German Sociology on Capitalism, Inequality and Democracy – A critical review

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Since the financial crisis of the years 2008ff capitalist development has not only moved to the center of the political discussion, but also re-entered the focus of sociological attention. Against this background, this article aims to analyze the content of selected literature on the nexus of capitalism, inequality and democracy from the period of the last five years. A particular comparative standard of this review lies in the spatial reference frame, which the contributions discussed here apply to inquire the relationship between capitalism, inequality and democracy. With ‘Buying time’ by Wolfgang Streeck (2017), ‘Germany’s Hidden Crisis’ by Oliver Nachtwey (2018), and ‘Neben uns die Sintflut von Stephan Lessenich (2018), all three texts primarily originate from the German context.

As the smallest common denominator of a sociological concept, the term ‘capitalism’ shall in the following refer to the form of an economy in which production and distribution of goods and services are organized via markets (1) and under conditions of capital concentration (2) and free wage labor (3). While generally, a number of theoretical perspectives – such as praxeology (Brandes and Zierenberg, 2017), subject theory (Bröckling, 2006) or global history (Beckert, 2015) – on a number of different institutional trajectories – such as digitalization, the ecological crisis, the specific developments in the BRIC-countries – could have inspired the selection of literature, this article consciously neglects contributions on capitalism as a way of life, ideology or cultural order (on this, see e.g. Neckel, 2008, Boltanski and Chiapello, 2003 or Mau, 2017). Due to their often rather specific focus on the dynamics within particular markets, as well as a strong orientation in cooperation and coordination rather than conflict (critically: Sparsam, 2015), contributions from the field of New Economic Sociology are also not at the center of this text.

Historically, market economies show a structural tendency to foster stratification with regards to social positions and distribution of income (i.e. status and consumption). As a simultaneous principle, democracy provides a complementary logic. By granting access of (mündig) citizens to public decision making, democracy does not only secure (almost) everybody’s formal participation. Moreover, collective will opens the (theoretical) possibility to make use of societal resources (Marshall, 1992). Subsequent to a period of an institutional compromise between capital and labor in the highly industrialized countries of the Global North, an overall liberalization trend (Baccaro and Howell, 2017) has pushed the structural tension between capitalism and democracy back into the center of sociological attention.

In this context, the question of the territorial reference frame, in which this nexus is to be inquired remains an open one. While the dynamics of national market economies are –
under conditions of globalization – automatically influenced by (and themselves influen-
ing) a global context, local particularities (such as the retrenchment of the German wel-
fare state at the turn of the century) can vary. How “the power of the local in a world
with no borders” (Berking, 2006) can be conceptualized from a sociological perspective
on the nexus of capitalism, inequality and democracy therefore remains an open ques-
tion. This question will be addressed in the following.

During the 1990s, the downfall of the Soviet Union was reflected in research on capital-
ism through the emergence of a new paradigm: While, up until then, market economies
had been inquired as one way of organizing production and (re-)distribution, the per-
spective of comparative now shifted to a focus on varieties between the institutional
setting of national market economies (Hall/Soskice, 2001). Whether „Rhineland Capita-
lism‘ (Albert, 1992), „Stakeholder Capitalism‘ (Morgan and Quack, 2000: 4) or the „lovable
version of real existing market economies“ (Hassel, 2006: 200) – the national specifics of
the German model have traditionally been described with reference to the notion of so-
cial partnership. The institutional trajectory of the German model therefore served as the
main example of a general trend towards the liberalization of coordinated capitalism
within the OECD countries (Baccaro and Howell, 2011). Consequently, this perspective
has also shaped the theoretical discussion around the concept of capitalism within Ger-
man sociology.

Differing from approaches focusing on cultural (Sennett, 1998), financialization (Bischoff
and Müller, 2015: 58) or parallel production and tax competition (Altvater and Mahnkopf
1997), the decreasing impact of national institutions can only be understood by taking
into account the interplay of such explanatory factors. One of the most impressive ap-
proaches in this context was presented by Wolfgang Streeck (2017) with his book ‘Buying
Time‘.

