



# Democracy in neoliberalism?

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The present article is based upon a round table, in which Colin Crouch, Wolfgang Streeck, and Donatella della Porta participated, organized in the framework of the Marxism(s) in Social Movements Working Group at Scuola Normale Superiore (Florence, May 2015). The roundtable was the concluding moment of a cycle of conferences aimed at rethinking some of the categories of social movement studies in light of the changes in contemporary capitalism within its global crisis.<sup>1</sup> A central question of the debate is how much capitalism needs democracy. The debate departs from the strengths and weaknesses of neoliberal capitalism, the global economic crisis and the new scenarios that the latter opens.

**Donatella della Porta:** The two books *Buying Time: The Delayed Crisis of Democratic Capitalism* by Wolfgang Streeck (2014) and *The Strange Non-Death of Neoliberalism* by Colin Crouch (2011) provide important contributions in both substantive and methodological terms. They both focus their attention on the overarching transformations of capitalism. In times marked by the disappearance of class, capitalism, and Marxism from the social sciences, both scholars went back to those concepts and tried to determine to what extent they help us to understand recent developments. An important contribution is their reflection on some common general developments in capitalism. There has been much debate about the diversities of capitalism: instead, from different perspectives, both books tend to reflect on the common trends in our societies. They address a specific moment in which, as social scientists, we are challenged to adapt our categories in order to understand a changing reality. There is a statement by Gramsci, which is more and more used in the incipit of books on the current crisis: ‘we are living in a time in which the old world is dying and the new cannot be born’ (Gramsci, 2007: Q.3,

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**Article by an MPIfG researcher**

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p. 311). So, we are living in a time in which we know that the old categories are no longer useful, but at the same time we do not know yet what the new categories are. In this specific time, it is all the more important to reflect about these two important books because they both bring back big theorizations.

As social scientists we have been focusing mainly on middle range theories. This has brought about positive developments, but at the same time it risks undermining reflections on more encompassing interpretations, which in the past helped different disciplines to communicate with each other. Concepts like class rather than just social stratification, capitalism rather than just economic structures, solidarity rather than integration once helped to establish dialogue between disciplines. Now we have to rescue them again and see to what extent they can help us in understanding current changes. Furthermore, we have been accustomed to reflect in static terms, on varieties of capitalism as path-dependent long-term trends. Instead, both books address the crisis as a moment in which we must think about changes and adaptations to situations, even though we do not yet know what new type of system will be born.

This means also that these are times when agency becomes important: times of challenges, in which contingencies and under-structured types of developments are relevant. I think both books, without wanting to tell us what the future will be, dare to think about these significant transformations. For example, Wolfgang wrote that, although we do not know what will come after capitalism, we have nevertheless to acknowledge that there is potential to challenge it. We need addressing these big questions in order to connect subfields among disciplines, which tend to be increasingly separated from each other, and to imagine different futures. Now I would like to give Colin and Wolfgang the possibility of addressing some general questions in this debate from their different, but compatible perspectives.

Colin and Wolfgang's books talk to each other a great deal as they address the major dynamics of the crisis, but they emphasize different things. In Colin's book there is an explanation of the strength of late neoliberalism. Its strange 'non-death', as it appears in the title, relates the power of corruption in this type of late neoliberalism to the capacity of the 1 per cent to build a very elitist type of dominant class, blocking development of the normal crisis model in favour of a new one. So, as Colin Crouch explains in his book, the power of giant corporations is more and more difficult to challenge as they became stronger and stronger by constructing relationships between the economic and the political powers. In Wolfgang Streeck's analysis there is, instead, a perception of potential weaknesses built into this system thanks to a feeble opposition. In neoliberalism, the greed of capitalists does not meet strong resistance, and capitalism risks being a victim of its own strength.

The first question I would like to ask to both speakers is: *To what extent is neoliberalism in the crisis a strong or a weak system from which something different can be born? And what can be born from this crisis?*

**Colin Crouch:** Neoliberalism has this enormous strength, not so much the strength of the market economy, although that is its main theoretical legitimation. What we

have in actually existing neoliberalism is an economy where in very important sectors very large corporations dominate. Later on in our discussion I will look at the relation between that and democracy. Very important consequences come from the differences between a real market economy and an economy dominated by large corporations, especially in banking and energy and some other sectors. Part of this is the political dominance that this kind of capital can have, which is incompatible with a true market economy; partly it is the dependence that we all have on these large corporations, to some extent because of their size. As the famous quote after the international crisis says: banks are becoming too big to fail (and too big to jail). That is a contradiction of the theory of market economy, as ease of exit from the market is important for its proper functioning. As global players they can move around the world to find locations where they are treated most generously, thereby undermining public regulation.

