

The Crisis of Capitalist Democracy

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Introduction

Is the neo-liberal era since the mid-1970s synonymous with a corporate capture of the state and the passage to “post-democracy”? And if so, might the failure of neo-liberalism since the onset of the international economic crisis in 2007 and the state-sponsored bailout of global finance presage a return to the primacy of democratic politics over “free-market” economics commonly associated with the post-World War II period? At the time of this writing, it is premature to analyze the aftermath of the Great Recession (2007–09), which could yet mutate into a twenty-first-century Great Depression. However, the current crisis raises fundamental questions about the nature of capitalism and democracy. Is the convergence of bureaucratic statism and market liberalism predominantly linked to the post-1989 ideology of the “third way”? Or does it characterize relations between capitalism and democracy since the late nineteenth century? If the latter is the case, where we can look to for ideas and policies to transform the prevailing political-economic order of capitalist democracy?

This essay charts the rise of capitalist democracy by exploring the changing relation between state and market through a double perspective. In a conceptual and historical perspective, it will focus on the subordination of society to the centralized state and the “free market,” which can be taken as the mark of capitalist democracy in the West since the late nineteenth century. In a more empirical and contemporary perspective,

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the essay will explore the formation of post-democratic “market-states” that absorb the autonomous realm of “civil society,” which is normally regarded as an alternative to the ideological poles of left and right and the institutional poles of state and market.

The first part explores the phenomenon of post-democracy by linking democratic representation to capitalist accumulation. The second part examines the “long waves” that have characterized the formation of states and markets in modernity. In the third part, I focus on the specific interaction of democracy and capitalism since the mid-nineteenth century. In the fourth part, I return to the issue of post-democratic “market-states” and other contemporary arrangements before outlining a range of alternatives in the final part.

I. On Post-Democracy

In his book *Post-Democracy*, Colin Crouch makes the point that democracy and modernization in advanced countries since the 1970s have not moved in linear or cyclical ways but have instead exhibited a parabolic shape.¹ On this account, politics becomes increasingly democratized for a period through such measures and practices as extended voting rights, regular elections, and alternating governments of different ideological persuasions. The post-democratic parabola describes the tendency of representative democracy to remain formally in place even after actual democratic practices weaken and power reverts to smaller groups. Leaving aside new forms of democratic innovation (including the use of the internet), these and other “post-democratic” trends are borne out by two different kinds of evidence: first, cross-country data on the decline of membership in political, civic, and fraternal organizations, notably a collapse in political party membership across the developed world;² second, the mutation of representative democracy, with falling levels of voter turnout (barring some notable exceptions) and the spread of “spectacular politics,” which replaces popular political debate with a tightly controlled spectacle

1. Colin Crouch, *Post-Democracy* (Cambridge: Polity Press, 2004).

2. On civic engagement, see Robert D. Putnam, *Bowling Alone: The Collapse and Revival of American Community* (New York: Schuster & Schuster, 2000); and Robert D. Putnam, ed., *Democracies in Flux: The Evolution of Social Capital in Contemporary Society* (Oxford: Oxford UP, 2002). On political party membership, see Russell J. Dalton and Martin P. Wattenberg, “Partisan Change and the Democratic Process,” in Dalton and Wattenberg, eds., *Parties Without Partisans: Political Change in Advanced Industrial Democracies* (Oxford: Oxford UP, 2000), pp. 261–85.

of endless electoral campaigns, televised shows, and media stunts as well as an increasing use of public relations techniques to communicate with the electorate.³

In this manner, the formal continuation and even expansion of democratic regimes is entirely compatible with an accelerating decline in popular participation and a growing concentration of power in the hands of old elites and new classes that serve the interests of corporate business at the expense of the wider public good.⁴ In the words of Sheldon Wolin, this marks “the *political* coming of age of corporate power and the *political* demobilization of the citizenry,”⁵ whereby democracy becomes increasingly managed and flips over into something like “inverted totalitarianism.” Crucially, the argument is *not* that democratic and totalitarian regimes are identical or that popular democracy is simply followed by post-democratic plutocracy. Rather, it is that representative democracy—reinforced by free-market capitalism—tends toward the formalization and abstraction of politics from the people it purports to represent. Thus, political representation becomes increasingly self-referential, emptying real democratic participation of its content and transforming representative democracy from within. From its inception, democratic rule contains authoritarian seeds.

Arguably this evolution is part of a wider and deeper change in global geopolitics and geo-economics. The dominant modern conceptual dualities and ideological paradigms since the French Revolution have entered a zone of “in-distinction” where nominal differences remain in place but where real distinctions between the state and the market, “left” and “right,” and democracy and authoritarianism have begun to dissolve. Just as in many Western countries and elsewhere the central state and the “free market” have colluded at the expense of intermediary self-regulating

3. *Inter alia*, see Rafael López Pintor and Maria Gratschew, eds., “Voter Turnout since 1945: A Global Report,” *International IDEA*, online at http://www.idea.int/publications/vt/upload/VT_screenopt_2002.pdf; Murray Edelman, *Constructing the Political Spectacle* (Chicago: Univ. of Chicago Press, 1988).

4. Christopher Lasch, *The Revolt of the Elites and the Betrayal of Democracy* (New York: W.W. Norton & Co, 1995); Paul Piccone, *Confronting the Crisis: The Writings of Paul Piccone* (New York: Telos Publishing Press, 2008); David J. Rothkopf, *Superclass: The Global Power Elite and the World They Are Making* (London: Little, Brown & Company, 2008).

5. Sheldon S. Wolin, *Democracy Incorporated: Managed Democracy and the Specter of Inverted Totalitarianism* (Princeton, NJ: Princeton UP), p. x.

institutions and local government, so the left and the right are converging and increasingly becoming the same. This convergence tends to replace a real contest of ideas with a post-ideological managerialism,⁶ which nevertheless masks a more profound commitment to the centrist *status quo* embodied by the neo-liberal orthodoxy, whose conspicuous failure is now plain for everyone to see.