As the director of the Cologne-based Max-Planck-Institute for the Study of Societies,
Streeck had started researching institutional change in capitalist societies by the turn of
the century. Under conditions of financialization, international regime competition and
the diffusion of neoliberal ideology, Streeck (2009) detects an overall trend of liberaliza-
tion of the German model. Against the background of the financial and fiscal crisis and by
extending his focus from Germany to the EU, Streeck (2015) takes this analysis one step
further. ‘Buying time‘, he explains from the perspective of historical institutionalism,
means maintaining the buying power (and thus: opportunities to take part in societal
wealth through consumption) for broad social strata in a policy-sequence of three steps:
increase of inflation, increase of state-debt and increase of private debt. Against this
background, the crisis of capitalism is – at least in the rich societies of the Global North –
caused through a crisis of the banks (too much lending to debtors with insufficient credit
worthiness), a crisis of state finance (deficits of public households) and a crisis of the real
economy (stagnating economic performance through decreasing buying power.

In order to explain the exhaustion of Social Capitalism’s institutional arrangement,
Streeck (2017: 17) wants to challenge the “‘public choice’ account, one of wanton masses
whose shameless demands for ever more”, through a “more realistic reconstruction of
events”. The idea of wage earners overstretching their demands (in terms of social policy
and collective bargaining), Streeck counters by proclaiming that the class compromise
was, in fact, terminated from above. Since companies now had the option to move production to other countries (or at least could threaten to do so), capital encountered a power-boost which transformed the entire constellation.

The institutional developments highlighted by Streeck have, over the last years, been made the object of numerous studies (Krüger, 2013; Dörre, 2016; Deppe, 2012). A synthesis of these – mostly rather fragmented findings – was recently provided by Oliver Nachtwey (2018) in ‘Germany’s Hidden Crisis’. By operating at the intersection of sociology and political-economy, with his focus on the evolution of the German model since the 1960s, the author shares important premises with Streeck (2013). “Societies of ascent and social integration”, Nachtwey (2018: 2) proclaims “have become societies of downward mobility, precariousness and polarization.”

For Nachtwey, a theoretical point of departure lies in the diagnosis of Ulrich Beck (1986), who claimed that in the epoch of ‘second modernity’, class no longer marks the central conflict line in society. However, instead of ecological dangers deriving from industrialization of the plurality of lifestyles, Nachtwey (2018: 27) proclaims a “continued relevance of class structures” for the shape of social order. By promoting precarity to a functional principle of the labor market, we are endangering the achievements of progressive social struggles.

Building on the classics of political economy (and with a strong reference to Marx’s law of the tendency of the rate of profit to fall), Nachtwey argues that decreasing gains have – in the long run – slowed down capital accumulation. Similar to Streeck, he comes to the conclusion that economic stagnation in Western countries can be traced back to shrinking investments from the capital side and consolidation of public households. Instead of modelling the particularities of national settings (as is done in Comparative Political Economy), both books contribute to the reconstruction of national trajectories from the angle of historical institutionalism (also see Streeck and Thelen, 2005).

An important point of departure of the current sociological debate around the nexus of capitalism, inequality and democracy is marked by the publication of Thomas Piketty’s (2016) ‘Capital in the 21st century’. Based on an inquiry of the development in terms of income and wealth from the 19th century until the economic crisis of the last years, he shows that the return on assets exceeds overall economic growth in the long term. From a political economy perspective, Piketty points out “an ideological contradiction of an economic modernity”, “which does not necessarily lead to a democratic modernity based on democratization of wealth and power” (Piketty, 2014: 45; my own translation). Thereby, Piketty is adding to a debate over oligarchic tendencies within the triangle of the three concepts under inquiry – capitalism, inequality and democracy.