We can say that this is the power of neoliberalism, but neoliberalism also has weaknesses, particularly the fact that it is very rarely a popular political force in the democratic sense. A few neoliberal slogans like 'less taxation' are popular, but very rarely, almost never, do we find purely neoliberal parties dominating in a democratic system. Its detailed ideas are too technical and remote from human experience to be capable of mobilizing mass opinion. Neoliberalism therefore always needs coalitions of some kind. Its preferred coalition is with traditional conservatives, yet there is always a tension here, because neoliberalism is, in the Schumpeterian sense, a destructive force: tradition stands in its way and opposes it.

A broad problem for neoliberalism today is that this kind of traditional conservatism is becoming weak itself, as religion and other aspects of traditional society decline in importance. Conservatives are therefore driven to become increasingly nationalistic and xenophobic, as these appeals retain and even increase their strength under conditions of globalization. An alliance between a globalized neoliberalism and xenophobic conservatives is very difficult to sustain. This is a problem to the extent that neoliberalism needs democracy, or at least it has to exist in democratic societies. Against this, egalitarian and collectivist forms of politics that are in general clearly very antipathetic to neoliberalism usually share with it a commitment to openness and general liberalism. There may come a point where neoliberals will need to face a choice. One possibility is that they continue their increasingly difficult coalition with conservatives, and run the risk of confronting a tacit alliance of workers' and xenophobic movements, united by their opposition to the disruption to the lives of ordinary people that neoliberal globalization can bring. Alternatively, they might choose a coalition of some kind between social democracy and neoliberalism. This is what we had for a while in the 1990s, with the third way of Tony Blair, and what Italy has today with the Renzi government. The issue is whether neoliberals are willing to offer enough concessions towards social democracy to provide a stable life for millions of working people, or whether, by allying with conservatives, they would drive those people into the arms of xenophobic nationalism. How much compromise with social policy and organized employment relations are they willing to offer in order to preserve their globalizing project?

**Donatella della Porta:** And how these weaknesses could bring about the potential end of neoliberalism is something you have discussed, Wolfgang.

**Wolfgang Streeck:** I find it hard to detect disagreements with Colin in our basic analyses as we look at different facets of the same thing. We sing in a choir with different voices. Here I would like to emphasize two things from his work. One is his perfectly plausible analysis of a particular period in the history of post-war capitalism, I mean the 1990s, where I learned, basically from an article by Colin (Crouch, 2009), how the shift from public debt to private debt in a period of fiscal consolidation was accomplished, first in the United States and then in the OECD world as a whole. The other thing is his emphasis on something that I completely missed in my analysis, namely the large, today mostly multinational, corporations. Neoliberalism is not just a system of pure markets but also a system of global corporations that compete with each other under rules of competition they work out between themselves under what is called 'global governance'. In this, they are more assisted than impeded by nation-states, although corporations are sometimes utilized by state institutions like the National Security Administration of the United States. We need to understand better their relationship with the military-industrial complex in the US. That is another subject we seem to have lost track of.

Where I, perhaps, operate a little differently from Colin is where he speaks about the possibilities of different political and ideological blocks striking alliances, which is indeed the very essence of the political game. In my book, I step back from the political game as such to look at the basic mechanics of the political-economic system, and the status and possibilities of democratic politics in it. When we talk about democracy we should remember the way in which, in the last 30 or 40 years, the post-war shotgun marriage, as I call it, between democracy and capitalism was slowly and gradually divorced, as a result of which the control of democratic politics over the economy slipped away. That deeply affects the nature of the political game as politics – here we are completely in agreement – has lost its capacity to govern the way the economy functions. Today the separation between the two gives rise to all sorts of 'morbid phenomena', an expression suggested by Antonio (Gramsci, 2007: Q.3, p. 311) for the politics of the interwar years. Democratic-egalitarian politics today has little impact any more on the outcomes of markets, especially on the distribution between capital and labour, which means on the life-chances of ordinary people, on the degree of equality and inequality in a society. Today's politics produces strange phenomena like Berlusconi or Le Pen or Wilders.<sup>2</sup>

