

How much capitalism can democracy stand (and vice versa)?

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I wrote the original version of this paper for a public lecture series in Oldenburg, in North-West Germany, in 2006 on capitalism and democracy, organised by my old friend Stefan Müller-Doohm. Claus Offe, who was the other speaker that evening, discussed some of the more practical issues of the governance of capitalism, while I addressed the issue in a more abstract and historical way.¹

The relationship between capitalism and democracy has of course been a prominent topic for at least 200 years. What however has changed since 1989 is the awareness, as it now seems to most of us, that there is not only no

¹ My thanks to Gordon Finlayson and other participants at the 30th anniversary conference of the *Sussex Social and Political Thought* programme in April 2009, where I presented this version of the paper; also to Stefan Böhm, Chris Thornhill, John Holmwood, Stefan Müller-Doohm, Claus Offe, Günther Roth and Peter Wagner.

attractive alternative to democracy, but also no *realistic* alternative to capitalism.

The adjectives reflect our differing evaluations of these two institutions. I am assuming that despite all the irritation we may feel with party politics (nicely expressed in the German term *Politikverdrossenheit*)², no-one here would reject democracy in principle, whereas quite a lot of us might see the transcendence of capitalism as desirable, *if* it turned out to be possible. And we have once again, after the eclipse of the communist and most other radical socialist parties in Europe and the transformation of European social democracy towards the centre, the revival of explicitly ‘anticapitalist’ social movements. One can be sceptical about their projects, as is, for example, Žižek on the European Left, but at least the *idea* of anticapitalism is around again.³

² See Claus Offe’s important contribution, ‘Political Disaffection as an Outcome of Institutional Practices? Some Post-Tocquevillean Speculations’, in M. Torcal and J.R. Montero (ed) *Political Disaffection in Contemporary Democracies: Social Capital, Institutions, and Politics*. London: Routledge, pp. 23-45.

³ S. Žižek also writes, more optimistically: ‘The old narrative of postmodern politics was: from class essentialism to the multitude of struggles for identity; today, the trend is finally reversed. The first step is already accomplished: from the multitude of struggles for recognition to anti-capitalism; what lies ahead is the next, ‘Leninist’, step – towards politically organised anticapitalism.’ (S. Žižek (2004) *Iraq: The Borrowed Kettle* (London: Verso, 2004), p. 98. See

I do not want here to raise the big questions of whether capitalism will fall victim to its own contradictions, as it almost did last autumn and winter, and/or will be engulfed in an ecological catastrophe of its own making. It seems to me that these questions are as open as they ever were. Jacques Attali wrote in his recent book on Marx, 'As [of] today, no one knows whether markets are on the eve of a growth without precedent or about to suffer a paroxysm as a result of their contradictions.'⁴ We now of course know that the latter was the case, though the crisis may not be terminal, and while there's life, there's hope – if that's the right way to think about it. How this and no doubt future crises will play out is impossible to predict.

I will also pass over another important question: how far there is an elective affinity (Wahlverwandtschaft) between capitalism and democracy. On the one side it seems clear that a free society might also include a degree of commercial freedom, so that something which under actually existing socialism was labelled as speculation (and often even attracted the death penalty), that someone might buy, say, a ton of toilet paper and sell it off in smaller quantities, might be allowed. The kind of limits on private sector

also F. Vighi and H. Feldner (2006) 'Beyond Liberal Democracy: Slavoj Žižek and the Politics of Ideology Critique', *New Formations* 58: 53-61.

⁴ J. Attali (2005) *Karl Marx: Ou l'esprit du monde*, Paris: Fayard.

employment which one found in most socialist countries and which I think still exist, for example, in Cuba, that one can only employ 5, 10, or 15 workers, are hard to justify in the light of the otherwise attractive market socialist attempts in the 1970s and 1980s. And one can also show how, in historical transitions such as those of early modernity or of postcommunism, market formation went along with democratisation and the development of civil society.⁵

But this elective affinity does not take us very far. The British sociologist John Hall writes:

It is a historic fact that capitalism and liberalism arose in tandem. We know, however, that there is no necessary connection between the two

⁵ H. Wainwright (1994) *Arguments for a New Left: Answering the Free Market Right*, Oxford: Blackwell. Klaus von Beyme makes the interesting suggestion that '*The relationship between transition to democracy and market society seems to be turning around.* International solidarity is bound to the principles of democracy. Market society is no longer the foundation for democracy as the old functionalist school suspected, but democracy is a precondition for mobilizing help from the democratic camp in the North Atlantic area.' (K. von Beyme (1996) *Transition to Democracy in Eastern Europe*, London: Palgrave Macmillan, p. 168; his italics). See also C. Joerges et al (ed) (2005) *The Economy as a Polity. The Political Constitution of Contemporary Capitalism*, London: UCL Press.

systems, since the former [i.e. capitalism] is capable of adapting itself to different political systems.⁶

Democracy is just one of these.

