**On the Dismal Future of Capitalism**

*Wolfgang Streeck*

The writing is on the wall, and has been for some time; we must only learn to read it. The message is: capitalism is a historical social formation; it has not just a beginning but also an end.[[1]](#footnote-1) Three trends have run in parallel since the 1970s, throughout the family of rich capitalist democracies: declining growth, rising inequality of income and wealth, and rising debt – public, private, and total. Today the three seem to have become mutually reinforcing: low growth contributes to inequality by intensifying distributional conflict; inequality dampens growth by curbing effective demand; high levels of existing debt clog credit markets and raise the prospect of financial crises; an overgrown financial sector both results from and adds to economic inequality etc. etc. Already the last growth cycle before 2008 was more fake than real,[[2]](#footnote-2) and post-2008 recovery remains anemic at best, also because Keynesian stimulus, monetary or fiscal, fails to work in the face of unprecedented amounts of accumulated debt. Note that we are talking about long-term trends, not just a momentary unfortunate coincidence, and indeed about global trends, affecting the capitalist system as a whole and as such. Nothing is in sight that seems only nearly powerful enough to break the three trends, deeply engrained and densely intertwined as they have become.

Moreover, looking back we see a sequence of political-economic crises that began with inflation in the 1970s, followed by an explosion public debt in the 1980s and by rapidly rising private debt in the subsequent decade, resulting in the collapse of financial markets in 2008. This sequence, again, was by and large the same for all major capitalist countries, whose economies have never really been in equilibrium since the end of postwar growth. All three crises began and ended in the same way: inflation, public debt and private debt initially served as expedient political solutions to distributional conflicts between capital and labor (and sometimes third parties such as raw material producers), until they became problems themselves: inflation in the early 1980s, public debt in a first consolidation phase in the 1990s, and private debt after 2008.[[3]](#footnote-3) Today's political fix is called "quantitative easing": essentially the printing of money by treasuries and central banks to keep interest rates down and accumulated debt sustainable, as well as prevent a stagnant economy from sliding into deflation, at the price of more inequality and of new bubbles in asset markets building and, eventually, collapsing.

How fundamental the crisis is is reflected in the extent to which the captains of capitalism have lost orientation and find themselves reduced to devising ever new provisional fixes until the next unpleasant surprise catches up with them. The wizards have become clueless. How long can quantitative easing go on? Is deflation the problem or inflation? How does one know a bubble before it blows up? Is growth restored through spending or through cutting back on spending? Is stricter financial regulation conducive or harmful to growth?[[4]](#footnote-4) Until the mid-1970s, growth was to result from redistribution from the top to the bottom; then, when Keynesianism was succeeded by Hayekianism, the opposite was true and markets were to be set free to redistribute from the bottom to the top. Now, seven years after the disaster of 2008, there is still no new growth formula, and confusion rules the day. State-administered capitalism has failed – that is, was rejected by the owners of capital as too costly for them, to be replaced with free-market capitalism, which has also failed. For the time being, central banks act as regents waiting for a new ruler. But who would this be, and what would be his recipe for holding the capitalist enterprisetogether?

I suggest that after more than 200 years, capitalism has become unsustainable as a result of having become ungovernable. Behind this is what has come to be summarily called "globalization": the expansion of capitalist market relations beyond the reach of government, uniting capitalism while leaving collective political action fragmented. Although this may look like the final victory of capitalism, which to an extent it is, it also and at the same time foreshadows its demise. Unlike what Mandeville promised in his "Fable of the Bees" (1988 [1714]), and what Adam Smith suggested with his less provocative metaphor of the "invisible hand" (1993 [1776]), the capitalist conversion of private vices into public virtues underwriting a stable society worked only in the presence of strong formal and informal institutions restraining the market's "order of egoism" (Dunn 2005) and subjecting it to social discipline. By outgrowing the collective capacities to govern it, that is to say, capitalism has won a Pyrrhic victory. That there is today no alternative to it, no globally united anti-capitalist force, is as much a predicament for capitalism as it is a blessing. Note that in crucial moments in capitalism’s history, it was its opposition that stabilized it as a society: regional, national or religious movements preserving social cohesion and thereby enabling cooperation and exchange in good faith, or trade unions and social-democratic welfare states securing sufficient demand and social reproduction through political intervention.

