
Legitimation Crisis? On the Political Contradictions of Financialized Capitalism

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ABSTRACT

Façade democracy. Post-democracy. Zombie democracy. De-democratization. In proliferating such terms, many observers posit that we are living through a “crisis of democracy.” But what exactly is in crisis here? I argue that democracy’s present travails are best understood as expressions, under historically specific contemporary conditions, of a general tendency to political crisis that is intrinsic to capitalist societies. I elaborate this thesis in three steps. First, I propose a general account of “the political contradiction of capitalism” *as such*, without reference to any particular historical form. Then, I reconstruct Jürgen Habermas’s 1973 book, *Legitimation Crisis*, as an account of the form this political contradiction assumed in one specific phase of capitalist society, namely, the state-managed capitalism of the post–World War II era. Finally, I sketch an account of democracy’s current ills as expressions of capitalism’s political contradiction in its present, financialized phase.

Façade democracy. Post-democracy. Zombie democracy. De-democratization. Such expressions are currently proliferating, claiming the space once occupied by earlier talk of “deliberative” democracy. The clear suggestion is that democracy’s long-standing ills have passed beyond the point of amelioration to the stage of crisis. And who could disagree? The evidence includes declines in electoral turnout, the proliferation of corruption and big money in politics, increased concentration of media ownership, a rise in right-wing extremism, the virtual collapse of traditional left-wing parties in the Global North, the sharp narrowing of the spectrum of policy differences as nearly all parties rush to placate

For helpful comments, I am grateful to Robin Blackburn, Hauke Brunkhorst, Claudio Corradetti, Robert Gooding-Williams, Bernard Harcourt, Jennifer Nedelsky, Max Pensky, William E. Scheuerman, Melissa Williams, Eli Zaretsky, Linda Zerilli, and an anonymous reviewer for *Critical Historical Studies*.

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2326-4462/2015/0202-0001\$10.00

the bond markets, widespread disaffection with the European Union, the declining credibility of the United States as a legitimate, rational world hegemon, the proliferation of political violence—at the hands of states and police forces, majority and minority extremists, organized networks, and disaffected individuals. What are these if not unmistakable signs of the pervasive hollowing out of democratic forms?

If the phenomena are palpable and incontrovertible, their interpretation and explanation are far less clear. What exactly is in crisis here, and what are the grounds and locus of the trouble? Are democracy's current ills rooted primarily in the political order? Can they be solved by reforming the latter—for example, by strengthening “the democratic ethos,” reactivating “the constituent power,” unleashing the force of “agonism,” fostering “democratic iterations”? Or are we facing a broader, more far-reaching crisis, of which the “crisis of democracy” constitutes but one strand, inextricably interwoven with others? And in that case, what is the true object of the crisis, and what are its deep structural sources?

The most insightful observers intuit that democracy's current crisis is deeply bound up with the advent of neoliberal capitalism. Some, like Colin Crouch, posit that the root of our current “post-democratic” condition is the capture of public power by oligopolistic corporations with a global reach.¹ Others, like Wolfgang Streeck, contend that the exceptional postwar convergence of democracy and capitalism in the Global North has been undone by a coordinated tax revolt of corporate capital and the displacement of democratic citizenries by global financial markets as the sovereign instance to be heeded at all costs by governments.² Still others, like Wendy Brown, identify “de-democratization” with the colonization of public power by neoliberal political rationalities valorizing efficiency and choice and by neoliberal modes of subjectivation enjoining “self-responsibilization” and maximization of one's “human capital.”³ Yet others, like Stephen Gill, emphasize the preemption of democratic action by a “new constitutionalism” that locks in neoliberal macroeconomic policy transnationally, through treaties such as NAFTA, which enshrine free-trade strictures as political trumps and foreclose robust social and environmental legislation in the public interest.⁴

1. Colin Crouch, *The Strange Non-death of Neoliberalism* (Cambridge: Polity, 2011).

2. Wolfgang Streeck, *Buying Time: The Delayed Crisis of Democratic Capitalism* (London: Verso, 2014).

3. Wendy Brown, “American Nightmare: Neoliberalism, Neoconservatism, and De-Democratization,” *Political Theory* 34, no. 6 (2006): 690–714, and *Undoing the Demos: Neoliberalism's Stealth Revolution* (Brooklyn, NY: Zone, 2015).

4. Stephen Gill, “New Constitutionalism, Democratisation and Global Political Economy,” *Pacifica Review* 10, no. 1 (1998) 23–38. For a more recent statement, see Stephen Gill, “Market Civilization, New Constitutionalism and World Order,” in *New Constitutionalism and World Order*, ed. Stephen Gill and A. Claire Cutler (Cambridge: Cambridge University Press, 2015), 29–44.

Such accounts take us close to the heart of the matter. Seeking to capture an epochal shift, they link democratic crisis to a mutation in the nature of capitalism. It is the shift from the state-organized capitalism of the postwar era to the globalizing capitalism of the present, these observers claim, that has destabilized political orders throughout the world, hollowing out public powers and turning democratic institutions into empty shells, mere shadows of their former selves.

I agree with this diagnosis as far as it goes. But I believe that we can and should develop it further—by interpreting the present ills of democracy as more or less acute expressions of what I shall call the *political contradictions of financialized capitalism*. This formulation suggests three ideas. First, the advent of “post-democracy” is no mere accidental occurrence, but one with deep systemic roots in the structure of our social order. Second, what this development signals is not simply a political crisis but something broader, a general crisis of this social order, which I call *financialized capitalism*. Nevertheless, and this is the third point, present processes of de-democratization indicate something rotten not only in capitalism’s current, financialized form but in capitalist society per se.

These are the theses I shall elaborate here. My claim, to begin with the last point, is that *every* capitalist social formation harbors a deep-seated *political* “crisis tendency” or “contradiction.” On the one hand, legitimate, efficacious public power is a condition of possibility for sustained capital accumulation; on the other hand, capitalism’s drive to endless accumulation tends to destabilize the very public power on which it relies. This political contradiction of capitalism lies at the root, I claim, of the present political crisis—and of the hollowing out of public power that many have noted. Although inherent in capitalism as such, it assumes a different and distinctive guise in every historically specific form of capitalist society—for example, in the liberal competitive capitalism of the nineteenth century, in the state-managed monopoly capitalism of the postwar era, and in the financialized neoliberal capitalism of the present time. The democratic crisis we experience today is the form this contradiction takes in that third, most recent phase of capitalist development.

In what follows, I shall develop this hypothesis in three steps. First, I shall propose an account of the political contradiction of capitalism *as such*, without reference to any specific historical form. Second, I shall reconstruct Jürgen Habermas’s 1973 book, *Legitimation Crisis*, as an account of the unfolding of this political contradiction in one historical phase of capitalist development, namely, the state-managed monopoly capitalism of the post–World War II era. Finally, I shall use some categories developed by Habermas in that book to analyze democracy’s present-day ills as expressions of capitalism’s political contradiction in its current, financialized phase.

I. THE POLITICAL CONTRADICTION OF CAPITALISM AS SUCH

Standard left-wing views of capitalist crisis focus on contradictions internal to the economy. One influential version posits an inherent tendency of the rate of profit to decline, a tendency that can be expressed in crises of overaccumulation, overproduction, and underconsumption. The details of these accounts need not concern us here. What is important is the core idea that the capitalist accumulation process institutionalizes mutually incompatible economic imperatives, which render its dynamics inherently, if tendentially, unstable for nonaccidental reasons. At the heart of capitalism, understood here as an economic system, lies a built-in tendency to self-destabilization, which expresses itself periodically in economic crises.

This view may well be right, as far as it goes. But it fails to provide a full picture of capitalism's inherent contradictions or crisis tendencies. Focused exclusively on economic manifestations of crisis, and on contradictions internal to the capitalist economy, the standard view misses other, noneconomic expressions and bases of crisis. Adopting an economistic perspective, it understands capitalism too narrowly, as an economic system *simpliciter*. From the perspective of critical theory, capitalism is better understood more broadly, as an institutionalized social order, on a par, for example, with feudalism. Its "economic subsystem," to use Habermas's term, is a very important constituent element of this social order. But it is not free-standing, and it cannot be adequately understood in abstraction from other constituent elements, which form its background conditions of possibility. Only an enlarged understanding of capitalism, encompassing both its official economy and the latter's "non-economic" background conditions, can permit us to conceptualize, and to criticize, its full range of crisis tendencies, including those implicated in present processes of de-democratization.

To see why, consider that capitalism's economic subsystem depends on at least three essential conditions external to it. One such condition, social reproduction, concerns the broad range of activities, often unwaged and performed by women, that create and maintain social bonds, while also forming capitalism's human subjects, who are (among other things) the bearers of labor power. A second, ecological condition has to do with nature, which supplies the indispensable material and energy inputs for commodity production, the necessary sink for absorbing the latter's waste, and the sustaining basis for human and nonhuman life. Both social reproduction and natural ecology are indispensable background conditions for a capitalist economy, which is inconceivable in their absence. Both are constitutive features of a capitalist social order, even though they have been constituted as non-economic and situated outside the monetized economy to a great degree.

The same is true for a third aspect, central to my argument here, which concerns the political conditions of possibility for a capitalist economy. What is at issue here is capital's reliance on public powers to establish and enforce its constitutive norms. Capital accumulation is inconceivable, after all, in the absence of a legal framework underpinning private enterprise and market exchange. It depends crucially on public powers to guarantee property rights, enforce contracts, and adjudicate disputes; to suppress rebellions, maintain order, and manage dissent; and to sustain, in the language of the US Constitution, "the full faith and credit" of the money supply that constitutes capital's lifeblood.