I am assuming, then, that there is a certain tension between two relatively independent and relatively well functioning structures, capitalism and democracy, and that most of us are more attached to democracy than to capitalism. There are of course people who take the opposite view and would defend capitalism even at the cost of democracy or, like Hayek with his proposed minimal age limits for voting, would like to substantially restrict rights to democratic participation. But these are, at least in western and central Europe, much smaller minorities than the militant opponents of capitalism. The more interesting and challenging view is that globalised capitalism, even if it is not undesirable in itself, risks undermining democracy.

I shall come back later to this question. For the moment I should like to look at the other side of the coin: the question whether democracy can endanger capitalism. In the marxist tradition there are not only dramatic prognoses of

⁶ J. Hall (1983) 'The conscious relegitimation of liberal capitalism', in A. Ellis and K. Kumar (ed), *Dilemmas of Liberal Democracies: Studies in Fred Hirsch's "Social Limits to Growth"*, London: Tavistock, p. 78.

the collapse of capitalism under its inherent contradictions and/or its overthrow by the revolutionary proletariat. Interestingly, one finds both Marx and later Engels also contemplating the possibility that universal suffrage would mean the beginning of the end for the ruling capitalist class: 'Universal suffrage is...the measure of the maturity of the working class...'⁷

These expectations were not of course realised, perhaps for the sort of reasons that Engels had already given twenty years earlier in relation to France in his article on 'The Prussian Military Question and the German Workers' Party' and cited in his later article 'On the Dissolution of the Lassallean Workers' Association' (1865).

And regarding universal suffrage itself, one has only to go to France to realise what tame elections it can give rise to...And yet the French proletariat has the advantage over the German of far greater concentration and longer experience of struggle and organisation.

Neither universal suffrage nor the growth of social democracy, which *did* result from it in many European countries, had the desired outcome. Whether one calls the moderation of socialist parties and governments 'opportunism',

⁷ F. Engels (1985) *The Origin of the Family, Private Property and the State*, [1884], New York: Progress, p. 232.

as left socialists and communists came to do, or 'realism', is of course a matter of political preference. More interesting, because more paradoxical, are the *non-marxist* versions of these prognoses, running from the economist and sociologist Joseph Schumpeter (and before him to some extent Max Weber) to the conservative North American sociologist Daniel Bell. Schumpeter followed the Austromarxists and Rudolf Hilferding in stressing the political and social aspects of capitalism and of socialist transition.⁸ The thesis of his later book, *Capitalism, Socialism and Democracy* (1942), is anticipated in a article published in 1928, more than a year before the Great Depression, in the *Economic Journal*:

Capitalism, while economically stable, and even growing in stability, creates, by rationalising the human mind, a mentality and style of life incompatible with its own fundamental conditions, motives and social institutions, and will be changed, although not by necessity and probably even at some sacrifice of economic welfare, into an order of

⁸ See, for example, T. Bottomore (1981) 'The Decline of Capitalism, Sociologically Considered', in A. Heertje, (1981) *Schumpeter's Vision. Capitalism, Socialism and Democracy after 40 years*. Eastbourne and New York: Praeger, pp. 22-44; T. Bottomore, (1989) 'Austro-Marxist Conceptions of the Transition from Capitalism to Socialism', *International Journal of Comparative Sociology* XXX, 1-2: 109-120; G. Roth (2003) 'The Near-Death of Liberal Capitalism: Perceptions from Weber to the Polanyi Brothers', *Politics and Society* 31, 2, June, 263-282.

things which it will be merely a matter of taste and terminology to call Socialism or not.⁹

