

# DEMOCRACY AND NEOLIBERALISM

## On the Crisis of Democratic Legitimacy Caused by Neoliberal Transformation

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Time has run out for democratic sovereignty in the now bygone era of neoliberal governmentality and the time “bought” in the thirty year period after the Second World War with social Welfare State policies is the price we now have to pay in terms of public debt and distributional conflict in an irreversible crisis of representative democracy. This is the assumption underlying Wolfgang Streeck’s essay, *Buying Time. The Postponed Crisis of Democratic Capitalism*. By reconstructing the monumental steps that led to the financial crisis of 2008 and its current political development governed by the central banks and the European Union, Streeck focuses on neoliberal transformation and shows its expansion in light of the conflict between capital and work that developed at the end of the 1970s following a decline in growth and a rise in inflation. With the start of market deregulation and initial dismantling of the social guarantees provided by welfare, there is a change in the mechanism of governance applied during Fordism. Governance is no longer decided by the sovereign will of states for the wellbeing of the population but by market competition for trade liberalisation. By using an innovative approach to historical narrative, Streeck analyses the delaying strategy implemented by state policies, first with inflation and then with public and private debt, in response to the growing regulatory power of the markets and rating agencies, and sees the crises of the last thirty years as the result of a reorganisation of power technologies in which current neoliberal rationality takes shape.

The work is based on the theoretical plane focused on by Streeck and begins with the process of institutional transformation that has affected the sovereignty of nation states and has radically changed their ability to intervene with regard to capital. Its aim is to provide a critical reflection on the difficult relationship between democracy and neoliberalism which is currently at the centre of contemporary debate. I will therefore

analyse some critical and closely interrelated issues raised by the author: the democratic crisis inflicted by financial capitalism, the debt caused by social policies and the role of the European Union.

The idea is that neoliberalism is not only the economic rationality behind the current processes of valorisation and accumulation, but, albeit more radically, as Laura Bazzicalupo points out in the opening editorial, it is also the contemporary political rationality “that finds its legitimacy in the market”,<sup>1</sup> that permeates the lives of individuals and governs power relations in an ambivalent way that is foreign to the sovereign paradigm and is based on legal dichotomies between public and private, state and market and rights and citizenship.<sup>2</sup> In my view, the sovereign dimension of the political notion that Streeck refers to in his analysis of the contemporary crisis should therefore be integrated with a knowledge of the highly innovative nature of the institutional processes activated by neoliberalism.<sup>3</sup> This political rationality is no longer exclusively attributed to two modern political structures, State and citizens, but a multitude of social powers that de-territorialise governance and lead to processes of subjectification and subjection based on self-government that reconfigure the classical political space, as pointed out by Michel Foucault in his studies on neoliberal governmentality.

In light of this view, clarified in Foucault’s 1979 lectures, I would like to dwell on the crisis of democratic legitimacy brought on by neoliberal reform at the end of the 1970s and considered by Streeck to be the first step in a financial transformation that brought an end to the democratic obligation assumed by states in the post-war period in the form of social pacification. As already mentioned, the delegitimacy of the welfare state, that is to say, the regulatory mechanism between State and market in Fordism, is not only caused by economic factors linked to a decline in industrial profits. Along with the devastating events of the energy crisis, it is caused by social policies that are strategically inspired by a new principle of organisation based on competition as demonstrated by the fact that back in 1971, the USA had already taken a first step in this direction by inaugurating the regime of flexible exchange “with the intention of disengaging the monetary system from the wage struggles.”<sup>4</sup>

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1. L. Bazzicalupo, “Editorial”, in this volume, and “Democrazia. Crisi e ricerca di altri modi di essere democratici”, in L. Coccoli, M. Tabacchini, F. Zappino (eds.), *Genealogie del presente. Lessico politico per tempi interessanti*, Mimesis, Milano-Udine, 2014, pp. 51-62.

2. Cfr. W. Brown, “Neo Liberalism and the End of Liberal Democracy”, in *Edgework: Critical Essays on Knowledge and Politics*, Princeton University Press, Princeton, 2005, pp. 37-59.

3. Cfr. S. Mezzadra-S. Chignola, “Fuori dalla pura politica” in *Filosofia Politica*, 1, 2012, pp. 65-82.

4. Cfr. S. Mezzadra, “Introduzione”, in A. Fumagalli, S. Mezzadra (eds.), *Crisi dell’economia globale*, Ombre Corte, Verona, p. 9.

This is what Ordo-liberalism claims regarding governance. With regard to the inability of states to maintain the governability of democracy in the long term, i.e. the delicate equilibrium between social demand and economic control, already existing between 1928 and 1930, the German school of Ordo-liberalism redefines the relationship between state and market which radically changes the terms according to their respective roles. Ordo-liberals believe that the market economy is not subject to political intervention but is the principle that controls the state so that economic logic, not social justice, acts as a legitimising factor in the exercise of power. In Foucault's interpretation, this premise legitimises the reconfiguration of government functions that began with neoliberalism in the 1970s. Where the Frankfurt crisis theories underestimate the ability of capital to act as a political player and steer institutional transformation towards growth, Streeck stresses the strategic power of global expansion.