Historically, the public powers in question have mostly been lodged in territorial states, including those that operated as colonial powers. It was the legal systems of such states that established the contours of seemingly depoliticized arenas within which private actors could pursue their "economic" interests, free from "political" interference, on the one hand, and from patronage obligations derived from kinship, on the other. Likewise, it was territorial states that mobilized "legitimate" force to put down resistance to the expropriations through which capitalist property relations were originated and sustained. Finally, it was such states that nationalized and underwrote money. In these ways, they constituted the capitalist economy.

Subsequently, of course, states undertook additional functions to sustain the capitalist economy, including provision and maintenance of infrastructure, compensation for market failures, proactive steering of economic development, support for social reproduction, mitigation of economic crises, and management of the associated political fallout. Such efforts, too, were aimed at securing the conditions for private capital accumulation, even when they involved the creation of a public sector. In the modern period, moreover, capital's health has usually required not just state power per se but legitimate, seemingly *democratic* state power. As we shall see, inclusive electoral arrangements can serve as a stabilizing force in ordinary times, securing mass loyalty to the system, alerting elites to the need for reform, and powering efforts to discipline capital for its own good. In addition, broad-based democratic mobilization can provide indispensable political muscle in times of crisis, when capitalism must reorganize itself or die. In all periods, accordingly, legitimate efficacious state power is required to sustain accumulation over the long term.

But this is not all. A capitalist economy also has political conditions of possibility at the geopolitical level. What is at issue here is the organization of the broader space in which territorial states are embedded. This is a space in which capital would seem to move quite easily, given its expansionist thrust. But its ability to

operate across borders depends on international law, brokered arrangements among the Great Powers, and supranational regimes that partially pacify (in a capital-friendly way) a realm that is sometimes imagined as a state of nature. Throughout its history, capitalism's economy has depended on the military and organizational capacities of a succession of global hegemonies, which, as Giovanni Arrighi argued, have sought to foster accumulation on a progressively expanding scale within the framework of a multistate political system.⁵

At both levels, therefore, the state-territorial and the geopolitical, the capitalist economy relies on political powers external to it. It is to capture this double dependency that I use the broader expression "public power" in lieu of the more usual "state power." At both levels, public power is an indispensable sine qua non for the exploitation of labor, the production and exchange of commodities, and the accumulation of surplus value. Absent such political arrangements, those quintessentially capitalist economic processes could not be sustained. Thus, political powers, too, are constitutive features of a capitalist social order. Like social reproduction and natural ecology, the organization of public power forms a necessary component of an enlarged conception of capitalism as an institutionalized social order. Only by expanding our conception to include the political order can we clarify the full range of capitalism's contradictions and crisis tendencies, including those expressed in current processes of de-democratization.

Viewed this way, as an institutionalized social order, capitalism is distinguished from other broad social formations by its specific institutional topography. What characterizes capitalism is a distinctive set of institutionalized separations: the institutionalized separation of economic production from social reproduction, of human society from nonhuman nature, and—most relevant to our concerns here—of the economic from the political. This last division includes the differentiation of economy from polity, of private from public power, of economic from political coercion. It distinguishes capitalist societies from earlier forms, in which economy and polity were effectively fused—from, for example, feudal society, where control over labor, land, and military force was vested in the single institution of lordship and vassalage. In capitalist society, by contrast, as Ellen Meiksins Wood has shown, economic power and political power are split apart; each is assigned its own sphere, its own medium and *modus operandi*.⁶ The power to organize production is privatized and devolved to capital, which is supposed to deploy only the

5. Giovanni Arrighi, *The Long Twentieth Century: Money, Power and the Origins of Our Time* (London: Verso, 1994).

6. Ellen Meiksins Wood, "The Separation of the Economic and the Political in Capitalism," *New Left Review* 1/127 (1981): 66–95.

“natural,” “non-political” sanctions of hunger and need; the task of governing the remaining “non-economic” orders, including the external conditions for accumulation, falls to the public power, which alone may utilize the “political” media of law and “legitimate” violence. In capitalism, therefore, the economic is nonpolitical, the political noneconomic.

A version of capitalism’s economy/polity separation also appears at the geopolitical level, whose differentiation from the level of the state is also characteristic of the capitalist order. Historically, capitalism’s advent coincided with the construction of the official Westphalian division between “the domestic” and “the international,” even as it later gave rise to an unofficial imperialist division between core and periphery. What underlies both those constructions of political space, however, and organizes the tense relation between them, is the more fundamental division between an increasingly global capitalist economy organized as a “world system” and a political world organized as an international system of territorial states.⁷

Capitalism’s separation of economy from polity goes hand in hand with the dependence of its economy on extra-economic forms of political power. In the eyes of many thinkers, this relation of separation-cum-dependence represents a strength of the capitalist order, the basis of its signature dynamism and adaptability. What such thinkers neglect, however, is that this arrangement is also a built-in source of instability. On the one hand, capitalist economic production is not self-sustaining, but relies on political power. On the other hand, the drive to limitless accumulation threatens to compromise the very public powers, both national and transnational, that capital needs. The effect over time, as we shall see, can be to destabilize the necessary political conditions of the capitalist economy.

Here, in effect, is a political contradiction inherent in the deep structure of capitalist society. Like the economic contradiction(s) that Marxists have stressed, this one, too, grounds a crisis tendency. In this case, however, the contradiction is not located inside the capitalist economy but at the boundary that simultaneously separates and connects economy and polity. Neither intraeconomic nor intrapolitical, the contradiction is *between* those two constitutive features of the capitalist social order—or rather between their respective dynamics and normative bases.⁸ Whereas economy’s dynamic centers on the limitless accumulation and private appropriation of surplus value, polity’s thrust is to develop capaci-

7. Immanuel Wallerstein, *The Modern World-System* (New York: Academic Press, 1974).

8. We can also conceptualize analogous contradictions of capitalism between economy and society, on the one hand, and economy and nature, on the other. These correspond to social-reproductive and ecological crisis tendencies, respectively. Although they are equally consequential and endemic to

ties for public action and stores of public support to legitimate their use. Thus, whereas economy valorizes growth, efficiency, choice, and negative liberty, polity appeals to the public interest, equal citizenship, democratic legitimacy, and popular sovereignty. These orientations can conflict. Whether a conflict between them erupts openly, and if so, what form it takes, depend on how the separation between economy and polity is institutionalized and on where the boundaries between them are drawn—matters we shall consider at a later stage. But this much at least should be clear: efforts to “liberate” economy from polity tend in the long run to be counterproductive—more likely to trigger than to circumvent capitalism’s inherent tendency to political crisis.

Often, of course, capitalism’s political contradiction is muted, and the associated crisis tendency remains under wraps. In “normal” periods, the lid is kept on by piecemeal reforms that patch up the most troublesome hotspots. But such fixes tend to deteriorate in the face of work-arounds devised by corporate interests, which generally remain one step ahead of those who would regulate them.⁹ In crisis periods, when instabilities cumulate and the regulatory patchwork becomes badly frayed, enlightened elites may seek to institute structural reforms aimed at disciplining capital so as to restabilize its conditions of possibility. But such fixes, too, can go awry. Typically, they require mobilizing popular classes against less far-seeing capitalists who are fixated on short-term gains; and such mobilizations cannot always be controlled. In both cases, finally, the reforms may prove insufficient or counterproductive, unable to counteract capitalism’s inherent tendency toward political crisis.

That tendency becomes acute, in any case, when capital’s drive toward boundless accumulation becomes unmoored from political control and turns against its own conditions of possibility. In that case, economy overruns polity, eating away at public power and destabilizing the very political agencies on which capital depends. What are compromised then are the public capacities, both national and transnational, that are needed to sustain accumulation over the long term. Destroying its own political conditions of possibility, capital’s accumulation dynamic effectively eats its own tail.

capitalist society, I shall not discuss them here. For an account that includes those contradictions of capitalism, as well as the one discussed here, see Nancy Fraser, “Behind Marx’s ‘Hidden Abode’: For an Expanded Conception of Capitalism,” *New Left Review* 86 (2014): 55–72.

9. An example is the undoing of campaign finance reform legislation in the United States, as party and corporate interests exploited loopholes by devising new types of legal entities for bundling contributions. Such work-arounds had already largely eviscerated the law before the Supreme Court put it out of its misery in “Citizens United.”

Potentially, the ramifications of this political contradiction of capitalism are (at least) twofold. One result can be an *administrative crisis*, in which public powers lack the necessary heft to govern effectively. Outgunned by private powers, such as large transnational corporations, they are blocked from making and implementing the policies needed to solve social problems, including problems that, if left unaddressed, would endanger long-term prospects for capital accumulation. Deprived of the requisite capacities for governance, political institutions are unable to deliver the results that capital—and the rest of us—need. Arguably, this is the case today with respect to global warming and global finance.

A second result can be a *legitimation crisis*, in which public opinion turns against a dysfunctional system that fails to deliver. In that case, popular forces mobilize to oppose the capture and hollowing out of public powers. Withdrawing legitimation from existing arrangements, these actors seek to (re)constitute political agencies that can serve the public interest. Protesting the subordination of polity to economy, along with its deleterious consequences for ecology and social reproduction, they aim to reconfigure the relations among those constitutive features of capitalist society. Such “boundary struggles,” as I have called them, seek to resolve the crisis by transforming the institutional topography of the capitalist order.¹⁰ Arguably, a legitimation crisis of this sort *should* be brewing today.

In effect, administrative crisis and legitimation crisis are two potential expressions of the political contradiction inherent in capitalist society. Administrative crisis pertains to the capitalist order viewed as a self-destabilizing system. Legitimation crisis, by contrast, pertains to the lived understandings of the social actors who experience the consequences of that system and who act—or don’t act—to change it. In theory, these two faces of political crisis should go together. An administrative crisis *should* lead to a legitimation crisis. Arrangements that block public powers from acting in the public interest *should* be exposed as illegitimate in the public sphere. In the ensuing ferment, a roused body of public opinion *should* clamor for the structural transformation of capitalist society.