In a similar vein, Wolfgang Streeck addresses the relationship between capitalism and democracy under aspects of distributional conflicts. Aspiring to revisit the crisis theories of the Frankfurt School (i.e. mainly Habermas, 1973 and Offe, 2006), he connects two lines of critique which Colin Crouch (2004; 2011) has coined as ‘Post-democracy’ and ‘Neoliberalism’. Within the constellation of a ‘shotgun marriage’ (Streeck, 2014: 65) between capitalism and democracy, export surpluses and balanced power relations be-

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1 While Streeck analyzes the interplay of the national and the supranational level, the methodological nationalism in Nachtwey’s study implicitly rests on Marshall’s (1992) evolutionary sociology, who historically reconstructs the emergence of national citizenship in the course of capitalist modernization.
between capital and labor maintain a well-balanced social order (at least in the industrialized countries of the Global North, in which such conditions are given).

The basic idea of a structural conflict between the two principles and their institutional logics (accumulation vs. redistribution) serves, as Streeck suggests (2017: 24), as a basis for a “social contract” (ibid.), “in which the legitimate mutual expectations of capital and labour, of profit-dependants and wage-dependants, are more or less explicitly enshrined as a formal or informal economic constitution.”

This theoretical heuristic Streeck subsequently applies to the complex of the European Union. Through entering European monetary union, according to him, the EU has reached a new stage of regional economic integration. While national social policy and collective bargaining were already being affected through the four freedoms in the common market (goods, capital, people and services), under European monetary union a vertical political logic of political decision-making is set into place. Here, economic, social and labor market policy are supervised through processes of ‘European Economic Governance’.

By tracing back the causes of the turbulences within the common currency regime to the recalibration of state household management, Streeck interprets the Eurocrisis as part of a broader crisis of global capitalism in toto. The transformation from the Keynesian intervention- into a neoliberal consolidation state has influenced the political constellation within the EU Member States in three ways: A balanced state household should be achieved not through higher taxes but less expenses (1), further public sector cuts (2) and use of available resources to existing expenses (such as interests for existing debts). In public discourse, such measures are legitimized through a “rhetoric of international debt politics” (Streeck, 2017: 92), in the course of which “nations appear as homogenous moral individuals with joint liability”. The fact that internal class relations are being neglected creates the ideological fundament for distributional conflicts between the Euro-countries.

Having sketched out these developments, Streeck now diagnoses a transformation of the state’s steering capacity, which he illustrates within a “stylized model” of ‘Staatsvolk’ and ‘Marktvolk’. In the “democratic debt-state” (2017: 79) political subsistence of the nation state no longer depends on the participation of the national citizens, but primarily on the trust of international creditors. Instead of (private) capacity building, citizens are obliged to pay off debt; continuous auctions take the place of periodical elections, instead of public opinion the political system is dominated through international markets.

A fundamental critique of public decision-making is expressed by Nachtwey, when he characterizes a “change from genitivus objectivus to genitivus subjectivus that can be expressed as government by markets” (2018: 81). Like Streeck, Nachtwey is referring to the turn towards politics of austerity, which endangers economic growth and access to societal wealth for the lower strata of the population. Together with a general cultural change towards self-responsibility, this modern form of class politics serves, at least in the short term, the interest of capital owners. The fact that liberalization has transformed institutional arrangements at the cost of the lower social strata and thus caused a societal rollback behind the achievements of Social Capitalism, finally leads Nachtwey
(2018: 207) to his diagnosis of regressive modernity, which causes “the previously latent conflict that underlies present-day democracy” to surface again.

