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# Destabilizing Orders – Understanding the Consequences of Neoliberalism

Proceedings of the MaxPo Fifth-Anniversary Conference
Paris, January 12–13, 2018

**Edited by Jenny Andersson and Olivier Godechot**

Jenny Andersson, Olivier Godechot (eds.)
**Destabilizing Orders – Understanding the Consequences of Neoliberalism: Proceedings from the MaxPo Fifth-Anniversary Conference. Paris, January 12–13, 2018**

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## Abstract

Throughout the long postwar period, crisis was a conjectural phenomenon and the exception in a normalcy of growth and social progress. Many key concepts of the social sciences – indeed, our understanding of democracy, embedded markets, enlightened electorates, benevolent political elites, and problem-solving progressive alliances – seem inapt for understanding today's societal upheaval. In the wake of the financial crisis of 2008, we have witnessed the breakdown of majority alliances, the return of populism on a grand scale both in the Western world and globally, and the eruption into chaotic and sometimes violent social protests. The forces that underpinned the framework of welfare capitalism seem obsolete in the face of financial and political elites who are paradoxically both disconnected from national territory and sometimes in direct alliance with nationalist and populist movements. Politics of resentment, politics of place, and new politics of class interact in ways that we do not yet understand. Perhaps the greatest paradox of all is that neoliberalism has spawned authoritarianism. At the same time, these processes are not at all new, but must be put in the context of the socioeconomic and cultural cleavages produced by the shift to neoliberalism since the 1970s. The paper presents arguments by leading scholars in economic history, economic sociology, and political economy in brief thinknotes that were prepared for the MaxPo Fifth-Anniversary Conference on January 12 and 13, 2018, in Paris.

**Keywords:** Crisis, neoliberalism, elites, political economy, economic sociology.

## Résumé

Pendant le long après-guerre, les crises n'étaient qu'un phénomène conjoncturel et une exception par rapport au régime normal de croissance et de progrès social. De nombreux concepts fondamentaux des sciences sociales – la démocratie telle que nous la comprenons habituellement, avec ses marchés encastrés, ses électorats éclairés, ses élites politiques bienveillantes et ses alliances progressistes qui permettent de résoudre des problèmes – semblent inadaptés pour comprendre les bouleversements sociaux actuels. Dans le sillage de la crise financière de 2008, l'on constate l'effondrement des alliances majoritaires, le retour du populisme à grande échelle, tant dans le monde occidental qu'au niveau mondial, et l'irruption de protestations sociales chaotiques et parfois violentes. Les forces qui constituaient l'ossature d'un capitalisme articulé à l'État providence semblent obsolètes face aux élites financières et politiques qui, paradoxalement, sont à la fois déconnectées du cadre national mais aussi parfois directement liées aux mouvements nationalistes et populistes. Des politiques exploitant le ressentiment, d'autres fondées sur les identités locales, et de nouvelles politiques de classe interagissent sous des formes que nous ne comprenons pas encore. Ainsi, que le néolibéralisme engendre aujourd'hui l'autoritarisme n'est pas le moindre des paradoxes. En même temps, ces processus ne sont pas tous nouveaux et doivent être replacés dans le contexte des clivages socio-économiques et culturels produits par l'avènement du néolibéralisme dans les années 1970. Ce volume réunit des positions défendues par des universitaires spécialisés en histoire économique, en sociologie économique et en économie politique, sous la forme de brèves notes de réflexion préparées pour la Conférence du cinquième anniversaire du MaxPo, les 12 et 13 janvier 2018, à Paris.

**Mots-clés:** Crise, néolibéralisme, élites, économie politique, sociologie économique.

## Preface

Since 2012, the Max Planck Sciences Po Center on Coping with Instability in Market Societies in Paris – MaxPo – has been investigating how individuals, organizations, and nation-states are coping with the new forms of economic and social instability that have developed in Western societies as a result of policy shifts, the expansion of markets, technological advances, and cultural changes. In its fifth year, the Center's codirectors, economic historian Jenny Andersson and sociologist Olivier Godechot, invited leading international researchers to convene in Paris to examine the economic and political developments of the last three decades that have culminated in profound destabilization and an increasingly desperate longing for reorientation. How can we understand the consequences of neoliberalism? What has permanent austerity done to politics? How much stress can the social fabric endure? Going on from here, how can social science contribute effectively to public debate? What questions do social theory and social inquiry need to address?

On January 12–13, 2018, twenty-three outstanding scholars gathered at MaxPo to discuss these issues during two intense days, thus celebrating the five years of Franco-German collaboration in financial sociology and political economy that the Center represents. We asked each scholar to prepare a short think-note rather than a conventional paper, and it is now our pleasure to publish these notes both in our MaxPo Discussion Paper series and, in collaboration with the Society for the Advancement of Socio-Economics, on the SASE website. We want to express our deep thanks to Martha Zuber for making this possible.

We are delighted to make the conference contributions accessible to the wider scholarly and general public in this condensed form.

Jenny Andersson and Olivier Godechot

Paris, April 2018

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# Destabilizing Orders: Understanding the Consequences of Neoliberalism

## Introduction

*Jenny Andersson*

Throughout the long postwar period, crisis was a conjectural phenomenon and the exception in a normalcy of growth and social progress. From the 1970s on, crises have increasingly been understood as endemic, and as rooted in contemporary forms of a highly globalized and volatile capitalism. Meanwhile, many key concepts of the social sciences – indeed, our understanding of democracy, embedded markets, enlightened electorates, benevolent political elites, and problem-solving progressive alliances – are still rooted in the postwar era and the reshaping of social science that took place after 1945. Today, many key concepts in social science seem inapt for understanding the current societal upheaval. In the wake of the financial crisis of 2008, we have witnessed the breakdown of majority alliances, the return of populism on a grand scale both in the Western world and globally, and the eruption into chaotic and sometimes violent protest of new patterns of social mobilization. The forces that underpinned the framework of welfare capitalism seem obsolete in the face of financial and political elites who are paradoxically both disconnected from national territory and sometimes in direct alliance with nationalist and populist movements. Politics of resentment, politics of place, and new politics of class interact in ways that we do not yet understand. Perhaps the greatest paradox of all is that neoliberalism has spawned authoritarianism. At the same time, these processes are not at all new, but must be put in the context of the socioeconomic and cultural cleavages produced by the shift to neoliberalism since the 1970s.

Neoliberalism has become a much debated term in the social sciences, yet the concept is still problematic in many ways. It is hard to define neoliberalism as an "-ism" because it has somehow not undone the other -isms that prevailed as its ascendance began, such as Communism or social democracy; rather, it has often merged with these approaches and created hybrid forms of political theory and political economy. It is also hard to describe neoliberalism as a universal project. While there have been, as recent scholarship points out, similar trends in liberalization across industrialized nations over the last three decades, neoliberal tendencies still seem to be strongly rooted in national political cultures and social contracts. Some scholars describe neoliberalism as a system. Going back to the notion of system is in some ways uncomfortable because it brings to mind the systems theories in the social science of the 1970s that can be associated with totalizing, deterministic or functionalist depictions of anonymous and ruthless

capitalism. Yet, at the same time, theories of system have their advantage. They allow us, for instance, to think about similarities across time and space, and they allow us to think about contradictions as well.

That neoliberalism, whatever it is, is something highly contradictory is clear. The authors in this paper point to neoliberalism's contradictions: forms of hyperliberalization coexist with the return of calls for national protection; many of the policy changes in Western economies that aimed at providing opportunities for greater individualization and social mobility resulted in an explosion of social inequalities and new forms of stratification in a remaking of the social world that we are yet to fully understand. The neoliberal world is a world of new actors – a world in which politicians become economists, and corporations producers of ideology. Corporations such as Google or Facebook have created virtual communities that transcend new social divisions, yet their own social visions have hardly been discussed.

# Section 1

## Political Economy in an Age of Permanent Austerity

## How the Menu Gets Set: Permanent Austerity, Political Parties, and Growth Regimes

*Mark Blyth*

Recent work in comparative and international political economy stresses the importance of distinct "growth models" (Baccaro and Pontusson 2016) and "macroeconomic regimes" (Blyth and Matthijs 2017). This work draws attention to the ensemble of institutions and ideas that produce distinct forms of capitalist accumulation in particular historical periods. That is, one can think of capitalism as constituted, in a given period, by a specific set of institutions that are configured in such a way as to produce distinct and desired policy outcomes. This literature looks at how particular ensembles of institutions are entrained such that over time they produce endogenous pathologies. Also, rather than concentrate, as is done much of the time in comparative political economy, on distinctions between systems in a given moment as an exercise in comparative statics, this body of work looks to explain continuities over time and at the level of the system as a whole, and in a dynamic framework.

In this regard, Blyth and Matthijs (2017) in particular have forged a link between the rise and decline of specific macroeconomic regimes/growth models and particular forms of politics. Specifically, they have linked the rise of populism across the globe in recent years to the failure of the 1987–2007 growth regime; a regime that focused upon price stability as the major policy target, promoted flexibility in labor markets, and, in various forms, globalized, liberalized, privatized, and financialized.

The broad argument they make there – and that I expand upon here – is that the macroeconomic regime that both governed the markets and set the menu of policy choices for political parties in the advanced capitalist democracies from 1945 to 1977 was predicated on a growth model that was particularly favorable to labor. And while the means to get there varied across countries – demand-side management, active labor market policies or export-led growth – they were all typified by a policy target of sustained full employment. While successful insofar as full employment was both attained and sustained for over 20 years, three pathologies endogenous to the regime produced its downfall.

The first was the familiar Kaleckian dynamics of cost-push inflation (Kalecki 1943). Sustaining full employment and the profitability of capital together is contingent upon sustained growth in productivity. That is possible so long as the real rate of return on capital remains higher than its cost. In an environment in which labor – especially skilled labor – is being bid up by wage pressures, the rate of return on capital will fall as inflation is bid up. Once that threshold is reached, inflation acts as a tax on investment

and capital withdraws investment. The result is the well-known "puzzle" of stagflation, which is not a puzzle if investment falls in an environment of inflation and unemployment rises.

The second pathology was the global macro-framework that sustained these national full-employment regimes, the Bretton Woods exchange rate regime (Helleiner 1994). With the US dollar as the global reserve currency and all other major currencies pegged to the dollar, as soon as the Post-War Dollar Shortage ended and the dollar glut began, countries were effectively earning devalued export dollars, which ended up stoking import inflation (Eichengreen [1996] 2008). The third pathology was an exogenous shock rather than an endogenous pathology. The 1974 and 1979 oil shocks provided yet another inflationary boost to an otherwise unstable inflationary order and pushed it over the edge. At that moment, a regime that targeted full employment, restricted financial flows, insulated labor markets, and provided extensive transfers across (not up) the income scale while provisioning public goods failed (Blyth 2002).

The failure of the growth regime prompted a reset of the system. Thatcher and Reagan and the neoliberal order that followed had a new policy target, price stability. Enforced first through national-level fiscal austerity and high interest rates, and then through autonomous central banks, price stability was the target needed to restore the real rate of return on capital after the inflationary crisis that put paid to the first regime. In its place a growth regime built on principles orthogonal to the first one was generalized across the OECD.

Price stability, enforced by autonomous agencies, was the policy target. Labor markets were deregulated; that is, opened to global competition. Capital markets were similarly globalized. State functions were privatized. Transfers continued, but mainly upwards and to the old (who vote more), and economies became more integrated. As a result, the rate of return on capital was not only restored, it soared, and the capital/labor share reversed. Crucially, private credit took the place of public deficits – or rather, the deficits persisted while their private complements boomed. Banks became dominant actors in the economy and the shadow banking system ballooned to multiples of GDP across the OECD.

This regime had many pathologies – the generation of a massive income and wealth skew, falling investment, mass unemployment, cyclical instability – but only one really mattered. The critical weakness endemic to financialized economies is that there is liberalization really only where there is a pent-up demand for credit, as there was in the inflationary 1970s. In such a world the demand for credit is high but supply is low because regulated markets cannot offer rates of return above the rate of inflation (Krippner 2011). But if one liberalized and dis-inflated at the same time, what were historically low real interest rates (the nominal rate plus inflation) became historically high real interest rates. Real rates plus a pent-up demand for credit created a bonanza for private finance, and private finance, released from its regulatory box, duly obliged (Crouch 2009).

The problem with relying on a credit boom to fuel growth is that unless wages are rising then the debt burden become heavier on borrowers. But as the pool of capital increases due to capital market integration, and inflation falls, the real rate falls, making it easier to borrow. The result is a massive leveraging-up of the system as a whole that went nuclear in 2008 (Blyth 2013). That regime failed in a crisis of deleveraging in 2008, but has not yet been replaced by a new growth model, due to both the continuing power of capital, and the interventions of globally important central banks (Blyth 2012).

So far, so macroeconomic. But where is the politics in all of this? Blyth and Matthijs used this framework to explain how the failure of a second macroeconomic regime in 2008 produced an ever-increasing asymmetry in the returns to capital over labor that has resulted in creditor–debtor stand-offs, both within and between countries, which is how they explain the rise of populism today. Building on this, I draw on subsequent work with Jonathan Hopkin that explores the co-evolution of growth regimes, political party forms, and party systems (Blyth and Hopkin 2018).

Specifically, we argue that the 1945–1977 labor-friendly growth regime co-evolved with a particular type of political party and party system; one that turned mass parties of integration into catch-all parties of electoral competition and public goods provision (Kirscheimer 1966). We then argue that developments in the post-1977 growth regime caused these party forms to become mal-adapted to their new environment, and as the new inflation-focused growth regime evolved, it demanded further changes in party form in order to survive, the optimal form before the financial crisis being the emergence of cartel parties and cartelized party systems (Katz and Mair 1995; 2005; Blyth and Katz 2005).

We argue that over the lifetime of the 1945–1977 growth regime, parties moved from being mass parties of mobilization to being "catch-all" parties of integration that abandoned appeals to core constituencies while emphasizing the provision of public goods rather than party identity. As the ability to do so broke down in the collapse of productivity and the rise of inflation in the 1970s, catch-all parties evolved into cartel parties. That is, catch-all parties downsized their constituents' expectations, externalized policy commitments, and separated themselves from both party members and their traditional constituencies in order to insulate themselves from electoral volatility and partisan demands (Blyth and Katz 2005). These parties governed less so that they could rule more. Moving into the 1980s and 1990s and embracing both a new macroeconomic framework and new economic ideas that made such a policy shift seem "inevitable," these parties effectively became managers rather than transformers of capitalism (Blair and Schroeder 1999). But here lay the political pathology with a political order that was produced by the shift of regimes.

While the cartel party-form and increasingly cartelized systems acted as local optima for such parties in the low-inflation "Great Moderation" period, they were in serious trouble the moment the macroeconomic environment shifted and they had to govern more,

rather than less. That moment also came in the crisis of deleveraging in 2008. Lacking the capacity to intervene effectively in this moment, or even the ideas that would legitimate doing so, such parties relied on the organizations to which they had externalized their commitments – central banks, G-associations, supra-national and sub-national authorities. The result has been the survival of a party form that is mal-adapted to its environment, and is therefore unable to "change the menu" that it has been offering for the past three decades. Populism and the collapse of center-party vote shares are the twin results.

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## Sabotaging Progress: The Cultural Economy of Resentment in Late Neoliberalism

*William Davies*

The contemporary populist moment appears perplexing, even irrational, from the perspective of most orthodox traditions of social science, with their tacit assumption of utilitarian psychology and government. Whether allied to the Left or the Right, rational-choice paradigms seek to interpret individual and collective activity in terms of the pursuit and maximization of tangible interests. It's not clear how Brexit, nativism, and "Trumpism" advance anyone's interests, other than the financial interests and media careers of those who are personally invested in the new political formations. Centrist technocrats, such as those left over from the "Third Way" era of the late 1990s, make similar allegations about the populists of the Left, such as Corbyn, Mélenchon, and Podemos, pointing to Syriza's capitulation to the Troika as evidence of the naiveté of these new political forces.

There are two riddles in particular that need to be solved, but which defeat a rational-choice perspective. First, how to understand the apparent absence of any macroeconomic logic of the new political forces, which seem not only to have broken free of any model of accumulation, growth, or progress, but often to be sabotaging those very notions. If events such as Brexit do the harm that many economists expect, then surely people must be laboring under some kind of false consciousness or have been victims of propaganda (with or without the intervention of the Kremlin). Is it possible to consciously and reasonably seek economic *regress*?

Secondly, how to understand the power and popularity of the super-rich within nativist movements, combined with extreme antipathy towards "liberal elites" such as the "mainstream media," "mainstream politicians," and universities. At a time when inequality is reaching levels not seen since World War One (especially in the Anglosphere) how is it that more anger is not turned against the tax avoiders, offshore billionaires, and private equity asset-strippers? Why are professional policy-makers the enemy, despite apparently having the knowledge needed and the intention to solve social problems? This is what Arlie Russell Hochschild has named the "Great Paradox" of contemporary American conservatism as a mobilizing force among the white working class (Hochschild 2016).

There is a risk on both fronts; we may either confine these reactions to the realm of the "emotional" (implying the irrational and ultimately incomprehensible) or else strive so hard to empathize that we abandon any critical distance from these events. An alternative is to apply a kind of hermeneutics, approaching these movements as a perpetuation

of a certain neoliberal moral logic that has survived despite the various failures of neoliberal economics. Neoliberalism not only created the conditions for these political upheavals, but is shaping how they unfold.

First, consider the apparently anti-utilitarian, anti-progressive (though less commonly anti-capitalist) tendency of the populist forces around us today. In certain regards, these can even appear to be "anti-truth," inasmuch as they refuse to accept statistical and macroeconomic facts, rejecting the very notion of "growth" or "progress" as realistic collective ventures at the level of society. To the extent that a collectivity is invoked at all, it is more often an ethnic or regional one, although it is not necessarily national, given that it is just as hostile to centers of power within the nation (metropolitan cities) as outside it.

This is not entirely alien to neoliberal logic. Neoliberalism is a system of government that aims to identify winners, and eliminate losers, whether in the marketplace or elsewhere (Davies 2014). This implies a relativist philosophy of value, rather than the marginalist theory of value that mainstream economics assumes: "my worth depends on how it differs from yours." For more extreme libertarian neoliberals, capitalism is a Darwinistic contest that could usefully eliminate whole cultures, populations, or genes, if they are not adaptive enough. The capitalist logic of rivalry has no necessary connection to progress or utility, as Veblen's work on industrial sabotage in the late nineteenth century demonstrates (Veblen 1904). In experiential terms, this means that the economy is a zero-sum space of status acquisition and recognition, as much as a positive-sum space of satisfaction and acquisition.

The cultural and moral logic of neoliberalism has long sought to play up the zero-sum qualities of capitalism, as a way of motivating individuals, and as a way of thwarting collectivist ideals of progress, of the kind that formed the heart of Keynesianism. Sabotaging visible "winners" is not an irrational or emotional strategy; indeed it is exactly how firms such as Uber or Facebook set about growing as they have. It is a quest for moral and cultural value in a society without any authoritative measures of value, beyond competition itself.

Turning to the apparent authority of the billionaire class in among all this, why is there not more resentment in that direction? I suggest that this needs to be considered in the context of a protracted crisis of representation, which has grown gradually over the neoliberal period and has been accelerated by the rise of social media in the past decade. The most powerful resentment that we see in politics today is not aimed at monopolies or cartels of wealth, but at (what appear to be) monopolies or cartels of representation: those journalists, elected representatives, experts, or professional elites who have the power and legal right to *speak on behalf of everybody else*. This includes economists and technocrats, who govern on the basis of evidence and facts.

What is compelling about the billionaire or reality TV star (and of course Trump himself is both) is that they don't offer or promise to represent anyone, other than themselves. In making no broader metaphysical appeal to the "public interest" or the "truth" about society, they render themselves trustworthy. By being in it for themselves, they have a transparency that the liberal politician, technocrat, or journalist does not. The latter are two-faced, having a public face and a private life. By contrast, the billionaire populist may be a liar but this is not quite as bad as being a hypocrite.

The logic of neoliberalism is at work here too. Since Hayek first sought to deconstruct the politics of "intellectuals" during the 1940s, neoliberal critique has sought to dismantle the consistency and integrity of public officialdom and expertise (Hayek 1945; 1949). The Virginia "Public Choice" school was founded on misgivings about all claims to political representation, democratic or otherwise (MacLean 2017). The crisis of representation that casts doubt on the liberal capacity of an individual to act honestly on another's behalf has been deliberately manufactured over decades. The ideal populist leader is therefore a type of anti-representative.

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## America's Peculiar Mix of Plutocracy and Populism

*Jacob S. Hacker and Paul Pierson*

Why is the "populism" of US President Donald J. Trump turning out to be so plutocratic? Why have the two biggest 2017 Republican policy drives – the failed attempt to "repeal and replace" the Affordable Care Act and the hugely regressive tax legislation recently signed into law – both turned out to be radically inegalitarian, with particularly dire effects for Trump's most loyal voters? Why have Trump's populist campaign promises and appeals mostly been jettisoned except as rhetorical flourishes to sustain his electoral base?

After all, Trump's nativist rhetoric and core constituency aren't so different from those of right-wing populists abroad. Moreover, he has elicited a remarkable level of loyalty from the congressional GOP when it comes to the serious ethical and legal challenges he faces. Republicans have proved willing to defend Trump in the face of accusations that would have sunk previous presidents, and they have even attacked organs of government, such as the FBI, to which they have long showed deep allegiance.

There is no neat resolution of these riddles. The start of an answer, however, can be found in America's distinctive political context. For all of Trump's outsized effects on contemporary public debates, he is a product of – and operates within – a totally different kind of party and political system than do right-wing populists abroad. In particular, American political institutions give congressional Republicans a pivotal role in domestic lawmaking. The result is that plutocracy has tended to "trump" populism, when campaigning gives way to governance.

To begin with, it's crucial to recognize that Trumpism is less a departure from than an intensification of the contemporary GOP's long-term coalitional strategy. Since the 1990s, Republicans have evolved into an anti-system party that wins by tearing down government. This anti-system approach has always involved a large dose of racism, though this element has become much stronger with Trump's rise. Even before Trump's ascendance, moreover, it was increasingly clear that the GOP strategy was producing a "Frankenstein's monster" problem, in which Republican elites needed the support of an outraged voting base that they had created but in many ways could not fully control.

Electoral geography is a key contributor to and enabler of GOP radicalization. Over the past two decades, rural areas have grown more Republican and urban areas more Democratic. This has gone hand in hand with the growing concentration of prosperity in urban and coastal areas. The most affluent regions of the country are increasingly

Democratic; the most depressed, increasingly Republican. In pursuing a plutocratic agenda, Republicans are thus hurting their downscale voting base even more than in the past.

However, these very same trends are also giving Republicans a solid edge in the battle for House and Senate seats, an edge further enhanced by GOP gerrymandering. That's because America's electoral system – its malapportioned Senate; its single-member, winner-takes-all districts – rewards parties that are broadly distributed across large swaths of sparsely-populated territory. This GOP edge has, ironically, heightened its audacity in pursuing upwardly redistributive policies that will be devastating in many of the areas of the country where Republican electoral strength is greatest. Republicans can adopt more extreme stances with less fear of backlash from moderate voters. Meanwhile, they fear primary challengers from their right flank at least as much as general-election opponents.

The conservative media bubble has added to this insulation, creating a GOP electorate that is motivated primarily by "negative partisanship" – in other words, hatred of the other side. This is a key reason why Trump won the support of Republicans who thought he was unqualified; they couldn't bring themselves to vote for Clinton. Many core Trump voters come from places prosperity has left behind. But he couldn't have won without the support of many suburban and upscale Republicans who were motivated mainly by negative partisanship.

There is a debate in economic circles about whether economic dislocation or racial animus are key to Trump's support. But this is a false opposition: Racial animus and a sense of decline are part of a poisonous stew, stoked by conservatives, that has been simmering for decades. Appeals to cultural hostility are being used to gain the support of downscale voters for politicians like Trump who end up pushing a plutocratic agenda.

Which brings us to present policy developments: In the same way that Trump won only because he gained the support of voters who don't share many of his populist views, he must govern by working with Republican elites who are interested primarily in pursuing a stunningly conservative (and unprecedentedly unpopular) economic agenda. In other words, America's unusual model of two-party presidentialism is a double-edged sword. It makes it easier (when combined with negative partisanship) to grab the presidency. But it doesn't give the president full authority. That must be shared with the congressional GOP, which, despite occasional populist optics, is firmly in the hands of the plutocrats.