The relation between administrative and legitimation crisis will figure importantly in the pages that follow—as will the theory of Jürgen Habermas from which these categories are drawn. For now, however, I want to conclude this first step of my argument by restating the fundamental point. Capitalist society harbors an endemic political contradiction and thus an inherent tendency to political crisis. No mere superficial or accidental aspect, this tendency is deeply rooted in capitalism’s structure—above all, in its distinctive topography, which renders

10. For the concept of boundary struggles, see Fraser, “Behind Marx’s ‘Hidden Abode.’”

economy dependent on polity while also separating them from one another. Fraught with potentially explosive consequences, this deep-seated political contradiction is hard-wired into capitalism as such.¹¹

II. POLITICAL CONTRADICTIONS OF STATE-MANAGED CAPITALISM

So far I have been elaborating the structure of this political crisis tendency for capitalism as such. However, capitalist society does not exist as such, but only in historically specific forms or regimes of accumulation. The next step therefore is to historicize my account of capitalism's political contradiction in relation to specific phases of its development.

Let me begin by noting that to view capitalism as an institutionalized social order is to foreground its historical character. Far from being given once and for all, its constitutive divisions are subject to contestation and to change. Especially in periods of crisis, social actors struggle over the boundaries delimiting "economy," "polity," "society," and "nature"—and sometimes succeed in redrawing them. In the twentieth century, for example, those demarcations altered substantially, as sharpening class conflict forced states to take on new responsibilities for promoting economic growth, providing social welfare, and securing supplies of energy. Analogous shifts marked the transition to twenty-first-century capitalism, as partisans of the so-called free market altered the international rules of the road in ways that strongly incentivized states to placate financial markets, (re)privatize social reproduction, and institute market-based forms of environmentalism. The result, in both cases, was to revise previously established boundaries between production and reproduction, human society and the natural environment, and, most important for the present inquiry, economy and polity. That last division has

11. In this section, I have effectively reconstructed the lineaments of a crisis critique of capitalist society in a form that avoids at least three common defects of such critiques. Whereas crisis critique often falls prey to economism, the framework elaborated here overcomes that failing—first, by expanding the set of crisis tendencies to encompass the political, social, and ecological; and second, by eschewing base/superstructure thinking, as explained in n. 17 below. Likewise, whereas crisis critique is typically marred by functionalism, my version avoids assuming that system dysfunctions dictate the responses of social actors—first, by foregrounding the problem of agency, and second, by problematizing the mediations between "system" and "lifeworld." Finally, whereas crisis critique is commonly vitiated by teleological thinking, my variant is explicitly open-ended, undecided among multiple possible futures, including the advent of a new postfinancial phase of capitalism; a process of slow dissolution culminating in a stationary state or ongoing social disintegration; an interregnum managed by passive revolution (if not outright fascism); and a postcapitalist society of some (better or worse) kind. The noneconomic character of my approach should already be clear. Its nonfunctionalist and nonteleological orientation will become increasingly evident in the sections that follow.

mutated several times in the course of capitalism's history, as have the public powers that made accumulation possible at every stage.

Such boundary shifts mark epochal transformations of capitalist society. If we adopt a perspective that foregrounds them, we can distinguish three regimes of accumulation in capitalism's history: a nineteenth-century regime of liberal or competitive capitalism in which the public powers of territorial states were used to constitute the capitalist economy; a twentieth-century regime of state-managed monopoly capitalism in which state-level public power was additionally deployed in efforts to forestall or mitigate economic crisis by disciplining capital for its own good; and the current regime of globalizing financialized capitalism in which state power is increasingly used to construct transnational governance structures that empower capital. Throughout this entire sequence, the repressive aspect of state power served as an indispensable precondition of accumulation and greatly expanded in times of crisis. But in each regime the political conditions for the capitalist economy assumed a different institutional form at both the state-territorial and geopolitical levels. In each case, too, the political contradiction of capitalist society assumed a different guise and found expression in a different set of crisis phenomena.¹² In each regime, finally, capitalism's political contradiction incited different forms of social struggle.¹³

Consider, first, the liberal competitive capitalism of the nineteenth century. In this regime, territorial states were still largely preoccupied with constituting their economies on a capitalist basis. At the domestic level, they deployed the force of

12. The same is true for the ecological and social-reproductive conditions, although they are not the focus of the present article.

13. I am assuming that capitalism's history can be understood as a path-dependent sequence of accumulation regimes. Within this sequence, any given transformation is politically driven, traceable to struggles among proponents of different projects. But the sequence can also be reconstructed as a directional process in which an earlier form runs up against difficulties or limits, which its successor overcomes or circumvents, until it, too, encounters an impasse and is superseded in turn. In light of this "punctuated equilibria" view of capitalism's history, one can distinguish ordinary political struggles, which proceed within the terms of a given regime in periods of relative stability, from extraordinary struggles, which seek to transform the regime in times of crisis. In the first case, subaltern strata seek to use the public power to improve their conditions within it, while the most far-sighted fractions of the ruling class would use that power to institute piecemeal, system-conforming reforms to patch up the rough spots. Insofar as the respective aims of those two groups can be made to converge, piecemeal reforms can serve at least for awhile to counteract the system's inherent tendency to crisis, temporarily restabilizing the political conditions that capital's drive to boundless accumulation has destabilized. In periods of crisis, by contrast, the dysfunctions metastasize, exceeding the reparative capacities of piecemeal reform and inciting demands for deep structural change. In these periods, competing groups of social actors struggle to develop and realize their respective projects for resolving the crisis—whether by devising a new regime of accumulation or by creating a postcapitalist society.

arms and law on behalf of the ongoing dispossessions that expanded the ranks both of propertied capitalists and of propertyless workers, even as struggles raged over suffrage, slavery, and the conditions of factory work. Externally, European states pursued colonial projects; simultaneously seeking geopolitical advantages vis-à-vis rival states and aiding “their” capitalists in the scramble for markets and raw materials, they enforced imperial subjugation abroad, even as democratization was advancing at home. Internationally, the whole arrangement came to rest on the gold standard, the balance of power, and British hegemony, which together assured an “imperialism of free trade” on terms acceptable to the bankers and industrialists of the capitalist core.

In time, however, the nineteenth-century liberal order entered into an extended period of crisis. Beset by both economic and political contradictions, as expressed in a series of panics, crashes, and depressions, on the one hand, and in prolonged class conflict and inter-imperialist struggles for global hegemony, on the other, the liberal regime collapsed in the twentieth century under the pressure of mass-based movements, social revolutions, and two world wars. Its contradiction-fraught history forms the subject of two towering, if flawed, works: Karl Polanyi’s *The Great Transformation* and the middle section on “Imperialism” of Hannah Arendt’s *Origins of Totalitarianism*. Whereas Polanyi analyzed the intractable political conflicts that wracked European societies struggling to protect themselves from the ravages of the “self-regulating market,” Arendt dissected the political deformations visited on European states as the expansive, transterritorial logic of their economically driven colonial projects ran up against the territorial logic of political rule.¹⁴ Despite their respective blind spots, both thinkers made important contributions to our understanding of the historically specific forms that capitalism’s political contradiction assumed in its liberal phase.¹⁵

Here, however, I focus on the regime of accumulation that supplanted the liberal order in the wake of the Second World War. This state-managed form of capitalism had a different organization of public power at both the state and

14. Karl Polanyi, *The Great Transformation*, 2nd ed. (1944; Boston: Beacon, 2001). Hannah Arendt, *The Origins of Totalitarianism* (New York: Harcourt, Brace, Jovanovich, 1973). For the conflict between the transterritorial thrust of limitless accumulation and the territorial logic of political rule, see also David Harvey, “The ‘New’ Imperialism: Accumulation by Dispossession,” *Socialist Register* 40 (2014): 63–87.

15. For accounts of Polanyi’s blind spots/insights, see Nancy Fraser, “Marketization, Social Protection, Emancipation: Toward a Neo-Polanyian Conception of Capitalist Crisis,” in *Business as Usual: The Roots of the Global Financial Meltdown*, ed. Craig Calhoun and Georgi Derlugian (New York: New York University Press, 2011), 137–58; Nancy Fraser, “Can Society Be Commodities All the Way Down?,” *Economy and Society* 43, no. 4 (2014): 541–58, and “A Triple Movement? Parsing the Politics of Crisis after Polanyi,” *New Left Review* 81 (2013): 119–32. For Arendt’s insights/blind spots, see Nancy Fraser, “Hannah Arendt in the Twenty-First Century,” *Contemporary Political Theory* 3 (2004): 253–61.

trans-state levels. No longer concerned exclusively with economy-constituting and repressive functions, state power was now deployed as well to steer national economic development, to compensate market failures, and to manage economic (and political) crises. Both the “welfare states” of the capitalist core and the newly independent developmental states of the periphery assumed these functions, despite the stark discrepancy between their respective abilities to fulfill them. In the core countries, states were able to finance more or less generous social provision by taxing both workers and capitalists; in the periphery, new states hobbled by colonial legacies deployed what capacities they could muster to promote development through policies of import substitution industrialization. Both projects were shaped by a new geopolitical order, established under the hegemony of the United States, which replaced Britain as the leading power responsible for assuring the global conditions for a sustained wave of capital accumulation. US domination brought the Cold War, the military-industrial complex, and proxy wars, as well as the Bretton Woods regime of capital controls, which permitted the states of the core to control their currencies and thus to run countercyclical budget deficits as a tool of crisis management. In general, this regime sought to reconcile international free trade with Keynesian steering and crisis management at the domestic level. State-managed capitalism had a good if relatively short run, from the end of the Second World War to the mid-1970s. During those *Trente Glorieuses*, it delivered consumerist growth and relative class peace to the capitalist core, even as it exported coups d’état and military dictatorships to the periphery.