On the basis of Foucault's lectures, we must therefore focus on the regulatory design<sup>5</sup> of neoliberalism that presents political strategies intended to extend the corporate competitive model within society.<sup>6</sup> The difference lies in this widespread economisation of politics. Indeed, in the neoliberal reform, market self-regulation is not the spontaneous effect of a return to a *laissez faire* approach as in classic liberalism, but the regulatory effect of policies that aim to introduce governance devices implying 'the unequal inequality of everyone'<sup>7</sup> rather than social inequality correctives as in welfare. Anti-naturalism therefore characterises neoliberal rationality. In this sense, the theoretical comparison made by Streeck between Hayek and Keynes, the two key authors on economic regulation policies at this time, is significant. The market justice supported by Hayek contrasts with the social justice that inspires the Keynesian New Deal policies and the Beveridge Plan now dismantled by neoliberalism. We are dealing with two different ways of intervention: the first requires the privatisation of investments and identification of the workforce whereas the second required public intervention in economics to guarantee full employment. Whereas market justice aims at corporate governance that guarantees enterprise, an equilibrium between the distribution of assets and profitability, in all areas, social justice requires market governance that guarantees employment and core labour rights, even to the detriment of economic growth. The fact of the matter is that neoliberalism has completely modified state spaces by increasingly deregulating governance with its constructivist

5. Cfr. L. Bazzicalupo, "Governmentalità, pratiche e concetti", in *Materiali per una storia della cultura giuridica*, 2, 2013.

6. Cfr. T. Lemke, "The birth of bio-politics: Michel Foucault's lecture at the Collège de France on neo-liberal governmentality", in *Economy and Society*, 2, 2001, pp. 190-207.

7. Cfr. M. Foucault, *Naissance de la biopolitique, Cours au Collège de France (1978-1979)*, Gallimard/Seuil, Paris, 2004.

approach that leans towards economic justice. Therefore, by putting a process that reconverts governance into motion, it has questioned democracy as a postulate of politics and an embodiment of popular sovereignty.<sup>8</sup>

This framework includes Streeck's views on the desovereignisation of nation states proposed by the European Union which develops the liberal federation model proposed by Hayek in 1939.<sup>9</sup> Indeed, beginning with consolidation of the single currency and then following the financial crisis in 2008, the European Union acted as a catalyst to the international debt policy implemented by the central banks which benefitted investors and markets through its decisions to privatise services and liberalise financial capital.<sup>10</sup> European competition law is simply one of the judicial tools used in the transition that is currently underway from a national debtor state to a consolidated international state entirely de-democratised by the markets.

If States have been able to buy time in favour of democratic policies for the last thirty years, first with inflation and then with public debt, governance can no longer be postponed – to the benefit of citizens, pensioners and workers – in the face of the states of emergency created by turbo-capitalism and the ever pressing need for political decisions based on economic efficiency.<sup>11</sup> The issue I would like to discuss here, in light of solutions provided by Streeck regarding policies for abandoning the euro and devaluing national currency, is the issue, which is a critical one in my view, concerning contemporary time and space. The reason why today time has run out for democracy and the legitimate expression of popular sovereignty lies with a profound transformation of the categories of time and space adopted by neoliberal governmentality. If modern state leads to “a crystallisation of space and a reversal of time”,<sup>12</sup> and power operates according to a dichotomous logic (public/private, economics/politics) that establishes social space and controls it from above, the crisis of the 1970s leads to a radical questioning of this formalisation of categories. A series of social powers and economic players burst into the political space transforming diachronic temporality and hierarchical spatiality in an immanent, horizontal sense. This gives rise to what Foucault defines as ‘politics of the governed’ with all the ambivalence that this expression entails. Unlike Streeck, who, as I have pointed out at the beginning, moves from the sovereign perspective of the

8. Cfr. P. Dardot, C. Laval, *La nouvelle raison du monde. Essai sur la société néolibérale*, La Découverte, Paris, 2009.

9. Cfr. F. von Hayek, *Individualism and Economic Order*, The University of Chicago Press, Routledge, London, 1948.

10. Cfr. M. Lazzarato, *La fabbrica de l'homme endetté: Essai sur la condition néolibérale*, Éditions Amsterdam, Paris, 2011.

11. Cfr. L. Bazzicalupo, “Le mobili linee di confine nella normatività sociale e la indeterminatezza delle procedure”, in A. Tucci (ed.), *Disaggregazioni. Forme e spazi di governance*, Mimesis, Milano-Udine, pp. 29-46.

12. S. Chignola, “Governabilità”, in L. Coccoli, M. Tabacchini, F. Zappino (eds.), *Genealogie del presente*, pp. 95-105.

national state to conceive forms of collective resistance and mobility, we must concentrate on infra-governmental practices that interweave structural tensions with governance arrangements through mobile, concrete processes of subjectification. Based on this subjectification, which cannot be reduced to the verticality of state space or the abstraction of financial power, we should perhaps find a way out of the crisis of contemporary democracy.