Here it is critical not to conflate neo-liberalism with *laissez-faire* market fundamentalism. The new era ushered in by Thatcher and Reagan in the 1980s did not in fact reduce the weight of the state in the economy. The share of the public sector in overall economic activity either remained constant (at about 35–40% of GDP) or, in the case of the United Kingdom, even increased to almost 45%. Instead of “rolling back the frontiers of the state,” as Thatcher and Reagan promised, neo-liberalism expanded state regulation to newly privatized utilities and other parts of the economy. Moreover, economic liberalization and financial deregulation were of a piece with central state intervention aimed at extending the reach of the market and international finance into hitherto nationally owned industries and public services. As Andrew Gamble and others have shown, from the outset free economics went hand in hand with the strong state.⁷ The international hegemony of neo-liberalism exported this model from the Anglo-Saxon world to the rest of the West and beyond by enshrining the “Washington consensus” in the institutions and policies of global governance.⁸

6. Earlier theorizations of managerialism can be found in a variety of intellectual traditions. First, the work of James Burnham, who in his book *The Managerial Revolution: What is Happening in the World* (New York: John Day Co., 1941) makes the important point that private, corporate ownership alone is not a sufficient protection against a managerial control of the means of production by a new ruling elite composed of executives, managers, bureaucrats, and functionaries. Second, the Frankfurt School on “totally administered societies” and the “one-dimensional man.” Third, the writings of Daniel Bell, who charts the transmutation of politics from ideological commitment to managerial proceduralism and the rise of a new bureaucratic and technocratic class. See his *The End of Ideology: On the Exhaustion of Political Ideas in the Fifties* (Glencoe, IL: Free Press, 1960) and *The Coming of Post-Industrial Society: A Venture in Social Forecasting* (New York: Basic Books, 1973).

7. Andrew Gamble, *The Free Economy and the Strong State: Politics of Thatcherism*, 2nd rev. ed. (Basingstoke: Palgrave Macmillan, 1994); Andrew Glyn, *Capitalism Unleashed: Finance, Globalization, and Welfare* (Oxford: Oxford UP, 2006).

8. David Harvey, *A Brief History of Neoliberalism* (Oxford: Oxford UP, 2005); Richard Robison, ed., *The Neo-Liberal Revolution: Forging the Market State* (Basingstoke:

Likewise, in the mid- and late 1990s, Clinton and Blair (and, to a lesser extent, their continental counterparts Prodi, Jospin, and Schröder) recast former workers' movements into business-oriented organizations (obsessed with elites and "focus groups") that adopted "free-market" capitalism in order to finance welfare reform and the modernization of public services.⁹ As such, their centrist "third-way" philosophy combined some of the worst elements of the left and the right: the centralized bureaucratic state became the supreme guarantor of the unbridled free market and the market was enthroned as the principal delivery mechanism to meet the standards and targets set by the state—a configuration that requires a veritable armada of managers, accountants, and auditors, all paid for with taxpayers' money. Coupled with vastly expanded legal powers as part of the "global war on terror" after 9/11,¹⁰ the authoritarian and post-democratic "market-state" was born.

Of course, this new model has not replaced every other form of political-economic organization that exists today. Nor have all the old intermediary institutions been destroyed or new ones been marginalized. The "market-state" has nevertheless been described as a constitutional settlement that is fundamentally different from the hitherto prevailing order of the modern state in all its variety: the princely state, the kingly state, the territorial state, the state-nation, and the nation-state.¹¹ Bobbitt's genealogical typology rightly stresses that the main difference is between pre-modern and modern statehood, but it fails to account for the impact of "disembedded" markets on state formation and political power, in particular the emergence of agrarian capitalist surplus value, non-reciprocal merchant trade, and the rise of international finance.¹² For these and other reasons, Bobbitt is unable to explain why the market was just as central to the origins of

Palgrave Macmillan, 2006).

9. John Gray, "Blair's Project in Retrospect," *International Affairs* 80, no. 1 (2004): 39–48.

10. Jean-Claude Paye, *Global War on Liberty*, trans. James H. Membrez (New York: Telos Press Publishing, 2007).

11. Philip Bobbitt, *The Shield of Achilles: War, Peace and the Course of History* (London: Penguin, 2003).

12. Here Karl Polanyi's term *haute finance* is apposite. See his seminal book *The Great Transformation: The Political and Economic Origins of Our Time* (Boston: Beacon Press, 2000), pp. 1–34. Cf. Robert Brenner, "Agrarian Class Structure and Economic Development in Pre-Industrial Europe," *Past & Present* 70 (1976): 30–74; and Brenner, *Merchants and Revolution: Commercial Change, Political Conflict and London's Overseas Traders, 1550–1653* (London: Verso, 2003).

political modernization as the state. Nor can his reading account for the emergence of the “market-state” as early as the mid-nineteenth century, when the corporate capture of governments by finance produced the first form of the managerialist state and globalized capital.

II. Long Waves: The Formation of Modern States and Markets

1. Pre-modern and Modern Statehood Contrasted

If the market-state fusing economics and politics is characteristic of late modernity, then the centralized fiscal-military apparatus underpinning the warfare state and (much later) the welfare state can be taken to be paradigmatic of the succession of “long centuries” that constituted the 700-year period of modernity (c. 1300s–2000s).¹³ But here one can go further that this. The fundamental difference in relation to rival models of state and market formation is surely between the modern and the pre-modern, and not between the modern and the “postmodern.” State law and market exchange have governed different societies for millennia, but it was modern political thought and political economy—whose origins can be traced to late medieval nominalism and voluntarism¹⁴—that shifted the emphasis away from real embodied relations between persons and groups toward the nominalist poles of the individual and the collective.¹⁵ Coupled with a greater focus on sovereign will, this nominalist dialectic underpins the tenets of political liberalism that are also shared by socialism and conservatism. Linked to this is the rise of the modern state and the modern market, which conjointly displaced the key institutions of late Antiquity and the Middle Ages, starting with the church, the empire, and the complex network of intermediary institutions.

Of course, the liberal tradition was never monolithic. Nor did it evolve in a linear fashion. John Gray is right to distinguish “two faces of liberalism”: an emphasis on value-pluralism and a peaceful *modus vivendi* between

13. Giovanni Arrighi, *The Long Twentieth Century: Money, Power, and the Origins of Our Times* (London: Verso, 1994).

14. Pierre Manent, *Histoire intellectuelle du libéralisme: dix leçons* (Paris: Calmann-Lévy, 1987); Louis Dupré, *Passage to Modernity: An Essay in the Hermeneutics of Nature and Culture* (New Haven, CT: Yale UP, 1993); André de Muralt, *L'unité de la philosophie politique: De Scot, Occam et Suárez au libéralisme contemporain* (Paris: Vrin, 2002); John Milbank, “Liberality versus Liberalism,” *Telos* 134 (Spring 2006): 6–21.