But like its predecessor, this regime too proved unsustainable over the long term. Wracked by economic and political contradictions, expressed in stagflation, on the one hand, and in an oil crisis and an arms race, on the other, state-managed capitalist society incubated new forms of social struggle, beginning in the 1960s. Focused less on the internal dynamics of the capitalist economy than on the latter’s relation to its background conditions, these conflicts centered on militarism, imperialism, and racial-ethnic and gender asymmetries, as well as on a consumerist grammar of life distorted by bureaucracy and productivism. In time, the one-two punch of system dysfunction and political challenge brought the regime of state-managed capitalism to the point of crisis. Like its predecessor, too, its contradiction-fraught career inspired towering, if ultimately flawed, works of social theory, including Jürgen Habermas’s 1973 book, *Legitimation Crisis*,¹⁶ to which I now turn.

16. The original German edition appeared in 1973. The English translation followed two years later as Jürgen Habermas, *Legitimation Crisis*, trans. Thomas McCarthy (Boston: Beacon, 1975).

As I read it, *Legitimation Crisis* theorizes the political contradictions of state-managed capitalism. The book begins by noting the changed role of the state in the postliberal regime of accumulation. Whereas in the liberal regime states had been chiefly concerned to constitute the private-market economy and to repress revolts against it, now they undertook additional functions of crisis management. Among other things, they sought to soften boom/bust cycles through counter-cyclical spending, by creating a public sector, which partially replaced the market, and by managing labor/capital relations through corporatist negotiations. Writing in early 1970s, Habermas assumed that such measures had succeeded in taming the economic contradictions of capitalism. We know, with the benefit of hindsight, that he was mistaken on this point, as those contradictions erupted again soon after his book's publication. Arguably, however, this "mistake" need not invalidate his principal thesis, which was this: even when—or, as we might say, even *if*—the regime circumvented capitalism's inherent tendency to economic crisis, it did not resolve capitalism's contradictions altogether. What it did, instead, was displace them, shifting the locus of crisis from the economy to the state, from the economic to the political field.

Thus, the chief focus of *Legitimation Crisis* was the political crisis tendencies of state-managed capitalism. Adopting the perspective of the bounded territorial state (and arguably slighting the global dimension), Habermas proceeded to outline a specifically political contradiction endemic to the postwar regime. On the one hand, the state assumed the task of crisis management, effectively accepting responsibility for assuring economic growth, relatively legitimate distribution, acceptable levels of employment, wage/price stability, social welfare provision—all matters previously viewed as best left to the market. As a result, it opened itself to the possibility of failure or even—in the event that its policies breached systemic limits—to the prospect of *administrative crisis*. On the other hand, the state now required considerable stores of legitimation from the democratic citizenry, as increased responsibility necessitated increased public support. Yet the fundamental class character of the society remained unaltered and in principle might not withstand robust democratic vetting. Thus, the state also courted the possibility of a *legitimation crisis*. To avoid the latter, it sought political support of a peculiar kind: a generalized willingness to approve proactive state steering by a pacified and passivized citizenry that was not disposed to inquire into the actual aims or justifications of state action. The question for Habermas, then, was this: Could the state get sufficient public backing for expanded administrative functions aimed at preserving class domination, without provoking a legitimation crisis—without, that is, activating the citizenry and causing it to question the use of public power in the service of private interests?

For Habermas, the answer depended on social and moral psychology. While inscribed as an inherent tendency in this form of capitalism, a legitimation crisis was by no means guaranteed. Such a crisis would arise, rather, only if an administrative crisis were accompanied by a *motivation crisis*. In that case, a critical mass of citizens would reject the privatized, consumerist, and careerist orientations that undergirded their loyalty to the regime. Throwing off the political passivity that insulated the system from challenge, they might question the legitimacy of class domination and demand its abolition. For Habermas, this possibility depended in turn on the strength of citizens' socialization to normative justification of the institutional orders to which they are subject. So long as a critical mass retained the disposition to insist that domination be justified or abolished, a motivation-cum-legitimation crisis was possible. If, however, this orientation were to be sapped or disabled, even a full-blown administrative crisis would not translate into legitimation crisis.

For a time, in the late 1960s and early 1970s, the conditions for a full-scale legitimation crisis seemed to be in place. Inaugurating a major wave of global protest, "youth" led other disaffected strata in rejecting both the privatized consumerist satisfactions that buttressed state-managed capitalism in the core and the Cold War narrative that authorized its predations in the periphery. The resulting "motivation crisis" sparked a sudden, massive groundswell of *de*-legitimation, which appeared to shake the capitalist order to its core. What threatened the regime, accordingly, was not economic crisis but political crisis, not distributive conflicts but boundary struggles over the institutional structure of capitalist society. Yet the transformation that ensued was not the one that Habermas or his New Left protagonists had in mind. Far from capitalism's supersession, what followed was its reinvention—in the new globalized, financialized form we inhabit today.

To prepare the ground for understanding why, I propose to reconsider the relation between administrative crisis and legitimation crisis. By probing the link between these two faces of political crisis we can learn something, not only about state-managed capitalism, but also about what is happening—and not happening—today.¹⁷ Recall that, for Habermas, an administrative crisis translates into a legitimation crisis if and only if it passes through the intermediary of a motivation

17. Although I do not discuss them here, several other aspects of *Legitimation Crisis* would repay close attention. For example, some crucial conditions for the possibility of capital accumulation are insufficiently theorized in Habermas's account. These include the social-reproductive and ecological conditions I mentioned earlier, but also, and more directly relevant to our present concerns, the geopolitical configuration that shapes the capacities of states, a matter he noted but failed to probe. Equally important, the central thesis concerning displacement is problematic—not just empirically, but also conceptually. This idea rests on

crisis. The general idea is persuasive enough: system-level dysfunctions never by themselves dictate the responses of social actors. But Habermas's account of the mediations between them is inadequate, I contend, because too exclusively focused on moral psychology. As I understand him, the decisive factor is the strength of a population's disposition to demand normative justification of the social arrangements to which it is subject. But such a disposition, however strong, is not sufficient to guarantee a legitimation crisis. The latter requires something more—something substantive and distinctively political.¹⁸

To grasp this “something” we might turn to that most political of Marxist thinkers, Antonio Gramsci. Often viewed as antithetical to Habermas's, Gramsci's thought provides a pair of concepts—hegemony and counter-hegemony—that supply the missing political mediations between administrative and legitimation crisis. As I understand these concepts, hegemony is the discursive face of domination, the process by which a ruling class establishes its authority and naturalizes its domination by installing the presuppositions of its own worldview as the commonsense of society as a whole. Counter-hegemony is, by contrast, the discursive face of opposition that is sufficiently robust and confident to mount a comprehensive challenge to the ruling suppositions about social reality.¹⁹ What grounds hegemonic worldviews—and their counter-hegemonic rivals—are suppositions about the subject positions and capacities for *agency* available to social actors, the proper responsibilities and actual capabilities of *public powers*, the structure and operation of the reigning *social order*, the principles and frames of *justice* by which that order is to be evaluated, and the *historical* availability of desirable and feasible *alternatives*.²⁰ It is the set of entrenched assumptions about such matters, as

the orthodox Marxian view that Habermas otherwise rejects: the view that economy is the real foundation of capitalism's proclivity to crisis, the locus of its “primary contradiction,” while the political contradiction is secondary, a superstructural deviation, which kicks in only when the former is thwarted, blocked from achieving its direct, “natural” expression in economic turmoil. This orthodox view is at odds with, and less adequate than, the one I have proposed here, which understands capitalist societies as harboring an inherent tendency to destabilize the political conditions of possibility for sustained accumulation. Neither secondary nor superstructural, this crisis tendency is no mere displacement of a prior, more fundamental one. On the contrary, capitalism's economic and political contradictions are co-original and internally related, co-implicated in the deep structure of the same social order. Finally, Habermas's account could be faulted for insinuating that the failures of state-managed capitalism were due chiefly to technical mistakes, thereby slighting political shifts in the balance of class power.

18. For a parallel argument, see Albena Azmanova, “The Crisis of the Crisis of Capitalism” (unpublished manuscript on file with the author).

19. Antonio Gramsci, *Selections from the Prison Notebooks*, ed. Quintin Hoare and Geoffrey Nowell Smith (New York: International Publishers, 1971).

20. The proposal to center analyses of hegemony/counter-hegemony on assumptions about agency, public power, society, justice, and history is mine, not Gramsci's.

embedded in commonsense, that shapes the responses of social actors to “system disturbances.” Not just an abstract disposition to normative justification, but the concrete way in which that disposition is instantiated via commonsense assumptions about agency, public power, society, justice and history, is what determines whether an administrative crisis turns into a legitimation crisis.

What in the political commonsense of the 1970s enabled the passage from the first to the second? My reading of Habermas implies a nuanced answer. With respect to agency, the subjects of state-managed capitalism were interpellated chiefly as private market consumers and individual welfare-state clients rather than as collective agents of self-determination; although older idioms linking citizenship with political agency continued to circulate, their function in the regime was largely rhetorical. Yet the citizens of the core had been primed to think that their states had the capacity and the responsibility to address their problems; thus they were disposed to hold them accountable for failing to deliver.²¹ As a result, the regime institutionalized a complex view of society, whose stability required the careful imbrication and equilibration of public and private power; only active state direction of the capitalist economy in forms that allowed for ample enterprise initiative could ensure both levels of household consumption and rates of corporate profit that met the entrenched expectations of the relevant strata. Equally important, the regime institutionalized two different and potentially conflicting understandings of distributive justice: libertarian norms endorsed the outcomes of “voluntary” market transactions, while social-citizenship ideals authorized “egalitarian” redistribution by the public power within the limits of the national frame.²² Finally, social actors throughout “the free world” were exhorted to defend the freedoms and prosperity they enjoyed against the Communist threat; thus, although there existed a historical alternative to capitalism, its portrayal as “totalitarian” served to demonize even democratic forms of antisystemic radicalism.