Back in 2012, conservative activist Grover Norquist described the key qualities a future GOP president needed to have[1]:

1 Grover Norquist in a speech to the Conservative Political Action C onference CPAC on February 11, 2012. https://www.youtube.com/watch?v=6wYYX0mZsQA.

> We are not auditioning for fearless leader. We don't need a president to tell us in what direction to go. We know what direction to go. We want the Ryan budget. … We just need a president to sign this stuff. We don't need someone to think it up or design it. The leadership now for the modern conservative movement for the next 20 years will be coming out of the House and the Senate. Pick a Republican with enough working digits to handle a pen to become president of the United States … His job is to be captain of the team, to sign the legislation that has already been prepared.

Republicans have struggled to pass their inegalitarian agenda. But despite the abnormality of his behavior and rhetoric, Trump as president has largely stuck to the Norquist script.

Trump's volatility and aggression, his unprecedented unpopularity, and the darkening shadow of the Mueller investigation loom over American politics. The turbulence in the White House is now mirrored by the stunning unpopularity of the Republican Congress. The GOP elite's anti-system strategy is ever more dependent upon the unholy alliance between its super-wealthy donors and its less affluent electoral base – which has to be worked into an ever more dangerous frenzy to distract it from what is happening in Washington.

Back in the quaint old days of 2010, President Obama observed that perhaps we just had to wait for the fever to break. Indeed, it is clear this can't go on. But whether the resolution of the GOP's three-decade march away from normal democratic politics will take the form of a salutary electoral backlash or a devastating crisis of the American political regime is very difficult to say. What can be said is that the future of American democracy hangs in the balance.

## Brexit and the (Multiple) Paradoxes of Neoliberalism

*Colin Hay*

In my view, it makes little sense to talk of neoliberalism without first grounding the discussion in, and with reference to, liberalism itself. The positing of a "neoliberalism" requires, I would contend, some clear, and preferably explicit, understanding of how it differs from the liberalism out of which it, presumably, developed and from which, presumably, it departs. Neoliberalism, put simply, is an (adjectivally) qualified liberalism. So the question is, or becomes, how does the adjective "neo-" qualify the liberalism to which it surely must refer?

There are, of course, different ways of conceiving of this. But for me it is very simply stated. Liberalisms, conventionally, tend towards a direct advocacy of liberty. They make, in effect, a positive argument for (positive and/or negative) freedom. Conversely, neoliberalisms can be characterized and hence distinguished by their indirect or second-order advocacy of liberty. Indeed, typically, they involve the positive advocacy of the market (and/or quasi-market mechanisms) as a means to attain, guarantee, or better achieve liberty. Neoliberalisms thus tend to assume the normative validity of the end and proceed, accordingly, to justify the means, not the end in itself. They are, as this suggests, liberalisms at one remove; and this is arguably responsible for the frequently (and arguably increasingly) technical form in which they are articulated.

That is why, when I have sought to define neoliberalism precisely, in assessing the extent to which the self-styled "modernization" of the British Labour Party under Tony Blair represented an accommodation to neoliberalism, I did so by identifying three core features (and a few others that followed from those):

(1) a confidence in the market as an efficient mechanism for the allocation of scarce resources, allied to a normative conviction that this efficient allocation is also just if, and to the extent to which, it is efficient;

(2) an associated belief in the desirability of a global regime of free trade and free capital mobility (on the basis that if the market is a good, then the market should be expanded in terms of its scope and scale as much as is possible); and

(3) an, again, associated belief in the desirability of a limited role for the state as a facilitator and custodian – rather than as a substitute for – market mechanisms (Hay 2004).

Each is highly relevant, as I hope to show, to the discussion of the meaning and consequences of Brexit.

Such a definition has implications. First, thus conceived, neoliberalism is a *disposition* – and as such something that might be brought to bear upon a great variety of different situations, with potentially rather different implications. It can, in other words, be applied almost anywhere at any time, with its form and content reflecting the time and place of its application. Second, to talk of neoliberalism as a disposition suggests that we can helpfully talk of *neoliberalization*. This we might define, very simply, as the tendency to makes things more neoliberal than they would otherwise be through the application of the disposition (and the attempt to bring things into conformity with it). The point is that if we accept the characterization of neoliberalism as a disposition then it might well not just be helpful, but *better*, to talk in terms of neoliberalization than to talk of neoliberalism per se. For, third, if we can talk of neoliberalization then we can also talk of counter-neoliberalization (the counter-tendency to the tendency). Rather like Newton's third law, for every tendency there is always at least the possibility of a counter-tendency. Finally, and as this in turn suggests, whether neoliberalism wins out depends on the clash of tendency and counter-tendency, allowing us a spatially and temporally differentiated and dynamic approach to the question of neoliberalism's effects.

A separate but no less important point is that neoliberalism and neoliberalization need not necessarily be normative (in the sense of being pursued as goods in themselves); they can also be normalized. In other words, one can be dispositionally inclined to neoliberalism because one thinks of neoliberalization as an inherent good (Thatcher, Reagan, and so on). Or one can embrace its logic because one thinks that it is an imperative and that, as such, one has no choice other than to do so (it is, perhaps, a condition of some good – competitiveness, good economic performance, and so forth). Neoliberalism, I have argued, has become increasingly prevalent in this second form, allowing it to penetrate parts of the body politic (and its very institutional architecture) that it might otherwise not have reached (Hay 1999; 2004).

Finally, in the early literature on the subject, from which I would suggest we can still learn a very great deal, neoliberalism was never thought to exist on its own. It was never invoked as a term to capture the *zeitgeist*, but at best one part of it (a part, moreover, typically in tension with other parts). In Ruth Levitas' (1986) and Desmond King's (1987) seminal books on the New Right and in Andrew Gamble's similarly excellent *The Free Economy and the Strong State* (1988), as the title clearly suggests, we were never talking about neoliberalism alone, but rather the articulation of neoliberalism with something else. In the Britain of Thatcherism and the United States of Reagan that other thing was neo-conservatism (a term whose meaning has, of course, morphed quite a lot in the intervening decades). Neoliberalism was most effective, and it was implemented most fully, where the neoliberal and neo-conservative targeting devices of the New Right lined up to point in the same direction in identifying a common target – the welfare state, for instance (see Hay 1996; Hay and Farrall 2011; Farrall and Hay 2014). Interestingly, where they pointed in different directions, neo-conservatism often triumphed.

And that brings us – about time too, you might be thinking – to Brexit. For here, it might be argued, neo-conservatism has come to trump (if you'll pardon the verb) neoliberalism once again (though the EU, of course, appears in the targeting device of both neoliberalism and neo-conservatism).

On Brexit my argument is relatively simple. There is not much that we can say about Brexit if we choose to look at Brexit as a symptom of neoliberalism alone; but there is quite a lot that we can say about both Brexit and neoliberalism if we see the latter as never existing on its own but as articulated with other things and if we think not so much in terms of neoliberalism *tout court*, but in terms of neoliberalization and its counter-tendencies.

But what is clear about Brexit to anyone who has studied it, and probably to most of those who have not, is that it is paradoxical and contradictory. Here I draw out, as it were, the neoliberal paradoxes of Brexit – ten of them. But there are certainly others one could point to.

## The 10 paradoxes of Brexit

(1) *The political imperative to trump all economic imperatives* (where, by "political imperative," I mean the honoring of the staunchly anti-immigrationist sentiment assumed to underpin the vote for Brexit and by "economic imperative" I mean the mantra "do no economic harm, certainly through market distorting measures"). What is first striking about Brexit is that we see a British government, arguably for the first time in recent political history, taking what it regarded to be a significant political and economic choice with what it perceived to be substantial economic consequences without regard for its own economic assessment – indeed, in open violation of the advice of its own Treasury. The closest examples of anything equivalent are the Falklands conflict, the Iraq war, and, I suppose, Wilson's own Brexit referendum (when Britain was, of course, the "sick man of Europe" and the economic assessment of a vote for Brexit far less clear). So much, one might think, for governance by perceived economic imperatives; so much for normalized neoliberalism. So much for TINA; it turns out that there was an alternative after all!

(2) *The triumph of the strong state over the free economy*. In the 1980s, the literature was clear: neoliberalism never came on its own. It was always accompanied by, and articulated with, other things – typically, indeed until the 1990s almost exclusively, neo-conservatism. As the years have passed and normative neoliberalism has given way to normalized neoliberalism, we have tended to forget this. Brexit is, among other things, a timely reminder. For it is, in effect, the revenge of the strong state,

or at least the idea of the strong (for which read "sovereign") state over the free economy. That triumph may, of course, prove rather pyrrhic (a point to which we will return presently), but it is a victory nonetheless.

(3) Relatedly, and again seemingly paradoxically, Brexit might either be seen as the end of three decades of depoliticization (a political and politicized "taking back control" of things previously subject to a dull logic of economic expediency). Or it might be seen as a highly politicized moment in the transition to the next phase of depoliticization, in which the imperative of the economic adjustment to the even harsher competitive terms of the new world in which Britain now finds itself will again come to trump political choice. In a sense, it is both; and, as such, it reminds us of the potential fragility of the institutionalized depoliticization of economic governance that we often associate with neoliberalism.

(4) In a similarly paradoxical vein, Brexit might also be seen either to herald the return of protectionism (or at least the expression of a protectionist reflex) after four decades in which the mantras of liberalization have predominated. Or, conversely, it might be seen to signal the rise of a more purist ultra-neoliberalism – neoliberalism in one country, as it were. Here it might be remembered that, for the official Brexit campaign (the one led by Michael Gove and Boris Johnson), the problem with the EU (to which Brexit was the solution) was one conceived largely (though neither explicitly nor exclusively) in neoliberal terms. For them, the EU represented not greater market integration and the elimination of barriers to free trade and free capital mobility (the basis of Thatcher's reckoning and rapprochement with the idea of Europe) but a mountain of "Brussels red tape," unnecessary and overburdensome regulation, the carrier and promoter of an illiberal "social model" and the triumph of the "super-state." It was a market distortion and an impediment, in other words, to neoliberalization. The irony, of course, and the associated paradox is that this is not really the Brexit of the May government – which has tended to resolve the ambiguity in the meaning of Brexit in favor of the unofficial Brexit campaign, thereby privileging a neo-conservative rather than neoliberal objection to the EU. The point, in a way, is that like many of the targets of the New Right in the 1980s, the EU appears in the cross-hairs of both neoliberals and neo-conservatives and the campaign for Brexit was led by both (albeit relatively neatly partitioned between the official and unofficial campaigns). And this left, in effect, a particular interpretive ambiguity around the meaning of Brexit – does honoring Brexit involve pandering to neo-conservative anti-immigration sentiment or to a neoliberal deregulatory disposition? The implications for Britain's place in the world economy of resolving the ambiguity one way or the other are clearly very significant and at present the Brexit negotiations have not led to a significant clarification of the extent to which neo-conservative reflexes will be allowed to trump neoliberal economic expediency.

(5) This takes us directly to the next paradox: does Brexit represent the end, or the consolidation and further purification, of the Anglo-liberal (growth) model? On one hand, Britain is likely to become more dependent on debt-fueled consumer demand, so-called "asset-based welfare," equity release, consumer credit, and hence, ideally, the continuation of a low inflation–low interest rate equilibrium. All of this suggests that it will reinforce the singularly liberal character (at least in the comparative European context) of its growth model. On the other hand, in anticipation of the economic troubles ahead (notably the threat to sterling on foreign exchanges), we have seen something of a return to "foul weather Keynesianism" (Hay 2011) and the greater prospect of the foul weather proving climatic – foul *climate* Keynesianism perhaps? Witness finance minister Hammond's pump-priming of the housing market yet again (this seems both paradoxically neoliberalizing and de-neoliberalizing). Or witness, again, the espousal (as yet nothing much more substantive than that) of the need for an industrial strategy for the first time since the 1970s.

(6) This brings us to another thorny old chestnut of British political economy – the City–Bank–Treasury nexus. The question here is whether Brexit threatens a potential de-coupling of the Bank of England and the Treasury from the City and hence the bringing to an end of the City–Bank–Treasury nexus that has long been held to characterize economic power in Britain. It certainly appears to represent a potential moment of reckoning for the Bank of England: does it defend the value of sterling at the risk of threatening the growth model (reliant on cheap credit, house-price inflation, equity release, and debt-fueled consumption) or does it decouple macroeconomic management from the (perceived) interests of the City? At present the jury is out – like many things with regard to Brexit, a delicate balancing act is currently in play. How long it endures is anyone's guess. A second irony here is, of course, that the neoliberal-engendered transformation of the City of London (Thatcher's "Big Bang") contributed significantly to the possibility of Brexit in the first place. Put starkly, "the City" is not the City of old (in that it no longer comprises British institutions) – and the reason for that is the "Big Bang" and neoliberal-inspired financial deregulation. The pre-Big Bang City would have fought hard and dirty (and almost certainly successfully) for remain; the new City did not and could not, being prepared, in a way, to bear the (more marginal) adjustment cost of re-distributing its activities between the multiple financial centers in which its constituent banks and financial institutions are now located. Brexit also arguably represents a significant weakening of the Treasury – the referendum, in effect, sidelined it.

(7) A further paradox relates to the implications of Brexit for the character of Britain's external economic interdependence. On one hand, Brexit might be seen, quite simply, as unleashing a series of de-Europeanisation tendencies. One might expect, all things being equal, the ratio of intra-regional to inter-regional cross-border economic transactions involving Britain to fall with Brexit, after 50 years in which the figure has grown steadily and constantly (with respect to trade, from around

20 percent to in excess of 60 percent). As such, Brexit might be expected to lead to a de-regionalization and hence geographic globalization of Britain's external economic relations. But all things are not equal – and things are more complicated than this implies. For Britain's terms of trade with the rest of the world are likely to suffer just as much, if not more, with Brexit as those with the EU27 in the years to come (for it was, of course, primarily through Britain's EU membership that it came to enjoy its privileged access to non-EU markets). Thus, whether Brexit represents a net-globalization or a net-regionalization of the British economy remains to be seen (and will be contingent upon negotiations that have really yet to begin in earnest).

(8) What is rather clearer is that Brexit is likely to lead, at least in the medium-term, to an even more swingeing and brutal form of austerity, even if its short-term effects are to postpone the point at which deficit reduction becomes debt reduction. The point is that Brexit can only suppress the growth potential (relative to pre-Brexit trends) of the British economy and that can only serve to escalate the costs of (any pre-existing commitment to) austerity and reinforce Britain's reliance on private, asset-based welfare rather than public welfare. The macroeconomically destabilizing and pro-cyclical character of that reliance suggest the longer-term dangers of such a dependence.

(9) This brings us to two final and rather different paradoxes. The first is that the revenge of the strong state – the victory of the nation-state over the member state as Chris Bickerton (2013) might put it – threatens the fragmentation and dismemberment of the British state itself. For it is not clear that the increasingly fractious alliance of Great Britain, yet alone the increasingly anachronistically titled United Kingdom of Great Britain and Northern Ireland can endure the combined political and economic trauma of Brexit. Time will tell.

(10) Finally, and perhaps most paradoxically of all, Britain's rejection of neoliberal globalization (insofar as that is deemed an appropriate characterization of at least some of the support for Brexit) is, of course, likely to result in a reinforcement of the neoliberal character of Britain's growth model at precisely the moment it becomes more exposed than at any point in the last 50 years to the rigors of a more genuinely global competition for market share. It seems, in other words, that in and through Brexit, Britain has come to reject neoliberal globalization in favor of … neoliberal globalization. That is some paradox and it is difficult to see it ending well!

That this is so is, of course, a consequence of the fact that Brexit is a product of the complex interplay of neoliberalizing and counter-liberalizing tendencies and counter-tendencies and a combination of neoliberal and neo-conservative reflexes. Put like that, it is hardly surprising that it is likely to prove both neoliberalizing and de-neoliberalizing in terms of its effects.

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## The Mundane Political Economy of Finance

*Donald MacKenzie*

An "anniversary" event such as this can be an occasion to take stock. Almost a decade ago, I summarized what I took to be widely shared precepts in what was then the new field of "social studies of finance" in the following list:

1. Facts matter.
2. Actors are embodied.
3. Equipment matters.
4. Cognition and calculation are distributed and material.
5. Actors are agencements.
6. Classification and rule following are finitist processes.
7. Economics does things.
8. Innovation isn't linear.
9. Market design is a political matter.
10. Scales aren't stable.

(MacKenzie 2009, chapter 2)

I wouldn't want to disown anything on this list, but there is what now strikes me as a glaring omission: what (for want of a more elegant name) I would call the "mundane political economy of finance." A simple way of explaining this is by analogy with the art market. The winning bid for *Salvator Mundi*, attributed to Leonardo da Vinci, was $400 million, a very nice round number. The episode is entirely consistent with these precepts, even if, for example, the sciences that are *doing* things here – giving the painting its value – are art history (and the natural sciences and technologies it deploys), rather than economics. But what now leaps out at me is something different. The buyer is going to have to pay Christie's $450,312,500: the difference is Christie's "buyer's fee." While the absolute size of the fee is unusually big, its relative size may actually be atypically modest: buyers at auction are normally charged a fee of 20– 30 percent and sellers 5–10 percent (*Financial Times*, October 7, 2017). These fees seldom attract attention: they, and the income they provide to intermediaries in the art market, seem to be taken for granted.

The "mundane political economy of finance" signals the importance of loosely analogous processes in financial markets. I was first attracted to research LIBOR (the London Interbank Offered Rate) because, as a researcher coming from the social studies of science and technology, I knew that facts matter (Precept 1 above), and that "facticity" was a fascinating, complex, and sometimes precarious accomplishment. I quickly discovered that the people submitting inputs to the LIBOR calculation came from banks

with financial interests that could be affected by the calculation's result. The LIBOR algorithm (a "trimmed mean," in which the first and fourth quartiles were omitted from the calculation) was, however, designed to protect against this, and furthermore the inputs to LIBOR were public, at least among the dealers and inter-dealer brokers of the London money market.

I therefore did not anticipate what subsequent litigation has revealed: the existence of concerted efforts to alter LIBOR. What I underestimated (a background in research on science and on nuclear weapons technology was not a good preparation for this) was a "mundane political economy of finance" consideration: money-market dealers such as Tom Hayes – currently serving an 11-year jail sentence – provide the brokers with their income. Brokers' firms provide the screens that are the main minute-to-minute guide to movements in the money market, and brokers interact with multiple clients, some of whom provided LIBOR inputs. Brokers' dependence on fee income created an incentive to do what dealers such as Hayes wanted (or at least to report that they had done so: paradoxically, some of their legal vulnerability, and that of their clients, may have arisen from their exaggeration of their influence on other dealers), an incentive I underestimated.

Much of my more recent research has been on high-frequency trading or HFT, which is proprietary trading (that is, seeking direct trading profit, not fees for executing others' trades) that is algorithmic and ultrafast. HFT turns out – quite unexpectedly to me – to be a wonderful "natural experiment" in the mundane political economy of finance. I have been studying the development of HFT not just in the trading of shares (which nearly all the public discussion of HFT focusses on, as in the debate sparked by Michael Lewis's *Flash Boys*), but also in futures, sovereign bonds, foreign exchange, listed options, and interest-rate swaps.

This comparative exercise reveals very large differences among these asset classes in terms of the extent to which HFT has taken hold, in the practices of HFT, and in the influence of the development of HFT on the pre-existing mundane political economy of trading. HFT is almost always a challenge to that pre-existing economy; in some cases, HFT is entirely blocked by it; in other cases, HFT overwhelms it; in yet others, HFT firms reach an accommodation with the incumbent order. That order frequently shapes HFT practices. And HFT has, of course, its own mundane political economy. Above all, this confrontation makes the mundane political economy of trading *visible*.

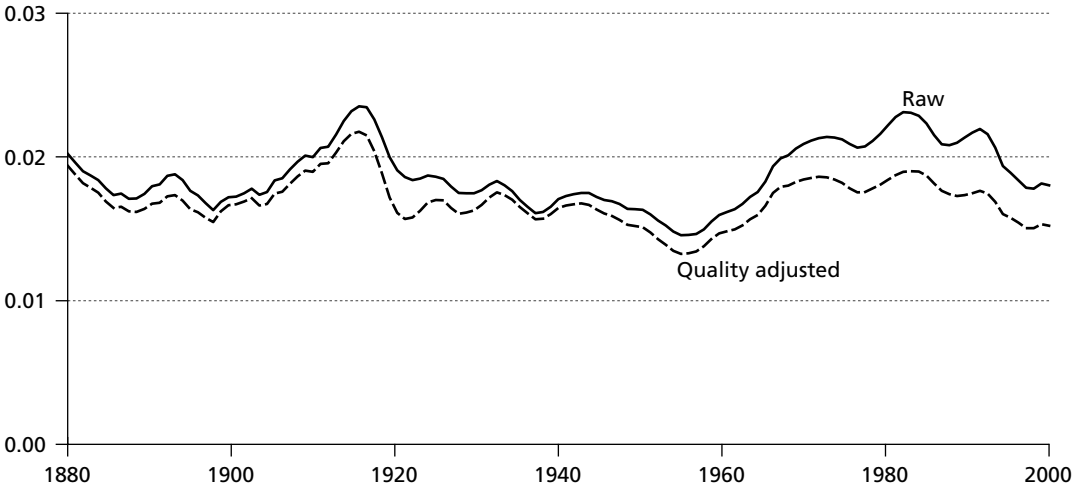
Does the mundane political economy of finance (fees; exclusionary mechanisms; the apparent details of trading; the priorities, practices, and rules embedded in the software and physical hardware of financial markets; and so on) matter? I would argue that it does, for at least two reasons.

The first is the role of the mundane political economy of finance in financial crises. When researching the 2007–2008 global financial crisis for MacKenzie (2011), I was struck by how low the profitability of some of the most fatal trades was. (Somehow, one would expect that trades that helped cause a giant crisis would have had attractively high profits.) A substantial contributor to the crisis was the "negative basis trades" in the super-senior tranches of ABS CDOs engaged in by global banks. Space constraints prevent an explanation of those trades (see MacKenzie 2011), but only one mundane aspect of them matters here. Within banks such as UBS they were judged eligible for "Day 1 P&L": a trader entering into one of these negative basis trades could count the entire present value of the trade in their current year's profits (not just the trade's profit in the current year). An interviewee talked me through a typical negative basis trade: its annual profit was around "five basis points," in other words, 0.05 percent per year. Day 1 P&L, however, made this tiny sliver of profit attractive to traders. These trades had fatal or near-fatal effects on the global banks engaging in them.

The second reason I would cite here for the importance of the mundane political economy of finance is its contribution to excessive rewards and profits within the financial system and excessive costs to the wider economy. One of the most important recent contributions to our understanding of this is Thomas Philippon's painstaking historical analysis of the efficiency of the US financial system, and his shocking finding (see Figure 1) that the system shows no consistent tendency to become more efficient through time (Philippon 2015). It's a finding interrelated with finance's effects on inequality: in a crude interpretation, all the gains in the efficiency of the information and communications technologies underpinning finance (from the epoch of clerks writing on paper ledgers by gaslight onwards) have been captured within the financial system, mainly in the form of the high incomes of well-placed intermediaries. That's precisely the kind of thing that the mundane political economy of finance needs to investigate and explain.

I would, therefore, now add an eleventh precept: the mundane political economy of finance matters. Of course, there are many other aspects to the political economy of finance: broader issues of the history of capitalism, epochal changes such as the breakdown of the Bretton Woods agreement, the influence of neoliberalism, and so on. I don't in any sense underestimate their importance. However, one must always be aware of the limitations of one's methodology. The "social studies of finance" of the kind I practice are rooted primarily in interviews, ethnographic fieldwork, and closely-focused historical research. Some of the above issues could indeed be investigated in this kind of way; others would require a different methodology. My argument is therefore more narrowly focused: that those of us who work in this way could productively keep the mundane political economy of finance at the forefront of our minds.

Figure 1 Unit cost of financial intermediation in the United States, 1884–2012




Data courtesy Thomas Philippon; for details, see Philippon (2015).