15. Adrian Pabst, “Modern Sovereignty in Question: Theology, Democracy and Capitalism,” *Modern Theology* 26, no. 4 (2010): 570–602.

individuals with incommensurate values in the work of Hobbes and Hume, on the one hand, and a focus on universal principles and uniform political regimes in the writings of Locke and Kant, on the other hand.¹⁶ However, it also has to be acknowledged that the rise of the modern, liberal tradition is coterminous with two key theoretical and practical developments shared by virtually all liberal thinkers: first, the theorization and enforcement of social contracts and, second, the primacy of disembodied, general values over universal virtues instantiated in particular traditions and practices.¹⁷ These two profound changes underpin, and are reinforced by, the rise of the centralized bureaucratic state and the extension of proprietary market relations into ever more areas of social life.

In consequence, the long and uneven transition to liberal modernity can be understood as the gradual substitution of a pre-modern, more theological model with a modern, more secular order.¹⁸ More specifically, an imperfect communal ordering of medieval and Renaissance societies (variously more hierarchical or more egalitarian) and the “moral economy” of shared customs—which framed popular culture until the eighteenth century in the commercially most developed countries, such as Britain and the United States¹⁹—was progressively supplanted by a more typically modern arrangement where individuals were henceforth subject to the absolute power of the sovereign center. The latter is encapsulated by the centralized, territorial state and the de-centralized, de-territorial market, which together enforce a uniform discipline on all members of civil society, as Foucault argued in his seminal lectures on the birth of bio-politics and the liberal conception of political economy.²⁰

As modernity took hold, social relations were no longer primarily associated with cultural, religious, and even cosmic significance but were

16. John Gray, *Two Faces of Liberalism* (Cambridge: Polity Press, 2000), esp. pp. 1–33.

17. Alasdair McIntyre, *After Virtue: A Study in Moral Theory*, 2nd ed. (London: Duckworth, 1985).

18. John Milbank, *Theology and Social Theory: Beyond Secular Reason*, 2nd ed. (Oxford: Blackwell, 2006); Charles Taylor, *A Secular Age* (Cambridge, MA: Harvard UP, 2007); Michael Allen Gillespie, *The Theological Origins of Modernity* (Chicago: Univ. of Chicago Press, 2008).

19. E. P. Thompson, “The Moral Economy of the English Crowd in the 18th Century,” *Past & Present* 50 (1971): 76–136; and *Customs in Common: Studies in Traditional Popular Culture* (London: Merlin Press, 1991).

20. Michel Foucault, *The Birth of Biopolitics: Lectures at the Collège de France*, trans. Graham Burchell (New York: Palgrave, 2008).

instead increasingly viewed in abstract, contractual terms. Property was now predominantly individual, and commercial values provided the moral foundation of monarchical and republican regimes alike—chief of all in Britain and the United States. As state and market colluded at the expense of locality and self-regulating institutions, civil society gradually disintegrated into atomized individuals who pursued their self-interest at the expense of the common good in which all can share. What underpinned this was the separation of moral sentiments of sympathy, reciprocity, and mutual giving from the contractually governed formal processes involved in the social contract and economic production or exchange. Thus, the modern spirit of “possessive individualism” began to produce “acquisitive societies.”²¹

Crucially, in the complex process of modernization and democratization, the formalization of politics tended to be in league with the financialization of the economy. For both promote a growing abstraction from locality and community and thereby a dissolution of organic human and natural bonds. Beyond (and partly against) Marx, Karl Polanyi and Fernand Braudel have shown in complementary ways how “disembedded” commerce centered on exchange and monetary value—which differentiates modern capitalism from traditional market economies—commodifies not just labor and social relations but also nature and life itself.²² As such, capitalism denies the sacred dimension of the universe and the sanctity of human and natural life by subordinating them to the quasi-sacrality of state and market. This is why Walter Benjamin’s description of capitalism as a “quasi-religion” was in many ways so prescient.²³

All this points to a double specularity. Just as free-market capitalism is the spectacle of abstract, fetishized, idealized commodities, which replaces the everyday market economy of productive investment and symbolic meaning (centering on agriculture, manufacturing, and industry), so liberal representative democracy is the spectacle of the mass representation

21. C. B. MacPherson, *The Political Theory of Possessive Individualism: Hobbes to Locke* (Oxford: Clarendon, 1962); R. H. Tawney, *The Acquisitive Society* (London: Bell, 1921).

22. Polanyi, *The Great Transformation*, pp. 35–58; Fernand Braudel, *Civilisation matérielle, économie et capitalisme, XVe–XVIIIe siècle*, vol. 3 (Paris: Ed. Armand Colin, 1979).

23. Walter Benjamin, “Capitalism as Religion,” in *Walter Benjamin: Selected Writings: Volume 1 (1913–1926)*, ed. Marcus Bullock and Michael W. Jennings (Cambridge, MA: Harvard UP, 1996), pp. 288–91.

of general opinion and desires to the masses in an endless, identical repetition that equates what a society is with what it ought to be. If this is true, then it indicates that democratic states and capitalist markets are inextricably intertwined. Over time, both tend toward higher levels of abstraction, concentration, and centralization. It is the wider origins of capitalist democracy that I explore in the following section.

2. *Modern Statehood:*

The Rise to Power of the Fiscal-Military Warfare State

The origins of the modern state in Europe are in fact medieval. The modern state usurped the universality of the institutions of Christendom, whose demise it caused or at the very least accelerated. In both East and West, the overarching framework of Church and Empire since the time of Constantine had provided a fundamental distinction between different types of power, authority, and legitimacy that cut across all realms and levels, producing a horizontal model of decentralized and diffused sovereignty. The non-linear transition from the Middle Ages to early modernity gradually replaced this late medieval pluriverse of horizontal and overlapping relationships with a new “power vertical” of absolutist monarchs, who accrued unprecedented fiscal control and military might. The modern state emerged in the violent conflicts that opposed monarchs and their robber barons to popes and emperors.²⁴ In the words of Charles Tilly, “[w]ar made the state, and the state made war.”²⁵ As such, the mark of modern statehood was to create an ever-expanding fiscal-military apparatus where the levying of central taxation and the new imperative of regular, large-scale military expenditure were mutually reinforcing.