For the most part, therefore, the political commonsense of state-managed capitalism disposed its subjects to relative quiescence, even in the face of administrative failure. Yet this commonsense was not one-dimensional. A compromise formation born of an earlier era’s struggles, its dominant notions of agency, power,

21. Those assumptions may well have seemed more doubtful to some in the periphery, whose continuing subjection to a neo-imperial geopolitical order was hard to ignore.

22. The contradictory co-presence of these two understandings of justice in the commonsense of state-managed capitalism is noted by Wolfgang Streeck in “The Crises of Democratic Capitalism,” *New Left Review* 71 (2011): 5–29. The framing of questions of justice is discussed in Nancy Fraser, “Reframing Justice in a Globalizing World,” *New Left Review* 36 (2005): 69–88, and in Nancy Fraser, “Abnormal Justice,” *Critical Inquiry* 34, no. 3 (2008): 393–422.

society, justice, and history were “internally dialogized,” to use an expression of Mikhail Bakhtin.²³ Shot through with references to alternative suppositions, the hegemonic political imaginary harbored within itself a subliminal contestatory potential. That potential could, in principle, be activated by the sustained agitation of determined activists who propagated counter-hegemonic views that could achieve some traction by building on understandings that were already available in a latent state.

Something like this was actually happening during the period in which Habermas was writing *Legitimation Crisis*. In that era, New Leftists exploited the openings in the official state-managed capitalist commonsense to construct an alternative lens for assessing the regime’s legitimacy. Drawing on older traditions of republican thought, they mobilized counter-hegemonic views of agency, which valorized “participation,” to condemn consumerist and clientelist subjectivation in state-managed capitalism; in effect, they interpellated subaltern subjects as active citizens. Likewise, 68ers drew on the regime’s relatively broad understanding of the scope of public responsibility, while repudiating its identification with bureaucracy and militarism; rejecting both “expertocratic social control” and cold-war imperialism, they sought to reimagine public power in terms of participatory democracy and national liberation. Then, too, the radicals exposed the claimed equilibrium of state-managed capitalism as deeply unbalanced; noting that capital reaped the lion’s share of benefit from its partnership with the state, they depicted a social system in which public power was routinely deployed for private interest. In condemning that society, New Leftists also refigured and reframed hegemonic constructions of social justice; rejecting the libertarian view, they sought to combine an expanded understanding of social citizenship (extended beyond the national frame and applied to cleavages of gender, nationality and “race”-ethnicity, as well as to class) with their own radical-democratic ideals of equal participation and nondomination. Finally, the sixties radicals repudiated the Cold War restriction of *historical possibility* to the stark, unpalatable choice between state-managed capitalism and “totalitarian” Communism; reimagining history as an open field of developing possibilities, they insisted on the right, and indeed the duty, to invent more democratic and just alternatives. All told, New Left agitation appeared for a time to succeed in constructing a counter-hegemonic commonsense. Under the pressure of its mobilization, the administrative failures of state-managed capitalism did in fact provoke a crisis of legitimacy.

23. Mikhail Bakhtin, *Speech Genres and Other Late Essays*, ed. Caryl Emerson and Michael Holquist, trans. Vern W. McGee (Austin: University of Texas Press, 1986).

In the following section, we will consider how precisely this legitimation crisis was eventually resolved. First, however, let me conclude the present discussion by restating the principal point. A critical theory of the political contradictions of capitalism is well served by Habermas's distinction between administrative and legitimation crisis. By introducing some space between system dysfunctions and the responses of social actors, his approach invites us to consider whether, under a given set of conditions, administrative failures are likely to lead to quiescence or transformative activism. Nevertheless, a full understanding of the relation between administrative and legitimation crisis requires a specifically political mediation. To supply that link, I have drawn on Gramsci's conception of hegemony as *political commonsense*. Comprising historically specific suppositions about agency, public power, society, justice, and history, this concept supplies the missing political mediation between the system and lifeworld dimensions of crisis. Let us now put these concepts to work as we seek to theorize the political contradictions of present-day financialized capitalism.

III. POLITICAL CONTRADICTIONS OF FINANCIALIZED CAPITALISM

The legitimation crisis of the state-managed regime was resolved, as I noted before, not by capitalism's supersession, but by its reinvention. In the subsequent regime, which I call *financialized capitalism*,²⁴ central banks and global financial institutions replaced states as the arbiters of an increasingly globalized economy. It is they, not states, who now make a major share of the rules that govern the central relations of capitalist society: between labor and capital, citizens and states, core and periphery, and—crucial for all of the above, between debtors and creditors. These last relations are central to financialized capitalism and permeate all of the others. It is largely through debt that capital now cannibalizes labor, disciplines states, transfers wealth from periphery to core, and sucks value from society and nature. As debt flows through states, regions, communities, households, and firms,²⁵ the regime is reconfiguring capitalism's constitutive divisions be-

24. I use the expression "financialized capitalism" to designate the current regime of capitalism as an institutionalized social order. Like its counterpart expression "state-organized capitalism," this one names a distinctive, historically specific way of institutionalizing capitalism's constitutive divisions among polity/economy, economic production/social reproduction, and society/nature. By contrast, I use the term "neoliberalism" to designate an ideological complex that presents the financialized capitalist regime as natural, just, efficient, and prosperity generating, destined to secure the greatest happiness of the greatest number.

25. For an account of the pervasiveness of financial flows through virtually all social spaces and institutions in the current regime, see Costas Lapavistas, *Profiting without Producing: How Finance Exploits Us All* (London: Verso, 2014).

tween economy, polity, society, and nature. The effect is to extend the sway of capital over its background conditions of possibility—over social reproduction, the natural environment, and most important for our purposes here, over the public powers that have always been indispensable to a capitalist economy.

In fact, financialized capitalism has sharply altered the previous relation of economy to polity. Whereas the prior regime empowered states to subordinate the short-term interests of private firms to the long-term objective of sustained accumulation, this one authorizes finance capital to discipline states and publics in the immediate interests of private investors. The effect is a double whammy. On the one hand, the state institutions that were previously (somewhat) responsive to citizens are decreasingly capable of solving the latter's problems or meeting their needs. On the other hand, the central banks and global financial institutions that now constrain state capacities are politically independent—unaccountable to publics and free to act on behalf of investors and creditors. Meanwhile, the scale of pressing problems, such as global warming, exceeds the reach and heft of public powers. The latter are, in any case, overmatched by transnational corporations and global financial flows, which elude control by political agencies tethered to a bounded territory. The general result is a growing incapacity of public powers to rein in private powers. Hence, the association of financialized capitalism with “de-democratization” and “post-democracy”—an association that is now revealed to be systemic.

To date, we lack a comprehensive account of financialized capitalism, one comparable in historical depth and analytical power to accounts of earlier regimes by Polanyi and Habermas. But thinkers like Crouch, Streeck, Brown, Harvey, Sassen, Lapavistas, and Gill have captured important elements of the new regime. Drawing from their works, we can piece together the beginnings of a fuller account.

Let us begin with the international order, whose transformation sparked the rise of financialized capitalism. Key elements of the Bretton Woods framework, which had underpinned the previous regime, were dismantled in the 1970s; the abolition of fixed exchange rates and the convertibility of the dollar to gold opened the floodgates of global speculation. Then, too, the World Bank and the International Monetary Fund were repurposed as agents of economic liberalization. Finally, new international treaties, such as NAFTA, and new intergovernmental organizations, such as the WTO, elevated “free trade” and “private property” into global trumps that override domestic law on labor and the environment.

The power that shaped the new, finance-friendly order was the United States. In overseeing the transition to the new regime, the US also prolonged its hegemony, which continues even now, as the Cold War has given way to the War on

Terror. Despite considerable loss of moral authority and a shift in its status from a creditor to a debtor nation, the US still serves as capital's global enabler and enforcer, resorting alternately to the force of arms, the cudgel of debt, and the blandishments of trade as it pushes to globalize and liberalize the world economy, now enlarged to include the ex-communist sphere.

The new global order has redrawn the boundaries between economy and polity at every level. In the periphery, its agents subjected the developmental state to a fierce assault. Initially, Latin America fell prey to "The Washington Consensus," as US-backed dictatorships began the process of opening markets and privatizing assets. Later, the International Monetary Fund and World Bank pushed the same agenda under the banner of "structural adjustment" throughout much of the Global South. By means of loan conditionalities these institutions compelled cash-strapped postcolonial states to abandon the protected shores of import substitution for the shark-infested waters of the global market. Indebted states were hardly passive, however. On the contrary, they actively developed strategies for securing hard currency, including promoting labor emigration for remittances and courting foreign direct investment by creating export processing zones.

