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THE 'CRISIS OF CAPITALISM' AND THE STATE – MORE POWERFUL, LESS RESPONSIBLE, INVARIABLY LEGITIMATE

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Synopsis:

This chapter traces the reconfiguration of the legitimacy relationship between states and citizens, and the related alteration of the semantics of the social contract since the advent of liberal democracies in Europe. This reconfiguration has fostered the recent emergence of a fourth modality of capitalism (as an institutionalized social order) after (1) the entrepreneurial nineteenth-century capitalism, (2) the 'organized' capitalism of the post-WWII welfare state, and (3) the neoliberal, 'disorganized' capitalism of the late twentieth century. A key feature of the new modality, in terms of the nature of power relations, is a simultaneous increase in the state's administrative power and a decrease in its authority. However, due to a recasting of the legitimacy relationship between public authority and citizens, the deficient authority of states has not triggered a legitimacy crisis of the socio-economic system. A readjustment of the pathological relationship (from the point of view of democratic legitimacy) between public authority and citizens would require a stronger responsibilization of public authority in matters of social and economic policy.

From the Crisis of Capitalism to its Metamorphosis

On the alleged crisis of capitalism

In the midst of the global financial meltdown, pronouncements on the terminal crisis of capitalism abound: French President Nikolas Sarkozy's rebuke of finance capitalism (with Marx's *Das Kapital* in hand) has chimed with the admonitions advanced by the radical sociologist David Harvey.[i] Despite the global spread of popular protest against capitalism (which originated with the Occupy Wall Street movement in September 2011 in New York), the system's legitimacy is hardly in crisis. If democratic elections are any indicator of prevailing preferences in our societies, the most recent round of elections in the mature democracies of Europe suggest that neoliberal capitalism has considerable popular support, as the democratic vote has gone persistently to the economically liberal center-right parties advocating the very economic model that caused the economic meltdown of 2008-2011.[ii]

By all evidence, there is no 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. At the time, European Conservatism and Socialism came to a consensus on the need to constrain markets -- a consensus which enabled the construction of the post-war welfare states. 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 increased poverty and insecurity -- while society bears this with relative equanimity. Social frustration is, instead, being channelled into xenophobia.

While we have been busy debating the crisis of capitalism, as I will ascertain in what follows, capitalism has metamorphosed itself into a new form, which the most recent economic crisis has helped consolidate, but did not trigger. In order to understand why our societies are not making an effort to protect themselves, to comprehend the social pathology associated with this complacency, as well as to discern a perspective of emancipation, we need to understand the nature of this new, post-neoliberal capitalism, which I will name *aggregative capitalism* (because of the way it aggregates risks and opportunities among a new set of winners and losers, as I shall explain later on). The novel features concern three dimensions in the structuring of the socio-economic order: (a) the organization of the political economy (state-market relations), (b) the legitimation of political 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 briefly review the three preceding formations.

The three sublimated forms of capitalism

Capitalism as a particular socio-economic order has not only been institutionalized in a variety of national models that have co-existed synchronically,[iii] but has also 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, in the style in which both Nicholas Onuf and Friedrich Kratochwil discuss social change in this volume, these should be seen as overlapping blueprints, reconfigurations of a repertoire.

The 'repertoire' of capitalism is composed of its operative logic -- the pursuit of 'forever renewed profit by means of continuous, rational, capitalistic enterprise' (Weber 1992[1930], p.17), together with its ethos[iv] - a set of worldviews orienting behaviour and giving it the meaning of rational enterprise under individual initiative (Ibid., p.25). 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 nineteenth century. The process of consolidation, as Polanyi (1957[1944], p.3) reminds us, took place within the institutional framework of the liberal state – itself a creation of the self-regulating market.

The connection between, on the one hand, economic action and on the other, a political-institutional framework – a connection that engenders the particular symbiosis between capitalism as a system of economic interactions and the modern liberal state – rests on 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.'[v] 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 that 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' (Boltanski and Chiapello 2005 [1999], p. 3). The legitimacy relationship between public authority and citizens, in turn, 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.

