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# Social Democracy's Last Rounds

AN INTERVIEW WITH  
WOLFGANG STREECK

When business isn't intimidated enough to accept constraints on its power, capitalism suffocates democracy.

**I** t has been a strange few years for European capitalism. The 2008 crisis threw the entire system into disarray, but it was met with draconian austerity packages that seemed to permanently cement a fully liberalized and financialized regional economy.

And yet there have been new challenges from the Left and debates about alternatives to neoliberalism. The ideas of Wolfgang Streeck, a German economic sociologist, occupy the center of these debates; his public interventions on the politics of austerity, the nature of the 2008 global crisis, and the future of the European Union have proven critical.

In this interview — conducted by Jonah Birch of New York University and George Souvlis of the European University Institute in Florence — Streeck explains his evolving perspective on social democracy, the much-contested “European project,” and why the Left needs to “sober up.”

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You've argued in recent years that the trajectory of “democratic capitalism” in Europe has increasingly been in the direction of a social and economic model that prioritizes the imperatives of the market and of business profitability over the requirements of democratic equality and social solidarity. Can you talk a little about how that process has unfolded, and how the eurozone crisis that broke out after 2008 fits into this picture?

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disconnects democracy from the economy — makes it run dry, as it were. The result is what is called post-democracy: democratic politics as a mass spectacle, as part of the entertainment industry.

One way democracy is decoupled from the economy is by a transfer of economic policy out of the hands of national parliaments and governments to “independent” institutions such as central banks, summit meetings like the European Council, and international organizations such as the International Monetary Fund (IMF).

The euro, as instituted by the Maastricht Treaty, has in this way de-democratized (although by no means depoliticized) monetary and economic policy-making in its member states. Substantively, it has imposed a hard-currency policy on the whole of Euroland, one under which some countries, like Germany, can prosper while many others cannot.

One theme of your recent writings on “democratic capitalism” has been a deep-seated pessimism about the prospects for a democratic resurgence against austerity. **Social democracy no longer seems to be the road to a more egalitarian model of capitalism; meanwhile, the left parties and union movements constituting the democratic opposition to the worst of market effects have been seriously weakened. Do you see any possibility for the revival of left-wing, democratic movements against austerity?**

Briefly on “austerity.” It is not that public debt has been cut back since 2008. Quite to the contrary — it has significantly increased, due to low growth and the public absorption of private debt. It is also not the case that non-austerity would be the solution to our problems.

We have had constantly increasing debt levels, private and public, since the 1980s, in parallel to the global expansion of the international financial industry. Today a growing share of the accumulated debt is being held by central banks as assets, paid for with freshly printed money.

Money printing has been going for decades now, blowing up the money supply — and had no impact, not even on the rate of inflation, presumably because the money never got into the hands of those who would spend it, or invest it in the “real economy.”

As to the Left, I think you describe the situation correctly. Social democrats have thought they could ride the market, to make it subservient to social purposes; for example, relying on privatization to make social services more responsive to citizens-renamed-customers.

In the course of events they sacrificed the dignity of the public sphere and subjected its operation to the imperative of profitability. They also became agents of capitalist expansion at a time when capitalists were desperately looking for new business.

In the process they lost contact with a large segment of their popular constituency — those unable or unwilling to “play the market,” for example with their old-age pensions.

As for left parties, like Podemos and Jeremy Corbyn — don't forget Bernie Sanders! — we will see; in particular, Corbyn may be the last chance before the rest of the working class ends up in tow of right-wing populism. In any case, more effective forms of mass mobilization and direct action must be found, to bring voters back, and hopefully it will be possible to rebuild trade unions one way or other.

What makes me pessimistic, though, is the fate of Syriza — how they caved in to the pressures of the other governments, of the IMF, of their own middle class — and perhaps of their strange illusions on “the European idea.”

Since before the Maastricht Treaty was even signed, you've been a vocal critic of the project of European monetary integration. Why is that project so anti-democratic and neoliberal, in your eyes? How has it driven the transformation of Europe's traditionally more egalitarian capitalist models to more market-oriented ones?