For another illustration look at Germany, where Chancellor Merkel the other day coined the concept of a 'market-conforming democracy'. This was in a debate in the Bundestag where the question was: what do we do if the financial markets require fast action at the European level, maybe another financial 'rescue operation'? Some Bundestag members remembered that it was they who are supposed to decide on the budget, and wondered that maybe they should first be informed and know what they are expected to do when they vote. The answer was that this may take too long: 'We live in a democracy, this is a parliamentary democracy, and we are glad about it, but our democracy must also meet the expectations of markets

and therefore it needs to be a market-conforming democracy, and therefore, we have to change our decision-making procedures a little bit, so that I can go to Brussels and make the compromises that need to be made, otherwise the market collapses.’

Here we are at the endpoint of a long process in which more and more decisions with distributional consequences for masses of people are taken away from parliaments and trade unions and end up in central banks and international organizations. You need to study international law and the European treaties to even begin to understand the communiqués they produce overnight in Brussels. And then they are sent, sometimes in English, to the Bundestag, which is supposed to make a decision by Friday afternoon, and today it is Thursday. At the European level, you see a central bank that is uniquely independent: the ECB does not even have a finance ministry to speak to; instead it faces 19 finance ministries at the same time, if at all. Its chief sends letters to national governments that are not even published, telling them that what he is sending them is a memorandum of understanding that they better sign. In these documents you find truly bizarre things, like a government has to fire 15,000 civil servants by the end of the year, and if they fail to do this something bad may happen to them. Remember Papandreou and Berlusconi: they were gone over night just because their friends in Brussels decided that they should no longer govern.

It is very clear from Colin’s book on post-democracy (Crouch, 2003) that in these days we are not seeing political leaders in touch with their societies – with social movements or classes. We are listening to PR specialists and their carefully crafted power-speak, designed to create all sorts of illusions of agency and impact. So one finds quite a few people who believe that the former Goldman Sachs manager Mario Draghi has suddenly turned into some sort of social democrat, because he produces all this paper money by which to keep the Mediterranean countries alive, where what he really keeps alive are their banking industries. As to the countries, he keeps sending them the same old messages of neoliberal ‘reform’ as a condition for the continuation of the money supply – and how seriously this is meant is demonstrated by the treatment of Greece in the final weeks of the negotiations that resulted in Syriza’s capitulation.

Political decision-making has moved away from the everyday experience, not only of citizens but even of students of politics. Last week at the Torino book fair, I debated my book with an Italian economist, Lucrezia Reichlin, and we agreed on astonishingly many points. Where we did not agree was when she – having been, among other things, head of research at the European Central Bank – expressed the view that things had become so complex, so difficult, that we need to take important decisions out of the normal democratic process, turning them over to non-political agencies like the judiciary or, with respect to macroeconomic policy, the European Central Bank, to take care of monetary stability, economic growth and so on, because people do not understand the complexity of these issues. That is something one should be very sceptical about, because the logic that is executed by Central Bank economists is not a neutral mathematical logic, but one of social and economic power relations projected into mathematics. The political power game,

the building of political power from below, may well enter into the economic equations, but it has to take place first. The models can consider all sorts of parameters, including that people get angry if you do this or that. But first people have to get angry.

**Donatella della Porta:** I do not want to over-emphasize the differences between you, but I think there is a point that emerged from both of your interventions which is left as a question mark: *how much does capitalism really need democracy?* Because I think many of the elements you pointed out are quite clear. Even countries that did not sign memoranda of understanding were forced to accept decisions taken not only outside of electoral accountability channels, but also outside of public visibility. I was in Germany during the debate on the Greek case, and the people you saw on television talking about the important political issues were ministers of finance. The ministers appeared, and there were also others who did not appear but made decisions. It is true, there was a sort of loss of visibility as power went from the state to the market. The parallel to Angela Merkel in Italy was Mario Monti who, more or less, said: 'We don't need the trust of the citizens; we need the trust of the markets'. So there is this market-compatible type of democracy. But there is something else I have learned from both of you, and this is the fact that neoliberalism is different from liberalism. It is similar to what has been called 'ordo-liberalism', which does not really rely just on a free market but also needs a strong government. So, you have, on the one hand, the need Colin was talking about for this type of neoliberalism to ally with forces that can introduce elements for building collective identities around non-class-type issues, such as xenophobic, authoritarian, anti-civil rights type developments. On the other hand, you have a sort of tension between the states giving up powers to the market, but at the same time the market needing decisions by the state. You, Wolfgang, have been quite explicit in this self-critique in the article published in *Stato e Mercato* (Streeck, 2014), where you pointed out the fact that, in the past, we believed that capitalism needed democracy, but maybe it was just a parenthesis. The '*trentes glorieuses*' represented the exception.