The simultaneous disappearance of government and opposition in contemporary capitalism makes for a cumulative breakdown of system integration which, in turn, is driving an accelerating decay of social integration (Lockwood 1964). Global ungovernability has caused a deep erosion of social regimes on the frontlines between capitalist markets and what Karl Polanyi has called the three "fictitious commodities", labor, land, and money. While capitalist development, according to Polanyi, must ultimately aim to commodify everything, it can proceed only as long as it is prevented by society from forcing under its logic what it can fully commodify only at its own detriment. Protecting labor, land and money from the dynamics of capitalist development requires government; "governance" is not enough (Offe 2008) to keep capitalism from going too far and thereby undermining itself.

Today regime erosion is blatant with respect to nature, where the fragmented politics of global capitalism has proved unable to contain the consumption and destruction of the natural environment. Similarly, the competitive production of money by governments, central banks and financial firms has become a potent source of uncertainty and a permanent threat to systemic stability. As to labor, traditional postwar employment regimes designed to protect workers and their families from excessive market pressures are disappearing in leading capitalist countries, giving way to precarious employment, zero hours jobs, freelancing and standby work in global firms like Uber that function almost entirely without regular employees.[[5]](#footnote-5) Employment risks are being privatized and individualized, while life and work become indistinguishably fused. Unions are becoming irrelevant, or never come into existence in new industries and countries. Thus there is nothing to soften the impact of technological change proceeding faster than ever to reorganize work, or disorganize it, like artificial intelligence rendering a broad band of middle-class occupations redundant and thereby destroying the middle-class way of life (see Randall Collins, "The End of Middle-Class Work: No More Escapes", pp. 37-69 in Wallerstein et al. 2013).

In the paper referred to at the outset, I have identified *five disorders* of contemporary capitalism that I consider beyond repair, each of them standing for a different aspect of system disintegration: *secular stagnation,* which is the culmination of the long decline in growth rates; [[6]](#footnote-6) *oligarchic neo-feudalism,* merging political and economic power not just in Russia, Ukraine and China but also in the West, in particular the United States,[[7]](#footnote-7) and de-coupling the fate of the rich from that of the poor; *the plundering of the public economy*, which had once been both an indispensable counterweight and a supportive infrastructure to capitalism, through fiscal consolidation and the privatization of public services (Bowman et al. 2014); *systemic de-moralization*; and *international anarchy*. For reasons of space I will briefly elaborate on the latter two points only.[[8]](#footnote-8)

First, de-moralization. Unlike in the Mandevillian *Fable*, under financialized capitalism private vices have become public vices as well, depriving capitalism of its last – consequentialist – moral justification. Stylizing owners and managers of capital as trustees of society is not even tried any more, their much publicized exercises in philanthropy notwithstanding. A pervasive cynicism is now deeply engrained in the collective common sense, which regards capitalism as a matter of course as an opportunity structure for the well-connected superrich to become even richer. Cheating in pursuit of profit is assumed to be normal and fails to excite moral outrage. This holds especially in finance where the highest profits are made by circumventing or violating legal rules, on insider trading, mortgage lending, rate fixing, or whatever. [[9]](#footnote-9) In the United States alone, banks had by June, 2015, agreed to pay about 100 billion dollars in out-of-court settlement fees for legal infractions in connection with the 2008 financial crisis (*Frankfurter Allgemeine Zeitung*, June 29, 2015). None of these cases ever went to trial and nobody had to go to prison, testifying to the deep empathy of the legal system with the need for financial institutions to break the law in order to make a profit.[[10]](#footnote-10) Add the lawyers’ fees to the settlement fees to get a sense of the fines that would have been due after conviction in a regular trial – and take into account that very likely, a goodly share of both will for tax purposes legally be declared as business expenses.[[11]](#footnote-11)

