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THE CRISIS OF THE CRISIS OF CAPITALISM

Albena Azmanova, University of Kent

Synopsis: Where is the coveted, prophesied, dreaded crisis of capitalism? Why has the economic and social turmoil that recently afflicted Western democracies triggered such faint attempts to replace the apparently moribund socio-economic model? The alleged crisis of capitalism, I claim, has been a catalyst in the metamorphosis of neoliberal capitalism – a transmutation that began well before the recent economic meltdown and in many ways triggered it. This has led to the emergence of a fourth historical modality of capitalism, which I call ‘aggregative capitalism’ (after the entrepreneurial nineteenth-century capitalism, the ‘organized’ capitalism of the post-WWII welfare state, and the neoliberal, ‘disorganized’ capitalism of the late twentieth century). In this essay, I trace the features of this new form of capitalism and the dynamics that activate it.

I have profited from the feedback of colleagues who attended my talks at LSE on 4 Nov. 2014 (co-hosted by the European Institute, IR and Government Department) and at UC Berkeley on 22 Jan. 2015 (co-hosted by the Program in Critical Theory and the Department of Political Science)

This is a work-in-progress. Comments are welcome at: A.Azmanova@kent.ac.uk

“Q. What is the shortest story?
A. Socialism.

Q. What’s the longest story?
A. The crisis of capitalism.

A popular joke from my childhood in then communist Bulgaria (Albena Azmanova)

1. Capitalism on its deathbed: two paradoxes

We have let a splendid crisis go to waste, as the disaffection with capitalism grew broader and reached briefly a boiling point in 2010 and 2011. “A deftly timed call for the overthrow of capitalism”: this is how the *Financial Times* newspaper commented on David Harvey’s book *The Enigma of Capital and the Crises of Capitalism* in the spring of 2010. “If this is not a revolutionary moment,” the review stated, “what would be?” Forget about the angry streets – the Occupy movements, the Indignados in Spain, the enraged Greeks; it was the very intellectual bastion of capitalism that portended its downfall in the midst of the global financial meltdown.¹

Capitalism is of course always in some sort of trouble – crises are essential to its reproduction, as both Marx and Schumpeter would remind us. But what the recent economic turbulence has stirred up are pronouncements about the *terminal crisis of capitalism*, capitalism on its deathbed. It is beyond doubt that capitalism is in serious trouble, as the banking crisis of 2008 turned into crisis of public finances, a crisis of the real economy and, eventually, through rising unemployment – into a social crisis. At the onset of 2015, the economic engine of capitalism is still in some difficulty and there is a general sense that something is amiss. Even as the economy is recovering, society is not: for most people the recovery is experienced as a depression. Moreover, as David Harvey has again reminded us in his latest book, capitalism seems ever harder at work digging its own grave as some of its less creative contradictions – its drive, for instance, to accumulate capital beyond the means of investing it, its penchant for using the cheapest methods of production thus creating consumers with no means of consumption, and its compulsion to exploit nature to the point of extinction – all seem to point to its doom.² In an analysis that is as readable and compelling as Marx’s *Eighteenth Brumaire of Louis Bonaparte* (per Habermas’s observation), Wolfgang Streeck has recently argued that democratic capitalism cannot do more than delay its terminal crisis, as governments are buying time via palliative policies creating the illusion of wealth.³

¹ In early 2012, the *Financial Times* ran a “Capitalism in Crisis” series on its pages.

² David Harvey, *Seventeen Contradictions and the End of Capitalism*, London: Profile Books, 2014.

³ That was done through generating inflation, accumulating public debt and fashioning incentives for private debt. Wolfgang Streeck, *Buying Time: The Delayed Crisis of Democratic Capitalism*, Verso: London and New York, 2014

Capitalism's prospects have rarely seemed gloomier. And yet, as we admit this, we are confronted with two paradoxes. The first one is this: there has been a general agreement, in policy and academic circles, that the recent economic crisis has been caused by the neoliberal policies of deregulation of financial, product and labor markets which have engendered economic and social risk of unmanageable magnitude. And yet, with a slight variation in the U.S. and Europe, the remedy administered for the illness is the one that caused it: a continuation and even deepening of neoliberal, supply-side and monetarist measures that impose austerity as the road to economic recovery. Significantly, in contrast to the situation of a century ago, missing is now a broad, cross-ideological coalition of forces mobilizing to protect society from the disembedded market, in the style of the counter-movement against free markets that Karl Polanyi had observed to take shape in the early twentieth century.⁴ At the time, European Conservatism and Socialism came to a consensus on the need to constrain markets -- a consensus enabling the construction of the post-war social capitalism and the welfare state. Instead, we now have governments, irrespective of their ideological allegiance, running to the rescue of financial capital and big business, and implementing austerity programs to reassure capital markets -- at the social cost of growing poverty and insecurity.

The second paradox is this: society is in agony, and yet it is bearing its pains with astonishing equanimity. The stock markets are now doing well, the people are not, and yet, apart from some sporadic outrage, there is a general tacit acceptance of the situation. Despite the global eruption of popular protest (which originated with the Occupy Wall Street movement in September 2011 in New York and focused on issues of inequality and austerity), the legitimacy of the system of democratic capitalism is hardly in crisis. As one famous slogan of the Spanish Indignados proclaimed, "We are not against the system, the system is against us" (basically, we want more inclusive capitalism, not its downfall).⁵ The very protests contain signs of the enduring legitimacy of capitalism as institutionalized socio-economic order, even as it malfunctions as an economic engine of prosperity.

Ample evidence for the missing legitimization crisis of capitalism has been supplied at the voting booth. If democratic elections are any indicator of prevailing preferences in our societies (and they surely are a better indicator than street protests), the rounds of elections held in the mature democracies of Europe at the nadir of the crisis suggests that neoliberal capitalism has considerable popular support, as the majority vote went persistently to the economically liberal center-right parties advocating the very economic model that caused the meltdown of 2008-

(first published in German by Suhrkamp Verlag in 2013). Streek calls these policies 'makeshifts allowing democratic politics to sustain the appearance of capitalism that delivered growth, with equal material advances for all, or even a gradual redistribution from top to bottom of market and life chances.' - at p. 165.

⁴ Karl Polanyi, *The Great Transformation* [1944]. Boston: Beacon Press, 1957.

⁵ This is a far cry from the anti-conformist slogans of the student and worker revolts in General Charles de Gaulle's economically booming 1960s France: "Be realistic, ask for the impossible", "Run, comrade, the old world is behind you" ("Soyez réaliste, demandez l'impossible", "Cours camarade, le vieux monde est derrière toi").