To get a sense of the meaning of "unit cost of financial intermediation," imagine that person A deposits $100 in a bank and earns $1 per year interest, while the bank lends person B $100, charging $5 per year interest. $200 of financial intermediation have been provided at a cost of $4. The unit cost of financial intermediation in this case is therefore $4/$200 = 0.02.

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# Global Markets, European Constraints: The EU and the Programmatic Destabilization of Social Democracy in Historical Perspective

*Gerassimos Moschonas*

## Introduction

The financial and economic crisis triggered in 2007–2008 struck at the heart of "Third Way" ideas, leaving a great void in the social democratic vision and social democratic policies. Today, torn between austerity policies, a mild anti-austerity discourse, rhetorical Euro-Keynesianism, and poor elaborations of "green growth" (cf. Escalona, Vieira, and De Waele 2013, 23–24) this great historical current lacks a convincing alternative. Wider transformations in modern capitalism, often conceptualized under the catch-all rubric of "neoliberal globalization", together with choices made by social democratic leaderships themselves, have produced a system of influences and constraints within which social democracy – and the Left as a whole – find themselves trapped.

The undermining of social democracy's historical pillars – a powerful working class, trade unions, a collectivist culture – and also the seismic shift in the economic and institutional landscape produced by globalization and the EU system are dismantling social democratic parties: they sap their organizational strength (Delwit 2015) and erode their implantation in society, their efficiency in government, and their capacity for programmatic innovation. The cumulative effects of the triangle defined by the *structural weakening of the working class, the EU,* and *globalization* are indeed infernal. And they have imperiled the historical vocation of social democracy as a moderate – but efficient – agency for social transformation. The operation and prestige of the "typical" social democratic brand has become *highly* blurred within "an increasingly deconstructed … 'center-left' political space" (Ross 2013, 600–601). The great electoral contraction of social democracy – not a short-term tendency, as the term "electoral crisis" would suggest – is the best-known and most discussed manifestation of a vicious circle of defeats and political retreat characterized by absence of vision and lack of ideological novelty.

## Social democracy between globalization and the EU

Are the constraints on social democracy a result primarily of globalization or of European integration? In general, the thesis that neoliberalism initially came to dominance as a result of the collapse of the post-war boom and the limitations of Keynesianism is fairly convincing (Lavelle 2008, 21–23). It was the crisis in the effectiveness of Keynesianism

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In this short think-note citations are minimal

(and the consequent weakening of the material basis of egalitarian policies) that thrust hitherto marginal liberal ideas onto center stage. Policy liberalization and financialization predate the Single European Act and Maastricht. Likewise, the programmatic and identity uncertainty of social democracy predates the European Union and extends beyond the borders of Europe (Labourism in Australia and New Zealand is evidence enough; Lavelle 2008; Schulman 2015). The gradual adoption of liberal solutions at a *national* level – and especially their (relative) effectiveness – influenced and, in a subsequent phase, partly fashioned European integration. Thus, frontal attacks on 'neoliberal' Europe overlook the fact that the first leap forward in policy liberalization occurred at a national level, as attested by the financial big bang of the 1980s.[1] Even so, the Single European Market – "one of the most open internal markets in the world" (Ross 2013, 601) – and the implementation of the Maastricht Treaty converged to create a specific trend in Europe, an accelerated and focused adjustment that made the neoliberalization of European integration – and the de-social-democratization of European social democracy – deeper and more coherent. Through a snowball effect, the EU, since the beginning of the 1990s, has become the main driving force boosting economic liberalization and financialization. It led national governments "much further than they wanted to go at the outset" (Jabko 2009, 130–32. Also: Nölke 2017; Benhabib and Eich forthcoming). As Francis McGowan has written, "European integration involves member states committing themselves to a much more robust set of rules than those which might be regarded as framing globalization (WTO, IMF, etc.). Moreover, in the detail of reforms, the imprint of the EU is much clearer than that of global pressures" (2001, 98).

In particular, three key features of the EU have attenuated social democracy's capacity for self-renewal and contributed to its ideological and programmatic destabilization.

## Institutional conservatism and policy stability

Decisions within this "non-state polity" derive from negotiations between the three poles of the institutional triangle (Commission, Council, Parliament), on one hand, and from negotiations between the 27 member states, on the other. The independence of the ECB and the dynamic role of the European Court of Justice (whose decisions have provided a broad scope for the neoliberal content of European policies beyond what was desired by national governments) increase the polycentric character of the regime. Although the European Council has in the process become the center and key motor of integration (with the leading role assumed by Germany in recent years), the multiplicity of centers of power and the superimposition of decision-making levels make the EU a profoundly conservative system (Moschonas 2009), not in the sense of

1 For example, financial deregulation in three of the most influential European countries – Britain, Germany, and France – preceded the corresponding European strategy, albeit only in part (Cohen 2010, 143–46).

a Left/Right divide, but in the sense that it does not easily revisit a decision, once made. Taking a decision is difficult enough, and, when taken, it is even more difficult to change it, especially if it bears the signature of Germany. Compromises between institutions, between member states, and between party families are the rule. Transformative leadership and policy renewal do not easily come out of such a regime. As a result, the EU is characterized by a "very high level" of policy stability (Tsebelis 2002).

## Governance at the center

Exactly because it is founded on the operation of many power centers, the European polity tends to be governed by informal (or formal) "grand coalitions." Consequently, politics, in the sense of a clash between meaningful political alternatives, has greatly receded – especially as far as economic policy is concerned. Moreover, the convergence of national parties is much greater precisely on issues where the EU has strong competence – and greater than that observed in other non-EU member countries (Nanou and Dorussen 2013). This model of governance is not, of course, new. What is novel is the exercise of power only or mainly on the basis of this model. Can we imagine a national political system being ruled almost permanently by a kind of grand coalition, operating systematically on the basis of lackluster "centrist" politics? Apart from not serving the electoral interest of either the center-left or the center-right, this convergence has one crucial consequence: it is not conducive to the production of "creative political entrepreneurs." Reducing as it does the repertoire of political parties and the "space" for *ideological novelty* it ultimately hinders the renewal of Europe itself and of the party families that govern it.

## Weak dual power

Furthermore, European governance is distinguished by a *twofold* and *simultaneous* power deficit on the part of public authorities, at both the national level and the level of Europe proper (Moschonas 2012). The EU is now strong enough to impose decisive limitations on nation-state sovereignty, but it does not have enough strength itself to become an efficient federal power. The small size of the Community budget is a crucial aspect of the Brussels power deficit.[2] If globalization has everywhere weakened the core component of what might be called "government," the dual deficit in question is *specifically* European (Moschonas 2012, 235–37).[3] It reduces the problem-solving ca-

2 A surreal manifestation of this deficit is the non-implementation of the famous financial transaction tax – more than four years after being voted by the European Parliament and adopted by 11 governments, including Germany.

3 At international level, the EU is in a position of competitive inferiority by comparison with the

pacity of public powers, both European and national[4]. This framework of weak dual power deprives all parties in government of much of their influence and effectiveness and makes them much more vulnerable to electoral accidents and tactical errors. This applies even more in the case of the social democratic parties, which have traditionally made public (national) power the principal lever of their political action. In this "multi-level governance," the national level is no longer pertinent for the adoption of a credible social democratic strategy, while the European level is neither sufficiently unified nor sufficiently flexible to facilitate the implementation of a European social democratic strategy. Thus, the reformist hypothesis (in the sense of 'transformative' reformism) has almost broken down, at the national and European levels alike. Social democratic parties matter less both as strategic "players" and as problem-solving structures and, because of this, they matter less as representative vehicles (Moschonas 2009, 170–73).

Institutional conservatism and policy stability (1), governance from the center (2), weak governance and limited problem-solving capacity (3) are structural characteristics. To these we must add the locking in of neoliberal economic policies and reinforcement of financialization (4), which we shall not, for reasons of space, analyze any further. These features are attributable (with the exception of the neoliberal policies) to the multi-state and polycentric nature of the EU. And they will not be easily modified, even if a "new great historical compromise" (Tsoukalis 2016) takes place in the near future. Europe poses a major problem for the left – and not simply because it is liberal. It poses a major problem because the European regime is complex, cumbersome, and institutionally inimical to change. Ironically, despite social democratic aspirations (political Europe as a counter-weight to the market), the politicization of integration through a dense, rigid, institutional apparatus – and through many political centers of influence – has consolidated and solidified the liberalization of EU policies. It was the building of a political Europe that gave liberal economic solutions a long-term advantage.

## From strategic flexibility to flexible rigidity: The difficult renewal of social democracy

The whole history of social democracy, from the Erfurt Programme to the Stockholm School, from Austro-Keynesianism to some recent achievements of socialists in southern Europe, demonstrates that social democratic parties established themselves as central or majority forces when they took an ideological lead over their right-wing opponents; when they embraced ideas and implemented policies that the latter were not yet ready to accept or implement, such as universal suffrage and the political rights of the working class, inventive policies against unemployment, the welfare state, Keynes-

much more robust centralized power of the United States and China, though not only them.

4 The EU has "contributed to a reduction in the problem-solving capacities of its Member States but without the EU itself being able to substitute those capacities" (Kjaer 2017).

ianism, cultural liberalism or, more recently, the deepening of democracy and the cultural modernization in southern Europe (Moschonas 2009). Ideas count; this is clearly shown in the history of social democracy, whose capacity for programmatic change has been reinforced since the 1960s (by virtue of the strengthening of the personal power of the leader, the weakening of traditional bureaucracy, and the loosening of links with trade unions). Postwar social democracy has frequently proved very adept at producing or recuperating new themes and new ideas, even if, in the period 1946–2010, it was less flexible than right-wing parties (Krouwel 2012). The great historical parties of the Left (and the Right) have been characterized, since at least World War II, by a certain strategic flexibility and an important capacity for ideological adaptation and renewal. But not so much now as in the past. Today's big parties of government find it very difficult to respond to the changing preferences of the electorates, particularly if these preferences deviate from the "corridor of possibilities" whose boundaries are those of globalization and European integration. Big parties are organizationally and tactically flexible but, in the final analysis, owing to "external" constraints, politically and ideologically "rigid" (Moschonas 2013). The thesis of Liesbet Hooghe and Gary Marks that the "positional flexibility" of mainstream parties is heavily constrained by the cleavage structure of each country (2018, 126), though pertinent from a macro-historical point of view, underestimates the disciplinary influence of markets and, even more so, the ideological and policy impact of the EU's rules. Such external constraints today explain better than cleavage-related factors – *classe gardée,* the ideological profile of activists, the link with friendly interest groups, the party's self-image, and so on – why governments' responsiveness to citizens' preferences is frequently very limited. To paraphrase a very illustrative formulation by Colin Crouch and Wolfgang Streeck,[5] we could say that governments must satisfy three "electorates" today: their national electorate, the EU, and the international capital markets. The adjustment by mainstream parties to the preferences of voters has become much more difficult in the era of globalization and EU-ization (to use Hay's term; 2002).

As a result, a distinctive feature of the current operational specificity of social democratic parties is in fact a kind of *flexible rigidity*: they are capable of coming up with a host of new ideas of limited or non-economic significance and many innovative policy proposals (and in fact that's exactly what they have done in recent years); but they are not in a position to produce a distinct economic strategy and a new master narrative, even though such a perspective would probably be in their electoral interest.[6] The important programmatic flexibility that once characterized social democratic parties is a thing of the past. This has weighty consequences for social democratic identity in general. In the current period – precisely because social democracy has greatly lost ground

5 "Governments must satisfy two electorates today: their national electorate and the international capital market" (Crouch and Streeck 1996, 19).

6 Following a data analysis by André Krouwel, social democrats show greater ideological flexibility on non-economic, cultural issues whilst inflexibility and centripetal tendencies on the economic left–right dimension dominate (Krouwel 2012).

as a cleavage-based political tradition – ideas (ideational factors), policy proposals (programmatic factors), and governmental records (policy outcome factors) are strengthened and enhanced as *focal points of identity.* Ironically, it is in an era of *diminished* programmatic autonomy that ideas and programs count far more in constructing social democratic identity. Correspondingly, the limits to the programmatic freedom of social democrats lead to a critical loss of overall identity. A "passionless" EU – characterized by severe "emotional poverty" (Benhabib and Eich, forthcoming) and the lack of a mobilizing narrative, both due to the multi-level, polycentric structure of the European regime – contributes to the establishment of a "modest," passionless socialism, lacking in fighting spirit, and promoting a kind of political and ideological "minimalism". Despite their flexibility on non-economic issues, social democratic parties as carriers of distinctive programs and ideology are under extreme pressure. And they will continue to be so for a considerable time into the future. All this, to some extent, reverses the logic of 150 years of social democratic history.

## Social democratic ideas without social democracy?

The basic programmatic constituents and thematic configurations of the social democratic agenda were first crystallized during the Second International (1889–1914), just when the project of the Left as a general project of social transformation was shaping up. It was then that a comprehensive set of social and political changes was elaborated, albeit with important omissions concerning economic policy and the strategy for the state. This society-building project (Sejersted 2011) was based to a greater or lesser extent on the pursuit of five sets of changes:

(1) democratization and expansion of the rule of law;
(2) cultural radicalism (or cultural liberalism);
(3) improving the immediate condition of labor, a welfare state avant la lettre;
(4) social equality through redistribution; and
(5) socialism.

This historic agenda represented *the first major – the foundational – wave* in the formulation of progressive politics (Moschonas 2018, 517–22). It served as a long-term repository of ideas for the parties of the Left (and not only of the Left), since the value and programmatic preferences it contained would return to the fore repeatedly in the years to come.

If the function of the first programmatic wave was institutive and foundational, the function of the second – which took place in the 1930s – was corrective and balancing. The central aspect of the social democratic programmatic reorientation in the 1930s

consisted of expanding the state's economic and social engagement (planning, socializations, deficit spending, more institutionalized industrial relations, welfare, and so on), and challenging automatic market triggers.

The pattern of foundation (1889–1914), partial refoundation (1930s), and the building of a new programmatic and ideological module with mixed features, is central for the shaping of the social democratic identity in the long *durée* (Moschonas 2018). As a matter of fact, the social democratic consensus of 1945–1975 is the partial fulfilment and extension of the historical project of social democracy as it took shape at the beginning of the twentieth century and during the 1930s (with the crucial exception of the goal of socialism, which was entirely abandoned). The European continent became a better place largely because of social democracy. It still is.

Today, measured in terms of its historical programmatic matrix, contemporary social democracy no longer seems able to effectively promote a distinctive democratic, egalitarian, or economic-social modernization agenda – except on issues of cultural liberalism (such as the gender question, the rights of minorities, same-sex marriage, ecology, and so on). History shows that a gain once achieved is not necessarily achieved forever.

The great irony of the present situation is that the "old" programmatic pillars of the historical Left progressivism have all – with the exception of the goal of socialism – reemerged in our day, having acquired a new relevance. Social inequalities, redistribution, tax evasion and tax avoidance, the uncontrolled power of the markets, and the weakening of welfare mechanisms have returned to the center of the European debate. Moreover, the crisis of political representation has brought back anew the "democracy problem" that appeared to have been resolved in the aftermath of World War II. The "old" agenda of the Left has again become pertinent – but not dominant. Both in Europe and the United States, classic Left priorities (distrust of capitalism, statist attitudes, reduction of inequalities) are being reinforced within a culture that mixes social democratic preferences with neoliberal core values and ideas (Gonthier 2013).

But while its ideas have acquired anew a certain vitality, social democracy remains profoundly destabilized. The cunning of History? The dynamics of neoliberal globalization, and of the EU mostly, explain this "paradoxical" situation. Social democrats are no longer *one step ahead* of the right-wing parties on issues such as social policy, welfare, redistribution, and the controlled modernization of capitalist structures. A kind of "gradual disappearance of traditional economic left-wing politics from European party politics" (Krouwel 2012, 172) is indeed taking place. Social democracy's "ability to differ" has weakened, to a certain extent as a result of its own choices but to a greater extent due to macro-dynamics it could not easily control. In this complex web of choices and constraints, the conservative EU (in great part put in place by the social democrats themselves) functions as a great strategic barrier thwarting a left-wing programmatic renewal of social democracy. Although it is impossible to measure its

exact contribution, the EU is an autonomous cause in the process of social democratic ideological retreat and, as such, it is already an integral part of the national history of European social democracies.

Social democracy has entered a dark tunnel, with the effects of the emerging "transnational cleavage" (Hooghe and Marks 2018) making things worse. The medium-term ideological prospects for social democrats look bleak, and the programmatic recovery will not be easy.

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## Politics for Hire: Policy Professionals in the Age of Neoliberalization

*Stefan Svallfors*

In this paper I focus on a particular category of political actors, who are neither elected representatives nor public administrators. These actors, whom I call *policy professionals*, are people who are *employed* to affect politics and policy rather than elected to office. They are increasingly found as political and policy advisors in government agencies and political parties, in interest organizations, think tanks, and private firms, such as public relations (PR) agencies. They include political advisors, political secretaries, press chiefs, trade union, and business association experts, Public Affairs specialists, lobbyists, and think-tankers.

Policy professionals are not politicians, because they are not elected to office. But at the same time they are not civil servants or public administrators. What makes policy professionals distinct from other categories of professionals involved in policy-making is the specific partisan element of their work. They are employed or hired by organizations (such as private companies, political parties, think tanks, or interest organizations) in order to promote the interests of these organizations and their constituencies, and they are expected to share the basic values of the employing organizations. They are expected to be partial, regardless of whether this partiality is on a semi-permanent basis (such as political advisors to a leading politician) or varies from task to task (such as Public Affairs consultants acting on behalf of paying customers).

Policy professionals thus represent a third category of actors involved in politics and policy-making, one that has so far attracted considerably less research interest than elected politicians and public administrators. Although their numbers have grown substantially in recent decades, comparatively little is known about their composition, influence, motivations, or careers.

The growth in their numbers seems to be driven by several factors: (i) the increased complexity of politics and policy-making, which leads to demands for increased steering capacity and for more elaborate advocacy and policy advice skills; (ii) the intensified mediatization of politics, which is now a 24/7 pursuit in which the demands for constant media presence necessitate a large staff of political and media specialists; (iii) endogenous growth, in which the fact that one's opponents employ scores of skilled specialists necessitates that one follow suit and employ such people oneself, at the same time as the supply of professional advisors grows in tandem with the demand for such specialized skills.

Policy professionals are a heterogeneous set of actors, but with common characteristics. It is not clear whether policy professionals should best be conceptualized as a *category*, or whether it would be more fruitful to see partisan policy professionalism as a *field* in Bourdieu's sense, in which actors struggle for recognition and in which the boundaries of the field are themselves the object of political struggle. Regardless of all this, I think it is important to take a broad view of who and where policy professionals are. Policy professionals often move between different positions in a broad organizational landscape, but they essentially do very similar things and use similar skills, irrespective of their exact organizational location and whether such positions are inside or outside government.

## Modi operandi: Skills and networks

Starting with the typical modi operandi of policy professionals, one thing that emerges very clearly from the comparative interviews is the peculiarly "glocal" structure of their activities. What they do is at the same time almost completely context-bound and almost context-free. Policy professionals are extremely dependent on their local networks, which provide local information. Their social capital is transferrable between contexts only to a very small degree; they cannot move from Riga to Stockholm or The Hague and expect to be efficient in their role; they would have to start almost from scratch. Moreover, physical presence is key to what they do; all politics is local, even in the age of instant global communication. Trust has to be built and that requires physical meetings. So everything that policy professionals do takes place within "a square mile" within each capital city, and both their day-to-day activities and their careers are more or less bound to this particular context.

At the same time, the skills and operations they apply in their respective settings are of a fairly generic kind. Policy professionals in Riga, Brussels, and Stockholm do very similar things regardless of the organizational-institutional structure in which they are embedded.

The key skill that policy professionals bring to bear on politics and policy-making is the deployment of context-dependent politically useful knowledge, in three main forms. *Problem formulation* involves highlighting and framing social problems and their possible solutions, using research and other relevant knowledge. *Process expertise* consists of "knowing the game" and understanding the "where, how, and why" of the political and policy-making processes. *Information access* is the skill of finding very fast and reliable relevant information.

The services that policy professionals supply are not only local and global at the same time, they are also both personalized and professionalized. They are personalized because based on personal reputation, trust, loyalty, and reciprocity. The relations between

policy professionals and their principals are often close and tied to these specific persons rather than based in meritocracy and impersonal formalized relations. Their networks need constant tending and the exchange of mutual benefits (such as information). At the same time, their operations are of a highly professionalized kind, based both in science and on-the-job socialization, and marketable.

The typical style of advocacy and advice among European policy professionals is soft-spoken rather than brazen, as Cornelia Woll put it. This implies learning what the other part needs, and finding common ground in issues and arguments. *I'm a lobbyist, and I'm here to help you* would be the typical European style of advocacy, rather than the American *Do as my client wants, or bad things will happen.* US-based lobbyists often have to be re-educated in this respect when they come to Brussels or elsewhere in Europe; they have to learn that implicit or explicit threats will only shut them out, while providing "help" will go down much better among decision-makers.

It is important to note that policy professionals are rarely ideology-free or free-floating. They are not simply "guns for hire" who will work for any and all aims and purposes: not even PA consultants or hired communication advisers are in it only for the money; they are committed to causes and principles. Policy professionals are deeply embedded in organizational structures and driven by values and commitment.

## The attractions of power

This means that policy professionals, regardless of their exact organizational location, are just as political as politicians (even though most of them say they are *not* politicians). They are typically not simple assistants, or "helpers"; they are deeply involved in political strategy and policy-making. And they are driven by the attractions of power, in a twofold sense. Power is attractive both as agency, having the ability to change the course of affairs, and as proximity, being present in the rooms where power is wielded and important decisions are made.

Policy professionals are typically not interested in the media spotlight; many of them are even repulsed by the thought of being exposed to the same degree of personal media attention as leading politicians are. They prefer to stay behind the scenes, in the shadows. But they are interested in affecting how society and policies change – or just how the next debate plays out.

Becoming a policy professional can be a step towards becoming a leading politician or policy-maker oneself. Some political advisors or parliamentary assistants clearly see their current job as a training ground for eventually taking the helm themselves.

But many more policy professionals see their jobs as part of an alternative political career to trying for elected office. In becoming policy professionals, they have found a way to work full-time in politics, affecting the course of events and being part of all the political buzz and excitement – but without having to expose themselves to intrusive media attention, difficult party members, and an unappreciative public.

## A market for political skills

The skills and experiences that policy professionals acquire can be turned into commodities to be sold in the market. A politically defined labor market has emerged over the past few decades, in which skills, contacts, and information are bought and sold. The prime buyer of this very specific form of human capital is the lobbying industry, broadly defined. Large companies, business associations, think tanks, PR and communication advice agencies are constantly looking for people with political skills and experience that may be useful for their organizations and clients. But in many European settings, trade unions and civil society organizations are also employers in the policy professional labor market.

In this particular labor market, skills are typically more important than contacts. Individuals are replaced, and in strong party-based systems personal contacts with individual politicians and policy-makers are not as important as in more individualized political systems. But know-how about the political system, about where, when, and how decisions are made, and how best to approach politicians remains crucial. These are the particular skills that the lobbying industry covets most of all.

But between government and lobbying is a two-way street. Research interest has usually focused on people who leave government for lobbying, focusing on the skills they bring with them and how they use their political contacts in their new lobbying positions. But people also come back from lobbying to government, because they are attracted by being once again at the center of political decision-making, or because they found lobbying morally vacuous or dubious. In this back-and-forth between politics and business, both institutional spheres are to some extent transformed.

What ultimately determines hierarchies in this political labor market, and what is seen as upward or downward movement in terms of a career, is access to power. Money is important, but there are other professional lines of work where it is possible to make much more money. But there is no other labor market that may give access to the highest offices of decision-making, and opportunities to affect the course of events, and that is regardless of whether you are working inside or outside government.

## Conclusion

In conclusion, the skills and activities of policy professionals seem to represent some broader trends in the current political economy of advanced capitalist societies. One is that their activities represent a blurring of institutional boundaries, in this case between business corporations and government, between markets and politics. This amounts to a dual development: the corporatization of politics and the politicization of the corporation. The former means that concepts, strategies, and ways to communicate that originate in the corporate world are to an increasing extent becoming the standard operating practices of politics and policy-making. The latter means that corporations' relations to the political sphere, and their ways of handling their affairs in this respect, become key to their commercial success, quite contrary to expectations of an increasing irrelevance of the state in a globalized business environment.