The question about how much capitalism needs democracy could also be bridged with what we want to discuss in the next question. *Is there some type of alternative force in society that could push for some changes?* In your analyses on capitalism both of you have always insisted that capitalism was conditioned, limited, and constrained by the fact that there were actors who struggled against it. It was a democratic capitalism not because it needed democracy, but because it was forced by trade unions and other movements to contain its greed. In his recent work, Wolfgang seems to expect changes in capitalism – even an end of capitalism – which will be, however, determined not by the need to negotiate with an opposition but rather by its absence (or extreme weakness). Also in Colin's 'post-democracy' (Crouch, 2003), there seems to be a nostalgia for the power of trade unions; he looks with a positive and optimistic eye to social movements, but at the same time imagines them as quite fragmented and not capable of taking over the task of



resisting the greediness of capitalism. Since Colin's book was published, there have been some changes. There were anti-austerity types of protests that developed in the countries hardest hit by austerity policies and, quite unexpectedly, they seem to have produced something of an electoral earthquake, or at least the beginnings of deep political changes, e.g. in Spain and in Greece. So, specifying the question: *How do you see the potential of (oppositional) agency in a capitalism driven by banks, financial powers and giant firms, but also in a capitalism that needs the decision-making power of political institutions?* In this Colin has always been very clear: neoliberalism is not produced by the market, it is produced by the state seizing power, making decisions, cancelling laws that were there in order to constrain the greediness of capitalism. *This is the set of questions I would like to ask you to address.*

**Colin Crouch:** Lenin said that the best political shell for capitalism was republican democracy (Lenin, 1943). His argument was that capitalism needs a political system that guarantees the right of private property and certain stability in the use of state power. Formal democracy does this more effectively than dictatorship, which can act arbitrarily. There is also something that neither Lenin nor capitalists probably thought about before, but that is evident now, and that is that democracy is able to deliver the regulations that capitalism itself needs in order to function. There are some crazy American neoliberals who really think that one does not need the state even to guarantee private property, and that private contracts can provide all the regulation that markets need. The main historical point of reference for this is the *Lex mercatoria*, or merchant law, that governed much medieval trade without help from formal legal systems. But the medieval economy was based on face-to-face relationships, where informal sanctions could be imposed with reasonable efficiency. This kind of regulation is far more difficult to achieve in a global economy.

In the wake of the recent major crises and scandals that have affected their sector, many of today's bankers accept that they need external regulation, as the non-statutory systems that they could devise for themselves could not protect against opportunistic breaches of codes of practice by a few, who would then gain at the cost of those exercising restraint. No system can regulate itself entirely by its own rules; it has to have something outside of it. Capitalism needs regulation for its own sake and to enable it to function. Democracy, in general, provides the most likely stable regime of that kind. Not the conflictive democracy that we know from the first part of the 20th century, with major forces opposing private property, but a 'domesticated' democracy in which strongly oppositional forces very rarely get a chance to have power, where there are always political compromises. That provides for a regime in which the law changes in ways that are announced in advance, where there is a chance for consultation and then for lobbying before changes in rules are implemented.

Most capitalists would say they prefer that kind of system to dictatorship. Even though they heavily invest in China, they are still scared that if something goes

wrong there, the Chinese government will expropriate them. Dictatorships are not normally willing to offer a long-term stability. The exception was Pinochet's regime in Chile, which was a dictatorship that actually implemented a free market recipe. The Chilean case remains unique among neoliberal experiments: being a ferocious, vicious dictatorship that nevertheless sustained a free market economy. What capitalism actually wants is a post-democracy, where all the institutions are in place, where the rule of law exists, but all democratic debate happens around the margins of a society, which is really governed by the big economic forces, for whom the main rules ensure stability. Post-democracy is contemporary capitalism's 'best possible shell'.