Like Max Weber, who had died in 1920, Schumpeter believed in the feasibility of socialism, although he regretted it, believing ‘...that socialisation must inevitably lead to a fall in production and a worsening of the misery of all classes and...that, for socialisation to succeed, an iron discipline of unprecedented severity must be imposed precisely upon the working masses.’¹⁰ He differed from Weber in seeing the demise of capitalism as not just possible, but probable, as in the first sentence of *Capitalism, Socialism and Democracy*: ‘Can capitalism survive? No, I do not think it can.’ It was not the proletariat which was likely to undermine it, but mainly the intellectuals: ‘...unlike any other type of society, capitalism inevitably and by virtue of the very logic of its civilization creates, educates and subsidizes a vested interest

⁹ J. Schumpeter (1928) ‘The Instability of Capitalism’, *Economic Journal* 38: 361-86.

This problematic derives of course both from Marx und Engels (particularly in the *Communist Manifesto*) and from the non-Marxist Georg Simmel and his *Philosophy of Money* (1900).

¹⁰ J. Schumpeter (1921) ‘Sozialistische Möglichkeiten von heute’, *Archiv für Sozialwissenschaft und Sozialpolitik* 48, 2: pp. 305-60, here p. 308.

in social unrest'.¹¹ This theme is even more starkly expressed in the much earlier text quoted above:

Since the formation of separate intellectual estate that can do nothing but discuss and owes its importance purely to the fact that it can disturb the work of the world...wherever something goes wrong for whatever reason in the social body, there become entrenched questions of principle, revolutionary reform plans and interpretations from the depths of the intellectualist psyche.¹²

More important however for 'our fate' is the basic logic of capitalist rationalisation.

The theme of the fragility or uncertain prognosis of capitalism has a long history, including Hume, Adam Smith and, a little later, John Stuart Mill. As Krishan Kumar writes: 'At the very outset of the capitalist era...we find a fundamental ambivalence and anxiety about the capacity of the capitalist

¹¹ J. Schumpeter (1976) *Capitalism, Socialism and Democracy* [1942] London: Allen and Unwin, p. 146.

¹² J. Schumpeter (1921) 'Sozialistische Möglichkeiten von heute', p. 359.

system to fulfil the goals variously set for it.’¹³ This anxiety runs in counterpoint to the capitalist triumphalism which asserts that humanity had finally, in 18th century Europe and North America, developed and theorised a functioning market society. In the early phase of modern capitalism this was a hot political topic, as Albert O. Hirschman has shown:

Ever since the end of the Middle Ages, and particularly as a result of the increasing frequency of war and civil war in the 17th and 18th centuries, the search was on for a behavioural equivalent for religious precept, for new rules of conduct that would impose much needed discipline and constraints on both rulers and ruled, and the expansion of commerce and industry was thought to hold much promise in this regard.¹⁴

I shall confine myself here to the more recent versions of Schumpeter’s theme: in particular those of the Hungarian-American Karl Polanyi and the Americans Fred Hirsch und Daniel Bell. Polanyi, whose principal work *The*

¹³ K. Kumar, Krishan (1983) ‘Pre-capitalist and non-capitalist factors in the development of capitalism’, in A. Ellis and K. Kumar (ed), *Dilemmas of Liberal Democracies: Studies in Fred Hirsch’s “Social Limits to Growth”*, London: Tavistock, 148-73, here p.150.

¹⁴ A. Hirschman (1977) *The Passions and the Interests*, Princeton University Press, p. 129.

Great Transformation appeared in 1944, just before the end of the second world war and before the postwar boom of the 'trente glorieuses' from 1945 to 1973, was more favourably disposed to socialism than Schumpeter, and had a deeper sociological understanding of the way capitalism is embedded in other social processes. The attempt, inherent in capitalism, to escape these entanglements, was so dangerous for society that it had to be restrained by a form of socialism.