The gradual loss of universal sovereignty, which hitherto had been shared—though also contested—by the empire and the papacy, shifted the emphasis of state-building away from a transnational separation of powers

24. Joseph R. Strayer, *On the Medieval Origins of the Modern State* (Princeton, NJ: Princeton UP, 1970); Thomas Ertman, *Birth of the Leviathan: Building States and Regimes in Medieval and Early Modern Europe* (Cambridge: Polity Press, 1997).

25. Charles Tilly, “Reflections on the History of European State-Making,” in Tilly, ed., *The Formation of National States in Western Europe* (Princeton, NJ: Princeton UP, 1975), pp. 3–83; here, p. 42. Cf. Anthony Giddens, *The Nation-State and Violence* (Berkeley, CA: Univ. of California Press, 1987); Bruce D. Porter, *War and the Rise of the State: The Military Foundations of Modern Politics* (New York: Free Press, 1994); Niall Ferguson, *The Cash Nexus: Money and Power in the Modern World, 1700–2000* (London: Allen Lane, 2001).

toward a monopoly of legitimate power in the hands of national monarchs. This process gave rise to both princely and kingly states in the course of what Braudel called the “long sixteenth century” (c. 1450–1650). Crucially, the changing nature of warfare (in particular the growing use of bombards and artillery) favored a closer alliance of princes and oligarchs: the latter would help raise revenue in exchange for protection and security from the former.

In this process, a new and quintessentially modern idea was born: a permanent, territorial, impersonal, and immortal state, rather than a temporary realm governed by a mortal king whose power was not seen as a divine right but instead a gift from God. (Indeed, the doctrine of the divine right of kings was in fact early modern.)²⁶ War was now the primary means to enhance and extend state power and oligarchic wealth, distributed among rulers and their sponsors. The emergence of modern statehood was synonymous with the rise of a permanent fiscal-military apparatus wherein the bureaucracy and the military mutated into predominantly formal structures with mutually reinforcing power aimed at self-aggrandizement. Thus was born the warfare state.

Paradoxically, the state became increasingly detached from the nation and human communities that it sought to embody. Likewise, the market shifted toward international finance and nonreciprocal, long-distance merchant trade. This led to a growing abstraction from the real, productive relationship of local, regional, and national economies as well as reciprocal trade across the seas. The nascent capitalist system favored open markets and the free movement of capital across borders, uncommitted to specific, longer-term investment. At the same time, the modern state could only assert itself against rival forms of political organization by promoting financial expansion and new models of economic accumulation, including fiscal extraction through centralized and closely policed tax regimes. From its early modern inception in the city-states of Northern Italy in the fourteenth century, transnational finance capitalism was indispensable to the destruction of old medieval regimes and the creation of increasingly modern models of government.

Modern relations of centralized authority and territorial jurisdiction produced a variety of distinct yet related models of the sovereign national

26. John Neville Figgis, *The Theory of the Divine Right of Kings* (Cambridge: Cambridge UP, 1896); Ernst H. Kantorowicz, *The King's Two Bodies: A Study in Mediaeval Political Theology* (Princeton, NJ: Princeton UP, 1957).

state and the sovereign transnational market. In spite of significant differences, absolutist sovereignty in France and proto-capitalist sovereignty in England were both part of a shift from a more diffuse to a more unitary form of power: abstract standards such as formal rights and proprietary relations secured by monarchical patronage and regulated by market forces. As such, national state creation and the emergence of capitalist economies were linked from the outset. Indeed, the early modern revolution in sovereignty gave rise to what has been described as “the two interdependent master processes of the [modern] era: the creation of a system of national states and the formation of a worldwide capitalist system.”²⁷

Pace Marxism, there was of course nothing deterministic or necessary about these processes. Nor were they linear and progressive, as liberalism tends to assume. Instead, the processes of modern state and market formation were exponential and parabolic, moving in increasingly accentuated waves of abstraction from locality. Rather than being diametrically opposed, the transnational has almost always tended to reinforce the national subordination of the local under the global. Just as territorial states and de-territorial finance absorbed autonomous local economies in the modern era, so now national governments and multinational corporations promote a global economy that increasingly abstracts from localities, communities, and families.

Modern Britain and the newly independent United States exemplify these shifts. Warfare provided the main impetus for the extension of the fiscal-military apparatus of the state. The transition to a market-driven concentration of wealth and a centralization of power was reinforced by growing market penetration at home and abroad, especially after the 1713 Peace of Utrecht, when Britain abandoned military-mercantilist interventionism in favor of an imperial power balance and global trade.²⁸ Indeed, in the “long eighteenth century” (c. 1688–1815) England/Britain consolidated her fiscal-military state and commercialized market society. By combining a “financial revolution” created by state loans, which stimulated an ever-growing money market, with military and naval interventions across the globe, which secured access to foreign markets and resources, the British State managed to align the interests of landowners, industrialists, traders,

27. Charles Tilly, *Big Structures, Large Processes, Huge Comparisons* (New York: Russell Sage, 1984), p. 147.

28. Benno Teschke, *The Myth of 1648: Class, Geopolitics, and the Making of Modern International Relations* (London: Verso, 2003), pp. 215–75.

and financiers.²⁹ The creation of a “free” market in human labor, land, and money in Britain in the 1830s coincided with an unprecedented expansion of formal and informal state power (in terms of policing, education, public health, transportation, or the systematic compilation of national statistics), as Karl Polanyi documented in *The Great Transformation*.

Similarly, the American republic was based on commercial values rather than on the civic virtues that had characterized Italy and other continental European countries since the Renaissance. The extension of market societies prompted nineteenth-century liberal and conservative commentators such as Alexis de Tocqueville and Thomas Carlyle to denounce the rise of “spectacular politics” and the “cash nexus” as the predominant basis for human relations within the modern, liberal polity.³⁰ Nor does democracy provide a sufficient bulwark against the concentration of wealth and centralization of power. Upon his return from America in 1830, Tocqueville was apparently quoted as saying that “universal suffrage merely legitimates the exercise of power by those who already hold it.”³¹

The second half of the nineteenth century cemented the growing convergence of politics and economics, preparing the emergence of the market-state. Nowhere was this clearer than in the mid-Victorian period, as evinced by the simultaneous rise of *laissez-faire* and central state intervention. It is true that compared with the “long eighteenth century,” the Victorian settlement used extensive regulation to eliminate the capture of the state by special interests, to reduce monopolies, and to fight the scourge of financial speculation. But in this process, British politics expanded the frontiers of both the central state and the free market, thus limiting the autonomy of free, associational life whose virtues certain prime ministers, such as Benjamin Disraeli, nevertheless sought to promote. The formation of the modern “market-state” can thus be traced to the convergence of landed and financial interests in the second half of the nineteenth century.