And this means that, certainly in the advanced societies, capitalists are more likely to tolerate post-democracy than they are to insist on the overturn of the democracy. During the Greek crisis of 2011–15 there was no attempt by European institutions and major banks to get rid of democracy in that country; the democratically elected Greek government was persuaded to sign commitments.

The only thing that Wolfgang said that I disagree with was what I see as his over-confidence in the capacity of democratic institutions. There are some institutions which, for democracy's own sake, should be taken out of the hands of politicians. Politicians say that they are the incarnation of democracy, but actually they are also people who are striving for their own aims: if they can possibly redefine reality to insure that you will vote for them, then they do that. It is very important for the sake of democracy that politicians have a limited power to change the definition of reality. So, I do not want democratic control, i.e. political control, of national statistical agencies or of national broadcasting media. I do not want politicians to be able to manipulate interest rates, so that things come right for a few months before the elections. Therefore I do want certain aspects of the operation of central banks' behaviour to be beyond the reach of politicians. I certainly want a rule of law and the operation of justice that is beyond the reach of political interference. Democracy itself needs some protection from the people who claim to be its incarnation.

Returning to the main point of this discussion, we can see in all this certain points where capitalist interests have some dependence on the society within which they operate. This makes possible some political exchange and compromise, which brings us back to our analysis of class and interest groups.

**Donatella della Porta:** Colin Crouch wrote of post-democracy (2003) during a moment in which neoliberalism seemed to be winning – it seemed to be on the rise, and post-democracy seemed to be fit for that moment because it was based on ideas of minimalistic forms of participation for citizens, and electoral accountability as the main instrument. The message was 'trust us, because we are skilled, and have the knowledge to do things better than the people can do, and we will ensure economic development'. This post-democratic discourse is also very strongly supported now by what have been called illiberal democracies or authoritarian democracies, hybrid types of regimes. In Turkey, Erdogan is saying: 'trust us, we have



been elected, we represent the community, and we will perform in economic terms'. European Union legitimacy by-the-output tended to say the same, privileging efficiency over accountability. My question, addressed more to Wolfgang, is the following: *Is it still possible for forms of post-democracy legitimacy, of a minimalist democracy, to survive in a moment and in situations where citizens no longer seem convinced by the idea that minimalistic electoral accountability can provide for a successful outcome?* Citizens are outraged because – they say – politicians pretend to be skilled, but in reality they are not, and they are not representing our interest. Post-democracy would have been an ideal situation for neoliberal capitalists but, as Colin said, it is fragile, and maybe in some parts of the world, even in Europe, it is no longer sustainable from the democratic point of view.

**Wolfgang Streeck:** I want to add another building block to this analysis, starting from the question of whether the production of legitimacy in our democracies is still mainly achieved by the political system, or whether it has moved somewhere else. Here consumerism becomes crucial, which in my view implies a sort of emasculation of politics as the satisfaction of needs and aspirations has moved to consumer markets. There Colin's big firms are central. We are reminded here of an old dilemma of liberalism, which goes back to John Stuart Mill, namely that on the one hand capitalism needs a strong state, but on the other hand you have to make sure that this state is not misused, so to speak, by the masses for imposing on the market all sorts of stupid demands like, for example, full employment. How do you get this done? In the book I describe the transition from Keynesian to Hayekian democracy. In the Keynesian postwar period, egalitarian-redistributive democracy was understood to be a source of economic growth in that it was taking away from the rich and giving to the poor who, unlike the rich, spent their money rather than saving it, and as a result the economy would grow.

From there we have been moving over 40 years to a world in which, instead, it is almost self-evident to everyone that, in order for the economy to grow, you have to take from the poor and give to the rich. The idea is that there are two different kinds of people in a capitalist society, requiring two different theories of motivation. At the bottom end, the assumption is that people work harder if you lower their income, while at the top, people work harder if you offer them more money, higher profits, higher salaries, lower taxes and so on. Two different races of people living in the same society but requiring diametrically opposed work incentives. How did this come about? Liberals need to define the institutions of a democracy in such a way that the poor will never be able to intervene in the outcomes of markets. For example, Hayek's utopia of a democracy is that there should be only one time in your life you can vote, which is the year when you reach age 45, and then you and your cohort elect 1/45 of the national assembly, which will sit for five years. Trade union officials are explicitly not allowed to stand for election because they do not have the proper long-term view of the economy.