2011; parties of the Left (like the French socialists) have come to adopt neoliberal economic policy without penalty by the voters.⁶ Yet, social surveys indicate that a growing number of people, across the capital-labor divide, are frustrated with the intensified performance pressures and employment uncertainty the so called “structural adjustment” neoliberal policies have generated, and declare that they would prefer a much better work-life balance, including discretionary time beyond the work-family balance, thus indicating a desire for autonomy from the productivist pressures of both the workplace and the family.⁷ This combines with unprecedentedly broad awareness that the way we produce and live our lives is toxic for the environment and increases the risks of life-threatening natural disasters. Rather than triggering an upheaval against the system of globally integrated capitalism, social frustration is, instead, being channeled into xenophobia (i.e. the phenomenal rise of electoral support to populist, anti-immigrant and anti-EU fringe parties), and economic xenophobia has entered the political mainstream (a move illustrated by Gordon’s Brown’s unapologetic slogan “British jobs for British workers”)⁸. How come?

As David Harvey has put it, “the performance of capitalism over the last 200 years has been nothing short of astonishingly creative”.⁹ In what follows, I will claim that capitalism has been particularly creative in generating support for itself at the lowest point of its performance. How to explain this? While we have been busy debating the crisis of capitalism, I will assert, capitalism has metamorphosed itself into a new form, which I will describe in some detail, setting it apart from its predecessor – the neoliberal configuration of the late 20th century. The most recent economic crisis has helped consolidate this transformation, but it certainly did not trigger it. I propose that, instead of pondering the crisis of capitalism, we account for capitalism’s renewed consolidation, focusing critique on the way this consolidation has engendered new forms of injustice and domination. Thus, to understand why our societies are not making an effort to protect themselves, we need to understand the nature of this new, post-neoliberal capitalism, which I have named *aggregative* capitalism¹⁰ (because of the particular way risks and opportunities are allocated, as I shall explain later on). The novel features of the new modality of capitalism concern three aspects of the socio-economic order: (a) the organization of the political economy (state-market relations), (b) the legitimation of political

⁶ Elections in 2010 and 2011 brought to power the center-right in Spain, Portugal, Switzerland, Finland, Andorra, Ireland, Italy, Denmark, Britain, and the Netherlands – to consider only the ‘mature’ democracies of Europe. In that period the majority of the vote went to the center-left only in Sweden, where the Social Democrats scored only 0.6 percentage points higher than the economically liberal Moderate Rally Party (the vote for the former dropped with 4 percentage points since the last election, while the vote for the latter rose with 4 percentage points).

⁷ See my survey of data on this phenomenon in A. Azmanova “De-gendering social justice in the 21st century: An immanent critique of neoliberal capitalism”, *European Journal of Social Theory* 15/2 (May 2012): 143-156, at p. 150 and A. Azmanova, “Social Justice and Varieties of Capitalism: An Immanent Critique”, *New Political Economy* 17/4 (Sept. 2012): 445-463, at pp. 455-6.

⁸ Gordon Brown, then leader of the U.K.’s Labour Party, made a speech promising “British Jobs for British workers” on 5 June 2007, shortly before taking the post of Prime Minister; he reiterated that promise at the Labour Party’s annual conference in September that year, which caused controversy as he coupled this with a commitment to crack down on migrant workers. The Conservative Party, led by David Cameron promptly objected that such a commitment was illegal under EU law, and yet later claimed Mr Brown had copied the slogan from him.

⁹ David Harvey, *The Enigma of Capital: and the Crises of Capitalism*, Oxford University Press, 2010. p. 46.

¹⁰ I welcome proposals for a more befitting label.

power within the semantics of a new social contract between public authority and citizens, and (c) the type of power public authority is entitled to exercise. Before I proceed to adumbrate the contours of this new modality of democratic capitalism, let me expose briefly the matrix of conceptualization that shapes my thinking about these transformative dynamics.

2. The 'repertoire' of capitalism

First a word on my treatment of democratic capitalism as a 'system'. By 'system' I mean the pattern of institutionalized social relations maintained by everyday social practices and the policies that regulate them. I do not hold that there is an objective system and all valid conceptualization of social phenomena should take this into account -- that is, I pledge no elegance to systems theory that is to guide all analyses. For the current explanatory purposes, however, it is useful to think of the current socio-political conundrum in terms of system, for no other reason than the fact that democratic capitalism exhibits the symptoms of a system with its operative logics -- the competitive generation of profit and the competitive acquisition of political office. This system is socially engineered and can be undone.

Capitalism is a socio-economic system in flux, as John Maynard Keynes has put it, "it is by nature a form or method of economic change and not only never is but never can be stationary".¹¹ From its inception, capitalism as a particular socio-economic order (rather than just a mechanism of economic production) has undergone a linear, diachronic, transformation -- from its initial, liberal (entrepreneurial) modality that was consolidated in the early nineteenth century, to its current state. I do not propose to see these diachronic modalities as distinct 'epochs' but rather as overlapping blueprints, reconfigurations of a repertoire in which every new form sublimates the preceding ones.

In describing the repertoire of capitalism I follow a path closer to Max Weber, rather than Karl Marx. Thus, I take the 'repertoire' of capitalism to be composed of its operative logic -- the competitive pursuit of profit by means of continuous, rational enterprise, together with its ethos¹² - a set of worldviews orienting behaviour and giving it the meaning of rational enterprise under individual initiative. This repertoire emerged as early as the seventeenth century in Europe, within varied institutional frameworks -- from those of monarchical absolutism to the free merchant Hansa towns, and consolidated as a distinct socio-economic order in the

¹¹ John Maynard Keynes, "Economic Possibilities for our Grand children", first published in two parts in *The Nation and Athenaeum* 48/2&3 (October 11 & 18, 1930).

¹² Max Weber defines *ethos* in terms of ethical ideals of duty having important formative influences on conduct; in this sense he talks about the *ethos*, or the 'economic spirit', of an economic system. (Max Weber, *The Protestant Ethic and the Spirit of Capitalism* [1930], transl. Talcott Parsons. London and New York: Routledge, 1992; p. 27)

nineteenth century. The process of consolidation, as Karl Polanyi reminds us, took place within the institutional framework of the liberal state – itself a creation of the self-regulating market.¹³

How is the connection between, on the one hand, economic action¹⁴ and on the other, a political-institutional framework – a connection that engenders the particular symbiosis between capitalism as a system of social relations and the modern democratic liberal state – ensured? This connection is provided by a matrix of shared norms shaping the *legitimacy relationship* between public authority and citizens. This relationship is, in turn, articulated in the form of what Claus Offe has called ‘the legitimate and legitimacy-conferring functions of the state.’¹⁵ These are functions (e.g. protection of private property, defence of territorial integrity, safeguarding order) that citizens expect from public authority, and therefore condition their obedience on the effective exercise of such functions. It is important to note three things about this legitimacy matrix.