To rescue the “European project” it was necessary for it to regain the confidence of business; hence the “Internal Market of 1992.” Unlike what had been promised, this was not followed by a “European Social Model”; employers were in a veto position, and national welfare state and industrial relations institutions were too diverse for consolidation at the European level. Instead we got the euro, conceived during the first wave of international fiscal consolidation and designed on the model of the German mark.

So we moved from “Social Europe” — the term was first used at the Paris summit of 1973 — to the European Union as a transnational liberalization engine, under the flag of the “four freedoms” — which to be sure does not include the freedom for workers to organize or go on strike.

Small wonder, as the bulk of the competencies of the European Union still serves “the completion of the internal market,” and is not suited for anything else.

What about those on the Left who argue that the call to withdraw from Europe and return to national economic institutions only strengthens the hand of the nationalist right? That it's better to

## renovate European institutions rather than risk feeding the likes of the National Front or Golden Dawn?

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Otherwise I am all in favor of wholesale “renovation” — but it must be preceded by a public debate on what is called, in Brussels jargon, the *finalité* of European integration. Is united Europe to be a federal superstate? What will become of the nations that are to constitute it? How much and what kind of “subsidiarity” will there be?

Where will the “ever closer union of the European peoples” end up? Most importantly, will it have a capacity to intervene in market outcomes for egalitarian purposes, at the European in addition to the national level? How are the two levels to be linked? What sort of “Social Europe” will be built, this time for real?

Do you think there could have been a different outcome to Syriza's negotiations with the troika? Could Alexis Tsipras have pursued an alternative strategy, like the one advocated by Syriza's dissident Left Platform, and thereby avoided capitulating to Greece's creditors? Or would that have required a different balance of forces elsewhere on the continent?

This might be Monday-morning quarterbacking, as the Americans say. I am still intrigued by Wolfgang Schäuble's last-minute offer for a temporary exit of Greece from the European Monetary Union (EMU), to allow for a readjustment of exchange rates. The Greeks have never explored what was behind this.

Clearly it could have been combined with a significant “golden handshake,” even but by no means exclusively in the form of debt relief. Having originated the idea, the Germans could not possibly have let the Greeks starve. But Yanis Varoufakis and Tsipras were so high on the symbolic value of EMU membership for their country that they never even asked for the small print. So they had to eat crow, regardless of their triumph in the referendum.

Basically I agree with George Soros — an international political economy expert if there ever was one! — that Greece cannot recover without a currency devaluation, which is possible only outside the EMU or with a deep amendment of the Treaty

allowing, among other things, for parallel national currencies in specific circumstances.

Greece seems like a good example of how the push for austerity can be self-defeating for European capitalism, since it'd benefit from the revival of business activity that would result from any easing of the terms of austerity. Yet Europe's rulers have only continued to demand more and more blood from the Greek people in return for the financial bailouts required to keep the Greek state solvent.

How do you explain that disjuncture? Is it ideologically motivated? Or are the short-term interests of global capitalism overruling its long-term ones?

I disagree with your premise. Greece is far too small to ever drive demand-led growth in Europe. And it is small enough to be fed through by the rest of Europe, perhaps even by Germany alone, without anybody noticing.

I am sure Merkel and Schäuble would long have settled on this if it was only about Greece. The problem is the precedent a Greek bailout plus "Marshall Plan," or however you would call it, would set for the general reading of the EMU treaty, and for the expectations of other countries like Italy and France with respect to "European solidarity."

Of course generally speaking there are a lot of dilemmas here that impinge on how interests are defined — making them less than unambiguous, to put it mildly. So, for example, financial investors want both growth and fiscal consolidation, but can have only one of the two.

They want to see "fiscal discipline" — governments overruling citizens in favor of creditors — but they also want political stability. Governments want low interest rates on their accumulated debt, to be able to buy popular support, but if they spend too much their creditors lose confidence and interest rates rise. And so on.

I for one don't put much store by ideology. Most of these people don't believe in anything except their balance sheet, and they know how to add two and two. On political interests: they are a parallelogram of different and typically conflicting goals, never defined by one goal only: industrial capital, financial capital, governing parties, states, sometimes the labor aristocracy, all interacting under the pressure of — changing — power relations.