Second, historically capitalism has required a stable international order maintained by a hegemonic power, the role having moved from Florence via the Netherlands to Britain and, in the postwar era, the United States. When the position of hegemon was contested or vacant, like in the first half the twentieth century, conflict was rampant, accompanied by severe economic disruption. Since the 1970s the U.S. have been increasingly less able and willing to provide for the collective goods a capitalist hegemon is expected to deliver; instead they have become parasitic on the global economy. A cooperative solution of the problem of international order, for example through power-sharing between the United States and China, is not in sight. On the periphery of the capitalist world system the United States have lost several wars in succession, and democratic-capitalist development, or “nation-building”, has failed in large parts of the world. Instead of the postwar project of a comprehensive system of sovereign states covering the entire globe, large and growing territories have become stateless. In many of them, fundamentalist religious movements have taken control, rejecting modernism and international law and seeking an alternative to the consumerism of contemporary capitalism that they can no longer hope to replicate in their countries. Increasingly, they find allies in the global North, in particular immigrants from the South who respond to their social and economic exclusion by carrying the wars of the periphery into the center.

How can capitalism end without a new society waiting to take its place? To understand this we must abandon the idea of an orderly succession of social formations: the historical-materialist expectation that a society dies by giving birth to a new, more advanced one, including the Bolshevist fallacy of a social order ending only by a different social order being put in place by the central committee of a victorious revolutionary party. At the same time, we must also beware of falling victim to a contemporary equivalent of what might be called the *Ravenna illusion*: the deep conviction of the ruling classes of the fifth century Western Roman Empire in the preordained immortality of their civilization, unshakeable even after their territory had been reduced to the tiny city of Ravenna on the Adriatic coast whose surrounding swamps granted them a final reprieve while the Germanic hordes were busy sacking Rome and the empire’s Western provinces. Convinced that life could not but eventually return to what it had always been, Rome’s ruling families in their Ravenna refuge occupied themselves with elaborate intrigues over the imperial succession.[[12]](#footnote-12) Learning from their example that optimism may sometimes result from no more than a lack of imagination, we may consider the possibility that a social order may issue, not in another order, but in lasting disorder – in a historical epoch of uncertain duration when, in the words of Antonio Gramsci, "the old is dying but the new cannot yet be born”.[[13]](#footnote-13)

What may life be like in a time like this? According to Gramsci, the breakdown of a social order in the absence of a successor may give rise to “an interregnum in which pathological phenomena of the most diverse sort come into existence"[[14]](#footnote-14) – in other words, to a society devoid of coherent institutions capable of normalizing the lives of its members and protecting them from accidents and monstrosities of all sorts. Life in an interregnum is characterized by a lack of structural determinacy,[[15]](#footnote-15) making it unpredictable. Its society fails to provide its members with reliable templates around which they may organize themselves: instead it demands constant improvisation, making individuals substitute strategy for structure – offering rich opportunities to oligarchs and warlords of all sorts while forcing the majority to live in insecurity, uncertainty and anomy, much like the long interregnum that began in the fifth century and is now called the dark age.

System integration in contemporary capitalism has given way to unstable change that has yet to crystallize in a new, stable order. Turbulence and immobility, dynamics and stagnation have become close correlates. The social character bred by this sort of social structure (Gerth and Mills 1953) is that of a de-socialized, intendedly self-sufficient, *individualistic individual*, relying on self-policed neoliberal *governmentality* (Foucault 2008) to compensate for the absence of *government* and the weakness of *governance*. Social structure in an indeterminate social world emerges from, or better: is replaced with, the improvisations of self-interested individuals surrounding themselves with self-made networks of opportunistic relationships – an *Ersatz* society of users rather than members, constructed from below, that appears to have grown out of a libertarian wealth of alternatives and is sold ideologically as a large adventure playground while in fact reflecting a destructive absence of social order.

The broken society of the post-capitalist interregnum is one devoid of normative legitimacy – one that has turned responsibility for itself over to the individually rational choices of its members, leaving them uninstructed in making such choices. While this may be and is presented as liberation, in the reality of post-capitalism the place of social norms and institutions is taken by *greed and fear* as the ultimate mechanisms of social control. Together they power the *self-economization* and *self-marketization* of individuals adapting to unpredictably changing circumstances, among other things by relentless competitive investment in their "flexibility" and "human capital", so as to maximize their fitness for the imagined meritocracy of a "free" market in a world of exploding inequality. Self-reliance becomes the order of the day, even though and precisely because some have much more self to rely on than others.