First: what are deemed to be legitimate functions of the state are neither simply embodiments of interests nor of functional needs of the system. The functions of public authority are articulated within a symbolic fabric of perceptions within which they are socially constructed as being ‘legitimate and legitimacy conferring’. These legitimating perceptions are akin to ideology understood as mental representations specific to a given era – ‘a set of shared beliefs, inscribed in institutions, bound up with actions, and hence anchored in reality’.¹⁶

Second: The legitimacy matrix determines the thematic scope of the agenda of public debate: which social practices get *politicized* and thus become an object of contestation and which ones are accepted as a matter of course and therefore remain unchallenged. This is a crucial point in my conceptualisation of the missing crisis of capitalism – to the extent that social suffering is not politicised, there is no legitimation crisis of the socio-economic and political order. It is here that I depart significantly from the Frankfurt School’s take on the legitimation crisis of capitalism – approach that rests on two fundamental (and therefore unsubstantiated) assumptions. The first assumption is that there exists a clear-cut divide between, on the one hand, the systems of economic production and political administration, and on the other, the lifeworld of our social existence – two distinct dimensions of our collective existence that contain incompatible action orientations: respectively, towards *success* and towards *mutual understanding*.¹⁷ The second assumption is that systems’ legitimacy is

¹³ Karl Polanyi, *The Great Transformation*.

¹⁴ By economic action I mean the activities people undertake in the social (re)production of their life, writ large. Thus, ‘economic action’ (even when it is not remunerated) has a definitely productivist connotation, and one that has to do with the distribution of life-chances in society. Thus, when my 10-year old daughter sings to herself while doing her math homework, her singing does not count as economic action but her doing the math homework does.

¹⁵ This concerns ‘the state capacity to manage and distribute societal resources in ways that contribute to the achievement of prevailing notions of justice’ (C. Offe, *Disorganised Capitalism*, ed. by John Keane. Cambridge, Mass: MIT Press, 1985; p. 5).

¹⁶ L. Boltanski and E. Chiapello, *The New Spirit of Capitalism* [1999]. London and New York: Verso, 2005; p. 3.

¹⁷ For the most explicit exegesis of this position see Jürgen Habermas’s *Theory of Communicative Action* (1981).

something set, a constant that varies only quantitatively (ergo, we can speak of degrees of legitimacy) – that is, there is a limit to the penetration of the instrumental rationality of the economic and political systems of democratic capitalism into the lifeworld, beyond which problems of social integration ensue, and the systems are wrecked by legitimation crisis.¹⁸

Even as I endorse this position as a normative ideal (that is, the notion of a lifeworld free of instrumental rationality oriented towards success is a good thing to strive for), I cannot endorse it as a reliable tool of analysis. As Kant has warned us in his political writings, normative ideals are out of place in analysis of political reality for one excellent reason: assumptions about the cognitive and moral capacities of individuals are an unreliable tool of analysis¹⁹ (i.e., if we were all equipped with sound cognition and morality, issues of justice will not even occur).

I therefore prefer to approach the dynamics of social existence through the lens of what Pierre Bourdieu has called ‘economy of practices’ – a multiplicity of mundane social interactions that form a continuum of shared practices all invariably imbued with power and containing their own, ever shifting, action-orientations.²⁰ This renders the notion of legitimation a matter of endogenous valorization (from within these very practices)²¹ and an entity in flux: what social phenomena get articulated as features of an acceptable and desirable socio-economic and political order is entirely a matter of these phenomena’s politicisation as features produced and maintained through whatever happen to be the legitimate mechanisms of political rule – in other words, that these features are seen as political deliverables. The implicit understanding among citizens, and between citizens and public authority, about what are to be considered desirable and feasible things public authority should do for society alter, and this alteration frames the process of the politicization of social grievances. It is in this alteration, or metamorphosis, that we find the key to the two paradoxes of the missing crisis of capitalism.

And finally, a word on the trajectories along which experiences of social injustice (as triggers of the de-legitimation of the socio-political system) emerge. Critical theory inherited from Marx and Lukács a critique of power that ran along two inter-connected, but analytically distinct dimensions, which I name ‘relational’ and ‘systemic’ dimensions of domination. Relational domination concerns the uneven distribution of life-chances within a model of well being, thus entailing the domination of some human beings by others. Injustice here stands in terms of power asymmetries triggering inequalities and exclusion; its remedy would necessitate

¹⁸ This enables authors of Frankfurt School intellectual pedigree to speak about legitimation crisis of capitalism, be it delayed. See Jurgen Habermas, *Legitimation Crisis* [1973], Boston: Beacon Press, 1975; and more recently Wolfgang Streeck’s: *Buying Time* (2014).

¹⁹ Emmanuel Kant, "Perpetual Peace: A Philosophical Sketch" (1795)

²⁰ Pierre Bourdieu, "The forms of capital", in J. Richardson (Ed.) *Handbook of Theory and Research for the Sociology of Education*, New York: Greenwood, 1986, pp.241-258.

²¹ This is quite in line with the notion of ‘immanent critique’ formulated by the first generation of Frankfurt School authors, which gets abandoned by Habermas as he undertakes to make a transcendental turn in critical theory via his discourse ethics. I discuss this turn in some detail in A. Azmanova, *The Scandal of Reason: A Critical Theory of Political Judgment*, New York: Columbia University Press, 2012; Ch. 2.

equalization of power relations and inclusion. Systemic domination concerns the constitutive features of the model of wellbeing within which life-chances are distributed. Here injustice emerges in terms of individuals' subjection to the functional imperatives of the socio-political system; its remedy would necessitate a radical change of the 'rules of the game' in the case at hand -- an overthrow of the system of democratic capitalism, rather than just making it more egalitarian and inclusive.²²

3. The three modalities of democratic capitalism

Let me now review briefly the three well-known modalities of capitalism paying special attention to the legitimacy matrix that supports them. This will help me articulate, in the next section, the peculiarities of what I claim to be a novel modality of capitalism, born at the dawn of the 21st century. My analysis draws on empirical evidence from the European mature democracies and to some extent the United States; it makes no claim to be applicable to other geographical areas (such as Latin America or Eastern Europe).