In your 2009 book on German capitalism, *Re-Forming Capitalism*, you seemed to suggest that economic liberalization

was this process that happened almost inevitably as a result of structural changes in the capitalist system. But in recent writings, you've placed much more emphasis on the role of business and influential groups of market investors in pushing liberalization. So is a process like liberalization driven chiefly by structural changes or by private actors?

There are two sides to social transformation, a systemic and a political one — they are two perspectives that are equally valid and complement each other. There is power and interest; and there is a systemic logic rooted, not in politics, but in social structure.

It also depends on what you're looking at. When I wrote the 2009 book, I looked at one country only, Germany, which was and is essentially no more than a marginal player in global capitalism, receiving its political and commercial clues from the outside world, in particular the United States.

The thrust of my argument was against a “varieties of capitalism” literature that underplayed the importance of the commonalities of capitalism, in particular the common trends of development since the 1970s. Showing how Germany was not an exception but, at best, a latecomer, was important in this respect.

Later, in *Buying Time*, it was necessary to shift to an interest-centered perspective in order to present a plausible story about the breakup of the postwar settlement, which began with a breakup of the American New Deal and finally arrived in Europe via Reagan and Thatcher. This was preceded by a reorientation of American monetary policy, the intervention in Chile, the campaign against Eurocommunism in the 1970s, etc., etc. You know the story.

Here the interest behind the end of state-administered capitalism needed to be identified, and I was lucky to hit upon Michal Kalecki among others for hints, and more than hints, as to how to build a power perspective into macroeconomic system theory.

You claim that as European capitalism has become less socially regulated, “slow growth” has emerged in the form of mass unemployment and growing fiscal pressures. Is a return to the ideas of full employment and economic stability even possible anymore?

Capital has no particular interest in full employment; to maintain discipline among its workforce it needs an industrial reserve army. One can add that capital has no interest in productivity or growth per se either, as long as low growth and

lagging productivity are accompanied by rising profits as a result of a declining wage share.

Given the current distribution of power under global capitalism, I see the possibility of a return to full employment only in regional niches privileged by a favorable resource endowment, including inherited productive institutions, and a good fit with the (changing) demands of global markets.

But even there the advance of robotics and artificial intelligence may make for a bad surprise among those who place their bet on serving as a new middle class of the global economy, performing its relatively well-paid managerial, engineering, and design jobs while the satanic mills of the factories of the Manchester era have long relocated to Bangladesh and other places.

Moreover, “employment” as we know it may soon more or less disappear, displaced by new forms of precarious “self-employment.” The historical illusion of postwar Keynesianism was the belief that what had in fact remained a capitalist economy had been converted into a politically neutral wealth-and-employment creation engine, ready to be operated by professional engineers called “economists.”

Capital supported this illusion for fear of an anticapitalist backlash, but only for a while. In the 1970s, when it felt squeezed to the wall, it became fed up with social democracy and looked for a way out. This was when “the crisis” began, and “globalization” with it.

Why do you think the social-democratic left of the 1970s, which you identify with, was unable to develop a viable strategy for dealing with the onset of crisis and the resulting growth of economic difficulties in the advanced capitalist world? It seems like all over Western Europe, social-democratic reformism gained strength and became more ambitious in the 1970s — but in every case, it eventually went down to defeat. Why was that?

Social democracy requires intimidated capital feeling constrained to compromise with society — predators scared enough to pretend they were dairy cows. “Globalization” was the window of opportunity for postwar capitalism to drop the disguise and return to business as usual.

With time — not a very long time — it was no longer capital that was intimidated but national governments, with the exception perhaps of the one state that did and does in fact serve as the executive committee of global capitalism, the US. Today states are located in markets, no longer markets in states. This is a problem good-old social democracy was and is unable to understand, not to speak of solve.

In the 1980s and 1990s you pointed to economies like in Germany and Sweden as proof that labor and democratic pressures could pressure business to take the high road. You've obviously changed your mind since then.

I have no hesitation to say that my early work was driven by an intention to prove the possibility of social democracy under capitalism — it was “wishful thinking,” in the sense that I wished that what could be shown to be possible could eventually be made real.

In particular I was interested in the possibility, and perhaps generalizability, of a capitalist production system driven “from below,” by a labor constraint commanded by strong trade unions and forcing capitalists to produce in ways compatible with the requirements of a good society and a good life.