The skills and activities of policy professionals also represent a curious return of the medieval, although in a post-modern format. They to some extent represent the return of the personal "trusted advisor" – with a diffuse mandate and a personalized access to power: present-day Thomas Cromwells, if you like, circling around government and very much dependent on their personal relations to decision-makers and their know-how of the practical working of the inner circles of power. And yet they are different from their pre-democratic predecessors, of course, in that their abilities are now for sale in a particular market rather than offered as personal services to the king and the court.

Therefore, it seems that policy professionals are perfectly adapted to the neoliberalization of the world, because their rise represents the mediatization, flexibilization, and commercialization of political know-how. In this particular sense, politics is now for sale or at least for hire for those who can afford the services of a class of actors specialized in political know-how.

In this regard, the growth of the policy professionals also implies increased political inequality. This is both because hiring policy professionals is expensive, regardless of whether they are employed in-house or contracted for special missions, especially compared with relying on the voluntary work of activists and party members. This makes effective political action even more dependent on financial resources. But the rise of policy professionals also accentuates the unequal distribution of political know-how, because they are at the extreme end of a highly skewed distribution of political skills and know-how. They inhabit a world of which most lay actors know little, and in which they therefore have little ability to participate effectively.

It is therefore a distinct possibility that the rise of policy professionals is *one* (albeit surely not the main) element in stoking anti-establishment political sentiments among the general public. The existence of a political class of smooth operators, the ultimate political insiders, is probably one element contributing to the feeling of being shut out of politics and decision-making, which is now pervasive among large sections of the

population in the European democracies. Policy professionals are, perhaps even more than elected politicians the "ideal enemy" for populist movements, radical right-wing parties, and those who paint themselves as outsiders and who promise to "drain the swamp" – if only we give them our support.

# Section 2

## The Social Worlds of Neoliberalism

# Globalization, Growth, and Inequality: Highlights from the World Inequality Report 2018

*Lucas Chancel*

## What is the aim of the World Inequality Report 2018?

– The objective of the World Inequality Report 2018 is to contribute to a more informed global democratic debate on economic inequality by bringing the latest and most complete data to the public discussion.

– Economic inequality is widespread and to some extent inevitable. It is our belief, however, that if rising inequality is not properly monitored and addressed, it can have catastrophic political, economic, and social consequences. We do not seek to bring everyone into agreement regarding inequality; this will never happen, for the simple reason that no single scientific truth exists about the ideal level of inequality, let alone the most socially desirable mix of policies and institutions to achieve such a level. Ultimately, it is a matter for public deliberation, political institutions, and their processes to make these difficult decisions.

– But this deliberative process requires more rigorous and transparent information on income and wealth that reconciles macroeconomic phenomena with microeconomic trends in inequality, which can often contradict each other. Generating this information is not a straightforward exercise, however, given that many countries do not publicly release, or may not even produce, detailed and consistent income and wealth inequality statistics.

– To overcome these limitations, we combine all data sources at our disposal in a systematic and transparent manner: national income and wealth accounts (including, when possible, estimates of offshore wealth); household income and wealth surveys; fiscal data coming from taxes on income; inheritance and wealth data (when they exist); and wealth rankings.

– The series presented in this report rely on the collective efforts of more than a hundred researchers, covering all continents, who contribute to the WID.world database. All the data are available online at wir2018.wid.world and are fully reproducible, allowing anyone to perform their own analysis and make up their own mind about inequality.

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This text is based on the executive summary of the World Inequality Report 2018 co-authored by Facundo Alvaredo, Lucas Chancel, Thomas Piketty, Emmanuel Saez, Gabriel Zucman (Harvard University Press).

## What are our new findings on global income quality?

– Inequality within world regions varies greatly. In 2016, the share of total national income accounted for by just that nation's top 10 percent of earners (top 10 percent income share) was 37 percent in Europe, 41 percent in China, 46 percent in Russia, 47 percent in US/Canada, and around 55 percent in sub-Saharan Africa, Brazil, and India. In the Middle East, the world's most unequal region according to our estimates, the top 10 percent capture 61 percent of national income.

*In recent decades, income inequality has increased in nearly all countries, but at different speeds, suggesting that institutions and policies matter in shaping inequality.*

– Since 1980, income inequality has increased rapidly in North America, China, India, and Russia. Inequality has grown moderately in Europe. From a broad historical perspective, this increase in inequality marks the end of the postwar egalitarian regime.

– There are exceptions to the general pattern. In the Middle East, sub-Saharan Africa, and Brazil, income inequality has remained relatively stable, at extremely high levels. Having never gone through the postwar egalitarian regime, these regions set the world "inequality frontier."

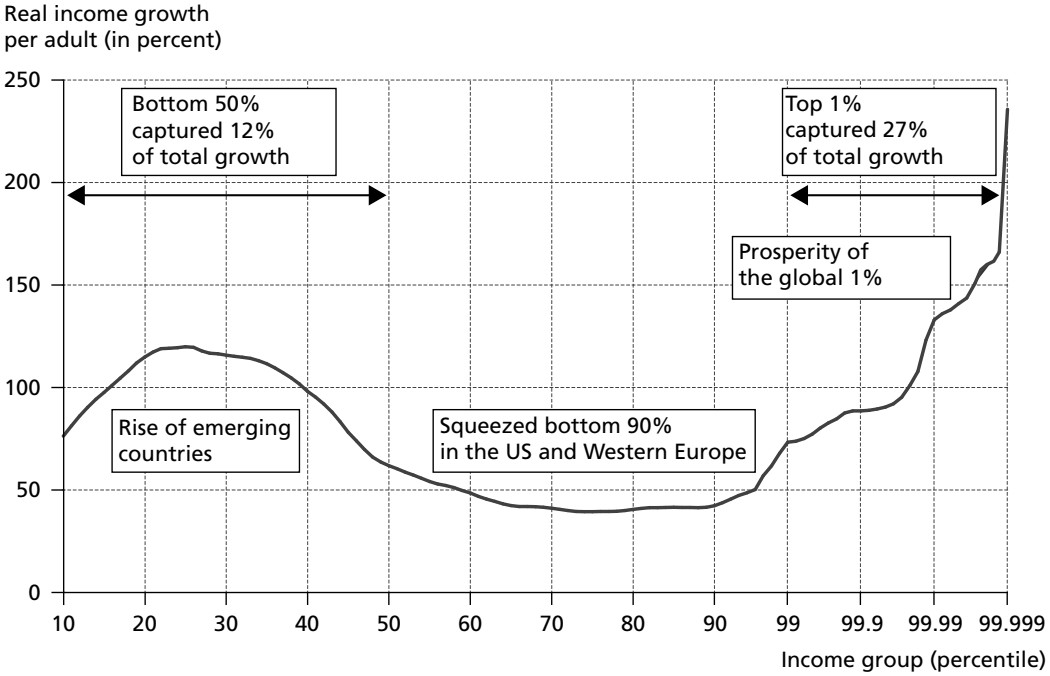
– The diversity of trends observed across countries since 1980 shows that income inequality dynamics are shaped by a variety of national, institutional, and political contexts.

– The different trajectories followed by former communist or highly regulated countries, such as China, India, and Russia also indicate that inequality dynamics are shaped by a variety of national, institutional, and political contexts. The rise in inequality was particularly abrupt in Russia, moderate in China, and relatively gradual in India, reflecting different types of deregulation and opening-up policies pursued over past decades in these countries.

*At the global level, inequality has risen sharply since 1980, despite strong growth in China.*

The poorest half of the global population has seen its income grow significantly thanks to high growth in Asia (particularly in China and India). However, because of high and rising inequality within countries, the top 1 percent richest individuals in the world captured twice as much growth as the bottom 50 percent of individuals since 1980 (see Figure 1). Income growth has been sluggish or even zero for individuals with incomes between the global bottom 50 percent and top 1 percent groups. This includes all North American and European lower- and middle-income groups.

Figure 1 The elephant curve of global inequality and growth, 1980–2016




Source: WID.world (2017). See wir2018.wid.world for more details.
On the horizontal axis, the world population is divided into a hundred groups of equal population size and sorted in ascending order from left to right, according to each group's income level. The top 1 percent group is divided into ten groups, the richest of these groups is also divided into ten groups, and the very top group is again divided into ten groups of equal population size. The vertical axis shows the total income growth of an average individual in each group between 1980 and 2016. For percentile group p99p99.1 (the poorest 10 percent among the world's richest 1 percent), growth was 74 percent between 1980 and 2016. The top 1 percent captured 27 percent of total growth over this period. Income estimates account for differences in the cost of living between countries. Values are net of inflation.

## Why does the evolution of private and public capital ownership matter for inequality?

*Over recent decades, countries have become richer but governments have become poor.*

– The ratio of net private wealth to net national income gives an insight into the total value of wealth commanded by individuals in a country, as compared with the public wealth held by governments. The sum of private and public wealth is equal to national wealth. The balance between private and public wealth is a crucial determinant of the level of inequality.

– There has been a general rise in net private wealth in recent decades, from 200–350 percent of national income in most rich countries in 1970 to 400–700 percent today. This was largely unaffected by the 2008 financial crisis, or by the asset price bubbles

seen in some countries such as Japan and Spain. In China and Russia there have been unusually large increases in private wealth; following their transitions from communist- to capitalist-oriented economies, private wealth quadrupled and tripled, respectively. Private wealth/income ratios in these countries are approaching levels observed in France, the United Kingdom, and the United States.

– Conversely, net public wealth (that is, public assets minus public debts) has declined in nearly all countries since the 1980s. In China and Russia, public wealth declined from 60 to 70 percent of national wealth to 20 to 30 percent. Net public wealth has even become negative in recent years in the United States and the United Kingdom, and is only slightly positive in Japan, Germany, and France. This arguably limits a government's ability to regulate the economy, redistribute income, and mitigate rising inequality.

## What are our new findings on global wealth inequality?

*Wealth inequality among individuals has increased at different speeds across countries since 1980.*

– Increasing income inequality and the large transfers of public to private wealth occurring over the past forty years have yielded rising wealth inequality among individuals. Wealth inequality has not, however, yet reached its early-twentieth-century levels in Europe or in the United States.

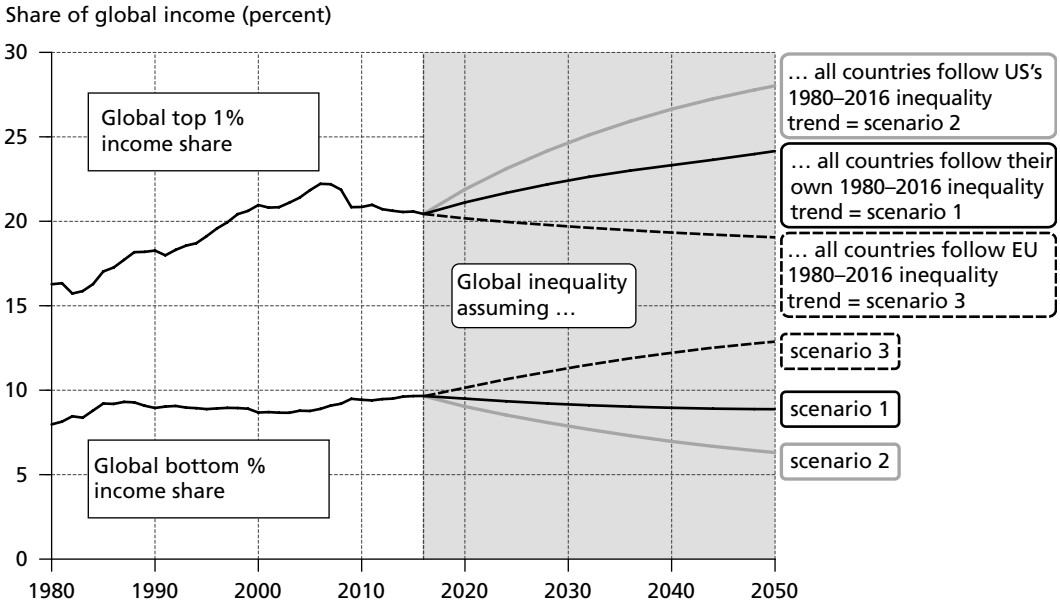
– The rise in wealth inequality has nonetheless been very large in the United States, where the top 1 percent wealth share rose from 22 percent in 1980 to 39 percent in 2014. Most of that increase in inequality was due to the rise of the top 0.1 percent wealth owners. The increase in top-wealth shares in France and the United Kingdom has been more moderate over the past forty years, in part due to the dampening effect of the rising housing wealth of the middle class, and a lower level of income inequality than the United States.

– Large rises in top-wealth shares have also been experienced in China and Russia following their transitions from communism to more capitalist economies. The top 1 percent wealth share doubled in both China and Russia between 1995 and 2015, from 15 percent to 30 percent and from 22 percent to 43 percent, respectively.

*Global income inequality will increase under a "business as usual" scenario, even with optimistic growth assumptions in emerging countries. This is not inevitable, however.*

– Global income inequality will also increase if countries prolong the income inequality path they have been on since 1980 – even with relatively high-income growth

Figure 2 Rising global income inequality is not inevitable in the future




Source: WID.world (2017). See wir2018.wid.world for data series and notes.
If all countries follow the inequality trajectory of the US between 1980 and 2016 from 2017 to 2050, the income share of the global Top 1 percent will reach 28 percent by 2050. Income share estimates are calculated using Purchasing Power Parity (PPP) euros. PPP accounts for differences in the cost of living between countries. Values are net of inflation.

predictions in Africa, Latin America, and Asia in the coming three decades. Global income inequality will increase even more if all countries follow the high-inequality trajectory followed by the United States between 1980 and 2016. However, global inequality will decrease moderately if all countries follow the inequality trajectory followed by the EU between 1980 and today (see Figure 2).

– Within-country inequality dynamics have a tremendous impact on the eradication of global poverty. Depending on which inequality trajectory a country follows, the incomes of the bottom half of the world population may vary by a factor of two by 2050, ranging from 4,500 to 9,100 euros per year, per adult.

*Tackling global income and wealth inequality requires important shifts in national and global tax policies. Education policies, corporate governance, and wage-setting policies need to be reassessed in many countries. Data transparency is also key.*

*(1) Tax progressivity is a proven tool to combat rising income and wealth inequality at the top.*

– Research has demonstrated that tax progressivity is an effective tool to combat inequality. Progressive tax rates not only reduce post-tax inequality, they also diminish

pre-tax inequality by giving top earners less incentive to capture higher shares of growth via aggressive bargaining for pay rises and wealth accumulation. Tax progressivity was sharply reduced in rich and some emerging countries from the 1970s to the mid-2000s. Inheritance taxes are also nonexistent or near zero in high-inequality emerging countries, leaving space for tax reforms in these countries.

*(2) A global financial register recording the ownership of financial assets would deal a severe blow to tax evasion, money laundering, and rising inequality.*

– Although the tax system is a crucial tool for tackling inequality, it also faces potential obstacles. Tax evasion ranks high among them, as recently illustrated by the Paradise Papers revelations. The wealth held in tax havens has increased considerably since the 1970s and currently represents more than 10 percent of global GDP. The rise of tax havens makes it difficult to properly measure and tax wealth and capital income in a globalized world. Several technical options exist for creating a global financial register, which could be used by national tax authorities to effectively combat fraud.

*(3) More equal access to education and well-paying jobs is key to addressing the stagnating or sluggish income growth rates of the poorest half of the population.*

– Recent research shows that there can be an enormous gap between the public discourse about equal opportunities and the reality of unequal access to education. In both rich and emerging countries, it might be necessary to set transparent and verifiable objectives – while also changing financing and admission systems – to enable equal access to education. However, while democratic access to education can achieve much, without mechanisms to ensure that people at the bottom of the distribution have access to well-paying jobs, education will not prove sufficient to tackle inequality. Better representation of workers in corporate governance bodies and healthy minimum-wage rates are important tools to achieve this.

*(4) Governments need to invest in the future to address current income and wealth inequality levels, and to prevent further increases in them.*

– Public investment is needed in education, health care, and environmental protection, both to tackle existing inequality and to prevent further increases. This is particularly difficult, however, given that governments in rich countries have become poor and largely indebted. Reducing public debt is by no means an easy task, but several options exist – including wealth taxation, debt relief, and inflation – and have been used throughout history when governments were highly indebted, to empower younger generations.

# On the Ordonationalist Political Party: The French National Front and Hungary's *Fidesz*

*Dorit Geva*

## Introduction

The French National Front's relationship with neoliberalism is multifaceted and contradictory. As astutely identified by Mabel Berezin in her 2009 book *Illiberal Politics in Neoliberal Times,* since the late 1990s the FN has positioned itself not only as an anti-immigrant party, but also as the party that dared to challenge the European Union's neoliberal consensus. However, drawing on Stephanie Mudge's concept of "political neoliberalization," in terms of which she emphasizes that neoliberalism is not only a market ideology, but also a *political* project in which economic expertise dominates in the political field – including within political parties across the political spectrum since the early twenty-first century (2008; 2011) – we can identify how the FN party itself has undergone a superficial neoliberalization.

To complicate matters further, political neoliberalization through the rise of economic expertise in the FN entailed the insertion of *ordoliberal* ideology into the party platform. This ideology emphasizes protection and enhancement of national capitalist markets through a strong state (Bonefeld 2017).[1] Raising the profile of ordoliberal techno-economic expertise enabled the party, for a period of five years (2012–2017), to flirt with the political mainstream. At the same time, these experiments did not transform the party from one that, at its core, is founded upon racist anti-decolonization politics, with its base mobilized most passionately by a view of the French nation as essentially white and by bitter condemnation of political elites putatively committing white treason (Geva 2018).

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1 I do not excavate, in this short paper, debates on the nature and origins of ordonationalist thought, which developed in Germany during the Weimar Republic. For a review of the history of ordoliberalism and its relationship to neoliberalism, see Bonefeld (2012).

These developments bear significant similarities to Hungary's ruling Fidesz party. The French National Front and Hungary's Fidesz have distinct political histories, but share enough features to enable us to identify the emergence of an ordonationalist party family. The ordonationalist party, I argue, is a composite of four features: (1) political neoliberalization through the rise of technocratic economic expertise in the party; (2) an ordoliberal ideology emphasizing a strong state and strong leadership, steering capitalist market competition; (3) endorsement of "neoliberal morality" through punishment of the poor and harsh penal policies; and finally (4) racist ideologies that seek to foster internal solidarities within the "pure" nation regardless of class, and which even deny the politics of class, but are exclusionary through racial and ethnic lines.[2]

I will conclude with a brief comparison between the ordonationalist experimentation of the French National Front and the successful entrenchment of an ordonationalist political regime in Hungary, not only to consider the broad features of the ordonationalist party, but also to reflect on how the institutional political history of parties, political party competition, and middle-class capture might explain the entrenchment of an ordonationalist regime in Hungary, in contrast with the (so far) failed experiment at solidifying an ordonationalist party in France.

## The *Front National:* Merging anti-decolonization politics, political neoliberalism, and ordoliberal ideology

While French radical-right anti-elitist and anti-Marxist ideologies emerged in the late nineteenth and early twentieth centuries (Sternhell 1983), some of which undoubtedly shaped interwar and Second World War French fascism, these currents took on a new register in relation to French colonial politics in the post-war period. The Poujadist movement, the first electorally important French radical-right movement in the post-war era, harshly denounced the decadence of French political elites who were purportedly the cause of the French empire's disintegration (Souillac 2007). France experienced an electoral shock in 1956 when fifty-two Poujadist representatives were elected to the National Assembly. A rising Poujadist star elected in 1956 was none other than a young Jean-Marie Le Pen.

Antisemitism and anti-Marxism remained features of the post-war radical right. At the same time, during the 1950s and 1960s the radical right increasingly adopted French colonial racial hierarchies, especially given the prominence of the political and military crisis in colonial Algeria and elsewhere. On one hand, the French state and its representatives were bitterly criticized for their laxity and inability to instill law and order against growing decolonization movements in Algeria and Indochina. Political elites

2 See Haney (2016) on "penal nationalism," which combines neoliberal punitive morality with racist nationalism.

in the metropole were denounced for military failures and for "submitting" to anti-colonial independence movements. On the other hand, the French colonial state was idealized as a white French administration that needed to be strong and decisive.

The National Front party was founded in 1972, ten years after the bloody war of Algerian independence (1954–1962). It was a political formation that emerged directly from the crisis wrought by the final years of French colonial rule. Jean-Marie Le Pen was the party's first president, and remained in that position until he retired in 2011. The party attracted the support of *pieds-noirs* who had moved to the metropole after Algerian independence (Saverese 2011), and aligned itself with post-war veterans' organizations. Furthermore, the Poujadist theme of white treason and morally lax political elites, belief in the need for a strong (white) state, and an economic worldview that supported petty bourgeois small commerce, remained central to the FN.

Jean-Marie Le Pen's retirement from FN leadership in 2011, and Marine Le Pen's party presidency from 2012 signaled an apparent break with the past. Recognizing that the FN base was ageing, Marine Le Pen was determined to modernize the party and to capture the young by distancing it from overt anti-Semitism and brute racism (Mayer 2013). Her strategy became more clearly articulated with the incorporation of Florian Philippot into the party. He became her right-hand man for five years, and is arguably equally, if not more, responsible for the FN's electoral gains from 2012 to 2017. Philippot represented something new in the FN. Carrying the most elite technocratic credentials, he gave the FN a gloss of techno-economic expertise that affected the party from the top to its rank-and-file base. He held the number-two position in the party, articulated its "patriotic capitalist" vision, and developed the FN Youth wing, with a long-term view of cultivating the party's future.

Philippot represented the party's move into the neoliberal political field. The party tried to go mainstream not only by toning down its flagrantly racist and anti-Semitic rhetoric, but also by bolstering its techno-economic credentials. Stephanie Mudge's conceptualization of neoliberalism as a political field emphasizes that neoliberal politics do not necessarily advance neoliberal policies: "Neoliberalism is a *product* of intellectual contests over cultural authority, but it is a resource or *symbolic weapon* in contests over political authority – it is, in other words, a means toward ends in political realms rather than an end itself" (2011, 347). Within this field, economic expertise has become a *sine qua non* of political authority.

Philippot himself represented the new place accorded to economic and technocratic expertise in the party. However, his ideas go against established economic doctrines within influential policy circles and prestigious university departments (Fourcade 2009). Philippot's economic views are not anti-capitalist and are not centrally concerned with redistribution across class. Rather, they emphasize étatist management of, and nationalist benefits from, capitalist competition. Philippot's program was embedded in Marine Le Pen's 2017 presidential campaign platform. The campaign's economic proposals

included some commitments to maintaining social protection, but did not aim for systemic economic redistribution. It rather presented various proposals to increase French market efficiency, competitiveness, and productivity by returning economic management to the French state, and by protecting patriotic French enterprises from "disloyal" globally oriented capitalist firms.[3]

This technocratic economistic expertise also affected the FN's rank and file membership. Between 2013 to 2017, during my qualitative field research on the FN, I witnessed the entrance of young and educated FN members who once would have been centre-right voters, and who by 2017 were active FN members. For example, at a gala dinner during Marine Le Pen's presidential campaign kickoff convention in February 2017, I spent the evening dining with a table of young assistants to FN MEPs. They were in their twenties, with advanced degrees in public law or economics, and the young women and men were wearing conservative and understated business clothes. They spent part of the evening debating an obscure aspect of German Bundesbank policy, at the end of which the loser had to buy the table a bottle of champagne. Like seemingly everyone else at the dinner, they applauded when Marion Maréchal-Le Pen (Marine Le Pen's niece) entered the gala hall. Although she has now taken her leave from politics, Maréchal-Le Pen brashly personifies the "civilizational" faction in the party. Nonetheless, as much as they expressed admiration for Maréchal-Le Pen, my young dinner partners expressed strong identification with the Philippot line.

Philippot oversaw the creation of party sub-organizations aimed at legitimating the party as an economic authority in the political field. This included a group focusing on entrepreneurs, another focusing on managers of large businesses, and a third focusing on younger members in creative industries. These new ideational currents within the party did not grab the classic *Le Penist* membership of the party. At the presidential campaign kickoff convention in Lyon in 2017, when head of the FN entrepreneur group Mikaël Sala delivered his speech in the congress hall, the amphitheatre emptied. FN loyalists had flocked to hear firebrands like Marion Maréchal-Le Pen deliver their stock civilizational speeches on "protecting" France from Muslim and Roma migrants, but were apparently less interested in listening to a speech about the party's economic platform.