Liberal (entrepreneurial) capitalism

The first modality of capitalism, the nineteenth century entrepreneurial form, developed within a unique political framework – that of the liberal constitutional state committed to ensuring institutional autonomy for the individual (constrained, of course, by labor commodification). This institutional autonomy was the foundation for the freedom of economic enterprise (*laissez-faire*) via the freedom of contract vested in law.²³ The emergence of the legal system of the modern liberal state cannot be simply attributed to capitalistic interests, although such interests, as Weber writes, have 'undoubtedly also helped, but by no means alone and nor even principally'.²⁴ The form of capitalism that Weber deemed to be unique for the modern West -- the rational capitalistic organization of (formally) free labour²⁵, is correlated to the institutional set-up of liberal constitutionalism via a particular mind-set Weber calls 'Occidental rationalism' – 'the ability and disposition of men to adopt certain types of practical rational conduct'.²⁶ Worldviews valorising (and motivating) rational enterprise under individual initiative are a key component of this mind-set. Thus, the enterprising spirit, in this first modality of capitalism, was not simply a norm governing the realm of economic action. It was rather a spiritual mind-set, a

²² For a more detailed exposition of my distinction between systemic and relational dimensions of domination in A. Azmanova, "Crisis? Capitalism is Doing Very Well. How is Critical Theory?", *Constellations* 21/ 3 (2014), pp. 351-365, at p. 353.

²³ The freedom of contract in time generated the economic constraints to the institutional autonomy of the individual, constraints known as labour commodification.

²⁴ Weber, *The Protestant Ethic*, p. 25.

²⁵ *Ibid.*, p. 21.

²⁶ *Ibid.*, p. 26.

Zeitgeist, and as such it assumed the status of 'the organizing principle of a society engaged in creating a market system'²⁷.

The nominal separation between economics and politics that is a constitutive feature of the liberal state, together with its typical institutional paraphernalia (e.g., the separation of powers, the legal safeguards against unlawful interference with the rights of privacy and property) thus provided the political setting for entrepreneurial capitalism; it became 'the irrefragable condition of the existing system of society'.²⁸ In this first modality of Occidental capitalism, the correlation between risk and opportunity (rewarding entrepreneurial risk with affluence) is established as one of the key legitimating resources of capitalism, and maintaining that correlation is among the liberal state's key legitimacy-conferring functions – namely, to enact and safeguard the free market where competition among actors makes sure that risks actors undertake are correspondingly rewarded with opportunities for financial gains.

a) social (organized) capitalism

After WWII, nineteenth-century entrepreneurial capitalism was replaced by a new modality – what Scott Lash and John Urry (1987) named 'organised capitalism'.²⁹ This second enunciation of the repertoire of capitalism developed within the institutional format of the welfare state. The catalyst for the birth of the second modality of capitalism was the broad societal movement against the economic dogma of the self-regulating market – a movement that emerged already at the waning of the nineteenth century. The self-regulating market had effectively triggered a legitimacy crisis of the system: as it had engendered grave social risks for those with little opportunity for financial gains from those risks (i.e. wage labour), the self-regulating market had violated the fundamental legitimacy-conferring principle of capitalism: that risks and opportunities should be correlated.

The collectivist countermovement, Polanyi notes, was a broad societal endeavour, which 'was not due to any preference for socialism or nationalism on the part of concerted interests, but exclusively to the broader range of the vital social interests affected by the expanding market mechanism'.³⁰ This consensus was brought about not by the threat the market economy represented to the interests of a particular social group, but because the market, disembedded from society, 'became a threat to the human and natural components of the social

²⁷ Karl Polanyi, *The Great Transformation*, p.135. At the dawn of the nineteenth century, Wilhelm von Humboldt gave expression to this entrepreneurial Zeitgeist, when, writing against the interventionist, 'positive' state, he exclaimed: 'But what human beings are after, and should be after, is diversity and activity.... surely we human beings have not sunk so low that we actually prefer welfare and happiness to greatness for ourselves, as individuals.' (Wilhelm von Humboldt, 'Ideas for a Proposed definition of the Limits and the Legality of the State' (1792), in D. Sidorsky, ed. *The Liberal Tradition in European Thought*. New York: G.P. Putnam's Sons, 1970; p.72)

²⁸ Polanyi, *The Great Transformation*, p. 225.

²⁹ S. Lash and J. Urry, *The End of Organized Capitalism*. Oxford: Polity Press, 1987.

³⁰ Ibid., p.145.

fabric'.³¹ The matrix of state-society relations thus came to be rebuilt on broadly shared worldviews converging on the novel, for the early twentieth century, value of social rights whose *raison d'être* is the protection of society from the market (and thus bringing into balance the risk-opportunity dynamics). Moreover, as citizenship came to incorporate the social right to a decent standard of living, the normative scope of the legitimacy of modern democracies thus expanded to include the concept of social justice (i.e. the equitable distribution of social risk), alongside the political and civil liberties and the value of economic entrepreneurship that had been political cornerstones of the liberal constitutional state. The legitimacy matrix came to include a redistributive function of the state, and more broadly the *social* responsibility of public authority (understood as the duty of public authority to take into account the broader social consequences of the economic processes endorsed by public policy). The social partnership among organised capital, organised labour, and a democratic state that marked this new socio-political constellation was institutionalized in a variety of models of democratic capitalism -- captured in the 'varieties of capitalism' and 'varieties of welfare regimes' literature.³²

b) neoliberal (disorganized) capitalism

Since the nineteen seventies, 'organized' (social) capitalism came to be subjected to policy pressures for economic liberalization via further privatisation of ownership and deregulation of financial, product, and labour markets for the sake of enhancing market efficiency. These transformative dynamics have been broadly described as 'dis-organization' of capitalism -- a breakdown of the mechanisms that had previously ensured, through mediation, a dynamic balance between social power and political authority, 'a trend in the political economy away from centralized authoritative coordination and control towards dispersed competition, individual instead of collective action, and spontaneous, market-like aggregation of preferences and decisions'.³³ Eventually, the hierarchical Fordist work structure that had been predominant in the period of 'organized capitalism,' was dissolved into a new, flexible, network-based form of organization.³⁴

³¹ Ibid., p.150. Polanyi goes to great lengths to emphasise that the countermovement against the free market was not driven by particular interests or a given ideological agenda: 'Precisely because not the economic but the social interests of different cross sections of the population were threatened by the market, persons belonging to various economic strata unconsciously joined forces to meet the danger' (Ibid, pp.154-155).

³² The first taxonomy captures variation in the degree to which the political economy is coordinated -- as already noted, here variation typically extends from 'liberal market economies' to 'coordinated market economies'. (See P. Hall and D. Soskise, eds. *Varieties of Capitalism. The Institutional Foundations of Comparative Advantage*. Oxford: Oxford University Press, 2001). The second taxonomy, introduced by Gosta Esping-Andersen, captures variation in the nature and generosity of social benefits provision. Within it, national varieties are clustered into 'liberal,' 'conservative,' and 'social-democratic' types of welfare regimes. (G. Esping-Andersen, *The Three Worlds of Welfare Capitalism*. Princeton: Princeton University Press, 1990).

³³ W. Streeck, *Re-Forming Capitalism. Institutional Change in the German Political Economy*. Oxford: Oxford University Press, 2009; p. 149.