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. This institutional autonomy was the foundation for the freedom of economic enterprise (laissez-faire) via the freedom of contract vested in law.[vi] 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' (Weber 1992 [1930], p. 25). The form of capitalism that Weber deemed to be unique for the modern West -- the rational capitalistic organization of (formally) free labour (Ibid., p. 21), is correlated to the institutional set-up of liberal constitutionalism via a particular mindset Weber calls 'Occidental rationalism' – 'the ability and disposition of men to adopt certain types of practical rational conduct' (Ibid., p. 26). Worldviews valorizing (and motivating) rational enterprise under individual initiative are a key component of this mindset. Thus, economic liberalism, in this first modality of capitalism, was not simply a norm governing the realm of economic action, but rather it was a spiritual mindset, a Zeitgeist, and as such it assumed the status of 'the organizing principle of a society engaged in creating a market system' (Polanyi 1957 [1944], 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.’[vii]

The separation of economics and politics that is a constitutive feature of the liberal state, together with its typical institutional paraphernalia (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’ (Polanyi 1957 [1944], p. 225). In this first modality of Occidental capitalism, the behavior-orienting value of individual entrepreneurial action moulds the semantics of collective social and political existence.

After the Second World War, nineteenth-century entrepreneurial capitalism was replaced by a new modality – what Scott Lash and John Urry (1987) named ‘organised capitalism’. 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 collectivist countermovement, Polanyi (1957 [1944], p.145) 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.’ 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 fabric’ (Ibid., p.150)[viii]. The matrix of state-society relations thus came to be built on broadly shared worldviews converging on the novel, for the early twentieth century, value of social rights. 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 legitimate and legitimacy-conferring functions of the state came to include a redistributive one, together with its corollary – the social responsibility of public authority.

The social partnership among organised capital, organised labor, and a democratic state that marked this new socio-political constellation was institutionalized in a variety of models of democratic capitalism. This variation is captured along the 'varieties of capitalism' and 'varieties of welfare regimes' taxonomies, which I will refrain from reviewing here,[ix] and instead will refer generally to 'organised', or 'welfare' capitalism as an over-arching modality that was consolidated in the course of the three post-war decades. Welfare capitalism was characterized by an organized and institutionalized political collectivism that existed on two levels: within the realm of political economy - as corporatism; and within the realm of political competition – as mass, class-based parties competing along a left-right axis of ideological orientation and forming the large political families of the Left and the Right.

Since the late twentieth century, 'organized' (welfare) capitalism has been subjected to policy pressures for economic liberalization and deregulation, to a great extent under the imperative of increased competition within a globally-integrated capitalist economy. 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 (Offe 1989 [1985], p. 6). This disorganization is often cast in the terms of liberalization and deregulation of coordinated market economies for the sake of enhancing market efficiency, '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' (Streeck 2009, p. 149). Eventually, the hierarchical Fordist work structure that had emerged in the early twentieth century, and had been predominant in the period of 'organized capitalism,' was dissolved into a new, flexible, network-based form of organization.[x]

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

The Fourth Modality: 'Aggregative' Capitalism

Already before the current economic crisis, capitalism had begun its transformation into a new modality, which I have described elsewhere as 'reorganized capitalism' (Azmanova 2010), to set it apart from the previous, neoliberal form Offe, Lash and Urry had named 'disorganized capitalism'. Neither Offe nor I see these modalities as perfectly articulated, distinct ones: we have in mind tendencies and dominant features. 'Reorganized capitalism' preserved many of the features of the neoliberal form that preceded it, as 'disorganized capitalism' in its turn had preserved many of the features of the welfare state it dismantled. Most importantly, all these modalities preserve the essential characteristics of the 'repertoire of capitalism' – namely its operative logic (the unlimited pursuit of profit by means of the rational capitalistic organization of formally free labor, and its ethos (of rational enterprise under individual initiative). I will now only discuss those transformative dynamics that concern the formation of a new matrix of state-society relations as they affect the semantics of state-building.

The redefinition of state-market relations: from economic growth to global competitiveness

In the late twentieth century, post-industrial societies have undergone a transformation under the influence of two vectors of globalization: open borders and information technology that, together, have altered the parameters of the relationship between public authority and citizens. The new economy of open borders has not only induced the proliferation of risk, as Ulrich Bech (1992) has noted, but it has also increasingly generated opportunity, while the distribution of both risk and opportunity has become strongly stratified, with the state gradually 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 is the redefinition of state-market relations at the close of the twentieth century. The policy agenda at that time came to be centered not simply on enhancing market efficiency in order to enhance growth (as in the formula of neoliberal capitalism of the 1980s and 1990s), but on achieving increased competitiveness in the global economy. Governments across the political spectrum undertook liberalization and deregulation of the economy as part of national strategies for international competitiveness.[xi] 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 2000[xii] to its revised version adopted in 2006, to the current Agenda 2020. The objective of global competitiveness has generated a trans-ideological policy consensus, embraced by capital and labor, 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.[xiii] Within this new corporatism, the value-martix of social rights becomes reinterpreted, under the objective of global competitiveness, purely in the sense of access to the labour market (keeping a job).