Under post-capitalism, private profit-making continues, even though in the shadow of uncertainty in an anomic society with decaying institutions, declining coherence, successive crises, and ongoing local and more-than-local conflicts and contestations. Mass cooperation with capital accumulation is driven by a culture of competitive consumption that, apart perhaps from large parts of Asia where it seems to be based in collective conformism, must be vigilantly protected against being subverted by post-materialist value change, if not by shrinking spending power. The life of individuals in the post-capitalist *sauve qui peut* interregnum follows the behavioral prescriptions of neoliberal doctrine (Dardot and Laval 2013), which means that it is bound to burn to the ground the foundations of a successful society and economy. Social life cannot be reduced to economic life, and economic life is not possible outside of a society. Proposition 12 of Etzioni’s *Moral Dimension* (1988, 257) applies: “The more people accept the neoclassical paradigm as a guide for their behavior, the more their ability to sustain a market economy is undermined.” The future of capitalism is bleak.

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1. The following is a condensed and slightly updated version of a much longer essay published in 2014 (Streeck 2014). [↑](#footnote-ref-1)
2. Lawrence “Larry” Summers, chief mechanic of the American capital accumulation machine, at the IMF Economic Forum in November, 2013: “If you go back and study the economy prior to the crisis, there is something a little bit odd. Many people believe that monetary policy was too easy. Everybody agrees that there was a vast amount of imprudent lending going on. Almost everybody agrees that wealth, as it was experienced by households, was in excess of its reality. Too easy money, too much borrowing, too much wealth. Was there a great boom? Capacity utilization wasn’t under any great pressure; unemployment wasn’t under any remarkably low level; inflation was entirely quiescent, so somehow even a great bubble wasn’t enough to produce any excess in aggregate demand.” Available at <https://m.facebook.com/notes/randy-fellmy/transcript-of-larry-summers-speech-at-the-imf-economic-forum-nov-8-2013/585630634864563>, last accessed August 12, 2015. [↑](#footnote-ref-2)
3. Since then, total debt has further increased: See McKinsey Global Institute (2015). Much Keynesian rhetoric is deployed to talk down the risks inherent in this, although the debt is non-Keynesian in that it is cumulative and has been so for decades. [↑](#footnote-ref-3)
4. An interesting case is that of Paul Krugman, the favorite ideologue of the “Keynesian” center-left. Responding in the New York Times (November 16, 2013) to Summers’ “secular stagnation” *pronunciamiento* (see Footnote 2), he begins by paraphrasing Keynes as having said, „spending is good, and while productive spending is best, unproductive spending is better than nothing“ – from which he derives the claim that “private spending that is wholly or partially wasteful” could be “a good thing“. For illustration, Krugman continues, “suppose that U.S. corporations, which are currently sitting on a huge hoard of cash, were somehow to become convinced that it would be a great idea to fit out all their employees as cyborgs, with Google Glass and smart wristwatches everywhere. And suppose that three years later they realized that there wasn’t really much payoff to all that spending. Nonetheless, the resulting investment boom would have given us several years of much higher employment, with no real waste, since the resources employed would otherwise have been idle.” Concerning bubbles, “we now know that the economic expansion of 2003-2007 was driven by a bubble. You can say the same about the latter part of the 90s expansion; and you can in fact say the same about the later years of the Reagan expansion, which was driven at that point by runaway thrift institutions and a large bubble in commercial real estate…” This, according to Krugman, has „some radical implications“, among them, following Summers, that “most of what would be done under the aegis of preventing a future crisis would be counterproductive” under the new circumstances. Another implication would be that “even improved financial regulation is not necessarily a good thing” as it “may discourage irresponsible lending and borrowing at a time when more spending of any kind is good for the economy.” Moreover, it might be advisable „to reconstruct our whole monetary system – say, eliminate paper money and pay negative interest rates on deposits“. Etc. etc. <http://krugman.blogs.nytimes.com/2013/11/16/secular-stagnation-coalmines-bubbles-and-larry-summers/?_r=0>, last accessed August 4, 2015. [↑](#footnote-ref-4)