...a self-adjusting market...could not exist for any length of time without annihilating the human and natural substance of society; it would have physically destroyed man and transformed his surroundings into a wilderness.¹⁵

As Michael Burawoy summarises Polanyi's argument,

The commodification of land threatens agriculture and the environment, the commodification of labour threatens to so degrade workers as to disable them and the commodification of money

¹⁵ K. Polanyi (1957) *The Great Transformation* [1944], Boston: Beacon Press, p. 3. See also F. Block and M. R. Somers (1984) 'Beyond the Economistic Fallacy: The Holistic Social Science of Karl Polanyi', in Theda Skocpol (ed), *Vision and Method in Historical Sociology*, Cambridge: Cambridge University Press, pp. 47-84.

threatens to create such uncertainty for capital as to make modern business impossible. In Polanyi's analysis capitalism can only survive through the constitution of 'active society' as protection against the destructiveness of commodification.¹⁶

According to Polanyi, capitalism endangers itself and gives rise to a democratic opposition, which however tends towards a socialist alternative. 'Socialism is...the *tendency inherent* in an industrial civilization to transcend the self-regulating market by consciously subordinating it to democratic society.'¹⁷

The implicit relationship of Polanyi to Schumpeter is roughly (and implicitly) reflected in that of Fred Hirsch to Daniel Bell. Their books appeared at the same time (1977 and 1976 respectively). One might argue that the analysis of Hirsch, the economist, is sociologically more profound than that of Bell, the sociologist. Where Bell merely diagnoses a frivolous and hedonistic rejection of capitalism and of the 'protestant ethic', Hirsch confronts the mechanisms

¹⁶ M. Burawoy (2003) 'For a Sociological Marxism: The Complementary Convergence of Antonio Gramsci and Karl Polanyi', *Politics and Society* 31, 2, June: 193-261, here p. 212.

¹⁷ Polanyi, p. 234. As Gordon Finlayson has pointed out, capitalist states in the last few months have attempted to take on this Polanyian role.

by which capitalism devalues 'public goods' and thus undermines capitalist morality in a broader sense. As Colin Crouch has observed, 'Hirsch's argument is strikingly similar to that of Daniel Bell...though strengthened in its explanation of capitalism's corrosive effect on morality by the use of public goods theory'.¹⁸ Like Schumpeter, Bell would like capitalism to survive despite everything; Hirsch proposes a (rather vague) 'reluctant collectivism', that is a 'trend towards collective provision and state regulation in economic areas'.¹⁹

We now know of course, as these thinkers did not, that capitalism has not only survived until now, but more specifically has outlived and buried what was then called actually existing socialism. What then remains of such analyses? First, it is clear, I think, that socialism and similar programmes have evolved back from what Engels called a science to a utopia, in the sense that they can only be made realistic if large numbers of modern human beings accept them

¹⁸ C. Crouch (1983) 'Market failure: Fred Hirsch and the case for social democracy', in Adrian Ellis and Krishan Kumar (eds.), *Dilemmas of Liberal Democracies: Studies in Fred Hirsch's "Social Limits to Growth"*, London: Tavistock, 185-203, here p. 192.

¹⁹ F. Hirsch (1977) *Social Limits to Growth*, London: Routledge, p. 1. Cf. Bell, (1976) *The Cultural Contradictions of Capitalism*, London: Heinemann.

as desirable.²⁰ There is no logic of history to underwrite them; they must be evaluated as one set of alternatives among others. And it remains clear that a system can survive without being loved. Yet even if, as I would argue, capitalism needs less legitimation than other economic systems, since its mechanisms of exploitation are more automatic than in, say, feudalism or state socialism, the question of its legitimacy deficits remains open. 'There is no alternative' (TINA) does not mean that people may not go on looking for new alternatives.

We democrats, then, are mostly not convinced of the normative rightness of capitalism, nor of its invulnerability (especially after what has happened in the last few months), but also not sure about the feasibility of an alternative. In this modest sense democracy remains a possible danger for capitalism, in other words that we may not particularly cherish it, we may be indifferent to

²⁰ Schumpeter emphasized the ideological value of this naturalistic ('*naturgesetzlich*') aspect of Marxism: '...that from its standpoint it can give an answer to absolutely all questions and gives the disciple a seamless total view, armed with which he can conceptually master every concrete social situation and understand his own existence and activity as an inescapable necessity...Every other party programme can only say to its members: We want this and that. Maybe we'll manage it. Only the Communist Manifesto could say: Whatever happens, we're bound to win!' ('Karl Marx, der Denker' (1918), in J. Schumpeter (1987) *Beiträge zur Sozialökonomik*, S. Böhm (ed) Wien, Köln, Graz: Böhlau, pp. 89-93; here pp. 90-91).

its possible downfall and so on. As John Hall writes, following Ernest Gellner:

liberal capitalist societies...are a combination of 'realistic' democracy (rights of opposition, the rule of law, the ability to change the élite) and social inequality. Such a combination scarcely deserves to be called a system since the very notion of giving equal rights to the unequal is inherently problematic.²¹