As opposed to some young and educated FN supporters who were deeply interested in discussing economic policy during my fieldwork, informal conversations and formal interviews with older petty-bourgeois FN supporters, and working-class supporters, suggested to me that they did not care about the finer details of the party's economic program. Working-class supporters certainly saw themselves as the losers of the new economic order, and older petty-bourgeois FN supporters who had benefitted from the more robust welfare state of the past worried about their children's economic future.

3 See proposals 34–51, and 65–73, in Marine Le Pen's 2017 campaign platform, which included 144 proposals altogether: www.frontnational.com/le-projet-de-marine-le-pen.

Yet, as one working-class woman from the deindustrialized northwest lamented to me in 2013 as I walked alongside her at the once-annual FN May 1st march in Paris, she resented how she and her daughter had been "forced" to move to a new neighborhood when their old one "became unsafe because of immigrants." She bitterly complained that, to add insult to injury, immigrants were putatively being accorded higher priority for subsidized housing over "native French people." The FN had not given her a framework for criticizing an overall decline in social rights, but had rather channeled her sense of injustice to animosity towards her immigrant neighbors.

Another retired petty-bourgeois man from a town near the Swiss border told me at an FN party in May 2017 that he had shifted from the center-right to the FN when his town's Socialist mayor started recruiting immigrants to his hometown, which was otherwise emptying out. This policy, he claimed, had resulted in so many newcomers that he "couldn't recognize anyone anymore." With an almost confessional tone he lowered his voice and explained that he did not mind the European Union: "It's not about the economy. It's about culture and civilization." Marine Le Pen herself proved incapable of coherently defending the party's economic program in a high-stakes televised debate with Emmanuel Macron in early May 2017.

From 2012 the party attempted to produce a new socio-political bloc, one which would weave a party forged from racist anti-decolonization politics into the neoliberal political field, and with an ordoliberal economic vision. But the elements holding this ordonationalist coalition together did not cohere. The avatars of racist anti-decolonization politics finally pushed Philippot out of the party in September 2017, several months after Marine Le Pen's failed presidential bid and the party's disappointing results in the June 2017 parliamentary elections. A tweeted photo of Philippot and an FN delegation at a restaurant in Strasbourg exposed photographic evidence that Philippot had eaten a North African couscous, rather than a regional dish of choucroute garnie, an Alsatian recipe normally prepared with copious piles of pork. It is questionable whether FN members and leaders really cared about Philippot's eating habits, but Philippot nonetheless resigned shortly after these events. Philippot had tried with Marine Le Pen to create a new FN, uniting the anti-decolonization politics represented by the Le Pen clan, with his protectionist capitalist economic views. However, the Le Pen–Philippot alliance did not succeed in cultivating a stable ordonationalist bloc. With Philippot's departure, the rump FN is now returning to its anti-decolonization roots.

## Hungary's *Fidesz:* From ordonationalist party to ordonationalist regime

A brief comparison with Hungary highlights informative parallels and contrasts with French political developments. As Central European University political scientist Béla Greskovits argues, after losing the elections in 2002, Fidesz leader Viktor Orbán engaged in an extensive strategy of asserting a hegemonic position in contemporary Hungary,

with the help of the "historical" churches and a cadre of organic intellectuals (2017). In the void left by the collapse of state-socialism and rapid liberalization, his party intensively cultivated civic circles throughout Hungary during his years out of power to advance the party's long-term success. The strategy has worked since Orbán's re-election in 2010. Combining nationalist pro-market policies, anti-EU rhetoric that resonates with a bitter modern history of Hapsburg imperial rule and Soviet occupation,[4] and selective policies that advance the growing middle class by enabling access to cheap commodities, a flat income tax rate, and temporary tax measures to promote middle class home ownership, Fidesz forged a hegemonic ordonationalist political society.

The Orbán government has its own cadre of alternative economic expertise, enacting Philippot-style principles of étatist capitalist competition and episodic forceful state interventions (Bohle 2014), limited economic redistribution, and a neoliberal moral regime with little compassion for those who have not weathered well the transition from state-socialist worker-citizens to capitalist subjects. With tight control over the national state and over the dominant political party in a system with little party competition, but with a high level of ideological fragmentation (Enyedi 2016), Orbán has taken the ordonationalist party one step further by using the political party to personally extract from the state and the national economy (Magyar 2016).

## No bourgeois capture, no ordonationalist regime?

Several important differences between France and Hungary surface when one compares the role and history of the political party and of the middle class in each country. In Hungary, the supremacy of what Attila Ágh has called the dominant "Golem party" in East Central Europe (2017), the absence of vigorous party competition, and the state-socialist legacy of an equivalence between party, state, and economy, have together enabled Orbán's Fidesz party to cultivate an entrenched ordonationalist political society that promotes state-led capitalist competition and exclusionary race-based solidarities, with the support of the growing middle class (Szombati 2017).[5] However, if we bracket Orbán's oligarchic drift, we can see that the FN under the Le Pen–Philippot alliance and Orbán's Fidesz party can be grouped as variants of the ordonationalist party.

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4 The Orbán government emphasizes that Hungary was never a colonizing power. Therefore, they claim that Hungary does not need to be party to EU-wide refugee distribution schemes which purportedly pay penance for sins committed by former colonial powers such as France, the Netherlands, and Great Britain. This narrative emphasizes that Hungary itself has historically been the victim, not the perpetrator, of imperial domination.

5 On the need to re-theorize the "new" middle class and its political manifestations globally, see Tuğal 2015.

Neoliberalization since the 1970s has undoubtedly yielded political instability, undoing the warp and woof of twentieth-century political society. At the same time, France's National Front and Hungary's Fidesz are not simply illiberal responses to neoliberalism. The FN was a party born from a defense of French colonial domination. It has recently experimented ambitiously in the metropole with fostering citizen solidarities across class lines through exclusionary conceptions of race, religion, and nation, while superficially borrowing from the leftovers of the Socialist party, and at the same time promoting ordoliberal visions of state-led market society, alongside promotion of neoliberal morality.

These multiple strands, however, did not stably bind in France, at least not in the FN.[6] French party competition has remained comparatively robust, and pivotally the Philippot–Le Pen alliance made headway with the working class, but did not capture the middle class (Perrineau 2017). Viktor Orbán's success in Hungary was but a dream for Philippot and Le Pen, who could only wistfully admire their comrade to the east. Hungary's Fidesz regime is a stark reminder that with an even more extreme void left by neoliberal reforms, in conjunction with an electoral system lacking party competition, an institutional history of single-party rule in which the party subsumes state, nation, and economy, and a successful capture of middle class voters, these strands can coalesce into a stable ordonationalist political regime.

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## The Great Separation: Inequality, Segregation, and the Role of Finance

*Olivier Godechot*

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### Introduction

The sharing of a pie is a common metaphor used when approaching inequality. Some get the lion's share; others get the mice's share. But this metaphor could be extended. Sharing a pie usually implies that people sit together at the same table, see the sharing of the pie, and eventually interact over it. They can approve, disapprove, legitimize, delegitimize, contest, challenge, and sometimes modify the sharing of the pie. However, instead of sharing the pie among people sitting at the same table, you could share it between people sitting at different tables. This separation would reduce interactions related to the sharing to nothing.

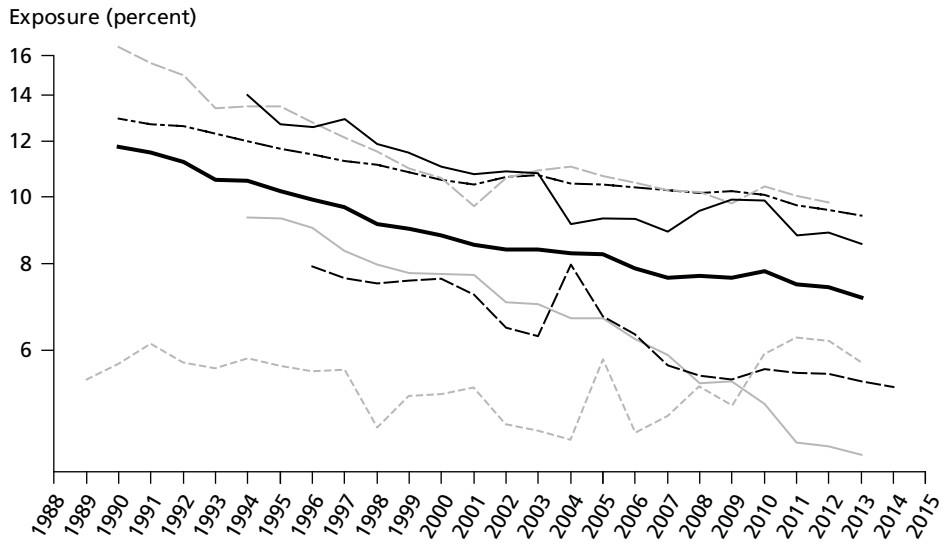
This presentation is a first step in the exploration of these two dimensions of sharing: the size of shares and interactions about sharing. It was produced within the framework of the COIN (Comparative Organizational International Network) research group (Tomaskovic-Devey et al. 2017) which puts together quasi-exhaustive administrative datasets on wages in a dozen countries. Here we will use fresh computations from six countries: Canada, Denmark, France, Japan, Norway, and Sweden. Estimates for the Czech Republic, Germany, Hungary, South Korea, and Slovenia are forthcoming.[1]

Results on the first dimension of sharing confirm a global "Pikettian" trend towards more inequality, with the top 1 percent increasing its wage share between 1993 and 2007 at a 2.3 percent annual growth rate. It also shows a contrasting picture with some countries presenting strong increases in inequality, such as Canada and Norway, and other, more moderate ones, such as Japan.

1 Feng Hou provided the data for Canada, Lasse Henriksen for Denmark, Olivier Godechot for France, Naomi Kodama for Japan, Are Hermansen for Norway, and Martin Hallsten and Max Thaning for Sweden.

Figure 1 Workplace exposures of top 1 percent and bottom quartile to one another

1a Top 1 percent establishment exposure to bottom 25 percent

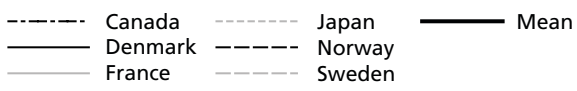



Six countries, 1993: 10.6 percent; 2007: 7.6 percent; yearly growth rate: –2.5 percent.

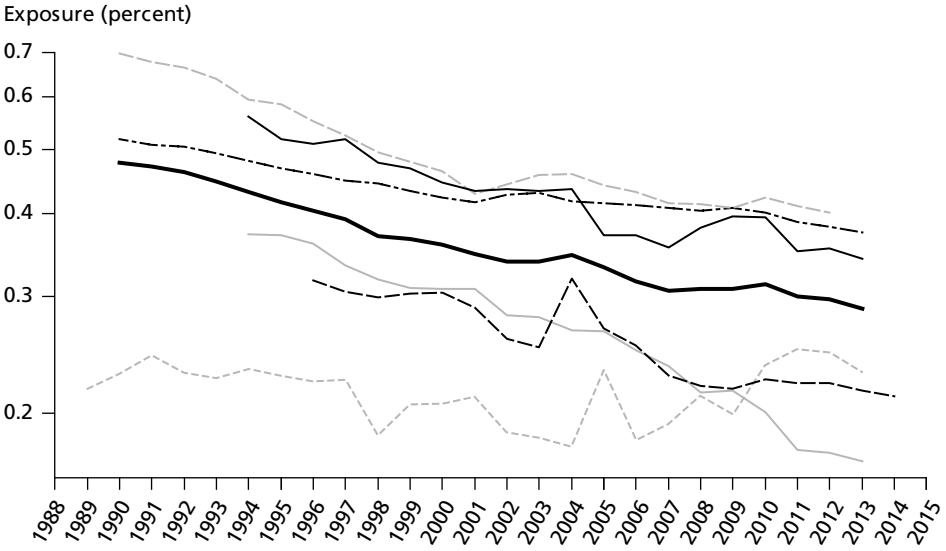
1b Top 1 percent establishment exposure to top 1 percent




Six countries, 1993: 9.3 percent; 2007: 13.1 percent; yearly growth rate: 2.8 percent.

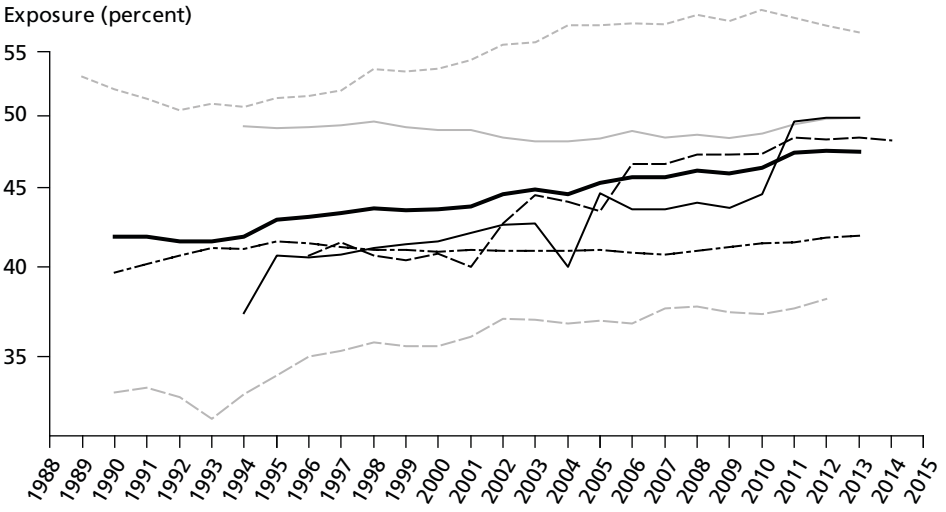


1c Bottom 25 percent establishment exposure to top 1 percent




Six countries, 1993: 0.4 percent; 2007: 0.3 percent; yearly growth rate: –2.7 percent.

1d Bottom 25 percent establishment exposure to bottom 25 percent




Six countries, 1993: 41.5 percent; 2007: 45.7 percent; yearly growth rate: 1.2 percent.

Note: The top 1 percent and the bottom quartile are wage groups defined at the national level. The workplace is the establishment, except for Canada, where information on the establishment was not available. We used instead the intersection of firms and Canadian Provinces. The larger size of size of units in Canada could attenuate the estimated level and the evolution of segregation. Japanese data are based on a 1 million workers sample which does not cover executives. This restriction might attenuate evolutions.

The second dimension of sharing is less studied. In order to approach potential interaction over the sharing of the wage bill, we estimate the evolution of segregation at work between diverse groups; not only the classical groups for which segregation is usually monitored – such as migrants/non-migrants, females/males – but also occupations, educational levels, age groups, and, more crucially, wage groups. Are employees increasingly working in the same establishment (that is, the same geographical unit of a firm) with people who are similar to them?

Figure 1 shows remarkable trends for wage groups. The top 1 percent of earners in almost all countries are separating more and more from employees at the bottom of the earnings hierarchy. This evolution is particularly striking for France. In 1993, France's top 1 percent worked in establishments in which 10 percent of their coworkers belonged to the lowest national wage quartile. By 2013, only 4 percent of their coworkers belonged to the bottom wage quartile. The top 1 percent's exposure to the bottom quartile – and reciprocally, the latter's exposure to the former – both decreased at a -4.5 percent annual rate. At the same time, the top 1 percent's isolation (exposure to itself) doubled. These trends in the workplace towards an airtight separation of the most affluent workers from the bottom of the wage hierarchy are less dramatic in others countries, but nevertheless remain quite pronounced.

While one may think that underlying these separation trends are mechanisms of assortative matching of workers by levels of productivity (Kremer 1993), these preliminary results show that wage-assortative matching is extremely powerful at the very top of the wage distribution, while less pronounced or even reversed at the bottom. Moreover, not all categorical status boundaries follow this trend towards more segregation that we see among wage groups. Relative isolation of migrants at work increased by a factor of 1.4 in France and 1.2 in Sweden, but decreased by a factor of 1.5 in Canada. Women's relative isolation at work remains stable overall in all three countries.

## The role of finance and global cities

Many factors may account for growing inequality and the separation of the top 1 percent. Biased technological progress and assortative matching by levels of productivity are generally put forward by economists to account for job polarization (Verdugo 2017). Outsourcing, dediversification, and reduction in the size of a firm might also produce more occupational homogeneity. The global financial crisis also suggests that one should scrutinize not only abstract market mechanisms but also the concrete structures of rents in a market society. Indeed, the financial industry wage premium has reached an unprecedented level in recent decades (Philippon and Reshef 2012) and may credibly be accused of boosting national inequality and jeopardizing social cohesion. Similarly, global cities (Sassen 2001), which are generally first and foremost major financial

centers, manage global and standardized activities worldwide by concentrating within their area unstandardized idiosyncratic coordination functions. As such, they also contribute to inequality and the fracturing of society.

Results show that finance and financial centers are major drivers of the increase in inequality, especially in France, Sweden, and Denmark. Hence, finance contributed 40 to 50 percent of the increase in the top 1 percent's share and global cities 80 to 100 percent of it. They nourish, at least in these three countries – although to a lesser extent – the isolation of the top 1 percent at work.

It seems that in those more unionized and coordinated societies, finance and global cities serve as a disruptive force challenging the somehow more equalitarian norms in pay. In contrast, in Canada and the United States, while finance and global cities still play a role in making of inequality, their norms have now spread out in many other sectors and urban areas.

## Social consequences of growing separatism

Finally, another aim of these workplace segregation analyses is to focus on the consequences of this decline in top-to-bottom interactions at work. The clustering of high profile activities in specific establishments located in a limited set of urban areas, or in special districts of those urban areas, also impacts the probability of interaction in neighborhoods. Indeed, we also find – as shown previously for the United States (Reardon and Bischoff 2011) and France (Godechot 2013) – increasing economic residential segregation. The residential isolation (captured at the municipality level) of the top 1 percent has increased by a factor of 1.4 in France, 1.3 in Sweden, and 1.2 in Canada. In contrast to the literature on urban segregation, which implicitly blames the rich for deliberately avoiding the poor for schooling, status, and security purposes, we propose that the increasing residential isolation of the rich has a great deal to do with a powerful increase in workplace segregation. This helps us to bring macro socioeconomic factors into our understanding of the rich's growing isolation.

A decline in objective probabilities of interaction between the rich and the poor might also have an impact on the way the two groups view each other, and finally, how they view themselves.

On one hand, the rich, working and living in a world of wealth, do not have to think about poor workers as relevant human beings whose economic and moral claims – especially direct claims on the way the firm's value added should be shared among workers – must be taken into account. The disappearance of the poor from their interactional sphere might remove the rich from any moral constraints on wage setting, enhance status competition among them, and in return increase wage inequality at the top.

On the other hand, poor workers have less and less access to a world in which they could have some interactions with the elites, whether these interactions involve conflict and class struggle or are rather of a docile and paternalistic nature. Increasingly, the poor may be aware of the rich's existence only from the media, which celebrates their style and lifestyle and easily reinforces the poor's impression that they are invisible and left behind. This increase in segregation processes could therefore help us understand some recent trends in Western democracies, such as the decline of political trust and the rise of populism.

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## Individuation and Stratification

*Adam Goldstein*

> There's no such thing as society. There are individual men and women and there are families. And no government can do anything except through people.
>
> Margaret Thatcher

### Introduction

Recent institutional transformations in capitalist societies have heightened the role of individual choices, individual risks, and individual data across numerous domains of socio-economic life. In this note, I focus on individuation as a main current of neoliberalism and discuss its implications for contemporary social stratification regimes. I illustrate the argument by presenting empirical results on the relationship between devolved choice and medical expenditure burdens in US employer-sponsored health insurance.

By "individuation," I mean the restructuring of institutions to create more personalized, individual-specific mechanisms for allocating resources and risks. This includes the devolution of choice to individuals in public and private social provision, such as school-choice programs, defined-contribution pension systems, and consumer-based health insurance (Le Grand 2007; Langley 2008; O'Rand 2011; Hacker and O'Leary 2012). It also includes efforts to rationalize bureaucratic decisions by using personal data to make ever more granular distinctions between individuals (Fourcade and Healy 2013; 2017). Examples include the widening use of individual credit records as an evaluative signal in market transactions (Kiviat 2016), as well as the diffusion of "personalized" criminal justice penalties based on predictive algorithms about offenders (for example, Kleinberg et al. 2015). Whether driven by profits, efficiency, or fairness concerns, in all of these cases, outcomes that were primarily a function of one's inclusion in broad categorical criteria (for example, citizenship, place of residence, employment status, age) are now also increasingly mediated through individuals' own choices and/or person-specific data profiles.

I want to suggest that such forms of institutionalized devolution help explain the pervasive growth of both within- and between-group inequalities. My approach contrasts with existing formulations (Beck and Beck-Gersheim 2002; Pakulski and Waters 1996), which treat individuation as ushering in a post-class stratification regime as idiosyncratic risks displace inter-group bases of inequality. As I shall illustrate, individuation at the proximate level in fact heightens between-group disparities in outcomes because it renders more consequential all of the preexisting resource disparities between social

groups. Similarly, nominally person-specific evaluative criteria, such as credit scores, amplify inter-group differences while obscuring their underlying social structural bases (Fourcade and Healy 2017).

## Empirical example: Devolved choice in US employer-sponsored health insurance, 2002–2013

To assess the effects of individuation on between-group stratification, I consider how the introduction of consumer choice architecture in US employer-sponsored health insurance alters the distribution of medical expenditure burdens across the social class spectrum. The majority of the US non-elderly population receives medical insurance through an employer. Increasingly, provision of these benefits is accompanied by high-stakes demands to "choose the plan that's right for you." In the case of insurance, this means learning to be one's own actuary by selecting from among plans with varying risk and cost profiles. Each year from 2002 to 2012 approximately 2–4 percent of firms that had offered traditional low-deductible (lower risk) plans transitioned to offering employees a choice between at least one high-deductible plan (higher risk, lower cost) and one low-deductible plan.[1] The share of ESI-enrolled employees who faced a choice grew from virtually zero in the early 2000s to over 42 percent by 2013.

Offering employees a choice of plans with varying risk profiles is touted as a means of reducing costs while matching consumers to plans that best meet their needs. However, the prospect of lower monthly costs can lure individuals into plans that carry greater risks, with potentially severe financial consequences. Moreover, actors in different social positions have disparate resources to draw on when navigating complex decisions such as selecting insurance contracts. Prior empirical research highlights clear socio-economic disparities in insurance comprehension, selection processes, and choices. Loewenstein et al. (2013) find that more highly educated and higher income respondents accurately answer more questions about basic insurance and cost-sharing concepts, irrespective of their prior experience with healthcare providers. Norton et al. (2014) report similar disparities in comprehension across educational attainment categories. This implies that individuation may exacerbate social stratification.

OOP burdens are an important site of social stratification. Throughout most of the late twentieth century, employer-sponsored insurance (hereafter ESI) coverage afforded those covered by it relatively privileged protection from the financial risks of medical care. Since the 1990s, however, OOP burdens have come to represent an increasingly acute financial strain on households (for example, Pollitz et al. 2014). Among those

1 I define high-deductible plans as > 1,000 dollars for individual coverage and > 2,000 dollars for family coverage. This matches the IRS's eligibility threshold for tax-advantaged health savings accounts at the outset of our study period in 2001.

continuously covered under ESI, the share with *realized* OOP in excess of 10 percent of income increased from approximately 9 percent in 2002 to 16 percent in 2013 (Collins et al. 2014). As of 2014, 43 million Americans have unpaid medical debt on their credit report, and medical debt accounts for 52 percent of all delinquent credit accounts (CFPB 2014). Medical bills are the primary cause of at least 17 percent of personal bankruptcies (Dranove and Millenson 2006) and play a contributing role in as many as 62 percent (Himmelstein et al. 2009).