By using the metaphor of climbing up an escalator that is - at the same time – moving in the opposite direction, the author illustrates the socioeconomic framework conditions of “anomic constellations”, (ibid: 148) which could then translate into new forms of social conflicts themselves. “Precarity and downward-mobility”, according to Nachtwey (2018: 161), are causing “acts of revolt”, in the course of which “the future of our democracy” (ibid.: 8) is decided. As protagonists of such conflicts at the two ends of the political spectrum, Nachtwey inquires the emergence of Occupy and PEGIDA. Earlier insights on the institutional trajectory of the German economic model are serving as a solid foundation for his interpretation of these conflicts from the angle of class politics. Accordingly, Nachtwey views the emancipatory efforts of Occupy, just as the authoritarian mobilization of PEGIDA as “the result of people’s socialization and their cultural and political milieu” (ibid. 222), and therefore a reaction to the decline of life chance and access to societal wealth.

Regarding the political perspectives of these conflicts, the author is giving a brief (and cautious) outlook at the end of his book. Indeed, acts of revolt constitute are contributing to the emergence of a “rebel democracy” (ibid.: 206), whose impulses are nurtured through the struggle for social participation of the lower strata. Not least as a consequence of a “Krise der linken Imagination” (ibid.: 232) the danger of an authoritarian infiltration of these tendencies through right-wing or religious-authoritarian resentments arises.

An alternative perspective on the nexus of capitalism, inequality and democracy is proposed by Stephan Lessenich (2016). Inspired by the cosmopolititarian thinking of Ulrich Beck (2003), Lessenich aims to reconstruct the connections between micro-level consumption and global inequalities on the macro-level, in order to prepare a groundbreaking critique of the national reference frame in sociological thinking.

Drawing on conceptual elements of World System-Theory, Lessenich (2018) reconstructs the “life at the expense of others” as a central characteristic of global capitalism. The economic wealth of the countries of the Global North does, from this perspective, not only rest on the exclusion of the Global South. While many products from international value chains are only available to a (wealthy) few, negative effects of the production process are often outsourced into the global periphery. This dynamic, Lessenich described as ‘externalization’.

The consequences of this institutionalized forwarding of “these costs to innocent third parties” (ibid. forthcoming) are illustrated by Lessenich through a critique of voluntaristic economic theories. In order to explain the persistence and the functional necessity of global inequalities, he moreover draws on elements from Dependencia- and Land-grabbing-theories. Current developments, such as climate change and the growing migration flows Lessenich interprets global “boomerang effect” (ibid.).

The fact that the people in the Global North have been living at the expense of people in the Global South, Lessenich explains by pointing to increasing inequalities within the core countries (1) and with reference to their unwillingness to engage with moral consequences arising from their way of live. Under conditions of a “historically evolved power
structure” (ibid.), “this well-practised custom of outsourcing costs and pocketing the profits has become second nature to the externalizers, a ‘normal’ and no longer questioned way of behaving”.

It seems remarkable that throughout the book, Lessenich rejects the notion of ‘Moralization’. Instead, so he claims (ibid.), his argument is pointing to “structural conditions” and “the self-evidence of everyday practices”. To me, such an interpretation appears to be misleading. In my opinion, the entire logic of the book is resting on the (moral) assumption that consumption in the Global North is unjustified, because it comes at the expense of the Global South. If Lessenich would not make this assumption, how would he be able to distinguish his research object from others (such as gender relations in the garment industry or niedersächsische Verkehrspolitik – they would all be the same!)?

In (re-)setting the agenda for this topic then lies one of the most important contributions of this book to the sociological discussion. While the analyses of Streeck and Nachtwey focus on the liberalization of post-war Social Capitalism – with regards to their temporal and spatial reference frame - “talk of the externalization society breaks with the spiral of silence of affluence capitalism”, and thus transports a fundamental critique of the formers’ research designs. In order to fully understand capitalist dynamics, we have to take seriously the postulates of both, historical institutionalism in temporal, and world system theory in spatial regards. Here, however, the question arises, in how far studies such as ‘Germany’s hidden crisis’ are generally accessible for a global or transnational scope of research – after all Nachtwey discusses precarization of employment relations, the consequences of which Streeck analyzes with regard to their impact on European monetary union.