Or as the economic historian Scott Newton summarises it: at the end of the 20th century

The world economy was more integrated than at any time since the start of the Great Depression. The long struggle to make the world safe for capitalism, which the USA had started during the Second World

²¹ Hall, John (1983) 'The conscious relegitimation of liberal capitalism', p. 70; see also E. Gellner, 'A Social Contract in Search of an Idiom. The Demise of the Danegeld State?', *Political Quarterly* 46: 127-52. One can of course also interpret this combination of opposed principles in another way, i.e. in the sense that democracy operates as a compensation for the economically disadvantaged. (See also Jacques Donzelot's inverse but complementary argument about the introduction of the welfare state in France after the 1848 Revolution in J. Donzelot (1984) *L'invention du social*, Paris: Fayard. I am grateful to Chris Thornhill for these and other observations.

War, appeared to be nearing final success. Yet at no time in the past 20 years had capitalism's instabilities and injustices been more obvious or its international reputation lower.²²

Whether this dislike of capitalism develops into a more serious opposition remains unclear. The 2009 crash has not perhaps fuelled anticapitalist movements and parties as much as one might have expected, even while (or perhaps because) proposals for financial regulation and bank nationalisation have moved from the left into the policy mainstream. As Jonathan Pugh wrote in a letter to *The Guardian* (15.4.09)²³: 'Historians will single out 2009 as a watershed year for progressive radical politics. The year it failed to seize the opportunity'.

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But what about the second question, whether capitalism can also be dangerous for democracy? Anyone who accepts Polanyi's analysis even in part (or anyone who has been awake over the past few months) must say yes.

²² S. Newton (2004) *The Global Economy 1944-2000*, London: Arnold, p. 175.

²³ J. Pugh (2009) The World After Neo-Liberalism, (letter) *The Guardian* 15 April.

What undermines a society also undermines its democratic structures. The devaluation of the concept of society by both politicians and social scientists²⁴, the tendency to reduce society to a simple compound of an economy plus a political system, goes along with the practical devaluation and even demolition of the welfare state.

It is, I think, unlikely that in Europe, except perhaps in parts of the east, national or nationalist capitalist elites will directly and deliberately pursue antidemocratic strategies, as envisaged in the model of Third International theories of fascism or what happened in Chile in 1973. A more serious threat is the dangers of globalisation: it seems to me an open question whether even a European or globalised democratic polity can effectively limit the activities of globalised capitalism.

And there is a further danger, that capitalism may undermine democracy as it were from the inside, by generating and nourishing extreme individualistic attitudes which inhibit any process of collective will formation. Theories of post-democracy, as in a recent book by Colin Crouch, have addressed these dangers.²⁵ Crouch of course worked until recently in Berlusconi's Italy;

²⁴ See, for example, W. Outhwaite (2006) *The Future of Society*, Oxford: Blackwell.

²⁵ C. Crouch (2004) *Postdemocracy*, Cambridge: Polity.

Berlusconi's model of practical postdemocracy has now been adopted by Sarkozy in France, as it was in some ways by Blair in Britain.

Peter Wagner refers in this context to Hannah Arendt's *Origins of Totalitarianism* (1951):

Hannah Arendt has reminded us that there are two totalising ways of eliminating the conflicts between individual interests and those of the collectivity. One is the imposition of a presumed collective interest over the freedom of the individuals: the other is the opposite route of the derivation of the public good from private interests. Political freedom disappears either way...²⁶

²⁶ Peter Wagner, 'Die westliche Demokratie und die Möglichkeit des Totalitarismus. Über die Motive der Gründung und der Zerstörung' in *The Origins of Totalitarianism*, in A. Grünenberg (ed), *Totalitäre Herrschaft und republikanische Demokratie. Fünfzig Jahre The Origins of Totalitarianism von Hannah Arendt*, Peter Lang, 2003. According to Arendt, Hobbes' is 'the only political theory according to which the state is based not on some kind of constituting law [...] but on the individual interests themselves, so that "the private interest is the same with the public"' (Arendt, 1958: 139). Arendt's footnote reads: 'The coincidence of this identification with the totalitarian pretence of having abolished the contradictions between individual and public interests is significant enough'.