Here comes my response to Colin's point about the judicialization of decisions. Yes, of course, so far so good: if I had to be sentenced for a traffic violation,

I wouldn't want to be sentenced by a Committee of the Deutsche Bundestag, because they may double the fine as I have publicly spoken out against the European Monetary Union. But when it comes to the political economy, we both undoubtedly agree that the great advantage of trade unions, when they were strong, was that they were able as a social movement to distort the market, as economists would say. There was no central bank that could tell them to stop, sit down and wait until they ruled on the basis of law and economic theory how much people should earn. This was for very good reasons: because distributional decisions are political and not technical. So a distinction is to be made here, which is blurry sometimes. It is a civilizational achievement that we have learned that certain things are not political and should be delegated to experts. But if an expert, or an expert institution, would decree that 25 per cent of the population have to be in precarious employment for the economy to grow, and this is what some experts nowadays are in fact saying, he would be overstepping his mandate. Here is where politics begins, and where economic outcomes cannot be left to non-political institutions like central banks.

Now for something on legitimacy production. If you decouple the state from the economy and turn it into a strong state that protects the economy, in the Hayekian way, from the indiscrete wishes of stupid people, legitimacy production is turned over to consumption. Consumerism is a culture by which the notion of collective good is continuously debased. Today, the claim is that the goods that you really want are private, customized, individualized goods that are made specifically for you. This is historically new. Until the 1970s cars were basically all alike, except that they had different colours. Now what you can buy is so diverse that you can believe that you are engineering what you are buying: buying becomes a cultural celebration of the individual. This has an enormous attraction, because buying something that feels tailor-made for you is easier than having to join a political party or organize a social movement for an equivalent collective good to be produced – one which would probably be the same for all, like old-fashioned mass production. You do not have to spend your time with other people to convince them how the telephone service should be improved if you can simply go and buy your iPhone and customize it to your personal taste.

The issue here is the replacement of citizenship by customership. It begins in the 1970s when the neo-libertarianism of the 1960s met profit-squeezed capitalism in the design departments of large producers of consumer goods. Here we have to talk about the close relationship between liberalism and libertarianism. A specific kind of freedom is built into markets, at least on the surface: you have a choice. 'America is a republic of choice', and choice means individual freedom, you are the master; you decide what you buy. This can be contrasted to a politics where old-fashioned virtues like discipline, compromise, long debates on what is good for all of us, the joint exploration and definition of collective interests, requires skills, efforts and attitudes that are not at all required in consumer markets. In fact consumer markets denounce these virtues as superfluous or outdated. Try to explain that being able to choose

from 50 different designs for your next running shoes is not freedom and democracy, that it may fool you about the extent to which you control your own fate.

**Donatella della Porta:** It seems, though, that this consumerist type of solution to the problem of legitimacy also requires a growing economy and was also related to the values of a growing middle class. Now we can see some counter-challenges in class structure transformation, in which the middle classes as we used to consider them are disappearing. Because if you look at ongoing research on classes, at what Wolfgang suggested in his article on methodological issues on ‘how to study contemporary capitalism’ (Streeck, 2012), if you look at the concept of class as related not only to production but also to cultural developments, you see that the old middle classes that tended to support libertarian values, for instance those in free professions (lawyers, doctors, architects, and engineers), are declining to face the development of neoliberalism. With the building of large firms, they are losing autonomy and becoming something else. If you take public employees in the social sectors, who were also carriers of this type of left-libertarian values, all are also victims of privatization and the end of the public services to which we were accustomed. So, the question that emerges again is: How do these class transformations fuel opposition to this type of neoliberalism?

