Review Essay

Capital and Politics

Leo Panitch

Capital in the Twenty-First Century. By Thomas Piketty. Cambridge: Harvard University Press, 2014. 696p. $39.95 cloth.

The Power of Market Fundamentalism: Karl Polanyi's Critique. By Fred Block and Margaret Somers. Cambridge: Harvard University Press, 2014. 312p. $49.95 cloth.

Buying Time: The Delayed Crisis of Democratic Capitalism. By Wolfgang Streeck. London: Verso, 2014. 240p. $95.00 cloth, $26.95 paper.

Making Capitalism Fit for Society. By Colin Crouch. Cambridge, UK: Polity 2013. 216p. $64.95 cloth, $19.95 paper.

What social scientists would not give their eye teeth to see a book of theirs come even close to the reception of Thomas Piketty's *Capital in the Twenty-First Century*? One reason for its remarkable success is the sheer timeliness of its relentless marshaling of the hard data on massive class inequality across capitalist time and space. While the book offers a wealth of evidence on inequality across the advanced capitalist countries, and a good number of "emerging" ones as well, on especially prominent display are the fruits of Piketty's extension to the United States of his growing database on inequality, which was drawn originally from income and estate tax returns in France.

In speaking so directly to the growing political concern about this subject—from the 2012 Occupy movement to President Barack Obama's 2015 State of the Union Address—*Capital* more than justifies why "the politics of inequality—both within and among nations—is a theme that this journal has featured extensively in recent years," as the editor put in introducing the *Perspectives on Politics* March 2013 special issue on inequality.[1] Indeed, Piketty explicitly calls for others in his discipline to pay more attention to "the methods of historians, sociologists and political scientists," and peppers his book with lively criticisms of "the discipline of economics which has yet to get over its childish passion for mathematics and for theoretical and often highly ideological speculation, at the expense of historical research and collaboration with the other social sciences" (p. 32).

However, while Piketty makes good use of many rich quotations from great nineteenth-century novels, (above all, Balzac's *Pere Goriot*, also Marx's old favorite) to demonstrate the inherent logic of inequality embedded in the rise of capitalism, his book actually draws rather little on the work of historians, historical sociologists, or political scientists. This absence arises most acutely in his explanation for what brought about the sharp reduction in the concentration of wealth and income between 1914 and 1945, which, his data show, was the only major period in capitalist history when inequality actually declined. Piketty repeatedly comes back to the argument that this temporary break with the inherently inegalitarian logic of capitalism "was due above all to the world wars and the violent economic and political shocks they entailed (especially for people with large fortunes)" (p. 15). But especially for someone who wants to take the contribution of history, sociology, and political science seriously, this cannot be a *deus ex machina;* why these wars happened, and why they entailed such "economic and political shocks," requires explanation.

Piketty's evidence on the rise of wages by the beginning of the twentieth century further invalidates the explanation of World War I advanced by classical theories of imperialism, from John A. Hobson to Vladimir Lenin, which centered on the inability of capitalists to realize profits at home due to the impoverishment of their working classes. But Piketty makes no reference to these theories, or to Joseph Schumpeter's alternative explanation in terms of the continued influence of landed ruling classes into the early twentieth century. Nor, despite the enormous revival of interdisciplinary interest in Karl Polanyi's

Leo Victor Panitch is Distinguished Research Professor of Political Science and Canada Research Chair in Comparative Political Economy at York University (lvpanitch@gmail.com).

doi:10.1017/S1537592715002340

work over the last three decades, is there is any reference to Polanyi's masterpiece, *The Great Transformation*.[2] Any reader who wants to get a better grasp than Piketty himself provides of just how "the structure of capital was totally transformed between the eighteenth century and the beginning of the twentieth century," and how this in turn produced "the violent economic and political shocks between 1914 and 1945" (p. 342), would benefit from reading Fred Block and Margaret Somers' new book on Polanyi, *The Power of Market Fundamentalism*—also reviewed here—and from a broader social scientific perspective than the one furnished by Piketty, the virtues of his text notwithstanding.