Thus the historical fact that capitalism and democracy emerged at around the same time, and the fact that democracy as we know it, actually existing democracy if you like, is pervaded by individualistic citizens and capitalist structures, may lead to the danger that egoistic individualism undermines democracy. As Claus Offe has pointed out, this is a problem which Tocqueville already identified in early nineteenth century North America.

Arguments of this kind interestingly complement those of Schumpeter or Bell. For Schumpeter it is democratic and critical attitudes which threaten capitalism; here it is the capitalist habitus that threatens democracy. One can of course ask whether it is *capitalism* that is responsible for such dangers, or whether it is really 'mass society' or postmodernity or the loss of community lamented by Putnam; at any rate these various explanations all relate to the same form of society in which we live.

Schumpeter's theory of democracy is relevant here as well. According to Schumpeter, who follows Max Weber in this, a realistic conception of democracy can only mean that a population has from time to time the opportunity to choose between alternative elites.

...the role of the people is to produce a government, or else an intermediate body which in turn will produce a national executive or government...the democratic method is that institutional arrangement

for arriving at political decisions in which individuals acquire the power to decide by means of a competitive struggle for the people's vote.²⁷

This theory of democracy, which was aptly described by the American political theorists Bachrach und Baratz in 1962 as the 'theory of democratic elitism', is now widely held. Schumpeter's original version however brings out in a negative way an interesting elective affinity between capitalism and democracy. It is not just that the socialist transition which Schumpeter expected with forboding is in his view incompatible with the survival of parliamentary democracy, 'since uncompromising subordination of the masses to the will of the leader of the work process (Lenin in 'The next tasks of Soviet power') is even more necessary under socialism and democratic phraseology even more out of place'.²⁸ Democracy itself, like capitalism, leads

²⁷ *Capitalism, Socialism and Democracy*, p. 269. Here there is another elective affinity between capitalism and representative democracy: Max Weber and others emphasize that it is normal for democratic politicians to 'buy' and accumulate votes (through promises rather than money, of course), just as entrepreneurs accumulate capital.

²⁸ J. Schumpeter (1921) 'Sozialistische Möglichkeiten von heute', p. 327. The reference to Lenin seems to be mistaken. Schumpeter may have meant another text by Lenin, 'Main Task of the Movement' in a long letter of July 1919 from the Central Committee to Party Organisations; this contains some phrases close to what he cites but in the context of the civil

to its self-abolition: 'For full democracy in the literal sense in which the rule is: everyone to count for one, nobody to count for more than one, would not lead to socialism but to the rule of the masses' momentary interest in gratification, to chaos, to disorganisation, to a paradise of idleness for a few months'²⁹. So parliamentary democracy can only function as long as it retains a feudal (ständisch) element.³⁰ As Eva Kreisky writes, citing Arno Waschkuhn, 'Schumpeter was ultimately concerned to reconcile the claims of democracy with elitism.'³¹

Schumpeter's model of representative democracy can be seen either as realism or, as Kreisky (p. 2) suggests, as anticipating, or perhaps paving the way for the neoliberal 'capitulation of politics to economics'. Kees van der Pijl recently

war (V. I. Lenin (1972) *Collected Works*, 4th English ed Moscow: Progress, volume 29, pp. 436ff.)

²⁹ *ibid.*

³⁰ J. Schumpeter (1921) 'Sozialistische Möglichkeiten von heute', p. 325.

³¹ E. Kreisky, (2001) 'Demokratie, Markt und Geschlecht. Die maskuline Welt des Joseph A. Schumpeter', in A. S. Markovitz and S. K. Rosenberger (ed), *Demokratie, Modus und Telos*, Vienna-Cologne-Weimar: Böhlau, p.20.

http://evakreisky.at/online/exe/schumpeter_kreisky.php (accessed 3.11.05).

Cf. A. Waschkuhn, (1998) *Demokratiethorien*, Munich/Vienna: Oldenbourg, pp. 29f.

explained the current poverty of EU politics in terms of a capitulation of this kind: ‘...the populations of Europe have been *doubly disenfranchised*, both by the general restriction of democracy in the neoliberal reform drive, and by the specific displacement of key prerogatives of national parliaments to European structures in the economic domain’.³² Such restrictions of (admittedly only representative) democracy can be justified in system theoretical terms (as by Niklas Luhmann) or purely pragmatically. Hayek’s anxieties and Schumpeter’s theory of democracy were taken up, for example, by the British political economist and journalist Samuel Brittan. According to Brittan

Two endemic threats to liberal representative democracy are:

- (a) the generation of excessive expectations; and
- (b) the disruptive effects of the pursuit of group self-interest in the market place.³³

These dangers arise from two distinct sources:

³² K. van der Pijl (2006) ‘A Lockean Europe? Anglo-Liberalism and its discontents’, *New Left Review* 37, Jan-Feb, 9-37.