In post-democracy, Colin saw this opposition as quite weak and fragmented. But in some cases the 2011 movements and their political consequences – Podemos, Syriza, other parties of the left – were networked into a sort of not inter- but rather multi-class coalition in which you had traditionally protected sectors that were losing autonomy and power, but also more precarious parts of the labour class that were unable to organize through traditional trade unions but had other resources for action. Other bases of solidarity and other types of networks could be mobilized. *Do you still see these movements as very weak, and under what conditions do you think that they can grow?* One relevant experience that Europeans have not studied directly, because we left them to area studies specialists, are experiences of Latin American movements, which emerged under conditions apparently dominated by illiberal forms of neoliberal capitalism but were able to challenge this development, not by bringing about the end of capitalism, but by introducing a turning point in neoliberal critical junctures. This seemed to be a trend that will not die soon.

**Colin Crouch:** There is a bigger question behind what you are asking, and that is: When do social identities become political identities? Or when do they become politically relevant? Usually, historically, that has happened when an identity is an issue of struggle over inclusion and exclusion. The history of the late 19th to early 20th century is the history of the struggle for groups, mainly classes, sometimes religions, to be included in citizenship – and the history of the struggle by those already included for excluding those who were seeking inclusion. The struggle between right and left is the struggle for inclusion or exclusion. This means that if manual workers know that it is because they are manual workers (or not property

owners) that they are excluded from citizenship, their social identity becomes a political one. Of course, the early stages of that history were extremely violent. The history of struggles over inclusion and exclusion of class and religious identities has been a history of violence and suppression. But eventually compromises were reached, and in most western societies we reached a point of balance where these identities were still a fresh memory. People had a sense of who they were politically, but were able to reach compromises with their opponents. This was broadly the post-war period. Today these memories are fading, and a decreasing number of people are able to deduce a strong political identity from their various social ones.

Universal citizenship within a nation-state produces a world in which struggles over inclusion and exclusion do not happen so much anymore, so the new occupational groups of the post-industrial service sectors do not experience their social identities as having a political significance. Paradoxically therefore, universal citizenship produces a decline in the political salience of social identity. To some superficial observers this looks like a decline of class itself, but it is instead a decline in the struggles of political inclusion around class.

There are important exceptions. Many immigrant groups and some ethnic minorities continue to experience exclusion. This produces a struggle over inclusion and exclusion where populations who claim rights on the basis of being 'native' or white are set against racialized or ethnicized minority others who are equally long-term members of a national society. This becomes a struggle around xenophobia, which is very powerful because nationality and ethnicity become almost the only social identities with political salience, but it is of very unproductive quality. There continue also to be issues around gender. Although women have been citizens for a long time now, there are still certain barriers that they have to face, and they are also the majority of people working in the services' sectors. Therefore, to some extent the struggle of women is the struggle of the post-industrial service-providing class in general. This still has some constructive political potential. There are also other more complex questions as one starts to get struggles over inclusion and exclusion from the welfare state, from labour rights, housing, neighbourhoods and from certain types of employment status. These often pit the old working class as insiders against those defined as outsiders because of their migration history or racialization, and are becoming very dangerous conflicts. So, one can see that some potential political identities in contemporary globalized society are dangerous for society in general.

**Wolfgang Streeck:** I could not agree more. This is of extreme importance for the political system. It is not just the immigrants but also those who are already here. It is also the virtual possibility of open borders in a global economy where the supply of both poverty and labour seems endless. Concerning the supply of labour, the understanding of labour movements in the past was such that, where the labour supply cannot be regulated, there could be no trade unions, no collective improvement. It is important for us to take seriously concerns about global migration, also

because it is a problem – as Colin says – of identity formation. Money is the most universal thing on earth. A dollar is a dollar is a dollar, but it will also without hesitation change into a euro or a Swiss franc. People, however, come with their particular identities (they are Indians, Europeans, Germans, Swiss...) that they want to see respected, quite unlike a dollar. You cannot order them to change into someone else, and attempts at re-education from above may result in fundamentalist resistance from below.