To what extent does the individuation of choice (between plans with varying financial risks) alter the social stratification of cost burdens among employees? Does placing responsibility on individual employees result in increased social class inequality in OOP? To answer these questions I draw on unique data from a matched employer–employee insurance claims database (OptumInsight), which includes information on plan offerings and realized out-of-pocket expenditure burdens for over 37 million persons from 2002 to 2013. Longitudinal matched employee–employer claims data allow us to leverage variation within employees and employers over time. It is possible to compare how the same individuals fare across institutional contexts with varying levels of choice. Moreover, one can reasonably treat employers' decisions to transition to devolved choice arrangements as exogenous with respect to individual employees. I captured social class differences using a gradational index of socio-economic status (SES) based on enrollees' estimated education and income levels.

The results of triple difference-in-difference type regression models with individual fixed effects show that when firms devolve choice, lower SES employees end up experiencing greater absolute increases in costs relative to higher SES colleagues, and consequently end up bearing a greater relative share of the total OOP burden than before the shift. This is shown in Figure 1. Out-of-pocket differences at the conditional mean are modest ($22 annually). The results of conditional quantile regressions at the 95th percentile of the OOP distribution, however, reveal a more pronounced disparity ($170) (Figure 2). These estimates are conservative insofar as they do not account for class-differentiated adjustments in total healthcare utilization. The estimated effect of devolution on inter-group disparities appears approximately twice as great when individuals' total healthcare utilization is held constant at the pre-devolution level (not shown). The between-group disparities are also virtually identical when adjustments are made to account for differing monthly premium contributions in low- and high-deductible plans. Additional unreported analyses show that these patterns are not driven by differences in prior health status, suggesting that the devolution of choice itself contributes to widening inter-group differences.

Figure 1 Estimated within-person change in mean OOP, by SES tercile

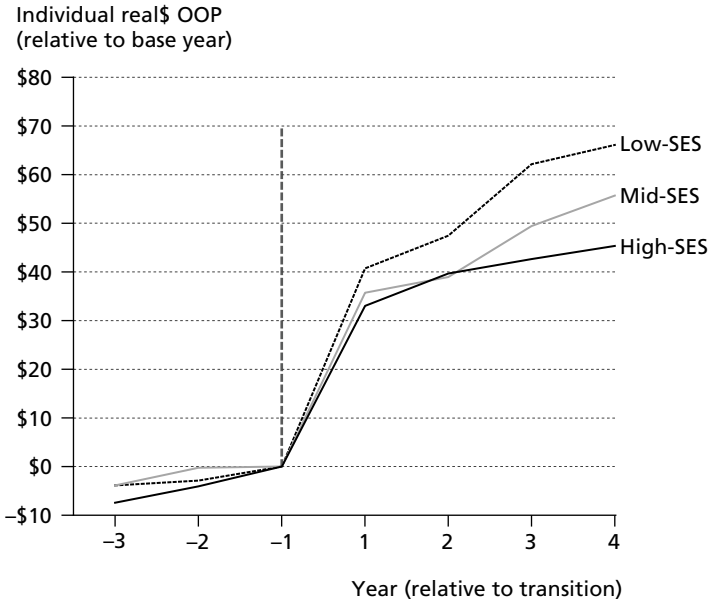
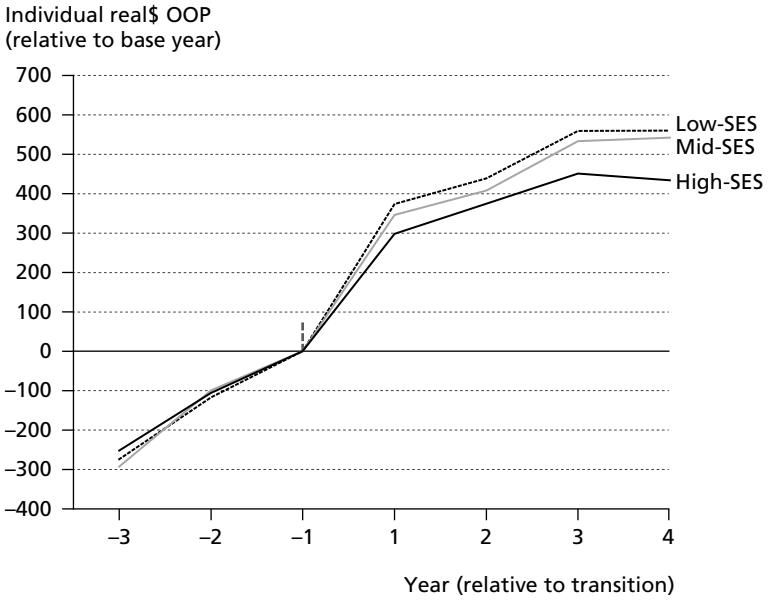



Figure 2 Estimated within-person change in 95th percentile OOP, by SES tercile



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# Can Progressive Experts Make Progressives?

*Stephanie L. Mudge*

## Whither the left voter?

In late summer 2016 the New York Times published an investigative article by Declan Walsh on support for then-candidate Donald Trump in coal-mining country (West Virginia; Walsh, August 2016). The reporter ventured to West Virginia not long after the publicization of dismissive comments by Hillary Clinton about the prospects for coal – comments that, for some West Virginians, confirmed a suspicion that the rest of the country, political elites, and the Democratic cadre around Clinton looked down on them:

> "I kind of feel that people are looking down on us," said Neil Hanshew, a miner, voicing a common sentiment. "They're looking at us like we're a bunch of dumb hillbillies who can't do anything else." (quoted in Walsh 2016)

In the November elections Donald J. Trump won West Virginia with almost 69 percent of the vote; Clinton received 27 percent.

From a twenty-first century perspective, the West Virginia presidential result is unsurprising. But, in a longer view, it is very surprising indeed. Despite the conventional wisdom of politicians and punditry, West Virginia is not an intrinsically "red" (that is, "conservative" or Republican) state. Between 1980 and 1999 West Virginia sided with Democratic candidates in four out of five presidential elections (1984 being the exception). It was only from the year 2000 onwards, after eight years of Democratic presidency, that West Virginia went consistently Republican in presidential elections. In other places, in particular the "purple" states, Trump campaign victories marked more abrupt shifts. Ohio, which went for Bill Clinton and Barack Obama (in both cases, twice), went to Trump in 2016. Wisconsin, a historical stronghold of pro-labor American progressivism, went to Reagan but then went back to Democratic presidential candidates in every election from 1988 to 2012. But Wisconsin, too, went for Trump in 2016.

What does it all mean? In a sense we cannot really know the significance of the contemporary political moment except with the passage of time. There is, in the meantime, no shortage of argumentation as to what explains the outcome of the 2016 US election. One of the most striking things about this discussion, however, in social scientific circles and punditry alike, has been the theme of total surprise – alongside much post-hoc debate over the predictive (in)accuracy of polls, the political discontent of the "white working class," and the mysteries of the electoral college.

And yet, arguably, signs of a disintegration of an American political and economic world capable of sustaining any sort of predictable, representative, party politics have long been on the horizon. Alarming trends that have been duly noted in book after book, and article after article, include wage stagnation for the majority of the American working population; downward mobility for the non-college-educated; growing economic and wealth inequality; indebtedness and financial insecurity, especially among younger-generation and first-time racial/ethnic minority homeowners, single parent families, and students; the decline of both organized labor and a political system that makes it possible; polarization in national partisan politics and a newly ideological, activist-driven politics paired with political alienation, party disidentification, and declining voter turnout; the expansion of American institutions of surveillance and punishment; and the return of poverty. In sociological hindsight, part of the puzzle of the 2016 American presidential election, and the populist anger that it expressed, is why it should be puzzling at all.

One could imagine an alternative scenario, in which the social sciences recognized the political implications of the sum total of their findings and were then able to sound the alarm effectively. But the fact is that, even if the social sciences had the political clout and the collective capacity to intervene in this way, it is not clear that they really did recognize the implications. This kind of recognition depends on how one conceives of democratic politics in the first place. In the case of the once-Democratic voters of West Virginia, here we might note that, once upon a time, the conventional social scientific wisdom was that the Democratic Party is "left," miners are a "left" constituency, and the chief drivers of left constituencies are economic and social insecurity. The upshot was that, in bad economic times in particular, miners (and lots of others) would flock to the Democratic Party. This kind of thinking is clear in the writings of the late Seymour Martin Lipset who, in his 1960 work *Political Man,* insisted that the American Democratic Party was, and had always been, the party of the poor, rural, and working classes – that is, a party of the left – and that left voting was driven by three prime motivations: "security of income," "satisfying work," and "social recognition of one's value" (or status; Lipset [1960] 1976, 232). On all counts Lipset held up coalminers as a model case: ever vulnerable to bouts of unemployment, Lipset described miners as "among the most consistent supporters of the Democratic Party" (Lipset [1960] 1976, 234).

Lipset's account of the eternal character of the Democratic Party and the left voter has an air of matter-of-factness that is clearly of a different time. But Lipset's language does not indicate any sense of historical contingency; rather, it suggests that the party–voter relationship has certain lawlike tendencies, one being that economic insecurity translates into left (or Democratic) voting. The sense of surprise that one finds in the wake of the 2016 election suggests that this lawlike understanding of politics, however ill-suited to historical events, is alive and well. Indeed, if one starts from an assumption that democratic politics consists of parties, on one side ("suppliers" of left/right policy positions, in market language) and, on the other side, voters ("demanders") who enter into a political game with pre-determined interests and positions, then American states'

shifts from "blue" to "purple" to "red" (thanks partly, or maybe mostly, to shifts in the inclinations of working class people) make little sense. The laws of the political market appear to have been inverted. An unfortunate side effect is the invocation of a familiar "puzzle": that of the ignorant or irrational voters who do not realize they are voting against their interests. The problem, in this way of seeing things, is not that social scientists and punditry are overly steeped in ahistorical, rigid conceptions of how politics works; it is that voters do not understand who they should be voting for. Or, in other words: since it's not us, it must be them.

## Politics are moral markets

Clearly this way of thinking is not tenable. More importantly perhaps, the notion that voters are the political equivalents of *homo oeconomicus* is not mere academic theorizing; it is also a political logic with real consequences.

If political candidates and the people around them think of politics as a market, in which the key task is to match supply with demand – that is, to match conservative politicians with conservative voters, liberal (or social democratic) politicians with liberal voters, progressive politicians with progressive voters, and so forth – then they approach the political game in a way that can have the dynamics of a self-fulfilling prophecy: demographic, polling, past voting habits and surveys become a means of targeting one's "market" and de-prioritizing unlikely buyers; when those who are de-prioritized then pick the other candidate (or don't vote at all), then the wisdom of the targeting strategy is validated. In other words, market models of politics, insofar as they serve as strategic tools in electoral politics – such that, true in market-like fashion, political "consumers" express their discontent by exiting the political game – are performative in a self-fulfilling way.

Now, if representative politics really *was* a market, then this would not matter. But it is not – or at least not in a stripped-down, acultural sense. In the same way as one cannot divorce actually existing markets from morals, one cannot divorce actually existing politics from culture. In other words, insofar as politics is a market, to borrow the terms of Marion Fourcade and Kieran Healy, it is a *moral* market (Fourcade and Healy 2007). Political "suppliers," like the purveyors of life insurance, have to peddle their wares in moral packaging (Zelizer 1978, 1979, 1981; Quinn 2009). That packaging has to allow people to make sense of their situations in a new way, to identify remedies to their daily concerns, and foster a "moral community" (Durkheim [1912] 1995). As political sociologists of the "articulation" school suggest (de Leon, Desai, and Tuğal, 2015), a party does not constitute "consumers" (partisans) simply by appealing to pre-given groups; it *constitutes* partisans by propagating the functional equivalent of a religion, and by making itself the church.

Insights from economic sociology are useful for elaborating on the articulation perspective. In the introduction to her pioneering article on the making of life insurance markets, Viviana Zelizer described the limits of thinking in terms of markets in an acultural, stripped-down way thus:

> The problem of establishing monetary equivalences for such things as death, life, human organs, and generally ritualized items or behavior considered sacred … is as intriguing as it is understudied. Perhaps the absorption of many social scientists with "market" models and the notion of economic man led them and others to disregard certain complexities in the interaction between the market and human values. (Zelizer 1978, 592)

To think about the making of *political* "markets" one need only make slight modifications to Zelizer's argument: the problem of establishing *political* equivalences for sacred things is understudied, and social scientists' absorption with the notion of political man[1] has generated a disregard of the interaction between politics, experience, and human values.

The question we should be asking, then, is not why voters fail to grasp that they should be left, but rather why party politics is failing to constitute party voters – and, in particular, left party voters.

## The collapse of the political market

This failure is written all over American politics and, more specifically, the trajectory of the Democratic Party. Going by National Election Studies, between the early 1950s and the mid-to-late 1980s the Democratic Party commanded the loyalties of the electorate (ranging between an early high of 52 percent to a low of 38 percent) at rates that were consistently higher than the rates of Republican identifiers. In the 1980s and 1990s, when Democratic leaners hovered at historically low levels (in the mid-upper 30s, for the most part), they *still* outnumbered Republican leaners, whose numbers (also) dwindled. Indeed, Republican leaners have *never* broken the 30 percent threshold. After the 1960s, in other words, Democratic defectors were not flipping to the Republican Party; they were becoming independents. Indeed, independent voter numbers rose dramatically between 1958 and 1978 and then, after a brief reclaiming of voter loyalties by both parties between 1978 and 1982, ticked steadily upward into the new millennium. The independent voter's rise tracks right alongside rising polarization in Congress, on the one hand, and economic polarization in American life, on the other.

1 I retain Lipset's gendered language here purposefully; like ever-rational *homo oeconomicus,* the social scientific imagination of the rational political actor has, as Lipset's phrasing suggests, tended to be typed male.

Given the always greater attraction of the Democratic Party for American voters, and the supposed "push" to the left that *should* come along with escalating economic inequality and mass wage stagnation, post-war electoral politics was arguably the Democrats' game to lose. Since the 1980s, awareness of this has occasionally produced foretellings of a new Democratic majority on the political horizon. During the Obama years some Democratic operatives speculated that, at long last, the tides were turning in their favor and a new "progressive" moment had arrived. What happened?

This sort of question does not have a simple answer. Of course, it need not be answered solely in terms of what parties do or don't do. Brown University sociologist Josh Pacewicz suggests that the answer has less to do with parties and more with the structural conditions in which political life plays out. Drawing from an extraordinarily careful ethnographic study of two mid-western cities, Pacewicz locates the breakdown of partisan coalitions in neoliberal, deregulatory policies in the 1970s and 1980s that left cities dependent on "mobile firms and competitive funding streams" rather than stable local resources. Community leaders who now had to sell their city or marketing plan to outsiders found themselves in a whole different game that rewarded partnership over partisanship (Pacewicz 2015, 2016). This, Pacewicz argues, effectively rendered "old," Keynesian partisan institutions and political practices obsolete. Local residents still had economic interests and oppositions, but city leadership was no longer playing a local, representative, partisan game – their attentions were turned elsewhere, outward, toward the task of marketing and attracting investment. The effect, Pacewicz argues, was a sort of emptying of the political stage, creating a vacuum filled by activists and an effective breakdown in the communicative dynamics that are essential to representative politics.

One of the most intriguing aspects of Pacewicz' story is the notion that effective representative political institutions are, in the end, symbolic, communicative and cultural arenas, whose functioning depends on how politicians understand the people and places that they represent, and whether that understanding meshes with the experiences and self-understandings of those who are being represented. When those two things do not align, the political "market" breaks down. What his work suggests, in short, is that the era of economic market making killed the communicative institutions on which representative politics depended.

## The possibility of reconstitution

This brings us, finally, to the framing concern of the present reflection: the matter of progressivism, expertise, and prospects for the (re)constitution of (left) "progressive" voters. The use of the term "progressive" here is deliberate: in other work I have traced how, between the 1980s and the early twenty-first century, mainstream left parties in Western countries became "progressive" (Mudge 2018). The term has a long history in American politics, but this particular reincarnation of progressivism had specific

historical origins in the "third way" years associated with the figures of Bill Clinton and Tony Blair. As with all changes in political language, the rise of progressivism had definite social origins: via transatlantic and European networks of experts and political elites, third wayism became "progressivism" between about 1999 and about 2005.

Where there is new political terminology there are also new cadres of political experts, or figures I call "party experts," whose claim to fame in their respective worlds is a recognized ability to interpret the world and to translate theose interpretations into programmatic principles and electoral strategies. And indeed, third way progressivism had distinctive kinds of experts behind it – strategic specialists from media and consulting backgrounds; "wonks" associated with foundations, think tanks, magazines, and other outlets; economists specialized in or recognized for their professional backgrounds in public and private financial institutions (Mudge 2018). Thanks in no small part to the efforts of progressive experts, by the early 2000s a network of avowedly "progressive" organizations was in the making. Their records and mission statements, as well as data on their proliferation over time, suggest that the making of this new field of progressive strategic and programmatic expertise was a mimetic reaction to the proliferation and growing influence of free-market think tanks. My conversations with figures involved clearly suggest that this world emerged as a cultural extension of the third way movements in order to leave twentieth century leftism behind: in the longer term the aim was to develop a network capable of rivaling, or possibly displacing, the Socialist International.

There are now signs that the effort is coming to fruition. After a lull with the exit of the last "third wayer," Tony Blair, from office, progressivism reached a new stage in 2012 when the German SPD chairman Sigmar Gabriel canceled his party's £100,000 annual payment to the Socialist International and, later that year, held a conference of a new "Progressive Alliance" in Rome. The Alliance's official foundation came in May 2013 in Leipzig, Germany – an event with a reported attendance of representatives from more than 70 left, center-left, and social democratic parties. Among the Alliance's other major affiliates are the Swedish Social Democratic Party (which, remarkably, has also withdrawn from the Socialist International) and the British Labour Party.

It may well be, then, that the long-internationalized world of Western socialist leftisms is giving way to third way-descended "progressive" successors. But is this a move toward the reconstitution of left, or at least "progressive," voter? Here we might note that the Progressive Alliance bears interesting similarities to its socialist forerunners. Among the similarities is its construction via institutions built by the very entities they seek to replace: not coincidentally, the Progressive Alliance's foundation coincided with the 150th anniversary of the formation, in Leipzig, of the General German Workers' Association (ADAV) – the Lassallean precursor of the SPD. This calls to mind how, in the late 1800s, the ADAV and other socialist parties-in-the-making formed partly via an incursion into liberal institutions: newspapers, associations, workingman's clubs, political parties. Another similarity is to be found in the Progressive Alliance's party-based,

yet transnationalized, expert architecture. The ADAV, and Lassalle personally, had ties with Marx and the International, but after Lassalle's death (1864) and ADAV's 1875 merger with the "Eisenachers" (led by Wilhelm Liebknecht and August Bebel) the fledgling SPD-to-be's transnational expert linkages, and its relationship to Marx and Engels, grew stronger. Like the Socialist International and its party affiliates, the Progressive Alliance is also a party-based network of transnationalized expertise, with linkages that stretch between London (the Policy Network), Brussels (the Foundation for European Studies), and Washington DC (the Center for American Progress, or CAP), and well beyond.

But a comparison also sheds light on important differences – which, from a politics-as-moral-markets viewpoint, casts the prospects of reconstitution in doubt. Early social democrats and contemporary progressive experts are strikingly different in their conceptions of constituencies and, perhaps more importantly, of how constituencies are made. For early socialist parties, socialism was something one was socialized into; early socialists were supposed to "educate, agitate, and organize," in the classic Fabian phrasing. The aim, in other words, was to build political equivalence by translating working class experiences into party theory and strategy using Marxist-socialist frames of reference. It is not clear, however, that the work of translation is among contemporary progressives' aims. Rather, today's political experts seem to favor a new sort of reductionism, from voter-to-data point, that essentially doubles down on the citizen-to-consumer reduction that characterized the neoliberal era. Relying heavily on demographic and polling data, focus groups, digital campaigning and "big data," progressive experts tend to represent progressive publics as pre-given and ready-made, and campaigning as a targeting-and-mobilizing problem: find the progressive voters and get them out to vote and the rest takes care of itself. In short, the philosophy is to assume progressives, not to constitute them.

As a case in point, a 2013 call-to-arms written by three CAP-based experts, invoking the essentialized notion of voters "over there," dismisses the notion of appealing to traditional working class constituencies in favor of appealing to ready-made progressive constituencies. They are particularly dismissive of the very category of voters that was identified by Lipset long ago as more or less naturally left. "The traditional blue-collar working class has shrunk severely and is now *unreliable* in its progressive inclinations," the report notes, but progressives can set their sights on a mix of "emerging" constituencies: "professionals, the highly educated, the younger generation, the unmarried – especially women – immigrants, and minorities" (Browne et al. 2013, 3, emphasis added).

This understanding of working class voters and the view of the West Virginia miner who suspects that political elites "look down" on him are, in a sense, mirror images of each other: the progressive viewpoint essentializes, and thence dismisses, the working class voter; the working class voter experiences contemporary progressivism as a politics of dismissal and condescension. Both perspectives are true in their way, but really truth is not the central issue. The more important possibility is that they are constituted

in relation to each other – that is, that one begets, or even necessitates, the other, deepening the same dynamics of disaffection and miscommunication that brought us to the current conjuncture.

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# Theses on Fascism and Trumpism

*Dylan Riley*

## Fascism/Trump

Many pundits and scholars at least in the United States seem to want to draw a parallel between the inter-war right-wing dictatorships and President Donald Trump. Timothy Snyder's claim that "our political order faces new threats not unlike the totalitarianisms of the twentieth century" is somewhat typical of this idea. The idea appears on both the center-left and the far-left, although these two political camps draw somewhat different conclusions from the supposed parallel. For the centrists the lesson is to avoid "extremism" and rally support for a broad coalition in support of restoration of the "rule of law" or "democracy." For the far left the conclusion is to combat fascism in the streets through direct action. Obviously these analyses are simply lightly refurbished versions of the debates of the 1920s and 1930s on how to resist the interwar dictatorships effectively. My central claim in this paper is that both interpretations overlook a profound difference between the inter-war period and today. Fascism, as I will suggest, could arise only in conditions of a highly mobilized civil society, itself the product of mass-mobilizing warfare, the challenge of the Russian Revolution, and the interaction between an essentially traditional agrarian order and global competitive pressures in agriculture which produced a striking wave of peasant self-organization from the late nineteenth century right through to the 1930s. "Trumpism," by contrast, arises in the context of a fragmented and depoliticized civil society: a product of the absence of mass-mobilizing warfare, of a revolutionary threat from the left, and of a traditional agrarian order. Paradoxically, Trumpism shares much more with nineteenth-century Bonapartism in which a charismatic figure emerges in the context of a fragmented and weak civil society, than it does with twentieth-century fascism.

## My claim

My procedure is quite simple. I shall present a set of contrasting theses on fascism and Trumpism. I then will pull together their implications for the different forms of rule characteristic of these two forms of right-wing regime.

## A brief roadmap

Both fascism and Trumpism can be identified in terms of five clusters of features:

(1) historical period (two theses);
(2) political context (three theses);
(3) social base (one thesis);
(4) seizure of power (one thesis);
(5) outcomes (three theses).

I shall thus contrast fascism and Trumpism according to ten contrasting theses.

## Thesis 1 (historical period): The period of imperialism

Fascist regimes arose in the period of imperialism. Nicos Poulantzas put it best when he wrote, "he who does not wish to discuss *imperialism* should also stay silent on the subject of fascism" (1974, 17).[1] In all capitalist countries there was a shift toward "organized capitalism" between 1871 and 1914. This was associated with the saturation of domestic markets and created enormous pressures for war within the core of the world capitalist system over the first couple of decades of the twentieth century. Increasingly this turned states into rivals on the global stage. This switch over to imperialism affected every advanced capitalist country and led to demands for a greater role for the state. It was also the structural fact behind the outbreak of the First World War.

## Thesis 1 (historical period): A low-pressure geopolitical environment

Trumpism, in total contrast to interwar fascism, arises in a low-pressure geopolitical environment. It is perhaps easy to forget this with the constant stream of inane provocation pouring forth from the White House, but the fact remains that the main military conflicts shaping the contemporary world are between the advanced capitalist world and rather minor border threats. These are of two types: so-called rogue regimes and "terrorists." There are no pressures toward military conflict within the core of the capitalist world. It is just possible that China may seize the moment, but for now the Middle Kingdom remains a geopolitical midget.