These arrangements served to facilitate another defining feature of financialized capitalism: the transnationalization of production. By relocating manufacturing to the semi-periphery, corporations did more than merely lower their wage and tax costs and elude regulations. In addition, they benefited from, and contributed to, a major shift in the balance of private to public power. Decimating powerful trade unions in the capitalist core, "de-industrialization" weakened support there for social democracy, while initiating a race to the bottom in the periphery that has enhanced the power of capital throughout the world. As a result, the newly industrializing countries of the Global South are now awash in sweatshops, pollution, and mega-slums spawned by the debt-driven dispossession of masses of peasants. Meanwhile, the deindustrialized cities of the core, once home to substantial corporate tax bases and "family-wage" jobs, now rely increasingly on high-interest debt and low-waged, precarious service work, often performed by women, even as cutbacks in public provision necessitate more unpaid family labor. Finally, sunbelt corridors nurture a symbiosis of high tech firms, corporatized universities, and venture capital, while "global cities" are dominated by finance, ill-paid service work, and skyrocketing real estate values.²⁶ In this new nexus of economy and polity, familiar forms of accumulation through labor ex-

26. On global cities, see Saskia Sassen, "The Global City: Introducing A Concept," *Brown Journal of World Affairs* 11, no. 2 (2005): 27–43. On the counterpart developments in the Global South, see Saskia

ploitation intertwine with new, financialized forms of accumulation by dispossession.²⁷

Equally game-changing was the progressive abolition of capital controls, which further reshaped the nexus of economy and polity to capital's benefit. This alteration in the global regime unleashed massive financial flows in hot pursuit of the profitable "spread," thereby depriving states of control over their currencies. The effect was to disable a critical Keynesian tool of crisis management—at least for states other than the United States, which can simply print more of the dollars that serve as "world money." Elsewhere governments must set fiscal and social policy with one eye on the bond markets and ratings agencies, which look askance at deficit spending to "prime the pump." Such difficulties were vastly compounded, as we shall see, by the introduction of the Euro in 1999. Consequently, the states of the core are thrust into a position long familiar to those of the periphery: subjection to global economic forces they cannot possibly hope to control.

For a time, governments prevented from pursuing traditional Keynesian policies turned to what Colin Crouch has called "privatized Keynesianism."²⁸ They encouraged consumer debt (home mortgages, credit cards, student loans, auto loans, home equity credit lines) in order to continue high levels of spending under otherwise unfavorable conditions of falling real wages, rising unemployment and precarity, and declining tax revenues, the last courtesy of a militant coordinated tax revolt by corporations and the wealthy, as documented by Wolfgang Streeck.²⁹ This policy of debt-fueled consumerism promoted a new round of the "civic privatism" that Habermas identified in the previous regime. By encouraging citizens to focus their aspirations on private life and on commodified satisfactions, it bought political legitimation of a conveniently passive sort in the face of upwardly redistributive policies that might otherwise have elicited active protest.³⁰ Simultaneously swelling the coffers of finance and depleting the public treasury, this policy also served to justify further cutbacks in public provision.

Sassen, "Women's Burden: Counter-Geographies of Globalization and the Feminization of Survival," *Journal of International Affairs* 53, no. 2 (2000): 503–24.

27. For the distinction between accumulation by exploitation and accumulation by dispossession, see Harvey, "The 'New' Imperialism." For an account of that distinction adapted to the expanded (noneconomic) view of capitalism elaborated here, see Fraser, "Behind Marx's 'Hidden Abode.'"

28. Colin Crouch, "Privatised Keynesianism: An Unacknowledged Policy Regime," *British Journal of Politics and International Relations* 11 (2009): 382–99.

29. Streeck, *Buying Time*.

30. Wolfgang Streeck, "Citizens as Customers: Considerations on the New Politics of Consumption," *New Left Review* 76 (2012): 27–47.

For a while, at least, the 2008 financial crisis put a crimp in privatized Keynesianism. But far from loosening the grip of finance, its effect was to solidify the hold of debt over capital's background conditions, especially public power and social reproduction. Staring in the face of impending meltdown, central banks and global financial institutions pressed states to bail out investors at citizens' expense. In several cases, compliant governments tumbled straight into sovereign debt crises. In the Eurozone especially, the effects were catastrophic. Deprived of the possibility of devaluation, indebted member states under assault by the bond markets were compelled to institute austerity, destroying the livelihoods and social worlds of billions of people. Ignoring citizen protest and nullifying anti-austerity election results, the governing "Troika" handed over to private investors every last drop of value that could be extracted from devastated populations. The effect on the legitimacy of the European Union was dramatic. A "community" once considered the avatar of postnational democracy was now revealed to be the servant of finance.

More generally, financialized capitalism is the era of "governance without government"—which is to say, of domination without the fig leaf of consent. In this regime, it is not states but transnational governance structures, such as the World Trade Organization, which make a growing share of the coercively enforceable rules that now govern vast swaths of social interaction throughout the world. Granted, these structures were constructed by governments—or rather, by the governments of the most powerful states, which subsequently strong-armed others into joining them—and granted, too, governments must accept and enforce their provisions. But if that suffices to qualify them as "public," these bodies are unaccountable to democratic publics and bent on eliminating their influence. Operating largely behind closed doors and overwhelmingly in the interest of capital, agreements like NAFTA and TRIPS ("on Trade-Related Aspects of Intellectual Property Rights") are hard-wiring neoliberal macroeconomic policies at the heart of the global economy in ways designed to prevent their reversal by future political action.³¹ Creating what Stephen Gill calls a "new constitutionalism," aimed at reducing the purview of democratic politics, such agreements entrench "free trade" and (private) "property rights" as trumps that preclude democratically enacted laws limiting capital's freedom to abuse labor and pillage the environment.³² As neoliberal norms are "constitutionalized," the political agenda is narrowed, preempted in advance.

31. The same holds for the pending Trans Pacific Partnership (TPP) and free-trade agreements projected by the European Union.

32. Gill, "New Constitutionalism, Democratisation and Global Political Economy."

At every level, finally, the new regime promotes the capture of public power by private (corporate) power. Examples noted by Crouch include a rise in overt and covert lobbying; the revolving door between government and private firms, which ensures that representatives of private interests write the very regulations to which they are subject; the long-term contracting out of public services to private firms (including prison management and military functions in the United States), whose performance is monitored not by public political oversight but by private contract law; the rise of “public-private partnerships” oriented to serving “consumers” as opposed to citizens, which change the qualitative meaning and character of public services; and the “new public management,” which enjoins public agencies to mimic the allegedly superior practices of large private firms—for example, by constructing internal “profit/loss centers” that “compete” for zero-based budget allocations.³³ Through such means, and others, public power is internally colonized. Drawing on Foucauldian notions of governmentality, thinkers like Wendy Brown and Pierre Dardot and Christian Laval have insightfully described important elements of this “neoliberal political rationality.”³⁴

The overall effect is to hollow out democracy at every level. Political agendas are everywhere narrowed, both by external fiat (the demands of “the markets,” “the new constitutionalism”) and by internal cooptation (corporate capture, subcontracting, the spread of neoliberal political rationality). Matters once considered to be squarely within the purview of democratic political action are now declared off-limits and devolved to “the markets”—to the benefit of global finance and corporate capital. The response to those who question these arrangements is TINA: “there is no alternative.” Polity must adapt to economy’s laws. In the brave new world of financialized capitalism, public powers cannot deliver solutions to those in whose name they govern. By no means a contingent development, then, de-democratization is structural, built into the DNA of this regime.

Let this suffice, for now, as an analytic description of the new economy/polity nexus in financialized capitalism. In theory, at least, it is an arrangement that is asking for trouble. As we saw, an institutional order that seeks to liberate economy from polity risks destabilizing the public powers that capital needs to underwrite a sustained period of accumulation. In hollowing out its capacities for public action, such a regime destroys its ability to defuse ticking time bombs, such as global warming and the market in financial derivatives, which endanger long-

33. Crouch, *Strange Non-death of Neoliberalism*.

34. Brown, *Undoing the Demos*; Pierre Dardot and Christian Laval, *The New Way of the World: On Neoliberal Society*, trans. Gregory Elliott (London: Verso, 2013).

term prospects for capitalist development. The effect could be a major system crisis, as the beast proceeds to devour its own tail.³⁵ At the very least, such arrangements are primed to produce an administrative crisis, as public powers become increasingly unable to deliver the results that capital—and the rest of us—need. And that in turn *could* spark a legitimation crisis, in which public opinion turns against a dysfunctional system and clamors for social transformation.

In our time, financialized capitalism has in fact given rise to an acute administrative crisis. But has it also sparked a legitimation crisis? Certainly, our institutions face legitimation deficits at every scale. But legitimation deficit is not the same as legitimation crisis. The latter depends, as we saw, on the mediations between “system” and “lifeworld.” It depends, above all, on the political commonsense through which system dysfunctions are experienced and interpreted by social actors. How does that commonsense look today?

To get a picture, recall the crisis of the 1970s. In that era, as we saw, the New Left mounted a counter-hegemonic challenge to the reigning assumptions about subjective agency, public power, society, justice and history in state-managed capitalism. This challenge proved sufficiently powerful to de-legitimize that regime but not powerful enough to dictate the basic direction of its transformation. On the contrary, New Left assumptions were themselves hegemonized, recuperated into an emergent new commonsense, which now pervades financialized capitalism.

35. Here one might pose the question, is financialized capitalism destroying public power as such or *only* democratic public power? In the first case, capital would be hollowing out polity per se, dispensing with its relative independence from economy, and turning it into an instrument of capital *simpliciter*. In the second, it would be creating a new form of transnational governance, which retains the capacity to discipline capital, while discarding every semblance of democratic legitimacy. According to the first scenario, financialized capitalism courts crisis by eroding the very public power that capital needs to sustain the process of accumulation over the long term. According to the second, the regime could avoid crisis insofar as it retains sufficient governance capacity to save capital from itself by tying it to the mast of political regulation. If the first scenario sounds more catastrophic than the second, it also appears more likely. That is certainly the case if current practices of transnational business regulation are any guide, as these rarely if ever subordinate short-term profits to long-term stability. Nor is it clear that the public power envisioned in the second scenario could really possess the necessary heft to discipline capital. Absent democratic input, the hypothesized regime would lack a counterpower to oppose to that of capital in the ordinary course of political jockeying. Nor could it mobilize popular energies to push through system-saving reforms at critical junctures without risking revolt. In such situations, its only conceivable resort would be military force—a resource still jealously monopolized by territorial states and unlikely to be handed over to transnational organizations for purposes of restraining business. Thus, even this best-case scenario (best, that is, for system stability) would be unlikely to escape the self-destabilizing tendencies of financialized capitalism. The latter appears to be asking for trouble in either case. I am grateful to Bill Scheuerman for raising the question that prompted me to consider the second scenario.