So a financialized capitalist economy with a free flow of capital has an enormous organizational advantage over the people who are included in it. The space of money is global, whereas the space of politics and political movements has up to now been local, and national in particular. This raises some tricky questions in both normative and political-operational terms. In the latter respect, we see that Europeanization comes together with an increasing emphasis on certain sub-national identities – productive sometimes, maybe in a place like Scotland, unproductive perhaps in northern Italy, maybe somewhere in between in Catalonia. Going back to work that I did 20 years ago (Colin has done work in the same field), I have suggested that smaller political units may have a capacity to carve out niches for themselves in a global political economy (Crouch, 2009). They can do this by building on inherited strengths and tailoring their mode of production, their way of organizing themselves, to demands in the global economy that they can serve better than others. Take Sweden, or Denmark, or in a normatively perhaps somewhat questionable way, Switzerland. They are small, but they know where they are and who they are and what they can do. There are also problems with this, like overspecialization – take Finland and Nokia. But still, the question remains how much diversity, in economic and cultural terms, can political units internalize without losing their collective action capacity? It is a question that may be uncomfortable to ask, but it has to be asked in a global world in which the local – however you now define the local – is the only place where political action can actually be organized. There you have not just Facebook communication but the warm bodies of others, of people with whom you can meet in the same room, then march through the city with, and you learn something from it, in the same way people used to learn from going on strike about what it means to have and use power.

I had some experience with trade unions when I was young, and one thing I was particularly impressed with was how people who before the strike never had the courage to speak up to their boss, during a strike learned that they could do it. This is not possible via Facebook, only by direct action. In any case, here we are in a world in which money is the universal force and people cannot be universal. They come with the brand of where they come from. In my debate with Habermas on European integration this is a major point. Habermas (2013) sees people's particular identity as a negligible condition, so people have no problem joining together, regardless of identity, in one universalistic democracy where everybody is a citizen and the only thing they need to have in common is their democratic constitution. In my view this overlooks the manifold differences that exist in worldviews and basic

cultural understandings that need to be managed, where the amount of difference we can manage within a political action field is limited.

A word on the end of capitalism. My idea when I began to think about this was to dissociate the notion of the historicity of capitalism as a social formation from the existence of an alternative to capitalism. Capitalism, in order to rot away, does not require a Leninist central committee that at some point declares capitalism to have ended. It can rot away on its own and there are many signs that neoliberal capitalism, as it exists today, can no longer deliver what social systems need to deliver – here I fully concur with Colin's introductory remarks, I only put the matter slightly differently. A functioning society must be able to provide its members with some degree of stability and predictability to enable them to organize and bring order to their lives, making their lives less fluid than money, stickier, with a greater role for tradition or stable commitments, than in a money market. How is such a capacity provided? Under capitalism – liberal capitalism – the production of order has to take place exclusively in the form of the unintended consequences of non-political interactions among self-interested, rationally calculating, independent individuals. Then, provided there is no authoritative interference, private vices turn into collective benefits.

We know that in order for this to be believable it must be assumed that under capitalism, i.e. under free markets, the public good of a free society comes about automatically, without a state and a government – or more precisely: with a state and a government limiting themselves to protecting the free market from political interference. In fact, of course, a government was always required to make sure there was some sort of social order, and not chaos or civil war. Colin mentioned the banks that need and want regulation, but we can go back to the 19th century, to Marx and the chapter on the 'Working Day' in Volume 1 of *Capital* (Marx, 1887). There Marx reports on capitalists seeing the need to put a limit on the number of working hours because they need their workers to survive, but individually, under pressure from competition, they cannot impose that limit on themselves. So they have to go to the state, and in part to the unions, to have regulations imposed on themselves, preventing them from destroying their most important resource, labor. In this chapter Marx traces all the paradoxes of collective action that Mancur Olson (1965) is today credited with having discovered. My point is that these mechanisms and capacities, which enabled capitalism to turn private individual vices into public collective benefits and provide some sort of stability to the societies on which capitalism was imposed (and it had to be imposed!), are vanishing today.

The immediate conclusion is that we might actually be looking towards an interregnum, a period in which we do not actually know what the new order will be, in which a vast variety of projects will come up – bad ones and good ones, in the Polanyian sense. Fascism was also a project to restore social order, as was socialism, and Polanyi saw the possibility of all sorts of morbid phenomena emerging during a period transition from an old order to a new order. Regardless of whether you call this pessimism or whatever, I think it is realism, and it will take time until



we know how our global capitalist-technological super-civilization will in the future be governed, if at all, in ways that people will still be able to live within it.

## Notes

1. The organizers of the Working Group and editors of the present article are Daniela Chironi, Lorenzo Cini, Eliska Drapalova and Federico Tomasello.
2. The Dutch politician who has campaigned against the 'Islamization of the Netherlands'.

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