmes would be likely to fail, Streeck argues with reference to Germany’s and Italy’s huge and hugely unsuccessful regional growth programmes. Stemming the decline of the southern Europe with transfer payments while adhering to monetary union with Germany is as much an impossibility as it is fuel for future discord.

Now, with tighter financial means, the cohesion of the Brussels bloc of states depends on hopes invested in neoliberal ‘structural adjustment’ with a parallel neutralisation of national democracies by supranational institutions and a targeted cultivation of local support through ‘modern’ middle classes and state apparatuses, who see their future in western European ways of business and life. Additional packages for structural reform, stimulus and growth from the centre are mainly of symbolic value, serving as discussion fodder for the greater public and for the mise-en-scène of summit decisions, as well as for politically and rhetorically absorbing whatever is left over of social democracy. Finally, puny as these may be financially, they can also be used to distribute loyalty premiums and patronage to local supporters: instruments of elite co-optation by doling out advantages in the Hayekisation process of European capitalism and its state system. (p. 203)

What can be done? It would be wrong to describe Streeck’s conclusions as optimistic. The capacity of populations or politicians to resist the imperatives of the consolidation state appears small, even where he argues that popular opposition is key, pointing to some rays of light in recent social movements. Streeck characterises present capitalist society as a “deeply divided and disorganised society, weakened by state repression and numbed by the products of a culture industry which Adorno could hardly have imagined even in his most pessimistic moments” (p. 217). It is furthermore politically held in check by a transnational plutocracy which has far greater sway over parliaments and parties than citizens. Given the likely failure of the consolidation state at restoring normality, we have thus arrived at a crossroads where capitalism and democracy must go their separate ways.

The likeliest outcome, as of today, would be the completion of the Hayekian social model with the dictatorship of a capitalist market economy protected against democratic correctives. Its legitimacy would depend on those who were once its Staatsvolk learning to accept market justice and social justice as one and the same thing, and understand themselves as part of one unified Marktvolk. Its stability would additionally require effective instruments to ensure that others, who do not want to accept this, can be ideologically marginalised, politically dis-organised and physically kept in check. [...] The alternative to a capitalism without democracy would be democracy without capitalism, at least without capitalism as we know it. This would be the other utopia, contending with Hayek’s. But in contrast, this one wouldn’t be following the present historical trend, and rather would require its reversal. (p. 236)

Small acts of resistance, Streeck notes, can throw a spanner in the works, and the system is more vulnerable than it may appear; the Draghis and Bernankes still fear nothing more than social unrest. For Streeck, projects for democratising Europe, calls for which have recently gained momentum, can hardly work in a Europe of diverging interests. They would have to be implemented top-down, and furthermore have to succeed both amidst a deep (public) legitimacy crisis of Europe and against an already firmly embedded neoliberal programme with a decades-long head-start.

Streeck places his highest hopes in restoring options for currency devaluation via a kind of European Bretton Woods framework; “a blunt instrument – rough justice –, but from the perspective of social justice better than nothing” (p. 247). Indeed, a newly flexible currency regime would re-open some alternatives to so-called “internal devaluation” – nothing but a euphemism for already-euphemistic

“structural adjustment” – and thereby permit a more heterogeneous political economy within Europe which could better match cultural differences (the book’s references to which sometimes seem to teeter on the edge of calls for national liberation). The Euro as a “frivolous experiment” needs to be undone, Streeck claims. But would that really mean a return to social justice? States like Great Britain or Switzerland hardly suggest a linkage, least of all an automatic one. Furthermore, declines in real wages from currency devaluation can mirror those of internal devaluation, merely with the difference of how politically expensive the process is (and it would still likely be central bankers, not democratic institutions, taking the decision). A return to national currencies looks like an all too easy way out, falling short of political-economic transformations for restoring some semblance of social justice to capitalism – let alone social justice as an alternative to capitalism.

Nonetheless, Streeck’s is a forceful argument in favour of preserving what vestiges remain of national sovereignty in face of capitalism’s attacks on democracy, as tools for gradually pushing back the transnational regime of market sovereignty. He concludes that the greatest threat to Western Europe today is not nationalism, but “Hayekian market liberalism” – whether the one could be the dialectical product of the other remains another question. Above all his analysis of capital as a collective player capable of acting with guile (Williamson) to ensure capitalism remains in its better interests – intellectual traces of Streeck’s days as a scholar of collective bargaining (http://www/people/ws/downloads/High_Equality_Low_Equality.pdf), perhaps – is clearly one of the most innovative approaches to understanding the class dimension of the political economy of the present crisis. His anatomy of the type of regime we increasingly have to deal with, the consolidation state moulded to address capital’s own legitimacy crisis yet sacrificing democratic legitimacy in the process, perhaps offers the most cogent picture of the present multi-level political economy of debt in Europe (and beyond). Taking back the consolidation state and re-appropriating democracy from capitalism’s clutches at the crossroads, of course, is a task beyond the reach of any book.

(*All quotations are the reviewer’s own translations from the German original.)