Often described as “neoliberal,” the new commonsense is internally dialogized. Like that of its state-managed predecessor, it too incorporates traces of earlier struggles and references to alternative worldviews. What are woven together here, however, are liberal suppositions, partially discredited in state-managed capitalism but now reinvented, and elements of the 1960’s radicalism that initially helped to discredit the latter but have since been reinflected by the former. Spawned in the cross currents where the “new social movements” that succeeded the New Left met the rising tide of resurgent liberalism, this amalgam blends remnants of the ’68 critique of clientelism and bureaucracy with a new/old romance of entrepreneurialism. The result is a “new spirit of capitalism” that fuses the charisma of 1968 with the aura of 1989, while lending a frisson of emancipatory excitement to the dreary, repetitive work of unending accumulation.³⁶

This amalgam stamps all the major elements of political commonsense in financialized capitalism. With respect to *agency*, the subjects of this regime are interpellated as autonomous centers of initiative, the antithesis of the “passive clients” of state-managed capitalism. But autonomy is figured as private and centered on “choice” and “personal responsibility.” Shorn of public political connotations, freedom acquires an economic cast, as earlier consumerist motifs are hitched to newer tropes that hail subjects as possessors of human capital, which it is their responsibility to manage and maximize. This entrepreneurial mode of subjectivation³⁷ goes hand in hand with a pejorative view of *public power*, cast as inherently oppressive and inefficient, inferior to private enterprise. In effect, the New Left critique of bureaucracy, denuded of its participatory ethos, is conflated with the Thatcherite critique of the “nanny state”; and the travails of the previous regime are ascribed to the overextension of public power beyond proper limits. Thus, the current commonsense seeks to liberate economy from polity, while insisting (again, with Thatcher) that “there is no such thing as *society*.” That view finds support in current intellectual fashions—first, in rational choice theory, which reduces macro- and meso-social processes to microlevel transactions between individuals, and second, in strains of post-structuralist thought that invoke the ubiquity of “discourse” to de-authorize institutional analysis and structural critique.³⁸ Having disposed of the idea of

36. Luc Boltanski and Eve Chiapello, *The New Spirit of Capitalism*, trans. Gregory Elliot (London: Verso, 2006).

37. Brown, *Undoing the Demos*; Dardot and Laval, *The New Way of the World*.

38. For an interesting account of the society-dissolving convergence of rational choice theory and poststructuralism, see Daniel T. Rodgers, *Age of Fracture* (Cambridge MA: Harvard University Press, 2011).

society, neoliberal commonsense purveys an individualistic, market-centered view of *justice*. Repudiating both social-citizenship principles that authorize redistribution and radical-democratic ideals of nondomination, the hegemonic view holds that the only just distribution is the one that results from voluntary market transactions undistorted by collective bargaining or state interference. In such a world, individuals get exactly what they deserve; small shares reflect paltry talents or puny efforts. Although that view represents the antithesis of New Left thinking, it remains largely unopposed by the latter's successor movements—or rather by two of those movements' major currents: first, by identitarian strands that abandon the terrain of distributive (in)justice to focus one-sidedly on that of (mis)recognition, and second, by unabashedly liberal strands that identify emancipation with corporate advancement—as do liberal feminisms focused on “leaning in” and “cracking the glass ceiling.”³⁹ Between the identitarian and liberal strands of the new social movements, little remains of the earlier radical mindset that could oppose hegemonic ideals of “market justice.” Is it any wonder, finally, that neoliberal commonsense takes a stark view of historical possibility? Casting socialism as irremediably discredited, it construes capitalist society as the end of history.

On the surface, at least, the political commonsense of our time offers the subjects of financial capitalism few interpretive resources for transformative mobilization. On the contrary, it articulates easily, if not fully consistently, with retrograde nationalisms and racisms, which usurp much of the discursive space for opposition. The bridge is the entrepreneurial mode of subjectivation just described. The same gesture that enshrines the good subject as the one who maximizes his/her human capital also generates as its flip side racialized icons of defective agency and personal irresponsibility—for example, the profligate, free-spending, tax-evading, beach-loving, and much-too-early-retiring Greeks, who serve for many northern Europeans as the functional equivalents of the “welfare queens” that used to haunt the political imaginary of state-managed capitalism in the United States.⁴⁰ Such notions offer low-hanging fruit for the distractions of scapegoating, encouraging the substitution of identity-political antagonisms for a structural-institutional critique of a system in crisis.⁴¹ They also provide a convenient foothold for the expansion of

39. Nancy Fraser, “Feminism, Capitalism, and the Cunning of History,” *New Left Review* 56 (2009): 97–117.

40. For the prehistory of this aspect of neoliberal subjectivation, see Nancy Fraser and Linda Gordon, “A Genealogy of *Dependency*: Tracing a Keyword of the US Welfare State,” in Nancy Fraser, *Fortunes of Feminism: From State-Managed Capitalism to Neoliberal Crisis* (London: Verso, 2013).

41. One could cite many other related notions, such as the invasion of low-waged Polish plumbers once feared in France, the deluded Burka-wearing victims of Islamic patriarchy deplored there now, and subprime borrowers seeking to live above their means. The list goes on and on.

repressive power that is integral to every crisis, including the present one, notwithstanding the neoliberal critique of public power.⁴²

But neoliberal commonsense is not all of a piece. This configuration harbors latent and subordinate elements that could, in principle, be activated in a bid for counter-hegemony. Especially promising are residual elements of New Left thought, currently recuperated in neoliberal guise but potentially available for resignification. For example, the inherently ambivalent ideal of an active, autonomous subject could be divested of its entrepreneurial connotations and re-angled democratically, in terms of coparticipation in collective practices of political freedom. In that case, the currently discredited idea of public power could be revalued—purged of its statist associations and allied to projects of transnational democratization, aimed at creating new, democratically accountable public capacities to address transterritorial problems in the public interest.⁴³ Likewise, the concept of capitalist society could be reclaimed from recent economic and culturalist deconstructions and re-elaborated critically, as an institutionalized social order whose current divisions among economy, polity, society, and nature are inherently undemocratic, unjust, and dysfunctional—hence, in need of transformation. Then, too, the ideal of justice could be delinked from its truncated, market-centered incarnation, reframed to match the true (transnational) scale of social interaction, and reimagined in a substantive, full-bodied way, as requiring institutional arrangements that permit all to participate as peers in social life. Finally, the closed view of history as countenancing only one (capitalist) future could be replaced by an open-ended view that allows for the invention of new possibilities—new forms of capitalism, perhaps, but also new postcapitalist societies. Entirely possible, at least in principle,

42. Certainly, the present crisis is providing the occasion for a major expansion of repressive state power. Consider the creation of vast projects of electronic surveillance and the relentless prosecution as “traitors” and “spies” of the whistle-blowers who have exposed them; the increased militarization of policing and border “defense”; the expansion of prisons, detention facilities, black sites (torture camps), and offshore internment centers for asylum seekers; the wholesale curtailment of civil and political liberties in the name of antiterrorism. This intensification and enlargement of repressive state power proceeds even as other state functions are being eliminated, downsized, outsourced to private firms, or kicked up to transnational governance structures. Thus, the recalibration of the polity/economy nexus in financialized capitalism is in no way tantamount to the “disappearance of the state.” On the contrary, states continue to exercise their historic repressive functions and to monopolize the means of violence—indeed, they do so in ever new and creative ways.

43. In that case, too, public power would be vindicated as a necessary condition for market coordination where the latter is appropriate and as a necessary replacement for it where it is not. For an account of the specific role of markets in capitalist societies, see Fraser, “Behind Marx’s ‘Hidden Abode.’” For some implications as to what markets can/should and cannot/should not do, see Nancy Fraser and Rahel Jaeggi, “Conceptualizing Capitalism” (chapter of a book manuscript, “Capitalism, Crisis, Critique,” forthcoming from Polity Press and on file with author).

such resignifications could serve as the nuclei of a new counter-hegemonic commonsense, conducive to emancipatory struggle.

Today, however, absent such rearticulation, the prevailing commonsense inclines its subjects to quiescence, even when capitalism's political contradiction assumes an overt, acute expression. In this context, "realism" militates against efforts to hold to account the powers that be, let alone to construe their "failures" as expressing the systemic political contradictions of financialized capitalism, which can and should be resolved by social transformation. On the contrary, it seems far more sensible to interpret the crisis dynamics one experiences as fatalities that cannot be changed, as growing pains to be endured en route to a better future, or as minor bumps on the road to emancipation through entrepreneurial self-capitalization. Thus, collective action aimed at restructuring the present regime is made to seem pointless.⁴⁴

Of course, quiescence takes many forms and is periodically punctuated by outbursts of anger, some of which seem pregnant with possibility. In the United States, where neoliberal commonsense is pervasive, Occupy Wall Street managed to pierce the ideological veil and capture public imagination in the early days of the current crisis. But the movement proved to be ephemeral, dissipating as quickly as it erupted and leaving behind little in the way of programmatic thinking or organizational structure. Today, accordingly, many in the United States who suffer from the current regime believe their desires for a better life are best fulfilled through "the private sector."