Globalization made this much more difficult, especially for entire national economies — and in particular as it extended to capital markets. These forces soon began to work upon production systems from above, overriding and cancelling the “beneficial constraints” exercised by organized labor from below.

It took me some time — too long, you may say — to understand the truly fundamental change caused by internationalization and financialization. Focused on labor, I needed to work in money — the ultimate driving force of a capitalist political economy.

Can you talk about how your relationship with Marxism has also changed? In the 1970s and 1980s, you were critical of some of the best known Marxist writers. But your work today, while influenced by a range of thinkers, does also draw from Marxist ideas.

Your account is essentially correct. The Marxism of the 1970s that I encountered as a student seemed dry and abstract to me. There was no life in it, only structures and definitions, and “laws” of which I could not make sense. I had come to social science because I was curious to see what the world out there was like, the world of real people.

It was only later, much later, that I discovered Marx the economic historian, the keen observer of the American civil war, the passionate political analyst of French politics. As much life, easily, as in Weber or Barrington Moore! Right now I am becoming more familiar with American Marxists writing in the 1950s and 1960s — and am deeply impressed with the farsightedness of their analysis.

Working on my 2009 book taught me that the historical agnosticism of most of academic social science — its refusal to recognize and theorize endogenous evolutionary movement in social formations — was its biggest deficiency, and was the cause of most of it being as boring as it is.

Once you bring back history into social science, however, you cannot possibly bypass Marx. Without Marx evolutionary theories become abstract in the sense of empty: a postmodern *Glasperlenspiel* for connoisseurs, or an attempt at faith healing through stubborn insistence on the real effectiveness of moral counterfactuals, without even trying to explain why they have not long become facts.

Finally, regarding your personal political outlook. Do you still considerable yourself a left-wing social democrat of the postwar type? You were obviously disappointed by the performance of the Schröder government in Germany, in which you had served as an adviser.

My role in the first Schröder government — more specifically, its tripartite “Alliance for Employment” — was short; after about one-and-a-half years it was over, long before the “Hartz reforms” came on the agenda.

It was the time of the “Third Way,” and we hoped that we could ride the wave of marketization to save the welfare state by making it fit for a global economy. Connections in Europe included Dominique Strauss-Kahn, then the finance minister of France, and David Miliband, adviser to Tony Blair.

It soon became clear that this was the last round for European social democracy, and that we were not winning. We were reforming capitalism, and only later noticed that capitalism had been re-forming under our very eyes.

2008, then, finally sealed it all. I needed a new framework, away from wishful demonstrations of the possible to a realistic accounting of the real, to get ahead with the most urgent task for the Left, which is sobering up.

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Once you bring back history into social science, however, you cannot possibly bypass Marx. Without Marx evolutionary theories become abstract in the sense of empty: a postmodern *Glasperlenspiel* for connoisseurs, or an attempt at faith healing through stubborn insistence on the real effectiveness of moral counterfactuals, without even trying to explain why they have not long become facts. Your account is essentially correct. The Marxism of the 1970s that I encountered as a student seemed dry and abstract to me. There was no life in it, only structures and definitions, and “laws” of which I could not make sense. I had come to social science because I was curious to see what the world out there was like, the world of real people.

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Finally, regarding your personal political outlook. Do you still consider yourself a left-wing social democrat of the postwar type? You were obviously disappointed by the performance of the Schröder government in Germany, in which you had served as an adviser.

WS | My role in the first Schröder government — more specifically, its tripartite “Alliance for Employment” — was short; after about one-and-a-half years it was over, long before the “Hartz reforms” came on the agenda.

It was the time of the “Third Way,” and we hoped that we could ride the wave of marketization to save the welfare state by making it fit for a global economy. Connections in Europe included Dominique Strauss-Kahn, then the finance minister of France, and David Miliband, adviser to Tony Blair.

It soon became clear that this was the last round for European social democracy, and that we were not winning. We were reforming capitalism, and only later noticed that capitalism had been re-forming under our very eyes.

2008, then, finally sealed it all. I needed a new framework, away from wishful demonstrations of the possible to a realistic accounting of the real, to get ahead with the most urgent task for the Left, which is sobering up.