Here add abt commodification of risk

A distinguishing feature of aggregative capitalism is that the creation of fictitious commodities has been extended to investment risk.[xiv] 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)[xv]. 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. The effective commodification of risk (a fictitious commodity that remains deeply rooted in the fabric of social relations which endow it with the meaning of profit-generating risk), was the primary cause of transforming the final crisis of 2008 into an economic crisis and subsequently – a social one.

The state: more powerful, less responsible

In the course of these dynamics, the role of the state has altered. Public authority (at all levels of governance) has undertaken ever more policy action to intensify the production of wealth, but less and less action to redistribute it.

Consequently, the range and nature of the responsibility of public authority has changed. At both the state and the EU level, public authority is undertaking ever increasing action to enhance market efficiency (for the sake of global competitiveness), with dramatic increase in social risk, yet this same public authority has ceased to assume responsibility for the generated risk. 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. This discrepancy between power and responsibility is harmful to democracy, as the exercise of power becomes ever more autocratic, even if all rituals of democratic politics are diligently performed.

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. 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 social responsibility. I turn now to the logic of this development.

*The '*Nanny*', the '*Step-*mother', and the '*R*ich uncle' state*

During the third, neo-liberal stage, the matrix of state-society relations had been what Giandomenico Majone (1990) 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. A peculiarity of this style of regulation is that it is individual-based. Regulatory policy under what the French call *l'état social actif* was conducted in a style of policy-making that consisted in transferring responsibilities for wellbeing from public authority to citizens on issues ranging from maintaining a healthy lifestyle, to protecting the environment, remaining employable, finding jobs and securing pensions. Thus, 'the nanny' state of welfare capitalism was replaced by ‘the stepmother state’ of the neo-liberal 1980s and 1990s – a state that used legal authority to enforce individual self-reliance.

The role of the state 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 specific economic actors. 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 ‘national champions’ – with private companies receiving large financial support from the state, in defiance of EU competition rules, on the grounds of being strategically important for the competitiveness of national economies. This redistribution of funds from taxpayers to particular businesses or sectors of the economy amounts to saving capitalists, rather than salvaging capitalism. However, 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 French government 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 euros 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). Thus, the state 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, which were already developed 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), 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.

State-managed aggregation of risks and opportunities

In the liberal modality of capitalism the state plays a market-constitutive function; in the modality of organized capitalism within the framework of post-WWII welfare capitalism, it plays a remedying function (using regulation and redistribution to remedy social risk). In the third, neoliberal form, the state lets the market assume more governing functions. In the fourth modality, it actively intervenes 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. (In this sense, I prefer to refer to the fourth modality of capitalism as 'aggregative' rather than 'reorganized').

While 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), recently the two have become disentangled and even polarized. Indeed, a plethora of recent studies have observed the emergence of 'losers' and 'winners' (a new pracariat) among advanced industrial democracies as a result of globalization.[xvi] Furthermore, as I have discussed in previously published research, 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), but by institutionalized access to security and opportunity (Azmanova 2004), increasingly managed via public intervention 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.

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 the social effect of globalization (Azmanova 2011). This entails not simply the dissolution of the left-right ideological divide (a tendency under 'disorganized' capitalism), but its reconfiguration in accordance with the novel ethos of post-neoliberal, 'aggregative' capitalism, and the novel semantics of state-citizen relations.

A pathological legitimacy relationship

The shedding of the state's responsibility for social protection, the individual responsibilization of citizens for their wellbeing, the privileging of specific economic actors for the sake of global competitiveness, and the resulting formation of a new precariat of those who are marginalized, all combine to alter the parameters of the socio-economic and political order in our societies. This new order is marked by a particular state of the legitimacy relationship between public authority and citizens – a condition that appears to be pathological from the point of view of standard notions of democratic legitimacy.

I have proposed to conceptualize the connection between, on the one hand, economic interactions and on the other, their political-institutional settings, via the notion of a matrix of shared norms shaping the legitimacy relationship between public authority and citizens (itself embedded within an ethos, in a Weberian sense). This relationship is, in turn, articulated as what citizens perceive to be legitimate and legitimacy-conferring functions of the state. In the course of the institutionalized practices of individual responsibilization to which I referred above, the very legitimacy relationship between public authority and citizens 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.[xvii] 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 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' (Council of Europe 2011, p. 3). Justifying neo-liberal economic policy with the imperatives of globalization, itself presented as a natural phenomenon (rather than engineered by specific policies), public authority has thereby effectively managed to redefine its relationship with citizens: market-regulative functions linked to the provision of social rights (such as wealth redistribution and guaranteed employment) have exited the matrix of this relationship.