Political scientists in particular will also not fail to note Piketty's lack of engagement with the discipline's international political economy (IPE) literature, even though his central argument regarding the reassertion of the inegalitarian capitalist logic after World War II contrasts so sharply with John Ruggie's foundational notion of "Embedded Liberalism in the Postwar Economic Order."[3] And in terms of the case he makes for inegalitarian trends being as strong in Western European countries as in the UK and the United States, Piketty seems unaware of the fundamental challenge this entails to the predominant literature in comparative political economy (CPE), and the contrast it draws between "varieties of capitalism" founded on the deep-seated national institutional networks in the Anglo-American "liberal market economies (LMEs)," on the one hand, and those in the "coordinated market economies (CMEs)," on the other.[4] If anything, Piketty's compelling and well-supported argument in this respect would seem to lend support to the neo-Marxist concern to show how and why, despite quite different historical and institutional legacies, all states in capitalist societies have come to act in ways that promote capital accumulation and the reproduction of class inequality. It is quite notable, therefore, that one of the discipline's leading institutionalists, Wolfgang Streeck[5], should have in the same year as Piketty's *Capital* published a powerfully argued new book, *Buying Time*, also reviewed here, which lends support to the neo-Marxist side of the long-standing debate over the degree of autonomy of the state in capitalist societies.[6]

As for what is to be done about such deeply entrenched capitalist inequality, Piketty's policy proposals at the end of his book, above all his case for "an aggressive global tax on capital," only further highlights his lack of engagement with IPE and CPE and the political implications of the institutionalist versus neo-Marxist debates on the state. His commitment to maintaining an "open economy" and his opposition to capital controls sit very awkwardly beside his evident dismay that "tax competition in a world of free-flowing capital has led many governments to exempt capital" (p. 496). That this is, as he says, "particularly true in Europe" undermines, moreover, his claim that his "Blueprint for a European Wealth Tax" (p. 527) is more realistic than his self-admittedly "utopian" proposal for a global tax. It is not at all clear why he thinks greater political and fiscal union, whether or not it is accompanied by a European parliament made up of members from national parliaments, would be likely to shift the European Central Bank in the more progressive direction he would like it to take.

What is particularly missing is any engagement with the important literature that has emerged in recent years, commonly associated with the concept of "post-democracy," on the hollowing out of democratic institutions amidst neoliberalism in Western Europe. This especially pertains to whether even social democratic parties could be expected to advance such policies any longer. And it is with this in mind that this review also encompasses the new book by one the leading exponents of the post-democracy thesis, Colin Crouch, whose case for *Making Capitalism Fit for Society* rests on the possibility of moving "from a defensive to an assertive Social Democracy" (p. 1).

In what follows, I will thus discuss each book in turn, highlighting the way each addresses the problem of inequality in capitalist societies, before concluding with some observations on the need for political scientists to develop a deeper analysis of the way that the institutional configuration of capitalist states has sustained class inequality, and how this might be yet changed.

Piketty's *Capital*

The hullabaloo over the English edition of Thomas Piketty's *Le capital au XXI siècle* in 2014 almost made the reception in 1875 of the French edition of its nineteenth-century namesake, Marx's *Le Capital* (whose ten thousand copies quickly sold out) seem paltry by comparison. Could it be that just as Marx's weighty tome, four years after the demise of the Paris Commune, provided the social scientific ballast that sustained the French revolutionary spirit for many decades to come, Piketty's almost 700-page volume can do the same for what Occupy Wall Street represented in our time? As with Occupy's "we are the 99%" slogan, one explanation for what has been called the "Piketty bubble" is how cleverly the book projects its wide appeal. As the first chapter opens, the more radical readers are hailed with the 2012 massacre of mine workers striking for higher wages in Marikana, South Africa. Linking this to the police firing on workers at Haymarket Square in Chicago on May 1, 1886, Piketty asks: "Does this kind of violent clash between labor and capital belong to the past, or will it be an integral part of 21st century history?" Sounding very much like Marx, he adds: "If the capital-labor split gives rise to so many conflicts, it is due first and foremost to the extreme concentration of the ownership of capital" (pp. 39–40).