³⁴ I am not aware of a better documented analysis of this process than Boltanski and Chiapello's *The New Spirit of Capitalism*.

The fact that the state reduced the share of public ownership of the economy and minimized its redistributive functions does not mean that the state reverted to its minimalist format from the times of entrepreneurial capitalism: the hefty administrative apparatus amassed under the welfare state is simply deployed differently. Public authority does not keep its distance from society – it takes the format of what Giandomenico Majone has described as the ‘regulatory state’ – a state that gives priority to the use of legal authority and regulation over other tools of stabilization and redistribution.³⁵ A peculiarity of this style of regulation is that it is not directed towards social groups but towards individuals and fosters individual responsabilization. What the French call *l’État social actif* (a term coined in the mid 1990s, to mark the difference from the redistributive *État-providence*) thus in fact transfers responsibilities for wellbeing from public authority to citizens. For instance, the landmark policies of labor-market activation amount to the state’s providing skills-training rather than creating jobs – which leaves individuals responsible for both their employability and for finding a job.

The legitimacy matrix in this third enunciation of the capitalist repertoire is shaped by what Boltanski and Chiapello called ‘new spirit of capitalism’ – not so much the entrepreneurial individualism that anchored the first modality, but an ethos that celebrates more largely initiative, creativity, and autonomy, co-opting the libertarian currents of the late 1960s for the purposes of endless capital accumulation.

4. The fourth modality: ‘aggregative’ capitalism

Already before the current economic crisis, capitalism had begun its transformation into a new modality, which I have initially described as ‘reorganized capitalism’³⁶, to set it apart from the previous, neoliberal form that Offe, Lash and Urry had named ‘disorganized capitalism’. I do not see this new modality as a perfectly distinct form from the neoliberal one, but there are important tendencies and dominant features that have been altered. ‘Reorganized capitalism’ preserved many of the features of the neoliberal form that preceded it, just as ‘disorganized capitalism’ in its turn had preserved many of the features of the welfare state it dismantled. I will now first discuss some of the structural dynamics activating this new form of capitalism before I zoom in on the new legitimacy matrix seeking an explanation for the missing legitimation crisis.

a) The structural dynamics of contemporary capitalism

Late modernity is marked not simply by the proliferation of *risk*, as Ulrich Bech has claimed,³⁷

³⁵ G. Majone, *G. Deregulation or Re-regulation? Regulatory Reform in Europe and the United States*. London: Francis Pinter, 1990.

³⁶ A. Azmanova, “Capitalism Reorganized: Social Justice after Neo-liberalism”, *Constellations: An International Journal of Critical and Democratic Theory* 17/3 (2010), pp.390-406.

³⁷ Ulrich Beck, *Risk Society, Towards a New Modernity*. London: Sage Publications, 1992.

but also by the proliferation of *opportunity*, while the distribution of both risk and opportunity has become strongly stratified, with the state shifting its role from countering social stratification (via compensatory social protection) to fostering it. Let me trace the logic of this shift more carefully.

The starting point of this movement is the redefinition of state-market relations at the close of the twentieth century. The structural imperative of capital accumulation on a global scale, via integrated domestic markets, became translated into a policy imperative for increased global competitiveness of national economies. The policy agenda came to be centered not simply on enhancing market efficiency in order to increase growth (as in the formula of neoliberal capitalism of the 1980s and 1990s), but on achieving increased competitiveness in the global economy. Growth became increasingly predicated on competitiveness. Democratic governments across the left-right political spectrum undertook liberalization and deregulation of the economy as part of national strategies for international competitiveness.³⁸ This shift has been explicit in the EU policy agenda since the turn of the century, as the stress on global competitiveness has become more acute in the transition from the *Lisbon Strategy* of 2000³⁹ to its revised version of 2006, and the current *Agenda 2020*. The objective of global competitiveness has generated a trans-ideological policy consensus, embraced by capital and labour, and enforced by public authority both at the level of European Union institutions as well as at the level of member-states. Tellingly, even trade-union activity has changed its nature, as labour-market liberalization, accepted under the threat of losing jobs, became a central object of agreement. Within this new corporatism, access to the labour market (obtaining and keeping a job) is the key element around which the post-WWII agreement on social rights is being reconfigured. Thus, notions of social justice have shifted from the original concerns with decent working conditions and standards of living towards preoccupations with one's employability and capacity to retain a job – a shift from 'security' to 'resilience'.

The structural roots of social injustice in this context have to do with a type of political economy that engenders not so much inequality but a generalized economic uncertainty via the maximization of opportunities for wealth creation in a context of open borders and reduced social safety net. This is an uncertainty to which almost all participants are subjected. It is this uncertainty, experienced as a potential threat to livelihoods and lifestyles, that is entailing deepened and widened labor commodification – a process that affects both labor-market insiders and labor-market outsiders, both the poor and the affluent – regardless of our societies' unprecedented capacities for exit from the process of economic production (labor de-

³⁸ For a wealth of empirical evidence on this see D. Rueda, *Social Democracy Inside Out: Partisanship and Labour-Market Policy in Industrialised Democracies*. Oxford: Oxford University Press, 2007.

³⁹ In this document, heads of governments of EU member-states pledged to make the EU, by 2010, 'the most competitive and dynamic knowledge-based economy in the world' (The Lisbon Special European Council, "Towards a Europe of Innovation and Knowledge", Presidency Conclusions, Brussels, March 2000). Available from: http://www.europarl.europa.eu/summits/lis1_en.htm

commodification). This occurs despite the fact that increasing number of people declare leisure (and not just work-family balance) to be a desired good. The key structural contradiction of contemporary capitalism, therefore, concerns the tension between the great de-commodification capacities of our societies and the equally great commodification pressures to which all participants are subjected. This suggests that the engine of *systemic* domination is the universalization of commodification pressures that had previously affected exclusively blue-collar workers.

In this sense, the growing impoverishment, inequality, and hostility to foreigners that advanced liberal democracies have seen in recent years are symptoms, but not causes, of the social malaise contemporary capitalism is afflicting. Xenophobic parties have been feeding on the sense of uncertainty globalization has been creating: anxiety based on perceptions of physical insecurity, political disorder, cultural estrangement, and employment insecurity – the key ingredients of a new order- and-security public agenda that emerged in the 1990s.