1 Poulantzas, Nicos. 1974. *Fascism and Dictatorship: The Third International and the Problem of Fascism*. London: New Left Books.

## Thesis 2 (historical period): The post-war period

Fascist regimes arose in the aftermath of World War One and that war's central political outcome, the Russian Revolution. In Lenin's famous words the revolution broke out in the "weakest link" of the imperialist chain. Fascism, again to quote Poulantzas, arose in the "second two weakest links" in the chain of imperialist countries after Russia (Italy and Germany). Italy and Germany were cut out of the imperial game, and their social elites, as I will argue, were profoundly weakened by the post-war crisis.

## Thesis 2 (historical period): Post-2008

Trumpism has not arisen after a mass-mobilizing war. Instead it emerged in the long aftermath of an economic collapse and the subsequent response that has done nothing to address the underlying issues that caused the collapse. As such, this is part of a wider pattern of revolt that has been roiling Europe, and also Turkey. These rolling revolts, which have taken both rightist and leftist forms, are a consequence of the etiolation of the material basis of consent for capitalist rule in the advanced capitalist world.

## Preliminary conclusion 1

If fascism arose following a period of mass-mobilizing warfare, and Trumpism arose after an economic collapse and then anemic recovery, what are the consequences of this for the characteristics of each form of right-wing government? As Theda Skocpol has shown, mass-mobilizing warfare has generally produced high levels of civil voluntarism and political participation. This was very much true of the post-war period in Europe. Fascism itself originally began as a veteran's organization. No such associational explosion preceded Trumpism. Like Obama before him, Trump remains an electoral phenomenon. He does not have a continuous organizational basis in civil society.

## Thesis 3 (political context): The structure of the social elite

Fascist regimes arose in a context of serious intra-dominant class conflict. One line of conflict arose between export-oriented and globally competitive industries, and less internationally competitive heavy industries requiring state support. Another line of division was between the relatively unproductive and indeed only partly "capitalist" agrarians in the east (Germany) and south (Italy) and industrial capitalists as a whole. For specific historical reasons in neither Germany nor Italy could the various wings of the dominant class in the post-war period be unified either in a single political organization,

or in a functioning system of party alternation. Nevertheless, agrarians in both Italy and Germany retained an organizational link to the rural masses, a link that proved of great importance in the rise of fascism.

Trumpism also arises in the context of serious intra-dominant class conflict. In a context of structurally stagnating rates of return, owners of money and means of production demand increasingly direct handouts from the state, leading to the immediate politicization of their conflicts of economic interest. This leads to dominant class fragmentation rather than cohesion as conflicts develop over what industries and sectors will receive state largess. One of the most remarkable developments over the past couple of years is the politicization of intra-dominant class conflicts: fossils fuels and extractive industries back Trump, health insurance companies defend the massive corporate handout known as the ACA and so on. All these interest conflicts are carried on with great sound and fury, even though the class terrain on which they are currently being waged is relatively narrow. But Trumpism, unlike fascism, lacks support from a precapitalist agrarian elite with a powerful presence in civil society.

## Thesis 4 (political context): The threat from below

The crisis of intra-dominant class hegemony in Italy and Germany was exacerbated by an explicitly anti-capitalist labor and working class movement organized into the strongest mass parties in existence in their respective countries (PSI/PCI and the SPD/KPD). This anti-capitalist sentiment was shared across the entire range of the labor movement. The debate between "reformists" and "revolutionaries" within the socialist area was tactical. The Russian Revolution had a profoundly contradictory impact on these movements. It radicalized one wing of the labor movement (the communist parties), but at the same time split the movement after 1921. But in any case there was a huge challenge from below which both threatened the social elite and provided an organizational model of mass politics that the fascists adopted. (Obviously, in the Italian case because much of the political leadership had previous experience in the parties of the left.)

Trumpism also arises in the context of a threat from below. However, unlike in the fascist cases, where the crisis emerged as a direct political challenge, in the United States such a political challenge in the form of an autonomous party organization could not appear. Thus the crisis took the form of disintegration within the parties themselves (the Sanders and Trump phenomena), not the rise of an alternative mass organization. This has an important consequence; it means that the organizational dynamics that created fascism as, in Juan Linz's words, a latecomer to political space, are not in operation here. These different patterns of political contestation mean that Trumpism completely lacks a mass party organization in the fascist sense. The dynamics of contention that could produce such organizations are missing.

### Thesis 5 (political context): The crisis of the revolutionary movement

Fascism arose out of a defeated revolution. Although an objectively revolutionary situation had existed in the period from 1918 to 1920 in Italy and from 1917 to 1923 in Germany the revolutionary breakthrough failed. Socialists retreated to defending a set of economic demands within capitalism, thereby weakening their hold over the middle strata (the petty bourgeoisie) and the peasantry, who then became available for fascist mobilization.

### Thesis 5 (political context): Failed reformism

Trumpism emerges not from a failed revolutionary threat, but from the failed reformism of the Obama years. The bailout of large financial institutions, with no significant prosecutions, combined with a health care plan premised on massive handouts to private insurance companies fatally weakened progressive initiative during the Obama years. This bears a faint, but instructive resemblance to the years 1918–1920 in Italy and 1917–1923 in Germany. Obama's economic recovery meanwhile was meek. Therefore, while remaining personally popular, he left the Democratic Party in a shambles. Again, the specifically counter-revolutionary energy so characteristic of fascist movements is impossible for Trumpism to recreate.

### Preliminary conclusion 2

One of the social conditions that produced interwar fascism was the ability of large agrarian organizations to either directly mobilize peasant organizations, or to form alliances with peasant organizations that had formed autonomously. The social elites that support Trump lack much capacity to directly mobilize a following. This is in part because they don't rely on an extensive labor force that can be dragooned into political support for the right. They substitute a media strategy for this organizational weakness, but this does not produce a mass movement. Furthermore, interwar fascism was not only politically, but also organizationally a response to the mass party form which had been created first by the German SPD; there is absolutely no counterpart for such a thing in the period prior to the rise of Trump. Finally, fascism was a form of counter-revolution emerging in response to an objectively revolutionary situation in the periods 1918–1920 and 1917–1923. But there was no such revolutionary situation in the United States under Obama.

## Thesis 6 (social basis): Fascism and the *Petite Bourgeoisie*

Fascist movements fused together both salaried employees and small shopkeepers, as well as petty agrarian direct producers in a paramilitary party organization aimed primarily against socialism. (The political sociology of these movements is somewhat controversial. Italian fascism was never primarily an electoral movement, unlike German National Socialism that had a longer electoral history. One fairly common finding is that fascist movements did well among state employees.)

## Thesis 6 (social base): Trumpism and the *Petite Bourgeoisie*

Trump's core social support comes from a combination of relatively affluent southern white voters (traditional petty bourgeoisie) and a small sliver of working class swing voters in the Upper Midwest. But the highly educated, "the new petite bourgeoisie," seem mostly hostile (Skocpol and Williamson; exit polls). Trumpism emerges out of the fragmentation, rather than unification, of the petite bourgeoisie. One reason perhaps that Trump cannot mobilize this group as a whole is that the political meaning of the state is completely different for him than it was for the interwar fascists. Poulantzas following Lenin characterized the "petty bourgeois" view of the state in the epoch of Fascism as "*power fetishism.*" As he put it, "the petty bourgeoisie believes in the 'neutral' State above classes," and "identifies with the State" (Poulantzas 1974, 241; see footnote 1). The belief in a "neutral state" is completely alien to Trumpism, however; in fact, the segment of the population that really holds this view is the "new petty bourgeoisie," particularly left-liberal intellectuals.

## Preliminary conclusion 3

In part because it arose in response to a mass challenge to the state from below organized in militant anti-capitalist political parties, the "middle strata," especially those dependent on state employment, swung over to fascism. At least some of these people were attracted by the technocratic dream of a society without politics. There is little good evidence on the particular fractions of the middle strata that are attracted to Trumpism, but the complete absence of a technocratic wing is very notable.

## Thesis 7 (getting power): An invitation by the elites

In both Italy and Germany fascist parties were invited into power by conservative elites. Victor Emanuel named Mussolini Prime Minister, just as Hindenburg named Hitler chancellor. In neither case did fascist parties win governmental power by winning a majority of the vote. The NSDAP's electoral high-water mark was July 1932: 37 percent. The PNF was always more of a paramilitary than an electoral organization. Its greatest electoral success came in 1921 as part of the "national bloc" in which it took 36 out of 535 parliamentary seats. However, this invitation followed an intense "struggle period" in both cases: one that was considerably longer in Germany than in Italy. During this period fascist parties built organizations, which meant that they had a mass base of support when they came to power.

## Thesis 7 (getting power): The popular vote?

Trump got elected with 46 percent of the popular vote, better than either Mussolini or Hitler. But he still lost the popular vote by 3 million. In this sense the simplest reason that Trump won is the Electoral College. Trump received an 11 percentage point boost from the Electoral College, whereas Clinton was penalized by 6 percentage points. But perhaps an important distinction between Trumpism and fascism is the rapidity of the reality star's political rise. There is no period corresponding the "struggle period" in Trump's rise. The only organization that he has to speak of is a family firm, not a political party.

## Preliminary conclusion 4

While interwar fascist regimes came to power on the basis of fascist parties and movements that gestated within strongly organized and highly politicized civil societies, Trumpism came to power on the basis of a fragmenting traditional party system, and a largely passive electorate. Its characteristic organizational form is not the political party but rather the family. I return to this point below.

## Thesis 8 (outcomes): A restoration of profitability and crushing the working class

For both the Italian and German cases one main social outcome was restored profitability on the basis of the destruction and re-incorporation of the socialist union and party structures into the fascist party-state complex.

### Thesis 8 (outcomes): Exacerbation of inequalities

Trump and the Republicans seem determined to exacerbate the very social inequalities that brought Trump to power in the first place. One distinct possibility is the emergence of Latin American levels of social inequality with highly negative consequences for democratic institutions.

### Thesis 9 (outcomes): Building the para-state

Fascism in Germany and Italy was associated with an expansion of a parallel or para-state outside the older core of the ministerial bureaucracy. The party itself, welfare organizations, leisure time organizations, public–private partnerships of various sorts all expanded massively. This "para-state" was the main political legacy of fascism.

### Thesis 9 (outcomes): Dismantling the regulatory state

The fundamental political dynamic of Trumpism is toward a destruction of federal agencies. The idea seems to be a return to a pre-progressive era (not just pre-New Deal era) political order, without substantial regulatory capacity. This stands in complete contrast to interwar fascism.

### Thesis 10 (outcomes): War

Both the Italian and German regimes had a strong internal dynamic for external aggression. In the German case the re-armament drive created a set of bottlenecks that locked the country onto a path to war. The pressures in Italy were more political. Mussolini's adventures in Ethiopia and Albania were attempts to project the implausible notion of Italy as a great power.

Trump inherited an unbalanced geopolitical situation. The vast inequality between US military power and that of any potential peer builds irresponsibility and adventurism into US foreign policy. This of course precedes Trump, but he seems determined to take full advantage of it. The one bright spot is that Trump for personal reasons seems uninterested in confronting Russia.

## Conclusion

I would now like to draw the threads of the analysis together. There are four clusters of factors that distinguish fascism from Trumpism. While the first arose out of an experience of mass-mobilizing war, the second arose out of the long aftermath of a financial crisis. While the first emerged out of a quasi-revolutionary situation, the second emerged in the absence of an organized left. While the first galvanized the middle strata behind it, the second did not. While the first was both a project to discipline and to build state power, the second aims to dismantle the "administrative state." Out of this set of contrasts I would particularly like to emphasize one general feature that distinguishes the two cases. While fascism was a product of intense civil society and associational development, Trumpism is an expression of the etiolation and weakening of civil society. That is why Trump is more similar to Bonaparte, and particularly the second Bonaparte, than to the interwar fascists. This difference is particularly evident in the basic institutional conflict that characterizes the dynamics of each form of right-wing regime. Fascist regimes were plagued by struggle between the state and the party. Their leaders sat atop these two competing organizations and played them against one another. Mussolini's and Hitler's families, however, played very little role in the power-politics of their regimes. In contrast to Mussolini and Hitler, the institutional conflict that characterizes Trumpism is what Weber would have called the "logic of the household" and the "the logic of bureaucracy." All of Trump's supposed "violations of democratic norms" are not that at all. Instead they are violations of "bureaucratic norms." Trump is constantly reviled in the media for failing to understand the difference between loyalty to the person and loyalty to the objective order of the state. The sort of threat that Trump poses therefore is not that he might establish a neo-totalitarian nationalist regime, but rather that he might establish a neo-patrimonial Bonapartist regime based on the logic of the household.

Having pointed out the differences between the two experiences I want to suggest that there are parallels between the contemporary situation and the interwar period. Trump and even more Mussolini and Hitler are commonly presented as "anti-democratic" leaders. That is a profound mistake. In fact these leaders arose, both in the 1930s and today, by articulating a demand for a profound renewal of political institutions that would render the state more responsive to the populace than it had been previously. Their rise to power is closely linked to the political left's failure to fully embrace a plausible project of democratization in both cases, but for very different reasons. The key task for the left is to lead a democratic revolution while avoiding the technocratic project of "defending existing institutions," which to a large degree is anti-democratic.

This suggests a second, more institutional, parallel among the cases. Inter-war Germany and Italy, as well as the contemporary United States, are all different varieties of what Arno Mayer famously called persistent "Old Regimes." The point should be quite obvious, but is sometimes forgotten. There are two points to emphasize here. First, the Federal Constitution is not so much a system of "checks and balances" as a systems of

checks on the power of the one body that somewhat imperfectly reflects the popular will: the House of Representatives. This is the explicit purpose of the Senate, the judiciary, and the executive. Second, the presidency – and this has become abundantly clear under Trump – is an intrinsically Bonapartist or Caeserist institution. The US cabinet is, structurally speaking, a claque; in normal times these features are obscured by what are often euphemistically called "norms," which as pundits endlessly state "give the appearance of independence." But Trump's assumption of the position of a unitary executive goes with, not against, the basic set up of the American capitalist republic. His neo-patrimonial style of rule fits the intrinsically patrimonial structure of the executive branch.

This creates both a strategic opening and a strategic trap for the forces of the left. As for the strategic opening, the goal should be to democratize the institutions. Robert Reich's call for a National Popular Vote Interstate Compact is one good suggestion for a starting point here. But this should be followed up with other broader discussions, particularly discussions aimed at reducing the outsized influence of the judiciary. The trap is the obverse of this; the temptation to appear as the responsible defenders of the indefensible. This rises to the most absurd levels when commentators and pundits speak of the intelligence agencies in terms of a Montesquieuan division of powers. The choice then is clear: either extend the democratic revolution that began in the 1930s, but was disastrously checked, or bind oneself to the defense of institutions that are rapidly and rightly losing popular support.

# The Poor Representation of the Poor

*Armin Schäfer*

In any democracy, voting rights are distributed more equally than income or wealth. In principle, the poor could team up with the middle class and use this leverage to "soak the rich" (Shapiro 2002) through higher taxes and more redistribution. The "median voter theorem" would suggest that this happens whenever the median voter has an income below the mean income in a society. Unfortunately for the theory, this is not what we observe. First, due to unequal participation, the median voter's income considerably exceeds the median income of all citizens. Second, in more unequal societies the demand for redistribution is lower than in more egalitarian ones and income inequality has increased in most established democracies (OECD 2008; 2011). In this note I argue that the main reason for this development is that *economic and political inequality reinforce each other*. Despite formal equality, not only political participation but also political decisions are biased in favor of the better-off. As a consequence, the poor turn away from established parties – and thus exacerbate the existing skew.

## Income inequality and voter turnout

The rise in economic inequality that has taken place in many rich democracies over the past two to three decades has renewed interest in the question of how economic inequality affects political equality. While some expected higher participation rates in more unequal countries because the stakes are higher for both the poor and the rich, most studies find the opposite. In economically more unequal countries, citizens participate less, on average, and the participation gap is more pronounced. In unequal societies, the poor conclude that politics does little to improve their lives and, hence, is not a game worth playing (Solt 2008). "Don't play if you can't win" is the phrase Goodin and Dryzek (1980, 292) coined for the rational non-participation of the least well-off (see also Offe 2013; Pateman 1971).

## The law of increasing disproportion

Inequality in office belittles inequalities in political participation. In liberal democracies, relatively few citizens become members of parties. Of those who do, a minority actively participates. From within this small group, the candidates for office are selected. Since running for office demands not only skills but also resources, such as money and time, those finally elected are an even more exclusive group, which becomes more so if we

look at party leaders or office holders. Already in the 1970s, Putnam (1976, 33) called this the "law of increasing disproportion": the more important an office is, the more selective is the choice of candidates. Since then, elite homogeneity has become even more pronounced (Best 2007). Bovens and Wille (2017) document for western European countries that their parliaments today are almost exclusively filled with university graduates. And Carnes (2013) shows that the social composition of the US Congress influences not only its agenda-setting but also the kind of decisions taken.

## Unequal responsiveness and welfare state reform

Do unequal participation and unequal descriptive representation matter? In recent years, empirical studies of political responsiveness have focused on the question of *whose* preferences political representatives take into account. Several studies on the American case document selective responsiveness on the part of political decision-makers in favor of the better-off. In the most encompassing study so far, Gilens (2005; 2012) uses more than 1,800 survey questions on policy preferences, covering a wide array of policies, and compares the opinions of different income groups with political decisions made within four years after the questions were asked. He finds that political decisions reflect poor citizens' opinions only if these coincide with the preferences of the rich. Low- and even middle-income groups seem to have no influence once their preferences diverge from those of top income groups. Other studies corroborate these findings (Bartels 2008; Flavin 2012). In a comparable study of the German case, we find a very similar pattern of biased decisions: political decisions match the preferences of high income groups well, while the poor get their way only if they happen to agree with them (Elsässer, Hense, and Schäfer 2018). The more widely preferences differ, the stronger the bias against the poor.

Unequal responsiveness leads to political decisions that increase economic inequality because richer citizens support free markets more strongly than the poor. Elsässer (2018, chapter 7) analyzes 27 major social policy and labor market reforms in Germany. In not a single instance did a reform take place that the poor favored but the rich opposed. In contrast, in 14 cases the opposite holds true. Ten times, both groups were in favor of a reform and three times both groups objected. As Elsässer shows, this means that spending on "passive" social policy has been cut, means-testing and sanctions have increased, whereas social investment policies have been expanded. There is less financial support for poorer citizens, while middle-class families benefit from policies that facilitate dual-career partnerships. The "social investment state" promotes greater horizontal equality at the price of greater vertical inequality.

## Unequal representation and the populist revolt

In general, better-off groups are not only more strongly in favor of free markets but also support more libertarian cultural values, whereas poor citizens (in Europe) still strongly support the welfare state and redistribution and are more guarded (though not opposed) to cultural liberalism. Most party systems do not reflect the distribution of citizens' preferences well and unequal responsiveness makes pro-market and libertarian decisions more likely. Citizens perceive theses biases. Accordingly, citizens with lower incomes have a lower sense of internal and external efficacy. And those who think that politicians are unresponsive to ordinary citizens and who see themselves as powerless have a far greater probability of voting for right-wing populist parties. Hence, the poor representation of the poor is a breeding ground for populism.

Populists rally against established parties and the elite; and they claim to represent the true interests of the people. They are successful because the deck of democracy is indeed stacked in favor of the better-off and political decisions are largely unresponsive to everyone else. Hence, populist parties point at a real democratic deficit, which is the reason why they cannot be lightheartedly dismissed (Berman 2017). The populist answer is nonetheless dangerous because its anti-pluralism is undemocratic. If we want to fight populism, we will have to take seriously those who – correctly – feel sidelined, while defending the norm that one can reasonably disagree about politics.

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# Section 3

## Social Science at the Crossroads

# The Will to Progress and the Twofold Truth of Capital

*Marion Fourcade*

## All that is solid melts into air

In the *Communist Manifesto*, Marx and Engels make a strange rhetorical move. In the middle of chapter 1 the text – a pamphlet, a call to arms, really – breaks out into a rare but somewhat effusive tribute to the bourgeoisie. Why? Because the bourgeoisie is, to this day, the most revolutionary force in history.

> The bourgeoisie cannot exist without constantly revolutionizing the instruments of production, and thereby the relations of production, and with them the whole relations in society… All fixed, fast-frozen relations, with their train of ancient and venerable prejudices and opinions are swept away, all new-formed ones become antiquated before they can ossify. All that is solid melts into air, all that is holy is profaned, and man is at last compelled to face with sober senses, his real conditions of life, and his relations with his kind.
> (Marx and Engels [1848] 1998, 54; also see Berman 1988, 89)

The instability of market societies is nothing new. Like a living organism, bourgeois capitalism grows and expands by destroying its old shells, leaving behind the chrysalides of antiquated structures, technologies, and ideas. Capitalists can never rest: their inexorable search for profit leads them to constantly undermine their own production base, a process that Joseph Schumpeter, who was a fine reader of Marx, termed "creative destruction" – the opening of new markets, the creation of new capacities, product innovations, which "incessantly revolutionize the economic structure *from within*, incessantly destroying the old one, incessantly creating a new one" (1950, 83). Silicon Valley, close to where I live, is replete with these "entrepreneurial chaos monkeys," to use Antonio Martinez's felicitous metaphor, who "pull the plug on one industry after another, … from taxi medallions (Uber) to traditional hotels (AirBnB) to dating (Tinder)" (2016, 103).

"All that is solid melts into air." The image is exhilarating, but also ominous. Capitalism's extraordinary transformative power is directed both at the world and at itself. Again, both Schumpeter and Marx point out that there is something deeply tragic about this frenetic quest to transform and rationalize. It is tragic because the pressure is relentless. "Competition of the kind we now have in mind," Schumpeter argues, "acts not only when in being but also when it is merely an ever-present threat. It disciplines before it attacks. The businessman feels himself to be in a competitive situation even if he is alone in his field" (1950, 85). The quest is also tragic because it brings about its negation. For Schumpeter the process of creative destruction means that while capitalism delivers material prosperity, it is constitutionally unable to produce a stable social order. This combination of "secular improvement that is taken for granted" and "individual

insecurity" is deadly: it means that the system cannot help but foster emotional detachment, if not hostility (159–60). Worse, capitalism's own political and cultural superstructure nurtures precisely those intellectuals and ideas that are most antagonistic (including, quite prominently, the social sciences). These ideas will ultimately be the main cause of capitalism's downfall.

What Marx and Schumpeter saw, better than anyone before or since, is the extent to which the evolutionary and dynamic nature of capitalism breeds actionable resentment. They also recognized the dynamic nature of the cultural universe in which the constant revolution in productive forces takes place. Here I want to take seriously the idea that capitalism is not simply an incessant economic struggle for the imposition of new forms, instruments, and relations of production, but also a cultural struggle to impress the idea that these upheavals, far from leaving everyone in the dust, will actually make the world a better place. How else would the tragic compulsion of the capitalist be bearable; how else would the havoc wrecked in his wake be made acceptable? Modern philanthropy was born out of this struggle: from the barons of industry of the Gilded Age to the mid-century tycoons to present-day tech billionaires; from Commodore Vanderbilt to Henry Ford to Mark Zuckerberg; the desire to be remembered as a transformative force that benefits humanity has been irresistible.[1] In the process, the intellectual class that so unnerved Schumpeter was partially coopted.

## The twofold truth of capital

But philanthropy – redeeming past sins through present and future good works – is just one of the channels through which capitalists' will to progress expresses and legitimizes itself. It's what we may call "the Catholic way." The other way – the more Protestant way – is tech-utopianism, what I will describe here as "the twofold truth of capital."

I take the concept of a "twofold truth" from Pierre Bourdieu. Bourdieu first articulated the co-existence of two opposing truths in *Outline of a Theory of Practice* (1977), in a critique of the Lévi-Straussian interpretation of the gift.[2] In *Pascalian Meditations*, he reworked the argument about the gift and extended the notion of "twofold truth" to labor. The concept captures his effort to hold together analytically "the point of view of the agents who are caught up in the object and the point of view on this point of view, which the work of analysis enables one to reach" (2000, 1989). Thus the "twofold truth of labor" refers to the subjective, rather than simply external and objective, experience of labor exploitation. The fact that people derive an intrinsic satisfaction from doing their job well, no matter how menial it may be, and the "minor privileges" they have

1 Steve Jobs, however, was rather cynical about it.

2 Bourdieu shows that it is precisely the delay between gift and counter-gift that allows the exchange to be perceived as gratuitous (2000).

seized upon and still enjoy in the workplace, help mask, and therefore render more effective, the overall exploitative nature of the system they labor in (2000, 202–205). Hence the people who experience small gratifications and victories in the work process end up by their own actions (what Burawoy [1986] calls "making out") unwillingly aiding the logic of capital.