29. Martin Dauntton, *State and Market in Victorian Britain: War, Welfare and Capitalism* (Woodbridge: The Boydell Press, 2008).

30. Alexis de Tocqueville, *De la démocratie en Amérique* (1835–40) and Thomas Carlyle, *Chartism* (1840) as well as *Past and Present* (1843). Importantly, Tocqueville was also among the first to describe the emergence of “spectacular societies,” a series of ideas that were further developed by Thorstein Veblen in *The Theory of the Leisure Class* (New York: Penguin Books, 1994), and so far find their highest expression in the work of Guy Debord, notably *La société du spectacle* (Paris: Ed. Buchet-Chastel, 1967).

31. “Le suffrage universel ne fait que légitimer l’exercice du pouvoir par ceux qui l’ont déjà.”

III. “The Long Twentieth Century”: Democracy and Capitalism

The nineteenth-century fusion of politics and economics foreshadowed a collusion between democracy and capitalism that is characteristic of the “long twentieth century” (c. 1870–2008). The introduction and extension of representative democracy across Europe redressed the imbalance of power between different constituencies of society and helped bring about the emergence of the modern welfare state (to which I will return in the final part of this essay). But neither could limit or reduce the power of the nascent “market-state.” The confluence of *laissez-faire* and state intervention transformed a more competitive and pluralistic “liberal capitalism” into a more monopolistic and cartelized “finance capitalism” in Germany, the Austro-Hungarian Empire, and elsewhere in the West.

By contrast with an earlier liberal period characterized by a “buccaneering” sort of capitalism, the fusion of the four dominant economic interests (landed, industrial, mercantile, and financial) produced a strong, interventionist state. This is because finance capital reversed the previous, liberal opposition to “centralized and privilege-dispensing state power”³² and instead used the state to extend the reach of trade and capital flows, which would in large part provide the contagion mechanism in the event of financial crises, as in the crisis of 1873.

Crucially, Hilferding highlights the unprecedented penetration of finance that henceforth pervaded virtually the entire economy, including agriculture, industry, and trade. As Polanyi and Braudel have convincingly shown, the difference between traditional economies and global capitalism can be described in terms of a series of layers built on top of the everyday market economy composed of agriculture, local manufacturing, and industry. These layers—local, regional, national, and global—are marked by ever-greater abstraction. At the top sits disembodied global finance, seeking returns anywhere, uncommitted to any particular place or industry, and subjecting anything and everything to market valuation and commodification. As the financial crisis of 1873 and the subsequent First Great Depression (1873–96) demonstrated, the German and Austrian stock market crash spread to the Americas by triggering a collapse in trade and in capital flows, thereby causing a wave of debt defaults through reduced tax and export revenues. In turn, debt defaults in Central America in 1873 depressed bond prices and the crisis returned to Europe shortly thereafter

32. Rudolf Hilferding, *Finance Capital: A Study of the Latest Phase of Capitalist Development*, trans. Tom Bottomore (London: Routledge & Kegan Paul, 1981), p. 301.

to engulf England, France, and Russia. By 1876, a variety of countries at the center and in the periphery had defaulted, and the world economy entered a protracted recession that in some countries lasted until 1896.³³ This underscores the dependency of vast swathes of economic activity on global finance already at the end of the nineteenth century.

Conceptually, there is in fact a striking parallel between financial capitalism and liberal, representative democracy. Like the expansion of monetary value to practically all areas of life, democratic processes tend to extend the formality of contractual relations and centralized powers of social control to the entire range of social and communal activity. But far from representing an increasing democratization of power in favor of “the many,” democratic rule in much of the nineteenth and twentieth centuries has been characterized by an increased usurping of sovereignty by the executive branch of government.³⁴ The problem is that this corrupting tendency can flip over into a process of self-corruption, as a democratically elected executive will claim the legitimate authority to go beyond or even ignore its own mandate in the face of circumstances that could not be anticipated by that mandate and on which the electorate cannot vote.

The most recent (but by no means sole) example that illustrates this point is the response to international Islamic terrorism. By launching a “global war on terror,” many different democratic systems in the West and elsewhere have declared a “state of exception” and suspended core constitutional provisions like *habeas corpus* precisely in order to protect the constitution from what they believe to be an existential threat. For this reason, Carl Schmitt was of course right to define the sovereign as “he who decides on the state of exception.”³⁵ But when the executive decrees the “state of exception,” the conceptual difference between democracy and authoritarianism enters a zone of “in-distinction.” Therein formal democratic structures remain in place, but the executive slides into an authoritarian mode and exercises power in ways that can be described as a form of “inverted totalitarianism” (Sheldon Wolin). In such a configuration, the value of human life is neither universally equal nor absolutely

33. Charles P. Kindleberger, *Manias, Panics and Crashes: A History of Financial Crises*, 5th ed. (New York: Basic Books, 2005); Barry Eichengreen, *Globalizing Capital: A History of the International Monetary System* (Princeton, NJ: Princeton UP, 2008).

34. Giorgio Agamben, *State of Exception*, trans. Kevin Attell (Chicago: Univ. of Chicago Press, 2005).

35. Carl Schmitt, *Politische Theologie: Vier Kapitel zur Lehre von der Souveränität* (Munich/Leipzig: Duncker und Humblot, 1922), p. 11.

sacrosanct, and the dignity of persons is no longer genuinely protected. As I have argued elsewhere, modern, liberal, representative democracy blends the juridical-constitutional model of state sovereignty (Schmitt and Weber) with the “bio-political” conception of power in terms of domination over life itself (Benjamin and Foucault).³⁶

Thus, both financial capitalism and liberal, representative democracy appear to be governed by a basic dialectical tension. Just as capitalism oscillates between accumulation-expansion and overaccumulation-contraction, so democracy oscillates between constitutionally guaranteed popular sovereignty and constitutionally sanctioned absolute sovereign power exercised by the executive alone. But here one can go further. There is something that is more fundamental than the dialectical processes just described. Both democracy and capitalism claim that unity emerges somehow naturally out of multiplicity. The argument is that a natural multitude of rival individual egos will somehow produce a single artificial order, either based on a social contract (Hobbes and Locke) or via pre-contractual innate passions of sympathy and benevolence (Hume and Smith). In either case, the violence of competing self-interest is regulated by appeals to long-term interest and self-preservation, but this original violence also needs policing via the law (Schmitt) and the central state monopoly on the legitimate use of physical force (Weber). From Hobbes via Weber and Schmitt, the kind of modern “bio-politics” that underpins both democracy and capitalism has not just extended political power to all areas of natural and human life but has also subordinated the dignity of persons and the sacredness of life to state and market power. Coupled with the social and cultural libertarianism of the 1960s, the personal really is the political.