The *relational* dimension of domination within this modality of capitalism concerns not so much income inequalities among social groups (or the 99% against the obscenely affluent 1%), but rather the asymmetrical distribution of economic risks and opportunities that has taken place in the transformation of capitalism from its neoliberal modality of the 1980s and 1990s, to a new modality that emerged at the turn of the new century. Thus, a peculiarity of the new modality is the asymmetrical distribution of economic opportunity and risk among economic actors, triggered by the extreme marketization of the economy. In an (idealized) market society risks and opportunities are evenly mixed for every participant -- thus, in a liberal economy, capital's opportunity for wealth-creation is offset by the investment risks it assumes. This correlation between opportunities and risks supplied much of the legitimation resource for both liberal (entrepreneurial) capitalism and its neo-liberal reincarnation. Recently, however, risks and opportunities have become disentangled and even polarized. Indeed, a plethora of recent studies have observed the emergence of 'losers' and 'winners' (a new *proletariat*) among advanced industrial democracies as a result of globalization. Elsewhere, I have observed that risks and opportunities are asymmetrically allocated according to an actor's ability to benefit from the two vectors of globalization – open borders and information technology.⁴⁰ Towards the turn of the century, specific policy measures (from deregulation to privileged tax regimes) allowed the aggregation of economic opportunities to particular economic actors and the aggregation of economic risk to others (note that this asymmetrical aggregation of opportunities and risks cuts across labor and capital and is often sector-specific). Significantly, the privatization of sectors of the economy that cannot be properly exposed to competition (such as energy infrastructure and rail transport) has given their owners the privileged status of *rentiers* – a status marked by reduced risk (due to low exposure to competition) and high earnings. Thus,

⁴⁰ A. Azmanova, "After the Left-Right (Dis)continuum: Globalization and the Remaking of Europe's Ideological Geography", *International Political Sociology* 5/4 (2011), 384-407; p. 393.

risks and opportunities have become uncoupled in the current constellation.

I will deviate from the narrative on the structural dynamics of contemporary capitalism to note that a feature of the emergent new modality of capitalism is that investment risk, as it is freed from its subordinate role to the real economy, becomes a fictitious commodity (next to land, labor, money and knowledge) – a product created exclusively for market exchange, but which by nature cannot be properly commodified (in this case because the market value of risk is to a great extent related to societal perceptions of risk). What we might call the ‘commodification of risk’ consists in the packaging of leveraged financial products and selling them as profit-creating goods – a situation in which the risk contained in the package is the primary entity generating profit. The commodification of risk is most apparent in the case of credit default swaps (CDS) -- credit default swaps have existed since the early 1990s, but their use was rapidly increased between 2003 and 2007. In contrast to standard insurance, which one takes on a property one owns (a life, a house) CDS allow one to ensure what one does not own – namely the risk of someone else’s loan defaulting. In this context risk is not just an externality, but a product created for market exchange. In line with the key legitimization principle of capitalism, investment risk (now purposefully created as a separate commodity), is rewarded with higher financial gains. However, since there is no proper competition in the sector of investment banking, the managers of investment risk are able to extract rent-like profit.

b) the legitimacy matrix

The semantics of state power have also altered. Let us recall that the institutional format of the liberal state under nineteenth-century entrepreneurial capitalism ensured the autonomy of the individual (constrained by labor commodification) in a modus we can call the ‘teen-age state’. The trans-ideological consensus between European Socialism and European Conservatism on the need to safeguard society from the market forces (and re-establish the risk-opportunity correlation) supplied the political grammar of the post-WWII welfare state – the ‘nanny state.’ Later, ‘the nanny’ state of welfare capitalism was replaced by ‘the stepmother state’ of the neo-liberal 1980s and 1990s – a state that, far from idle, uses its legal authority and substantial administrative apparatus to enforce individual self-reliance.

As I noted, the context of intensified global economic integration of the late 1990s sets the stage for the next round of transformations. There is a positive correlation between international trade exposure and the size of public expenditure, which is unsurprising. As the state is allegedly unable to counter the domestic effect of global economic volatility, rather than engaging with social transfer systems, it is called on to offset the nebulous risks coming from global economic integration by the increased provision of general public services, especially on security and safety (e.g. increase of police force and surveillance technologies), or to invest in public buildings to increase revenue from tourism (e.g. Spain in the decade before the financial

collapse). Thus, although public expenditure continues to be substantial, the nature of intervention has changed: it is no longer about redistribution (from the affluent to the poor, via taxation) but through increased spending on general public services, through borrowing.

The role of public authority has been further altered in recent years to allow it to actively manage the distribution of opportunities and risks via a new type of intervention: intervention aiming to lend support to economic actors who already have a competitive advantage in the global economy, for the sake of increasing the competitiveness of national economies. We all witnessed the massive bailout of failing banks, but also the special support states provided to specific companies (especially in the automotive industry) during the economic crisis. This aligns with a practice, preceding the crisis, of setting up so called 'national champions' – private companies receiving large financial support from the state (often in defiance of EU competition rules), on the grounds that they are strategically important for the competitiveness of national economies. Even before their bailout, 'mega-banks' enjoyed lower funding costs not simply because of their economies of scale but due to a market perception that financial groups were guaranteed by the government. The entrenched practice of the state to absorb companies' risk and pass it on to society has most recently produced the phenomenon of the 'zombie' companies: during the post-2008 financial meltdown states placed ailing companies on life-support in the form of cheap bank loans backed by the government, which helped these companies refinance their old debt at much lower interest rates, thus saving them from bankruptcy. However, these companies spend all their revenue servicing debt rather than investing in growth and creating jobs. At the same time, the state is forcing society to absorb the risk thus generated by implementing austerity policies (cutting down spending on essential social services, as well as more generally public expenditure). This redistribution of funds from taxpayers to specific businesses or sectors of the economy amounts to salvaging capitalism by saving select (the most competitive) capitalists.

It is important to note that it is not only corporate capital that has profited from privileged treatment by the state; so have groups of workers. Illustrative of this development, for instance, was the manner in which the previous French government (under Nicolas Sarkozy as President) attempted to alleviate the social pain of the austerity measures it had introduced in early 2011. Alarmed by stagnating and dropping incomes (and a drop in purchasing power), the French government introduced in April 2011 a one-off payment of €1000 per salaried worker. However, the beneficiaries of this seemingly generous provision were select: only workers in the largest publicly listed corporations on the French stock-exchange (the CAC 40). Left out were those working in small and medium companies, public sector employers, and those on minimum wage (the so called *smicards*). The tendency for the state to help those who have a competitive advantage are exacerbated by the transformation from the 'taxing' to the 'borrowing' state: The taxing state diminishes the disposable income of the well-to-do through

(progressive) taxation, while the borrowing state increases that income by paying interest on what the well-to-do can afford to loan the state.⁴¹ Thus, under 'aggregative capitalism' the state has effectively renewed its redistributive function but directed it differently – not towards those most at risk of impoverishment (as in the times of welfare capitalism), but instead towards those in the best position to enhance the competitiveness of the national economy in the global market.