That said, however, Piketty immediately assuages less radical readers by explaining that "my purpose here is not to plead the cause of the workers." He has indeed already

https://doi.org/10.1017/S1537592715002340 Published online by Cambridge University Press

reassured them in the Introduction that he does not share Marx's "apocalyptic vision" (p. 1). While acknowledging that "the principle of infinite accumulation that Marx proposed contains a key insight," and while also agreeing with Marx that capitalism "automatically generates arbitrary and unsustainable inequalities that radically undermine the meritocratic values on which democratic societies are based," Piketty expresses the hope that there are "nevertheless ways democracy can regain control over capitalism." He above all wants to usher a warning that, especially under the likely continuing conditions of low economic growth, the massive increase in private wealth attained by the twenty-first century "may be high enough to be destabilizing" (p. 10).

While any comparison with Marx's *Capital* is certainly overdrawn, what Piketty's *Capital* shares with it is the concern with the historical structure of inequality within capitalism. Indeed, its central theme is that vast class inequalities of wealth and income are not conjunctural but, rather, endemic to capitalism as an economic system. He argues that after the concentration of capitalist wealth and income was reduced during the years of world war and economic crisis between 1914 and 1945 (Piketty's Figures. 1.1, 1.2), the structural foundations for capital accumulation were once again secured and its dynamics set in motion again. During the postwar reconstruction years, progressive reforms, while hardly inconsequential, were already effectively swimming against the capitalist tide. "Reconstruction capitalism" he argues, "was by its nature a transitional phase and not the structural transformation some people imagined" (p. 397). If this was not obvious during those "optimistic decades" it was not only because "it took so much time for the shocks of 1914–45 to fade away" but also because economists like Simon Kuznets and Paul Samuelson, with "an excessive fondness for fairy tales, or at any rate happy endings" (p. 11) as well as a "harmonious view of social order" (p. 218), were susceptible to presenting what was only the temporarily stable "capital–labor split" of abnormally high postwar economic growth as a new law of capitalist economics. What they thereby missed were the "fundamental trends that in many cases cannot be appreciated on time scales of less than thirty or forty years or even longer" (p. 286).

It is precisely because "it is so important to take a very long historical view when studying these questions" (p. 168) that Piketty sees himself as having written more a book of history than economics. But his refusal to embrace his "profession's undue enthusiasm for simplistic mathematical models" (p. 16) for this reason is rather devalued by his own penchant for abstract algebraic formulae in defining his two "fundamental laws of capitalism."[7] The first of these is expressed in his key concept of the "capital/income ratio" defined as "total wealth measured in years of national income" which is "a pure accounting identity, valid at all times in all places." The second law, most simply expressed in his formula $r > g$, posits that the rate of return on capital tends to exceed a country's growth rate, and thus that incomes derived from capital will increase relative to those derived from labor under capitalism. It is this, Piketty claims, that "enables us to explain why the capital/income ratio seems now after the shocks of 1914–1945 and the exceptionally rapid growth phase of the second half of the twentieth century to be returning to very high levels" (pp. 167–68). But his formulaic laws, narrowly tailored as they are to fit the statistical categories used in his data sources, do not actually carry him very far in any deeper explanation of "the historical dynamics of the wealth distribution and the structure of social classes" (p. 33).

What capital means for Piketty is merely wealth that provides an income stream of any kind. While admitting that "wealth has different origins and fulfils different functions" (p. 369), he sets this aside for the purposes of his analysis. His concept of "landed capital" thus occludes not only the fundamental differences between precapitalist and capitalist societies but even the development of capitalism in the nineteenth century. Taking France as his central case, he argues, on the one hand, that "the structure of capital was totally transformed between the eighteenth century and the beginning of the twentieth century (landed capital was almost entirely replaced by industrial and financial capital and real estate)," but since the capital/income ratio, as he abstractly defines it, remained unchanged, he reasons at the same time that "France remained the same society, with the same basic structure of inequality" (p. 342). As for the structure of capitalism in the twentieth century, what is especially remarkable is that corporations, the central institutional forms of capitalist investment, production and distribution, are mentioned only in passing, and then mainly to highlight the exorbitant incomes that the "super-managers" of these corporations came to pay themselves by the twenty-first century.