³³ S. Brittan, ‘The Economic Contradictions of Democracy’, *British Journal of Political Science* 5, 1975, p. 9.

Excessive expectations are generated by the democratic aspects of the system. The disruptive effects of group self-interest arise from elementary economic logic and are not directly connected with the political structure.³⁴

They come together however in the consequence that ‘an *excessive burden is placed on the sharing out function of government*’. These interest groups turn out not to be, as one might perhaps expect, capitalist enterprises, but primarily the trade unions. ‘Producer groups, of which the trade unions are an outstanding but by no means unique example, have not in the past made use of their full potential power, but have tended to make increasing use of it as time has passed.’³⁵

In the end we are faced by the old question whether capitalism can itself be democratised. There have of course been numerous such attempts, but all seem to me to have failed. First there are the statist or reformist socialist attempts to bring capitalism under state control, rather than abolish it. Examples of this approach are the war economies of the democratic states in the 2nd World War, where however the controls were scrapped soon after the

³⁴ p.10.

³⁵ *ibid.*

end of the war.³⁶ They might of course come back if the world capitalist economy does not recover with less drastic treatment. One can see similar possibilities for some postcommunist states where the capitalist transformation of the economy is still presided over by a strong state. But the further such strategies advance, for example in Russia or more clearly in Belarus, so the formal structures of presidential democracy become a mere fig-leaf.³⁷ China, of course, has so far managed to avoid them altogether.

A second historical attempt to democratise capitalism can be found in syndicalism, so far as it also aims not to overcome capitalism but merely to control it. This has however rarely been of importance in the whole period since the First World War –

in Stefano Bartolini's superb book on the formation of the European Left it appears more as a disturbing factor.³⁸ The most significant case is that of Spain before the Falangist putsch. Participatory democracy in cooperatives such as those often cited in and around Mondragon in the Basque country

³⁶ Harold Wilson, then in charge of the Board of Trade, spoke of a 'bonfire of controls'.

³⁷ See for example, D. Mandel (2005) "'Managed Democracy': Capital and State in Russia', *Debate* 13, 2. August: pp 117-36.

³⁸ S. Bartolini, (2000) *The Political Mobilization of the European Left, 1860-1980*. Oxford University Press, pp. 78-9, 89.

have however remained an exception. Michael Albert's 'participatory economics' is still just a programme.³⁹ The Yugoslav self-management system was in the end just a variant of state socialism and disappeared with it. European social democracy has produced various initiatives such as the now forgotten proposal in Germany to direct investment ('Investitionslenkung') or the rather more important Swedish investment fund. The 'stakeholder capitalism' proposed by Will Hutton and some New Labour politicians has remained a slogan.

When I described the original version of this paper to a friend from the US, he commented that it would be most unusual there to suggest any kind of tension in the relationship between capitalism and democracy. I have tried to show here that there are such tensions and the future of the relationship, and that of its two components, remains uncertain. As Eric Hobsbawm wrote recently, 'state socialism has failed, and capitalism is bankrupt'⁴⁰. If only those who wanted to try a 'third way' in 1989 had been allowed to do so we would have

³⁹ See S. Halimi, 'Dernières nouvelles de l'Utopie', *Le Monde Diplomatique*, No. 629, août 2006: 14-15. Also M. Albert (2003) *Parecon: Life After Capitalism*, London: Verso and M. Albert (2006) *Realizing Hope: Life Beyond Capitalism*, London: Zed Books.

⁴⁰ *The Guardian*, 10.4.09, p.33.

been able to see whether that failed as well.⁴¹ My guess is that it would. But that still leaves us, like Samuel Beckett's character, looking for ways to fail better.

⁴¹ See for example, W. Outhwaite (forthcoming), 'What's Left After 1989?', in George Lawson et al. (eds), *The Global 1989*.