By force of these newly assumed redistributive functions of public authority that came into existence well before the economic crisis, we have entered into a new matrix of state-society relations. The overly-protective 'nanny state' of post-war welfare capitalism, and the 'step-mother state' of the neoliberal late twentieth century (a state which keeps its distance from society while disciplining it via investment in order and security), have been replaced by the 'rich uncle' state – one that readily intervenes to help select actors for the sake of competitiveness in the global economy.

To recap: In the liberal modality of capitalism public authority plays a market-constitutive function; in the modality of organized capitalism it plays a compensatory function (using redistribution to offset social risk). In the third, neoliberal form, the state lets the market assume more governing functions, including functions related to provision of social and national security). In the fourth modality, it actively intervenes to help privileged actors in order to enhance the global competitiveness of national economies. Be it inadvertently, this amounts to playing an active role in social stratification by way of *aggregating* risks and opportunities for specific social groups, rather than distributing risks and opportunities evenly among citizens. Furthermore, as a result of the new distributional functions of the state, the polarization of life chances in the new context is no longer determined by class position (labor vs. capital or profit-dependent versus wage-dependent groups), but by *institutionalized* access to security and opportunity that is sector-specific and even company-specific.⁴² This access is increasingly being managed via public intervention or implicit state guarantees of the sort discussed above. As a result, a new configuration of winners and losers has formed, beyond the traditional divide between capital and labor, and new capital-labor alliances are being formed according to particular economic sectors' exposure to the risks and opportunities of the new economy of open borders and information technologies.

This in turn is forging a new ideological divide cutting across the left-right axis of ideological opposition that had been the basis of political competition throughout the twentieth century. I have described this new ideological and political division as one running between an 'opportunity' and a 'risk' pole of preference aggregation, depending on citizens' perceptions of

⁴¹ As discussed by Claus Offe in C. Offe, C., 2013. "Europa in der Falle", *Eurozine - Blätter für deutsche und internationale Politik* 1/2013, 68-80.

⁴² A. Azmanova, "The Mobilisation of the European Left in the Early 21st Century," *European Journal of Sociology* 45/2 (2004); pp. 273-306.

the social effect of globalization. This entails not simply the dissolution of the left-right ideological divide (a tendency visible under 'disorganized' capitalism), but its reconfiguration along new axis. A new precariat (those who perceive their livelihoods as threatened by globalization) mobilise behind extreme-left and far-right parties whose similar policy platforms form an "risk" pole. On the other side of the political spectrum emerges an "opportunity" pole as supporters of center-right, center-left, and green parties converge in their policy preferences aiming at reaping the benefits created, or just promised, by the new economy.⁴³

How do these novel redistributive functions of the state under aggregative capitalism find their legitimation within the semantics of the social contract? I will address the matter of the renewed legitimation of democratic capitalism next.

5. The lost legitimation crisis

As I argued, legitimation of the social order is grounded on what publics perceive as what I called 'political deliverables' – functions that people not only deem desirable, but also possible for public authority to perform. It is this matrix of legitimacy that has altered in such a way as to sustain capitalism in its new, 'aggregative' modality.

Since about the turn of the century, public authority (at all levels of governance) has undertaken ever more policy action to enhance market efficiency and intensify the production of wealth (including via regulations enabling the commodification of risk and the extension of rentierism), but less and less action to redistribute it. This has entailed a dramatic increase in social risk, while the responsibility for the generated risk has been diffused. Rather than a retrenchment of the state, we have the new phenomenon of an increase in the *power* of governing bodies (and their capacity to inflict social harm), while their *responsibility* for the social consequences of policy action is decreasing. The key legitimating principle of capitalism – the correlation between risk and opportunity for wealth creation, has been violated. Yet there are no pressures on public authority to re-establish the balance. The discrepancy between power and responsibility should be eroding the authority of states, as Richard Sennett (2008) has claimed, and could be expected to trigger a legitimation crisis of the system of democratic capitalism.⁴⁴ Yet, no such crisis ensues. This is the case because in the meantime, the *legitimacy relationship* between citizens and public authority has altered in such a way as to absolve the state from its primordial social responsibility of maintaining a correlation between risk and opportunity (one of the key legitimation resources of democratic capitalism). I turn now to the logic of this development.

⁴³ Ibid., as well as A. Azmanova, "After the Left-Right(Dis)continuum: Globalization and the Remaking of Europe's Ideological Geography", *International Political Sociology* 5/4 (2011), pp. 384-407.

⁴⁴ R. Sennett, *The Culture of the New Capitalism*. New Haven and London: Yale University Press, 2006.

In the course of the institutionalized practices of individual responsabilization to which I referred above, the very legitimacy relationship between public authority and citizens (the legitimacy matrix) has been altered to exclude distributional issues from the range of political responsibility. This is evidenced, for instance, in analyses establishing that globalization weakens the connection between the national economy and citizens' political choice – economic openness reduces voter tendencies to hold incumbent policy makers responsible for economic performance and, by default, for the social consequences of economic policies. Such absolution of the state from its social responsibility is asserted even via measures explicitly and deliberately intended to enhance social protection. Thus, the Council of Europe's *Charter on Shared Social Responsibilities* that was proposed for public consultation in the spring of 2011 and was recently adopted, justifies the novel concept of sharing responsibilities among various social actors with the assertion that states are, allegedly, 'less able to fulfil their role of ensuring access to social protection' (as stated in its preamble).

Even more surprisingly, the absolution of public authority from social responsibility has been given enforced credence in the name of democracy – in the style of 'democratization of everyday life' allegedly progressive forces advocate. On the right, the call for more democracy tends to put the emphasis on society rather than on the state, and demands for democracy relate to communities assuming more social responsibilities, rather than to making the government more accountable to the people. A good example is the current UK government's experimentation with 'Big Society' in which social problems are addressed through the extension of democracy, 'empowering active and responsive citizenship', particularly in addressing environmental, social and health problems.

On the left,⁴⁵ it has become fashionable to talk about shared social responsibility (an idea that emerged around the turn of the century, and found its most authoritative instantiation in the newly adopted Charter of the Council of Europe mentioned above). Not only is the left failing to mount an opposition and propose a macro alternative, but it is compounding the problem with positions that strangely echo a neoliberal discourse of anti-statism, thus further absolving political elites and public authority of obligations to rule in the public interest. Typical in this regard is the recent call of (self-identified) British radical left intellectuals for "empowerment of everybody" via the state's "giving away power and resources directly to the people".⁴⁶

There is no legitimacy crisis even in the thick of the economic meltdown in advanced liberal democracies because the very legitimacy relationship excludes issues of social safety. Public authority can cause social harm for which it does not assume responsibility since the very publics who are suffering the effects of economic policy have absolved public authority of

⁴⁵ As David Harvey has put it, the radical left "is nurtured intellectually by thinkers such as Michel Foucault and all those who have reassembled postmodern fragmentations under the banner of a largely incomprehensible post-structuralism that favours identity politics and eschews class analysis." (Harvey, *Seventeen Contradictions*, p?)