Since modern, liberal, representative democracy is almost exclusively formal and procedural and does not include any collective commitment to substantive values, all material and (increasingly) all immaterial realities are subjected to the same standards of abstract value. As a result, nature is drained of any stable meaning, and humans are not associated with any guiding finality or *telos* other than self-preservation. Human, social, and political reality is now assumed to disclose nothing but the existing order, collapsing potency into actuality and conceiving the actual as an instantiation of abstract logical possibility.

But given that the nominal value of capital must be reinvested in real material processes, the living universe is almost supplanted by a virtual

36. Pabst, “Modern Sovereignty in Question.”

reality that operates on the basis of a vacuous generality. This is reflected by the capitalist fetishization of idealized commodities—the belief that the value of material objects lies in their status as commodities instead of being somehow both intrinsic to things and added to them by human labor. In conjunction with the formalism of the rule of law that displaces organic cultures, capitalism and democracy weaken real relations among actually existing things.³⁷ For both privilege the abstract individuality of commodities or persons at the expense of the social, cultural, and religious structures or arrangements that bind them together and provide the civic culture upon which a vibrant democratic polity and market economy depend.

IV. The Post-Democratic “Market-State”

I began this essay by arguing that we are seeing the rise of post-democratic “market-states,” where popular sovereignty and political representation remain formally in place, but where actual democratic practices such as voter turnout and party membership are in decline and power is shifting back from the people to old elites or new classes. Among numerous objections, critics of the “post-democracy” thesis have contended that this constellation applies at best to the United States, the United Kingdom, and perhaps some other countries that embraced the neo-liberal variants of capitalism. Most states, by contrast, have largely preserved their political and economic sovereignty and autonomy. Moreover, the global “credit crunch” in 2007–08 and the subsequent recession seem to have permanently weakened global finance and rebalanced power in favor of elected governments and state agencies. After thirty years of monetarism and neo-liberalism, the pendulum appears to be swinging back toward a neo-Keynesian settlement that strengthens parliaments and might even lead to the creation of welfare states in emerging markets like China or India.

However, these and other objections that could be leveled against my account are questionable. First of all, compared with the modern era, “late-modern” democracy is no longer predominantly defined on the basis of territoriality, nationhood, or the self-determination of people composed of persons and citizens. Instead, the function of democracy is henceforth to manage risk and maximize the individual choice, material aspiration, and economic opportunities of clients and consumers. The fusion of economics and politics, which is apparent throughout the modern age and even the

37. Zygmunt Bauman, *Liquid Love: On the Frailty of Human Bonds* (Cambridge: Polity Press, 2003).

post-1945 era,³⁸ now extends beyond geographical boundaries, as national states are increasingly integrated into a transnational system of power, itself constituted by multinational corporations and supranational institutions such as the IMF, the World Bank, and the WTO. The current model of globalization promotes the creation and extension of “market-states,” as Richard Robison’s work clearly documents.³⁹

Second, even those countries that gained independence after decolonization in Africa or the end of the Cold War in Europe and Eurasia are to varying degrees part of this new system of globalized capital and supranationally shared power. Indeed, developing countries are already pooling their national sovereignty with economically advanced countries in terms of global capital flows, “free” trade (though in selected sectors), shared regulatory structures, and international law. Likewise, local democracy is increasingly absorbed into a global, media-driven spectacle of endless electoral campaigns, televised shows, and an oscillation of power between old personal or tribal dynasties and new economic elites, especially in small and resource-rich countries. Indian democracy is an exception that is in any case seriously constrained by the importance of the caste system.

In countries as diverse as Pakistan, Iran, and Venezuela, the army and other core state institutions are hardly under any public control but instead constitute semi-private corporations in the hands of powerful clans with vast assets extending well beyond the military. Just as such countries have a substantial shadow economy and a black market representing perhaps as much as 30% of their GDP, so too do they have a shadow state and an informal model of governance that are unelected and unaccountable. Since these structures go beyond national borders and are tied to transnational networks, the old dual-state theory does not quite capture the importance of the global economy in the formation and evolution of newly independent states in the Americas, Africa, or Asia.

Third, it is true that states like Russia and China are distinctly modern insofar as they emphasize their territorial integrity and the inviolability of their borders. Nor have they opened up all their markets to global competition. Rather, they have sought a more gradual, incremental integration with the world economy, especially after the conspicuous failure of “shock therapy” in the Russian case. But this more traditionally modern

38. Charles E. Lindblom, *Politics and Markets: The World's Political Economic Systems* (New York: Basic Books, 1977).

39. Robison, *The Neo-Liberal Revolution*.

form of state building has been accompanied by the adoption of financial capitalism, not representative democracy. Indeed, both Russia and China constitute variants of a state- or party-driven oligarchic capitalism based on the patrimonial fusion of political power and material wealth whereby state office and business interests are inextricably intertwined. Since capitalism relies for its effective operation on repeated instances of “primitive accumulation” through expropriation and dispossession,⁴⁰ it can thrive in conditions of political authoritarianism. As a result, the extent of economic liberalization (in some select areas) has certainly not been matched by an equal measure of political liberalization. On the contrary, democratization has been in retreat in Russia at least since Vladimir Putin’s creation of a “power vertical” after the events of Beslan in 2004. In China, democratic advances are almost exclusively confined to the local level. Though official corruption is more of a taboo and the country has a more diversified economy, China is no less dependent on global finance and trade than Russia.