In Europe, by contrast, dislike of neoliberalism is palpable. But its principal expressions are authoritarian populism and xenophobic anti-Europeanism, on the one hand, and demoralized passivity and antiprogrammatic neo-anarchism, on the other hand. Typical of the latter, and symptomatic, is France's "le Zadisme," a

44. This sense of the pointlessness of collective action also permeates the "proto-ideological kernels" that Wolfgang Streeck has recently deciphered in the "raw materials of everyday life." Such materials, as he describes them, include the experience of being on one's own, unable to count on help from the powers that be; the sense that one needs to produce through one's own efforts, in the guise of "networks," the forms of social integration that were previously provided by social institutions and government programs; and the experience of pride, akin to that of an athlete, in being able (assuming one is) to shoulder that heavy burden. For Streeck, such everyday experiences may eventually be refined into public speech and become ideology proper. In any case, their affinity with the current worked-up neoliberal commonsense provides a foothold for the latter and coheres with its valorization of the de-politicized, hyper-individualized entrepreneurial subject described above. See Wolfgang Streeck, "Coping, Doping, Hoping, and Shopping: Prolegomena to a Theory of Capitalist Legitimacy in the Face of System Disintegration," lecture presented at conference on "The Legitimation Crisis of Capitalism," Historisches Zentrum/Engels-Haus, Wuppertal, Germany, May 31, 2015.

movement that aims to “defend” delimited “zones” from corporate predation, while relinquishing the more ambitious goal of transforming the larger order that enables such predation in the first place. To be sure, Spain’s Podemos and Greece’s Syriza represent potential exceptions; a victory for either would be a game changer.⁴⁵

Elsewhere the situation is different. For a decade or more, Latin America has presented a democratizing countertrend to de-democratization, while also holding out the tantalizing promise of a counter-hegemonic alternative to financialized capitalism. Its “pink tide” of left and center-left governments arose from a vast sea of struggles against neoliberalization, which activated masses of slum dwellers, indigenous people, and landless peasants, previously excluded from political life, along with working- and middle-class strata. Running directly counter to the prevailing global logic, the Latin trend has been to strengthen public power—to defend, extend, and transform it. Although tainted in places with *caudillismo* and clientelism, the Pink Tide is the closest thing the world has seen to a counter-hegemony. Yet its prospects are closely tied to world commodity prices—hence vulnerable to a sustained fall in Chinese demand. In financialized capitalism, apparently, “transformation in one region” is not sustainable.

On another front, meanwhile, transnational social movements have directly challenged the global financial institutions that are cannibalizing public power throughout the world. Begun in Chiapas and Seattle and propagated through the World Social Forum, this “alter-globalization” strategy has forged impressive connections among far-flung activist currents and social movements. But it too is hobbled by *anarchisant* suspicions of organization, public power, and large-scale programmatic thinking.⁴⁶ Declining to develop a comprehensive institutional vision, it has failed so far to convince demoralized subaltern populations that “another world [*really*] is possible.”

To date, finally, the various currents just mentioned have failed to coalesce. Dispersed and “oppositional,” as opposed to counter-hegemonic, they have yet to fashion a new political commonsense that could rival the depressive platitudes of neoliberalism. Despite the widely felt reality of an acute system crisis, intense suf-

45. As of this writing (September 2015), the prospects for such a victory appear slim. Over the longer term, the fate of both parties will depend on their ability to offer transformative, counterhegemonic solutions that mobilize rather than pacify.

46. For a critique of such *anarchisant* suspicions, see Nancy Fraser, “Publicity, Subjection, Critique: A Reply to My Critics,” in *Transnationalizing the Public Sphere: Nancy Fraser Debates Her Critics*, ed. Kate Nash (Cambridge: Polity, 2014).

fering and pervasive malaise do not become a practical force for social transformation. Neither the present administrative crisis nor its accompanying legitimation deficits gives rise to a legitimation crisis in Habermas's sense—still less to a Polanyian double movement or a Gramscian counter-hegemonic bloc.

IV. CONCLUDING REFLECTIONS ON THE ANATOMY OF A CRISIS COMPLEX

The crisis complex of financialized capitalism differs from that of state-managed capitalism in three respects. First, in the 1970s, the central locus of crisis was politics; at that time, the economic dysfunctions of the post-World War II regime were only beginning to become evident, and their effects remained fairly circumscribed. Today, in contrast, political crisis goes hand in hand with an overt economic crisis, whose severity is apparent to all—as well as with evident crises of ecology and social reproduction. Far from supplanting these other contradictions of capitalism, then, the political strand intertwines with and exacerbates them. And far from occupying a single settled location in capitalist society, today's crisis shifts rapidly from site to site, bursting out here and there according to the flashpoint du jour.⁴⁷ If the previous configuration led Habermas to speak of “displacement,” this one tempts one to speak instead of “metastasization.”

Second, the crisis of state-managed capitalism was one in which system disturbances prompted a critical mass to withdraw their support from the regime—at least for a time. Having assembled a counter-hegemonic commonsense, the critics of state-managed capitalism could mobilize an impressive (if ultimately insufficient) array of forces for structural transformation. For a period, accordingly, the scenario envisioned by Habermas appeared to materialize: an administrative crisis turned into a legitimation crisis. Today, in contrast, acute system dysfunctions, both political and economic, are not experienced through the lens of a counter-hegemonic commonsense. Dispersed and nonprogrammatic, opposition fails to rise to the level of a comprehensive challenge to the basic structure of financialized capitalism as an institutionalized social order. To date, at least, no passage from administrative crisis to legitimation crisis has occurred.

What explains this second difference between these two crisis complexes? Why does the system crisis of financialized capitalism, multidimensional and

47. For the site-shifting quality of the present crisis, see John B. Thompson, “The Metamorphosis of a Crisis,” in *Aftermath: The Cultures of the Economic Crisis*, ed. Manuel Castells, Joao Caraca, and Gustavo Cardoso (Oxford: Oxford University Press, 2012), 59–81.

severe as it is, provoke no legitimation crisis?⁴⁸ The key lies, I suggest, in a third difference, which pertains to the qualitative character of political crisis in these two epochs. In the era of state-managed capitalism, at least as interpreted by Habermas, the problem was marshaling sufficient (and sufficiently *passivized*) legitimation for the expanded use of state capacity to secure the conditions for ongoing accumulation and private appropriation of social surplus. What were at issue, in other words, were the (system-conforming) ends to which public power was put and the (bureaucratic) means by which it was exercised. Neither its proper scope nor its actual capacity was much in doubt. Today, in contrast, the problem is public power as such: its legitimacy as a means of coordination, its ability to master private power, its capacity to solve social problems, and the scale at which it can be effectively and accountably deployed. In financialized capitalism, these matters are very much in doubt. A sustained ideological campaign has largely succeeded in delegitimizing public power in the public imagination, even as a coordinated institutional assault is in the process of hollowing it out as a practical force. Today, accordingly, the system logic of capitalism's economy bores deep inside the substance of the political, consuming public power from within. Destabilizing its own political conditions of possibility, the current regime not only threatens to destroy itself. In addition, it risks demolishing the only force that could transform it, shattering the principal vehicle through which its crisis might be resolved in an emancipatory way.

This third difference presents a dilemma that is apparent, however dimly, to many today. For those who endure the current travails of financialized capitalism, a quandary looms: how can democratic forces fix a dysfunctional system when the instrument needed for the repair is itself being ground to dust by those very same system dynamics? Here, I submit, lies the key to the present absence of a legitimation crisis. Here, in economy's pervasive hollowing out of polity, lies the stubborn knot of historical blockage that Albena Azmanova has called "the crisis of the crisis of capitalism."⁴⁹ Certainly, the erosion of public power acts as a strong depressant on public action, even as it also occasions periodic antisystemic outbursts. Insofar as the latter remain antiprogrammatic, anti-institutional, and anti-political, they symptomatize, but do not confront head-on, the political contradictions of financialized capitalism.

48. In an earlier essay, I addressed this question primarily on the level of social action. Here, in contrast, my focus is the dialectical interaction between social action and system dynamics. For my previous foray, see Nancy Fraser, "A Triple Movement? Parsing the Politics of Crisis after Polanyi," *New Left Review* 81 (May–June 2013): 119–32.

49. Azmanova, "The Crisis of the Crisis of Capitalism."

To be sure, the contradiction dissected here is not the only one inherent in capitalist society. Nor is de-democratization the only crisis phenomenon we experience today. On the contrary, the object of these reflections has been the specifically political strand of a broader, multifaceted crisis, which also has other important strands—economic, ecological, and social—all of which, taken together, add up to a general crisis. It is at bottom a crisis of capitalism—or rather, of our current, historically specific form of capitalism: financialized, globalizing, neoliberal.

Nevertheless, the political strand of this crisis is especially important. Practically speaking, it is the key to resolving the others. Absent a reinvention of public power,⁵⁰ there is no hope of successfully addressing the ecological, economic, or social dimensions of crisis. The crisis of democracy demands our attention, then, both for its own sake and for the sake of our other problems. But de-democratization must be considered in the right light. Far from representing a free-standing species of political trouble, it expresses deep-seated systemic contradictions built into the institutional structure of financialized capitalism. What follows from this is clear: whoever would speak about democracy today must also speak about capitalism.

50. What exactly it might mean to reinvent public power today remains to be clarified. I will stipulate here, however, it cannot mean simply reconstituting the capacities of the territorial state. Given the scale of issues such as global warming and financial regulation, given the transnationalization of production, and given the inescapably transnational requirements of justice, there is no returning to the sort of nationally framed social democracy that the wealthy countries of the core enjoyed under state-managed capitalism.