⁴⁶ *The Guardian*, March 23, 2014.

the responsibility for the social consequences of that policy. This deficiency of responsibility cannot be easily remedied with the tools of representative, participatory, or deliberative democracy, and even less so with those of fragmented resistance, devolution, and post-structuralist ontologies of social empowerment.

I suspect that democracy might be as much part of the problem as it is part of the solution: to the extent that democratic politics is a matter of an institutionally mediated expression of largely shared preferences, democratic politics takes place on the terrain of an existing legitimacy relationship between public authority and citizens. Whatever is not part of that relationship cannot be politicized and therefore cannot be challenged. Therefore, if this relationship excludes social injustice and thus precludes the formulation of certain social grievances addressed to the political authority (or politicizes these grievances in the wrong direction via the short-cut of xenophobia), the common instruments of democratic politics are unlikely to be of much use. And this is not a matter of 'false consciousness'. As Wolfgang Streeck writes, 'expectations in relation to which the political-economic system must legitimate itself exist not only among the population, but also on the side of capital-as-actor'.⁴⁷ Moreover, since the rise of 'shareholder democracy' in the late 20th century, a large section of the population is both wage-dependent and profit-dependent – be it only through the investment of one's pension savings in the stock market. To the extent that the boundaries between the 'profit dependent' and 'wage dependent' groups become thus blurred, everyone's (immediate) welfare becomes dependent on the good economic health of capitalism, even when it can no longer ensure improving living standards.⁴⁸

A readjustment of the pathological legitimacy relationship between public authority and citizens would require that public authority again assume responsibility for the social effect of economic policy – but that would in turn require that the generalized dependency of practically everyone's life on the productivist dynamics of globally integrated markets be eliminated.⁴⁹ Short of that, the brewing now revolt of the masses would be driven by an unpalatable combination between a fear of freedom and a resignation to the policy dogma 'there is no alternative' (the fruit of which is the current rise of xenophobic parties and movements).⁵⁰ Indeed, if there is now a broadly shared trans-ideological consensus within our societies, it is that there is no alternative. It is from here that capitalism draws its excellent health.

⁴⁷ W. Streeck, *Buying Time*, p. 21

⁴⁸ Until recently, profit-dependent and wage-dependent interests have been at locker heads: capital interests result from income dependence on return on invested capital and therefore owners or managers of capital seek to maximize the yield from the capital they have invested not least by repressing wages. Even as this in principle still remains the case, wage-dependent groups develop an interest in the stability and growth of financial markets either because this affects the availability of employment and therefore of livelihood, or because they have become themselves to some extent profit-dependent owners by owning stocks through their pension funds.

⁴⁹ It is not my purpose here to offer solutions to the problems I identify. I have adumbrated some such ideas elsewhere, in the terms of what I've called a 'political economy of trust'. See, for instance, my "Against the Politics of Fear: On Deliberation, Inclusion, and the Political Economy of Trust", *Philosophy and Social Criticism* 37/2 (2011): 401-412. Social Justice and Varieties of Capitalism: An Immanent Critique", *New Political Economy* 17/ 4 (2012): 445-463.

⁵⁰ Coined by Herbert Spencer, the phrase 'there is no alternative' (abbreviated as TINA), was endorsed by Margaret Thatcher as a dictum intended to validate the neoliberal policy turn she undertook in the nineteen-eighties.

6. Some concluding thoughts

What we have experienced with the financial-turned-economic-turned-social crisis of the dawn of the new century is not a crisis of capitalism but a crisis for capitalism – roadblocks on the path of the competitive production of profit, which capitalism is already finding ways to overcome. There is no crisis of capitalism at the nadir of its social and economic performance because capitalism has not lost its legitimacy; worst even -- it has managed to re-invent itself in the shape of what I described as ‘aggregative’ capitalism.

I argued that capitalism’s enduring legitimacy is largely due to the particular politicization that social grievances acquire. The very social protests carry in them, unwittingly, a blessing for capitalism. As frustration is ever widely spreading, it takes the shape of grievances in effect confirming the legitimacy of capitalism. Complains about inequality (from the protestations of the 99% against the 1% to the astonishing popularity of Thomas Piketty’s analysis that growing inequality is endemic to capitalism), and protestations against the policies of austerity in Europe, all imply a longing for relative equality in prosperity – for inclusion in the productivist mechanism of profit maximization that activates capitalism.⁵¹ Note that this particular politicization of the social evils of globally integrated capitalism (in the language of inclusion and equality) presents *systemic* injustice as *relational* injustice (that is, it disguises problems of the model of wellbeing as problems of one’s place within this model of wellbeing)⁵², and thus invites remedial policies (of redistribution) rather than radical reform of the ‘rules of the game’. The most disturbing example of the wrong politicization of otherwise valid social grievances is the rise of xenophobia among disillusioned publics, and the mainstreaming of this xenophobia into the policy supplied by (democratically elected) political elites across the left-right ideological divide.

I wish I could say, adjusting that splendid opening phrase in Polanyi’s *The Great Transformation*: “Twentieth century civilization has collapsed”. But I can’t. As a university student in my native Bulgaria, I was one of those who made sure that the economic and social crises of communism (as a political regime) turned into its death sentence, as even those committed to the ideals of communism, like me, withdrew their allegiance to a morally bankrupt political regime and an exploitative socio-economic system. (Here a popular joke of the times springs to memory: “What is the difference between communism and capitalism? Under capitalism man exploits man; under communism it is the other way round”). Communism is gone, and good riddance. But capitalism, fortified through surviving its latest crisis, is still with us. And it is a great shame. As two embodiments of the productivist logic of

⁵¹ Contrast this with the upsurge of radical alternative lifestyles defying middle-class conventions in the 1960-70s.

⁵² See footnote 18 and adjacent text.

technological modernity⁵³, both capitalism and communism vanquish Enlightenment's original promise for a life of individual autonomy and experimental self-realization.

Well, the century has just begun.

Albena Azmanova

Berkeley, January 23, 2015

⁵³ Here I willingly admit that I am much influenced by Václav Havel's view on Modernity and its socio-political incarnations. Havel believed that under communism as under capitalism, people are afflicted by a state he called *samopohyb*, which I translate as 'self-waste', incurred by their submission to "the irrational momentum of anonymous, impersonal, and inhuman power—the power of ideologies, systems, apparatus, bureaucracy, artificial languages, and political slogans." (See his 1984 essay "Politics and Conscience").