Fourth, for all the adduced reasons, the state remains central to the exercise of sovereignty. Analogous to Max Weber’s concept of a monopoly on the legitimate use of physical force that is characteristic of modern statehood, states retain the prerogative to enforce international agreements, laws, and regulations within their nominally separate jurisdictions.⁴¹ It is the national legislature and (to a lesser extent) the judiciary that have lost power to a new managerial class, itself composed of the national executive, an increasingly politicized bureaucracy, and a growing number of transnational economic-financial corporations, all of which collude at the expense of local government, communities, and families. As such, the current model of globalization does not so much undermine state sovereignty as it extends the national subsumption of the local to the global. In this process, capitalism is more interventionist than the ideology of *laissez-faire* would imply, and democracy is more authoritarian than the ideology of liberal representation would suggest.

Fifth, responses to the global economic crisis have so far failed to change the imbalance of power between global finance and local economies. Unprecedented state action to the tune of nine trillion dollars in cash

40. Michael Perelman, *The Invention of Capitalism* (Durham, NC: Duke UP, 2000).

41. Saskia Sassen, *Losing Control? Sovereignty in an Age of Globalization* (New York: Columbia UP, 1996); John Gray, *False Dawn: The Delusions of Global Capitalism* (London: Granta, 1998).

injections, lending guarantees, and funding lines (according to IMF estimates) sought to rescue banks and other “systemically important” financial institutions. But it has not improved lending to cash-strapped businesses or households, nor has it resulted in a strong private-sector recovery capable of generating job creation to offset mass unemployment. Nor has a proper contest of ideas resumed between parties in government and in opposition. Instead, the left has bailed out global finance without reforming it while the right has printed money while preparing to cut public spending. Both have propped up a system that privatizes gains and nationalizes losses. Neither has so far launched a genuine redistribution of power and a re-balancing of wealth in favor of citizens, communities, intermediary associations, and small businesses.

Sixth, the welfare state in Europe and elsewhere has mitigated the impact of the recession on the unemployed and the poor by redistributing income through “automatic stabilizers” and other fiscal measures. But here it is important to recognize that the original creation of centralized, universal welfare since Bismarck was always accompanied by an extension of state power. On the face of it, this was a progressive development that sought to rectify the growing polarization of society as a result of the industrial revolution. But in reality, the welfare state was merely supplemented by the welfare state, as both world wars painfully demonstrated. And in the post-1945 era, one important side effect of statist welfare has been to replace traditional networks of support with a uniform system that produces “the freely-choosing reflexive and risking individual removed from the relational constraints of nature, family, and tradition. It would seem that the welfare state is generated by capitalism and only sub-serves capitalism.”⁴² Recent reforms that have cut benefits and introduced means-testing in order to promote “welfare-to-work” underscore the subordination of the national welfare state to the global economy. So the creation of welfare programs in emerging markets such as China and India might help foster domestic demand and reduce international imbalances, but it is unlikely to curtail capitalism or transform the “market-state.” Instead, it will help legitimate the prevailing order of capitalist democracy or bureaucratic capitalism.

42. John Milbank, “The Real Third Way: For a New Metanarrative of Capitalism and the Associationist Alternative,” in Adrian Pabst, ed., *The Crisis of Global Capitalism: Pope Benedict’s Social Encyclical and the Future of Political Economy* (Eugene, OR: Cascade Books, 2010), p. 8.

Seventh, the post-democratic “market-state” already encompasses “civil society,” which tends to be regarded as its alternative. “Civil society” has either been absorbed into the state (Hobbes and Hegel) or been privatized and relegated to the private sphere (Locke and Smith). Either way, civil institutions and civic culture are subordinated to the state and, increasingly, to the market. This is not to say that all civil-society actors and structures are under the control of the market-state. On the contrary, some local and transnational networks escape the disciplining power of state and market. However, the basic separation between the private and the public sphere remains in place, as does the division into individual and collective property and other cognate distinctions we owe to modern liberalism. The fundamental basis for political, social, and cultural relations is a combination of state-policed legal contracts and market-enforced exchange. All forms of communal association based on common lineage, locality, or professional ethos are confined to the essentially private “voluntary sector,” which lacks the necessary autonomy to resist the legalization and commodification of mutuality and reciprocity. Sterile appeals to “public order” and a value-neutral political realm open to all fail to recognize that participation is conditioned by the absolute primacy of state and market over social groups, as Robert Nisbet showed forty years ago.⁴³

Moreover, even the moderate U.S. Council on Civil Society now accepts that autonomy of “civil society” has diminished and that we must confront the disintegration of civic culture.⁴⁴ To be sure, there never was a golden age to which we should or could return. But it is equally clear that the last thirty years or so, which coincide with the political victory of right-wing economic liberalization and the triumph of left-wing social-cultural liberalization, have seen a regression of civic life across the West and elsewhere. Despite important advances in a variety of areas, such as public health or housing, this regression casts doubt on the universal validity of an ideology that promotes indiscriminate modernization in the name of representative democracy.

Finally and perhaps most importantly, the specter of post-democracy coincides with the specter of post-humanism.⁴⁵ Arguably, we already live

43. Robert Nisbet, *The Quest for Community* (Oxford: Oxford UP, 1969).

44. Council on Civil Society, *A Call to Civil Society* (Chicago: Institute for American Values, 1998).

45. Matthieu Baumier, *La démocratie totalitaire: penser la modernité post-démocratique* (Paris: Presses de la Renaissance, 2007).

in a post-humanist world, where unbridled capitalism and technology—aided and abetted by the central state—conspire to redefine the origins and boundaries of human and natural life. Old taboos on life and death are transgressed, and ethical limits on the use of human power are removed.⁴⁶ Linked to this are unprecedented attempts to liberalize abortion, euthanasia, and other problematic practices, such as genetic manipulation. Decisions over life and death, including extraordinary rendition and torture as part of the “global war on terror,” are either made by the sovereign state or else they are reduced to matters of individual will and negative freedom. By thus removing legal and moral provisions to defend the inviolability of human (and other animal) life, post-democratic “market-states” betray the humanist legacy that contemporary liberalism purports to uphold but fails to protect.

V. Alternatives to Capitalist Democracy

Strengthening representative democracy is perhaps a necessary but certainly not a sufficient condition to resist the combined power of the modern territorial state and the de-territorial market. Nor does contemporary civil society provide a bulwark against the worst excesses of the secretly collusive centralized bureaucratic state and the unbridled free market. What is instead required is to diffuse sovereignty, pluralize power, and distribute wealth by re-embedding both politics and the economy within the complex web of human association and communal relations. Here we can develop the growing literature on associative democracy and civil economy in the direction of “political economies” of gift exchange.⁴⁷ In this manner, ideas of sympathy, mutuality, and reciprocity reframe the abstract standards of both the post-Hobbesian social contract and post-Lockean contractual, proprietary relations. What underpins this account is the fundamental anthropological argument that, first, human, social, and natural reality is irreducibly relational (not individual or collective) and, second, that personal and communal flourishing requires a “gift society”—wherein the giving, receiving, and returning of gifts governs not just social relations but also in some measure politics and the economy.