Likewise, we can think of the twofold truth of capital as the social game specific to entire sections of the economic field, where the ambition to do well becomes closely intertwined, and sometimes equated, with the desire to do good. Below the objective truth of the entrepreneurial logic those who foster (and ultimately benefit) from it want to project a second truth – feelings of goodness and gratitude. In this moral universe, the creative destruction being unleashed onto societies via technological progress becomes reinterpreted as an agent of *social* progress. Part of that belief is indigenous to the engineering view of the world. As media historian Fred Turner perceptively argues in a recent interview, "the ethics of engineering is an ethics of 'does it work'? If you make something that works, you've done the ethical thing" (Logic 03). Indeed it is often in the most disruptive technological sectors, in those that devastate and reconfigure entire industries that this kind of barebones ethics blossoms, often with great earnestness and the self-righteousness of Those Who Have Seen the Light. (This view is especially easy to embrace since many start-ups lose – rather than make – money.) Remember Google's original motto: "Don't be evil." In hindsight the message looks naïve, but weren't we all once enamored with the company that brought us the simple, all-encompassing search bar, Google Maps, Google Earth, and Gmail? As I write these lines, a controversy has erupted within the company over Google 's involvement in Project Maven, a Pentagon program that uses artificial intelligence to interpret drone footage and is slated to be soon deployed in war zones.

But there is more. This dual truth, techno-utopianism, comes with its own kind of moral philosophy about *how* to make the world a better place. If we take the tech industry, for instance, the first principle of this philosophy is that the circulation of information and artificial intelligence makes the world run efficiently, it makes it more transparent, it empowers people, and all of that is inherently Good. So we set up physical infrastructures that, by default, facilitate maximal visibility (typically the process goes something like this: tech comes to us by way of "free" services to which we have "consented" by "signing" very opaque, and very intrusive, terms of service).[3]

The second belief is that technology is inherently egalitarian and democratic, and that is Good, too. Technology does not know any favorites. It judges impartially and on the basis of objective measures. The promise is of a world in which politics is unnecessary because everyone will get what they truly deserve.[4] Unfortunately, we now know that –

3 For an explanation of the quotation marks, see Radin (2013).

4 As Turner, again, puts it: "When you take away bureaucracy and hierarchy and politics, you take away the ability to negotiate the distribution of resources on explicit terms" (Logic 03).

because technology is man-made and man-derived, and man is prejudiced – this belief is very deceptive. Algorithmic decision-making, like and because of its connection to human decision-making, has been shown to be biased in all sorts of unsavory ways. Furthermore, there is often no easy technical fix for these biases, so the technology does not even work well by the basic standards of engineering ethics (Burrell 2016; Kroll et al. 2017)!

The third belief is that connectedness is inherently Good, too – and thus we receive suggestions to connect with more "friends" on Facebook or to link up with more business acquaintances. Not only is this a belief that serves capital well, but digital connectedness does not necessarily mean social cohesion. Examples of the downside of this kind of social capital include filter bubbles, online bullying, or fake connections to Twitter bots. More importantly, by forcing everyone to disclose their positions to everyone else on every possible subject, social media might actually produce the inverse of solidarity, a fragmented politics in which shaming, on one hand, and ever more divided intersectional identities, on the other, proliferate quite easily.[5]

## The twofold truth of the social sciences

So here are my two cents: the challenge for us social scientists today is to come to terms with the explicit or implicit models of society that inspire the economic projects of well-meaning and not-so-well-meaning techno-utopians. Their designs challenge us, first, to rethink our categories of analysis to keep pace with the changes that are happening in front of our very eyes (this has been a major focus of my recent work). Second, they challenge us to subject the *political claim*s coming out of that universe to a vigorous critique. Third, we cannot carry out this critique effectively if we don't take the folk ideology of capitalists seriously. We need to carefully peel all the layers of capital's twofold truth and reveal its logic, in order to understand not only how the intertwining of doing well and doing good nourishes the soul of modern entrepreneurs, but also how it helps their designs march forward with minimal interference and reflexivity on our part.

Are we well equipped to do this ourselves? Not as surely as we may think. Earlier I briefly gesticulated towards one problem, the fact that, as intellectuals – and American intellectuals especially –, we are never fully outside of the orbit of capital (even Marx relied on a wealthy industrialist friend to support him). But the current period is remarkable in another way, in that it is capital that increasingly concentrates the means of intellectual production by way of the big-data economy. It is capital that calls the shots on the shape of data collection, on the use of data, on what is and what isn't to be known. And it is often capital, too, that shares in or reaps the symbolic rewards, from Microsoft Research to Apple University to Intel Labs. For those of us who cooperate – and the numbers

5 I am grateful to Christopher Muller for an enlightening conversation on this topic.

grow every year – the benefits are handsome. That next grant from Google, that *PNAS* paper, that TED talk may be ours. For the others the danger is one of obsolescence and exclusion from the real intellectual action. So social scientists face their own bad-faith problems, too: our historical position as social critics sits quite uncomfortably with our involvement in an academic game whose corporate-controlled institutions we depend upon.

It may be a long way before Joseph Schumpeter's prophecy will come to pass.

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# Social Science at the Crossroads: Dead-End or Light at the End of a Dark Lane?

*Marie-Laure Salles-Djelic*

## Introduction

If we take the title of this roundtable seriously, we see first that there is no question mark. So the starting claim, or assumption, of our discussion – which in fact seems fair to me – is that social science is *indeed* at the crossroads.

Being at the crossroads means that there are at least two paths and hence some degree of decision-making to be done. Naturally, both paths may look very different – one in particular may seem to be much wider, broader, easier, and hence more likely to be chosen for those reasons. Being at *the* (and not simply at *a*) crossroads, furthermore, would seem to suggest to me that this is quite a fateful crossroads, and that the fact of taking one path rather than the other is indeed quite a consequential, if not fateful decision.

The problem, though, with the anthropomorphization suggested by the title is that it is not very clear here who is/are the agent(s) of decision-making. Note that we are talking about social science being at the crossroads, not about social sciences. That in itself may be important and I will get back to it. But the main point I would like to underscore here is that, granted social science is at *the* crossroads, one of the important issues we need to wonder about are the dynamics that will propel "it – social science" along one path rather than another. Also, what is the degree to which organized collective action can or cannot counter some strong structural biases of the type I mentioned (a very broad, clear, clean, rich path-dependent road versus a dark, unkempt, run down, dark back lane). But again I will come back to that a bit later.

## Two crossroads, not one

The first claim I will be making is that social science is in fact facing two and not only one crossroads. Even though arguably those two crossroads are related and connected.

The first of those two crossroads is what I propose to call the new *Methodenstreit*. The debate is an old one, masterfully explored in his time by Max Weber. What is the nature of human and social reality? And what are the epistemological consequences of that? Are humanity and sociality reducible to "nature" – and hence in some sense universal or at least revealing of universal laws that can be observed and deduced (Max Weber's "*Erklären*")? Or is humanity and sociality in large part an historical and cultural process,

hence only to be understood in context (Max Weber's *Verstehen*)? Is social science potentially a natural science? Or is social science by the very nature of human and social reality an activity that explores meanings and meaning-making in a great plurality and diversity of historical and cultural contexts?

This epistemological fight is a rift – arguably an irreconcilable one – with ups and down through time for one side versus the other. I propose that for the past forty years or so and with a recent intensification and acceleration, the nature/*Erklären* side is winning again – becoming the brightly lit, clean, and clear road (the Kuhnian translation of that being control over key institutions, resources, gate-keeping, and so on). We see the return of the naturalization/universalization stories and perspectives in a kind of triple unholy alliance.

(1) The first dimension of that alliance is the revival of rational choice and the imperialism of mainstream economics towards almost all social sciences. And I don't see behavioral economics as a deviation from that, quite the contrary: the nudge theory can be seen as a theory of reinforcement leading in practice towards a closer alignment of what individuals really do with rational choice type behaviors.

(2) The second dimension is the revival of biologism of various kinds but almost everywhere. Neurosciences are making headway across the board. Their progress comes with a naturalization of epistemology, as Quine would have said – where theories of knowledge are reducible to the understanding of cognitive mechanisms and eschew the cultural, normative, paradigmatic contextualities of knowledge. This is rampant in many social sciences but even more worrying is the progress of this perspective in policy-making. In January 2018, the French Minister of Education, Jean-Michel Blanquer put at the head of the Scientific Committee of his Ministry Stanislas Dehaene, a cognitive psychologist who has a clear tendency to reduce education challenges to cognitive mechanisms, an approach that is certainly strongly disturbing Pierre Bourdieu … wherever he is. A variant of that – even more scary I would argue – is the success of genetic perspectives: in other words, the revenge of a modernized sociobiology, not to mention phrenology. For example, in serious business school research nowadays people are connecting levels of testosterone with leadership qualities, facial features with financial misreporting, evolutionary fitness with managerial interactions.

(3) Finally, the third dimension of this alliance is the triumph of the computer model of intelligence. The tendency today is to start from computers or artificial intelligence as the measuring rod and the standard for human intelligence and not the other way round.

This triple alliance now charts the broad, clear, lighted, and enticing road of this first crossroads. The unkempt, darker, and messy lane is our capacity to revive and nurture social science based on *verstehen* and to fight for an understanding of the uniqueness

of the human and social experience. This is an existential fight for many of us. And we need to be aware of the performativity loops that have been intensely at work for many years and can be illustrated with this quote from a text written as early as 1972 by the philosopher Hubert Dreyfus[1]:

> Man's nature is indeed so malleable that it may be on the point of changing again. If the computer paradigm becomes so strong that people begin to think of themselves as digital devices on the model of work in artificial intelligence (and forget that this is a paradigm, coming to take it for granted), then, since for the reasons we have been rehearsing, machines cannot be like human beings, human beings may become progressively like machines … Our risk is not the advent of superintelligent computers but of subintelligent human beings.

The second crossroads can be labelled in broad terms "the nature of truth." Arguably it is in part our own doing – by "our" here I mean those of us who have deployed and followed a social constructivist and therefore critical epistemological path in social science. We have in the process contributed to the destruction of the positivist notion of truth and hence prepared the way for a post-truth/truth bubbles era. The consequence is an open competition, in which many kinds of actors with resources and organization can mobilize the appearance, symbols, and tools of "science" to defend particular vested interests and claim for them the status of "truths."

The broad road ahead is the post-truth era and the return to a fight between the gods, with no ultimate umpire and no end to it. The very unkempt and narrow path is our capacity to reinvent the specificity of science without falling backwards into the positivist trap. Needless to say this is and will be complex!

## What is to be done?

So, what is to be done? You will note that from a constructivist perspective, this is the right question, not "can something be done?" From a constructivist perspective, there is always something that can be done. To build again on Max Weber, from a social constructivist perspective there is always some possible fragility in the iron cage, even of the most apparently solid, resilient, and entrenched kind. After all – the last tonne of fossilized coal is getting closer. And, as Weber tells us, in the end "entirely new prophets may arise or there may be a great rebirth of old ideas and ideals." If there are crossroads, there is openness, there are alternatives!!

1 Dreyfus, Hubert L. 1972. *What Computers Can't Do: The Limits of Artificial Intelligence.* Cambridge, MA: MIT Press.

## A voluntarist program in three dimensions

For a rapid concluding discussion and as an answer to the question of what is to be done, I will propose and illustrate a voluntarist program in three dimensions.

This voluntarist program implies first:

(1) Taking transdisciplinarity seriously or rather going beyond and above transdisciplinarity. We should go back to treating social realities as total social facts. Hence returning to social science as opposed to social sciences. Epistemological commonality should take precedence over disciplinary boundaries. We need to work together to become audible again and propose alternative stories, perspectives, policies. The International Panel for Social Progress (IPSP) represents a great example of this type of transdisciplinary endeavor, a project with a collective scope and a strong normative and political agenda.

(2) This voluntarist program also implies collective mobilization – and that means organization, coordination, and resources. An inspiration for how to structurally organize this type of collective mobilization can be found in the organizational dynamics that characterize the transnational neoliberal community and, more particularly, in the broad and dense transnational network that the Atlas organization has spun and nurtured over recent decades.

(3) Finally, as a third dimension, I would like to underscore the importance of long-term institutionalization and socialization strategies. Working on the education and socialization of the coming generations and ensuring the institutionalization of these alternative frames and ways of looking at the world are a potentially consequential mechanism.

## What Crossroads?

*Wolfgang Streeck*

Adorno (who died in 1969) distinguished between *critical* and *affirmative* (or *positivistic)* social science (the latter he also referred to as *Hilfswissenschaft der Verwaltung* – a kind of "bureaucratic auxiliary").

"Critical" did not mean "practical-political": remember Lukács on Frankfurt: "Grand Hotel Abyss" or Adorno complaining about the student movement in 1968: "They mistook my theory for an instruction for building Molotov cocktails."

Missing from Adorno's binary schema were:

– "revolutionary" social science for and by "organic intellectuals" in the political organizations of the working class;

– "reformist" sociology as a master theory of progressive social democracy – advising policy-makers on "social problems" and how to get from and through their solution to a better future.

| Critical Theory | Revolutionary social science | Reformist social science | Affirmative social science |
|---|---|---|---|

Not quite fitting in here is what one might call "strategic social science": Marcuse, Barrington Moore, a long list of German emigrees working for the American government and the secret service during and after World War Two to help defeat Germany and Nazism. See also Talcott Parsons and others about the possibility of rebuilding Germany as a democratic society. This ended with McCarthyism and, later, the Vietnam War, when strategic intellectuals withdrew into academia.

### How about today?

Critical theory continues to exist in marginalized academic niches, while affirmative-positivistic social science thrives. Interestingly, the two intermediate positions are almost entirely empty:

– There is no longer a social movement that would need or listen to organic intellectuals in the Gramscian sense: no demand for whatever they may supply. The revolution,

whatever it is, no longer depends on correct social science as it seemed to in the Marxian world (well into the 1930s, and even the 1970s).

– The dream of a (gradual) transformation by reform of the capitalist into a socialist society has ended with the demise of social democracy.

There are two (or one-and-a-half) social locations for "critical" social science today:

– "Radical" sociology departments, mostly in Western countries: a world of its own, devoid of political influence (apart from militant splinter groups suffering from sectarian and other pathologies).

– "The public", where prominent (not-all-too-) "radical" social scientists are sometimes invited to publish op-ed pieces, subject to the logic of a commercialized and fragmented public sphere, and observed with suspicion by both professional peers and political militants.

Interesting: Adorno as public intellectual: re-education!

Apart from this, social science is remarkably well-established in academia, although its political ambition and influence are much diminished.

> A few years ago, at some international social science conference, I was struck by the thought that never before in the history of mankind had there been so many people as today so well trained in analyzing and explaining social life. Still, the most powerful political leaders produced by that sociologically most sophisticated generation – *my* generation – were George W. Bush and Dick Cheney, reelected around the time of the conference. In subsequent years I continued to be fascinated with the contrast between the progressive decay of the politics and economy of the United States and the star-studded social science departments from Harvard to Stanford.

Written in September 2011 for a conference on "Public Sociology." To consider the progress made since, simply replace "Bush and Cheney" with "Trump and Pence."

The original tension between affirmative and critical orientations still exists in a more moderate version, as a gradual differentiation between more "technocratic" (or "sociocratic") and more "democratic" orientations, approaches, and intended uses. The technocratic version of social science is, obviously, in far more demand than the democratic version, although this is not necessarily appreciated in academic teaching and research, and not easily admitted.

Here is an ideal-typical representation of what is, in reality, more of a continuum:

| Techno-/sociocratic | Democratic |
|---|---|
| Affirmative-positivistic | Critical |
| Society as object | Society as subject |
| Advising elites | Advising citizens |
| Private knowledge | Public knowledge |
| Instrumental knowledge | Reflexive knowledge |
| Social technology | Political enlightenment |
| Manufacturing consent | Arming opposition |

On the *technocratic/sociocratic* pole, the assumption is that societies are governed by responsible, problem-solving "elites" in need of exact information and effective tools for social control in order to realize their benevolent intentions. On the *democratic* pole, societies are conceived as class societies governed from above by self-serving rulers that need to be kept in check by effective opposition from below, informed by independently produced knowledge on the true condition of society that rulers would rather see suppressed. Delivery of such knowledge to the general public needs to be done through the mass media (which tends to be elite-controlled), whereas delivery of technocratic knowledge to ruling elites can be done, practically, face-to-face.

## Some uses of social science today

(1) The dream of sociology as a master theory of political praxis in democratic modernity is long forgotten. The discipline informing governance under contemporary capitalism is economics not sociology. Collective-democratic self-realization has given way to individual-behavioral control through rational incentives, with economizing taking the place of democratizing. Sociology comes in, together with behavioral economics and in its trail, where control relies (must rely) on *irrational* incentives (on the model of the "Hawthorne experiments").

(2) "Radical" sociology is confined to the echo chamber of "radical" sociology departments, "radical" sociology journals, and radical identity politics. As a result it tends to overestimate its own influence.

(3) Mainstream social science sees itself more at the democratic end of the continuum, whereas in reality what it produces serves more techno- and sociocratic than public enlightenment purposes.

(4) In politics, social science (survey research, focus groups, and the like) helps governments with the "manufacturing of consent" and political parties with marketing their candidates and programs to a politics-consuming audience – in competition-cum-cooperation with journalists, psychologists, and marketing specialists. In both cases, society is treated as object rather than subject, empowering sociocrats rather than people, requiring instrumental rather than critical-reflexive knowledge (and paying well for it).

(5) Social science may be used for constructing the algorithms that identify suitable targets of advertisement and political campaigns, in cooperation with IT specialists, mathematicians, and the like. This may be the most important future use of social science, and a rather lucrative one for those who make it into the research centers of the Valley.

(6) Social science is mobilized for the production of "facts" for policy and politics – where "facts" are inserted in public debates either by governments to silence the opposition (and legitimize political action, or non-action), or by the opposition to raise the alarm and show the government to be irresponsible, incapable, and so on. Sociological "facts" are introduced as "scientifically proven" in line with interests pursued, and are subject to the general pathologies of policy advice (for example, "experts" on every side of an issue).

(7) Some branches of sociology play a role in media-sponsored "public discourses" by producing raw material for cultural controversies: themes, language, conclusions. Here they become contributors to a new culture industry – infotainment, politainment. Press releases by universities and research institutes provide supply for the insatiable demand of an overcrowded media industry inciting pseudo-controversies in a competitive public space. Themes appear and disappear in rapid succession; they are left behind as soon as they have become exhausted (in the sense of no longer catching attention when they are no longer new). The liberal bias of established social science makes its productions useful for attacks on "old-fashioned" ways of life – of those who do not buy culture war media products. Especially prominent today: constructivist attacks on average traditional lifestyles related to "the gender complex," with social science "facts" used to stimulate scandalized reactions among set-in-their ways "rednecks" of all sorts, and thereby capturing valuable attention.

## On the Role of the Social Sciences: What Crisis Are We Facing?

*Cornelia Woll*

After a vivid debate in the 1960s and 1970s about critical and positivist theory, the late 1990s and 2000s have again been marked by a growing soul-searching about the role of the social sciences. The increasing sophistication of methods and availability of new data have created a rising tension between, on one hand, presumably "methodologically sound" and, on the other, presumably "more relevant" and social sciences. Within disciplines, these tensions have led to semi-organized movements: the *Perestroika* movement in the early 2000s in American political science and a European-centered call for post-autistic or "real world" economics.[1] In both cases, the mainstream of the field was dominated by methodologically-savvy approaches that gave greater credence to scientific validity, and only secondary importance to empirical correctness (or internal validity rather than external validity, to put it in ontological terms).

In parallel, practitioners and observers of public debates question the contributions the social sciences could make to current problems. The failure of social science to make useful predictions has aggravated its public image, most notably political scientists, who were caught by surprise by the fall of the Berlin Wall, and economists, who – as the Queen famously remarked – failed to see the financial crisis of 2008 coming. But the disconnection between academia and the public goes much deeper than simple frustration with the lack of predictive capacity. In 2013, a coalition of Republican US Senators pushed to cut National Science Foundation funding for political science research, citing its futility, with exceptions granted only if the results were relevant to national defense or economic interests. In 2016, a discussion in the German *Frankfurter Allgemeine Zeitung* pointed to political science's lack of charisma, arguing that members of the field held no visible place in public debates anymore, with economists and law professors being much more present in policy debates and even the analysis of political institutions.[2]

At the same time, the publication of the book *Le négationnisme économique* by Pierre Cahuc and André Zylberberg led to a heated debate in France about the scientific validity of economic analysis.[3] In their book, the two authors claim that economics is an

1 The term "post-autistic" originates in a student-led movement in France that criticized neoclassical economics in high-school teaching. As it spread beyond France, the terms "pluralist economics" or "real world economics" became more common, sometimes used interchangeably with "heterodox" economics. British scholars took the initiative to regroup these strands in a World Economics Association founded in 2011.

2 Frank Decker and Eckhard Jesse, "Fach ohne Austrahlung," *Frankfurter Allgemeine Zeitung,* April 20, 2016.

3 Pierre Cahuc and André Zylbergberg, *Le négationnisme économique,* Paris: Flammarion, 2016.

experimental science capable of establishing verified results that are constantly under attack by pseudo-scientists using invalidated concepts to advance politically-informed or ideological positions.

From within and outside its disciplines, the role of the social sciences is thus fundamentally being called into question: with increasing sophistication and specialization, scholars battle over intellectual leadership, certified by publication and citation impact metrics. At the same time, their sciences, independently of their methodological soundness, are considered less and less relevant by political elites and the public. While scholars seem to have thought that methodological sophistication would save their fields from oblivion or futility, the downward slope of public recognition seems to continue.

Even more puzzling, the demand for scientifically informed analysis of politics, the economy, and society is growing and an ever-greater population of "analysts" of all sorts are rising to the task (cf. Marie-Laure Salles-Djelic's contribution). However, the increasing reliance on scientific analysis in public life is accompanied by relativism among political elites. Most extreme, certainly, are the anti-scientific stances of current US president Donald Trump, whose tweets about global warming are considered insulting by the entire academic community. But even more reasonable political leaders consider that scientists often have little to contribute in contexts that press for action.

If the social sciences are at a crossroads today, the challenges are less external, linked to the nature of the multiple crises besetting capitalism and political order, inequalities or ecological crisis. Rather, the main issue is internal and has to do with the ways in which scholars can reconcile the relevance of their inquiries with available data and methods. With the digital revolution, data are now omnipresent, and data analysts are slowly replacing what Wolfgang Streeck refers to as "bureaucratic auxiliary science" (the most positivistic version of social scientific inquiry). If the social sciences agree to be relegated to a form of reflexive knowledge that tends to deconstruct categories, the place of the social sciences will probably decline even further.

A more promising route is to assume leadership in the analysis of contexts and constellations of social reality. In journalism, making sense of and visualizing data is becoming an increasingly large part of reporting. One may even argue that is replacing the traditional image of investigative journalism. Making sense of over-abundant data is a central challenge of our societies and likely to remain with us in the future. Social sciences are necessary to establish guideposts in making sense of data, not just methodologically, but also by providing analytical scripts and measures that can be tested and discussed in a variety of contexts. What data can be used as valid proxies for a more diffuse social reality? What data points are necessary for a given societal phenomena? What comparative contrasts are relevant to analyze data properly? All of these questions require contextualized knowledge of empirical contexts that social sciences can provide, be it from a historical, comparative, qualitative or quantitative perspective.

The analysis of contexts and evolutionary trends is very different from the production of scientifically validated "facts." The relevance of social sciences would thus be to produce organizing principles rather than affirmations. This requires systematically considering the long-term evolutions and comparative contexts, as well as a sound discussion of methodological choices. Discussing and approving the pertinence of these choices is the task of the scientific community, with its usual publication and career-advancement criteria. The ultimate litmus test, however, will be the contribution of the social sciences to sense-making in society.

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