There is no legitimacy crisis even at the nadir of the economic meltdown in advanced liberal democracies because the very legitimacy relationship has been altered to exclude issues of social safety from the range of public authority's responsibility. 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 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. 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 challenged. Therefore, if this relationship excludes social injustice and thus precludes the formulation of certain social grievances addressed to the political authority, the common instruments of democratic politics are unlikely to be of much use. A readjustment of the pathological legitimacy relationship between public authority and citizens would require that the state again assume responsibility for the social effect of its economic policy. Failing that, the pledges of high-tech, flexible, neoliberal capitalism for a life of autonomy and re-invention (borrowed unabashedly from the Enlightenment) would but degenerate into social exasperation. What we must fear is not the revolt of the masses, but their silent escape from freedom.

Conclusion

Adjusting Polanyi's diagnosis, we might say that twentieth century civilization has collapsed. I have here attempted to trace one particular trajectory of this collapse: the recasting of the legitimacy relationship between public authority and citizens, which, throughout the past century, had been anchored on a broadly shared notion of social justice and the state's responsibility for the social consequences of economic policy. I argued that we are witnessing, since the turn of the new century, a novel modality of capitalism which, although preserving capitalism's operational principle and ethos, has changed the semantics of state power – as it has changed the framework within which public authority and citizens mutually relate. My sketch here of the emergence of post-neoliberal, 'aggregative capitalism' is but the prolegomena of a broader investigation which should account for the formation of new political ideologies and public expectations, as well as provide a more elaborate account of the hermeneutics of political responsibility in relation to the notion of ethos adumbrated here. Echoing the way Weber brought to closure his The Protestant Ethic and the Spirit of Capitalism, let me end by saying that if this inquiry should serve as a conclusion of an investigation, rather than as its preparation, it is bound to accomplish little.

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NOTES

[i] Harvey's Marxian critique of contemporary capitalism has gained spectacular popularity; the animated video recording of his lecture titled 'Crises of Capitalism' has been viewed by millions (Harvey, 2010a, 2010b).

[ii] Elections in 2010 and 2011 brought to power the centre-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 centre-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).

[iii] As discussed in the 'varieties of capitalism' literature, generated by the pioneering work of Peter Hall and David Soskice. The variation typically extends from 'liberal market economies' (such as the United States and Britain) to 'coordinated market economies' (such as Japan, Germany and the northern European states), passing through the 'mixed' type we find in southern European countries such as France, Italy, Spain and Portugal. (See Hall and Soskise 2001).

[iv] 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 (Weber 1992 [1930], p.27).

[v] This concerns 'the state capacity to manage and distribute societal resources in ways that contribute to the achievement of prevailing notions of justice' (Offe1985, p. 5).

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

[vii] Wilhelm von Humboldt, 'Ideas for a Proposed definition of the Limits and the Legality of the State' (1792), in Sidorsky (1970:72).

[viii] 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' (Polanyi 1957 [1944]: 154-155).

[ix] 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'. 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.

[x] This process is detailed in Boltanski and Chiapello (2005 [1999]).

[xi] For a wealth of empirical evidence on this see Rueda (2007).

[xii] Which pledged to make the EU, by 2010, 'the most competitive and dynamic knowledge-based economy in the world' (European Council, 2000).

[xiii] On this see Streeck (1984) and and Rhodes (2001).

[xiv] The standard fictitious commodities, that is, entities which by their very essence are not properly susceptible to commodification (production exclusively for market exchange), are land, labour and money. To my knowledge, Jean-François Lyotard was the first to comment the emerging commodification of knowledge in advanced capitalist societies (See J.-F. Lyotard, La condition postmoderne: rapport sur le savoir, Paris: Minuit, 1979). It is also in the nature of risk that it cannot be produced exclusively for market exchange, its nature remains strongly relational and thus rooted in the social fabric

[xv] Credit default swaps have existed since the early 1990s, but their use was rapidly increased between 2003 and 2007, when the outstanding CDS amount was $62.2 trillion (ISDA, 2010).

[xvi] The groups of winners and losers are often cast in terms of the growing income gap between low-skilled and highly skilled workers in industries exposed to globalisation (Geishecker and Gorg 2007, Kapstein 2000).

[xvii] On this see, for instance, the comprehensive analysis of elections in 75 countries in Hellwig and Samuels (2007).