46. See, *inter alia*, Francis Fukuyama, *Our Post-Human Future: Consequences of the Biotechnology Revolution* (London: Picador, 2003).

47. Paul Q. Hirst and Veit-Michael Bader, eds., *Associative Democracy: The Real Third Way* (London: Frank Cass, 2001); Luigino Bruni and Stefano Zamagni, *Civil Economy: Efficiency, Equity, Public Happiness* (Bern: Peter Lang, 2007).

Such and similar anthropological notions translate into practices of mutual help and reciprocal giving, thereby shifting the emphasis from the false dualism between egoism and altruism to the “radical middle” of trust, caring, and cooperation.

In terms of the economy, this means a radical transformation that limits financial abstraction from the real economy and reconnects money more closely to physical assets. In the current crisis, a first step is to restructure (and partly forgive) private, corporate, and public debt in order to interrupt the vicious circle of debt deflation and put a floor under assets. A second step is to channel capital into longer-term investment that yields a lower but more stable return and also has social benefits. Examples include local economic regeneration, new housing, the environment, or local welfare institutions such as schools, care homes, or nurseries. In turn, this requires a re-localization of the global economy by combining certain punitive measures (anti-usury caps on interest rates and banning certain speculative practices) with positive investment incentives (reduced taxation on profits derived from social investment).

An embedded model means that elected governments restrict the free flow of capital and create the civic space in which workers, businesses, and communities can regulate economic activity. Instead of free-market self-interest or central state paternalism, it is the individual and corporate members of civil society who collectively determine the norms and institutions governing production and exchange. Specific measures include, first of all, extending fair-trade prices and standards from agriculture and the food industry to other parts of the economy, including finance and manufacturing. This could be done by strengthening the associative framework and giving different sectors more autonomy in determining how to implement a set of desirable goals, debated and voted upon by national parliament, regional assemblies, or city halls.

Moreover, it is imperative to replace the minimum wage with a just, “living wage” that reflects the true value of labor. Here the example of London Citizens is very instructive: a network of different local communities and faith groups that are joined together in action by the principles and practices of Catholic social teaching and which have persuaded both City Hall and a growing number of corporate businesses to sign up voluntarily and pay their staff the “living wage.”⁴⁸ By extension, groups of trading

48. Austen Ivereigh, *Faithful Citizens: A Practical Guide to Catholic Social Teaching and Community Organising* (London: Darton, Longman & Todd, 2010).

guilds with overlapping membership, in cooperation with local councils or regional governments, must be empowered to negotiate just wages for workers. Employee co-ownership, savings, and pension schemes could also be linked more closely to firms that self-organize as part of professional guilds. As such, the economy and politics are reconfigured away from the demand- and supply-driven market production of individually consumed goods and services or the paternalistic state provision of uniform benefits and entitlements, and toward the co-production and co-ownership of relational goods and civil welfare. The same model of associative pluralism can be applied to representative democracy, by decentralizing many state functions to lower levels (including town halls and neighborhood councils) and forging new links with community organizing and local businesses.

In the current crisis of capitalist democracy, it is increasingly clear that both capitalist free-market and socialist central-planning policies fail because they are based on a false account of human nature. Human beings are neither “bare individuals” who pursue private profit through market competition, nor are we anonymous parts of a monolithic collective controlled by the state. The real, true account of the human person must be about our social bonds that discipline us and make us the unique persons we all are. At their best, the bonds of family, neighborhood, local community, professional associations, nation, and faith help instill civic virtues and a shared sense of purpose. Coupled with radical steps to diffuse central state sovereignty and pluralize economic power, this gestures toward an economy of gift exchange where people assist each other—not a political economy based on economic utility or legal obligation, but in a spirit of free self-giving and receiving by members of a social body greater than its individual members.

Conclusion

In charting the emergence of the post-democratic “market-state,” I have argued that the liberal claim to near-linear, universal progress is just as questionable as the Marxist idea that the history of successive (though non-identical) cycles of hegemonic accumulation repeats itself.⁴⁹ For both conceptions are essentially meliorist and favor progress over tradition, while at the same time positing the primacy of the individual or the

49. John Gray, *Black Mass: Apocalyptic Religion and the Death of Utopia* (London: Allen Lane, 2007); Giovanni Arrighi, *Adam Smith in Beijing: Lineages of the Twenty-First Century* (London: Verso, 2007).

collective and underplaying the importance of historical contingency. As a result, liberal and Marxist genealogies undermine alternative readings and models that cannot be charted on this binary conceptual map. Paradoxically, the collapse of Marxist-Leninist “emancipatory revolution” and the end of the Enlightenment utopia of perpetual, universal progress (which also underpins “free-market capitalism”) seem to eliminate the possibility for wholesale systemic transformation and tend to reduce human agency to piecemeal bureaucratic reform, as the world contemplates the prospect of “living without an alternative.”⁵⁰

In the aftermath of the global credit crunch, the current trajectory of ideological confusion and modest financial reforms presages a slide into economic depression, social unrest, and political turmoil. Therefore, the task is neither to restore the broken market nor to remake society through legislation and regulation. Rather, the most pressing problem is how to enable people to nurture and grow the human, social bonds of reciprocity and mutuality. The development of each person involves the fostering of human, social, economic, and political bonds, as exemplified by practices of gift exchange, mutual help, and reciprocal giving. The crisis of capitalist democracy opens the way for the creation of a gift society that perfects and elevates our shared social body to a higher actuality in excess of the sum of its parts.

50. Zygmunt Bauman, *Intimations of Postmodernity* (London: Routledge, 1992), pp. 175–86. Cf. Andrew Gamble, *The Spectre at the Feast: Capitalist Crisis and the Politics of Recession* (Basingstoke and New York: Palgrave Macmillan, 2009). For the reference to Bauman, I am indebted to my colleague Professor Richard Sakwa and his illuminating work on “the politics of *krisis*.”