So, what can on this basis be generalized over the debate around the complex of ‘capitalism, inequality and democracy’? If we – in loose connection to Adam Smith’s ‘Wealth of Nations’ and Karl Marx’s idea of a ‘Primitive Accumulation of Capital’ – proclaim two paradigms of research on capitalism (one focused on efficiency and the other one focused on conflict), we can – in the contributions discussed – detect a clear tendency towards the latter one.

The absence of liberal positions may, on one hand, be ascribed to the popularity of institutionalist theories in the field of social-science (e.g. Polanyi, 1973), which place their emphasis not on the market, but on its structural preconditions. Moreover, in the wake of the financial crisis 2008ff, economic dysfunctions and conflicts have moved more and more to the center of scholarly attention. If we understand the ambition of a critical (crisis-)theory as proving how it is both, necessary and possible, to redesign or even overcome the economic order of capitalism, we can find motives of this kind in all of the books.

As shown, the three texts share a strong emphasis of the temporal dimension. While Nachtwey and Streeck both highlight the liberalization trajectory of rich industrialized countries by drawing on the case of Germany, Lessenich applies a historical perspective in order to explain the economic inequalities between North and South. However, as becomes apparent against this background, the three approaches differ significantly with regards to the spatial reference frame.
Table 1: Logic of research in the three approaches

While through following Marshall (1992), Nachtwey conceptualizes the relationship between capitalism, inequality and democracy within a national reference frame, Streeck transcends the (methodologically) national(ist) framework by explaining the Euro-crisis through political centralization in the EU’s political system and the economic interplay between the national economies of the Member States. The strongest conceptual critique of methodological nationalism can be found in Lessenich’s argument. By highlighting world-systemic inequalities, he is not only taking up the epistemological tradition of Ulrich Beck’s (2007) cosmopolitariam approach. Compared to the texts of Streeck and Nachtwey, Lessenich’s argument moreover shows a rather subordinated role of class politics – a blank spot which itself reminds us of the ‘Risk Society’ (1986) and its conceptual successors.

While none of the three positions necessarily requires any rigorous rejection of the other two, the question of their respective significance poses itself as an empirical problem. On a political level, Streeck highlights the persisting importance of the nation state with particular reference to maintaining social and tax standards, as well as collective bargaining institutions. Moreover, Streeck argues, the national public sphere is, at least until today, the largest discursive arena. A similar strategic importance of the nation state is also identified by Nachtwey, who intentionally leaves open the question over whether political mobilization is more likely to emerge from the right or from the left. Against this background, a cosmopolitical perspective on social inequality would have to answer the question, how it wants to integrate those essentially national phenomena into its heuristics.2

Which further questions arise from this for future sociological research on capitalism? Is democracy really no longer the best-suited political form for (Western) capitalism? Or can we – as in the 19th century – not expect a sequence of market re-embedding in the Polanyian sense? If so, will a countermovement against crisis-ridden capitalism emerge

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2 Also, on an epistemological level, departure from methodological nationalism does not seem like a genuinely progressive endeavor. For example, comparative research – in taking into account different national contexts – research designs, capable of modeling parallel developments by recurring on the same variables.
from the national or the international level? Can capitalism and democracy be re-nationalized, at all?
Closely connected to the methodological status of the nation state is the new authoritarianism visible in initiatives such as ‘Patrioten gegen die Islamisierung des Abendlandes’ or the new party ‘Alternative für Deutschland’ (Ganselberger, 2017). Another desideratum for a sociology of capitalist lies therefore in a stronger focus on cultural factors enabling the symbolic legitimation of liberalization (e.g. Blyth, 2013). Last but not least, sociologists are – by dealing with the relationship between capitalism, inequality and democracy – engaging in their own ‘identity politics’. Accordingly, the clearly normative tendency sociological analysis has taken on since the (financial, democratic and refugee-) crisis of 2008ff (Dörre et al., 2009), have created need for reflexive debate within the discipline (e.g. Mikl-Horke et al., 2011).

References