5. On Uber as an example of evolving employment conditions, see “Rising Economic Insecurity Tied to Decades-Long Trend in Employment Practices”, *The New York Times*, July 12, 2015, <http://www.nytimes.com/2015/07/13/business/rising-economic-insecurity-tied-to-decades-long-trend-in-employment-practices.html?smid=li-share&_r=0>, last accessed on August 4, 2015. According to the report, more than 160,000 people in the United States alone depend on Uber for their livelihood, only 4,000 of which are regular employees. [↑](#footnote-ref-5)
6. A frequently applied rhetorical device to downplay the magnitude of the growth crisis, in particular in the aftermath of the 2008 financial collapse, has been to designate the so-called BRICS countries – Brazil, Russia, India, China, and South Africa – as the future growth centers of global capitalism. One might remember, however, that the label, BRICS, was invented by a Goldman Sachs commercial paper salesman in the early 2000s, as a brand for a new investment fund. In the meantime the five countries have not just failed to contribute to the global coordination of the capitalist economy, by beginning to take over the responsibilities of the increasingly irresponsible declining hegemon, the United States. They also have for several years now been in crisis themselves, even China with its falling growth rates and share prices in combination with rapidly growing debt and systemic corruption. [↑](#footnote-ref-6)
7. Where, according to the *New York Times* of August 1, 2015, it was “fewer than four hundred families” that were “responsible for almost half the money raised in the 2016 presidential campaign, a concentration of political donors that is unprecedented in the modern era”. By late July of the pre-election year of 2015, total campaign contributions already amounted to 388 million dollars. “Small Pool of Rich Donors Dominates Election Giving”, The New York Times, <http://www.nytimes.com/2015/08/02/us/small-pool-of-rich-donors-dominates-election-giving.html?_r=0>, last accessed August 12, 2015. [↑](#footnote-ref-7)
8. Although stagnation is at least as severe a disorder as the others. Politically it means that the growing surplus population in the rich capitalist countries, including the second and third generation immigrants, will have no chance to catch up with the – shrinking – core of the still well-to-do. The same applies to the lost generation in the Mediterranean and the aspiring middle classes in the expanding territories governed, or not governed, by failed states. If capitalism is based on anything, however, then on hopes for a better life in the future. This it has in common with Christianity. In addition to “never-ending growth”, other promises on which faith in capitalism and its financial system depends include “inconsequential externalities, universal abilities, perpetual productivity increases, inexhaustible demand, unquenchable consumption … and the sustainability of mountains of debt. None of these are true in the real world…” (<http://uklife.org/2015/01/15/promises/>, last accessed on August 12, 2015). [↑](#footnote-ref-8)
9. On management salaries see Neckel (2014). Also consider professional athletics, which has become a huge global industry in recent decades, financed mostly by advertisement for consumer goods. In major disciplines, including swimming and track and field, not to mention cycling, one can safely assume that top competitors routinely use the services of specialists providing them with illegal, performance-enhancing treatment. [↑](#footnote-ref-9)
10. The American Attorney General of the time, Eric Holder, had during his tenure (from 2008 to 2014) been on leave from a law firm representing Wall Street firms. Before joining the Cabinet he had made about 2.5 million dollars a year. In 2015 he reassumed his partnership. See “Eric Holder, Wall Street Double Agent, Comes in from the Cold”, *Rolling Stone*, July 8, 2015. <http://www.rollingstone.com/politics/news/eric-holder-wall-street-double-agent-comes-in-from-the-cold-20150708>, last accessed August 12, 2015. Of course, President Obama, who appointed Holder, drew one third to one half of his campaign contributions from the financial industry. [↑](#footnote-ref-10)
11. To understand the order of magnitude, remember the legal action taken by American prosecutors with enormous publicity in early 2015 against the Swiss-based international football association, FIFA, for unspecified charged of corruption. FIFA’s entire revenue in the six years in question had been around five billion dollars, of which perhaps one billion was used illegally (although exact amounts have as yet not been specified). This would be one percent of the settlement fees by which U.S. banks bought themselves free from prosecution. [↑](#footnote-ref-11)
12. See Gibbon (1993 [1776]), Volume 3, pp. 218 ff. [↑](#footnote-ref-12)
13. From the Prison Notebooks: „La crisi consiste nel fatto che il vecchio muore e il nuovo non può nascere…” [↑](#footnote-ref-13)
14. „… in questo interregno si verificano i fenomeni morbosi più svariati.” [↑](#footnote-ref-14)
15. Similarly Calhoun in the excellent book of Wallerstein et al. (2013). [↑](#footnote-ref-15)