Piketty tells us that "the '1%' who earn the most are not the same as the '1% who own the most" and that it "is always essential to be clear about which hierarchy one is referring to" (p. 254). But how the two interact and whether they form one or more distinctive classes goes largely unexamined. Nor does he examine what role the managers and professionals in what he calls the "patrimonial middle class" (whose presence on the high rungs of wealth and income distribution is a "major historical innovation") play today in relation to corporate capitalism, competition, and accumulation. Perhaps most significantly, it is highly misleading to tell the history of the past century in terms of the rise and fall of foreign capital, highlighted by the decline in foreign assets in the fortunes of the wealthiest 1% after World War I: That multinational corporations should earn only one entry in the index of a book on capitalism in the twenty-first century is strange indeed.

Moreover, even though Piketty often deploys terms like "class struggle" and even "class warfare" with abandon, it is never really clear how far his discussion of capital and labor relate to the actual social groups that figure in the balance of class forces both historically and today. Almost halfway through the book—in a brief section headed "Class Struggle or Centile Struggle?"—Piketty admits that "my analysis is based entirely on statistical concepts." He grants that "the concepts of deciles and centiles are rather abstract and undoubtedly lack a certain poetry. It is easier for most people to identify with groups with which they are familiar: peasants or nobles, proletarians or bourgeois, office workers or top managers, waiters or traders. But the beauty of deciles is precisely that they enable us to compare inequalities that would otherwise be incomparable" (p. 252). Whether anyone but a statistician or economist would consider the word "beauty" to be apt here is rather dubious. But the main question is whether this reduction of class to a statistical artifact disables his broader goal of understanding "the historical dynamics of the wealth distribution and the structure of social classes" (p. 33).

Yet however weak he is on the "shocks" to capital from 1914 to 1945, Piketty's account of how capital was restored after 1945 is strong. This is especially seen in his particularly rich account of France in three distinct phases from 1945 to the present (pp. 287–89). The first phase, from 1945 to 1967, was characterized "by sharp increases in both capital's share of national income and wage inequality." In a context of rapid economic growth, the share of profits in national income increased, and even though average wages doubled, the pay of managers, engineers, and others at the top end of the income scale increased more than that of most workers. The reconstruction phase was succeeded by a second "crisis" phase from 1968 to 1983: Alongside the student grievances and cultural and social issues that kicked it off, the fact that "many people had tired of the inegalitarian productivist growth model of the 1950s and 1960s . . . no doubt played a role" (p. 289). The main immediate effect of the May 1968 student and worker revolt was to raise wages, and this was then followed by increases in minimum wages almost every year in the "seething social and political climate" of the 1970s. The third phase, from 1983 on, follows the U-turn of the Mitterrand government on the Programme Commun (which, it is important to stress, came under great pressure from French capital at home and as much or more pressure in Europe from the German Social Democratic government as the Republican one in the US). With the turn to austerity, and the imposition of wage freezes, "the break was as sharp as that of 1968, but in the other direction." The share of profits now "skyrocketed," culminating by 2010 in a capital/income ratio that had once again reached pre-World War I levels. Executive pay packages in the largest companies and financial firms "reached astonishing heights" (p. 290).

While specific national patterns within each phase differ somewhat, it is remarkable how much they are broadly aligned across these three phases. As Sam Gindin and I have argued in *The Making of Global Capitalism,*[8] apart from the increasing strength of capital as an actor even in the first phase, it is the defeat of labor through the course of the second phase, and the very weak resistance it was able to mount to capital in the third phase, that is most striking. "Whereas in the 1940s Polanyi had seen a human need for stable social relations as the Archimedian point for a fightback against the liberal project," Streeck notes in *Buying Time*, "the cultural tolerance of market uncertainty grew against all expectations in the last two decades of the twentieth century"(p. 31).

Bringing Polanyi Back In

The attention Piketty pays to Marx, while ignoring Polanyi, is all the more strange given that, as Block and Somers show (*Power*, p. 232), Polanyi's work was very much in the tradition of the late nineteenth and early twentieth century historical economists, who were, like Piketty now, disdainful of "mathematically inclined marginalist economists." Indeed, in some ways, Piketty seems closer to Polanyi than do Block and Somers themselves, who seek to give the ideas of economists a far greater causal role in shaping capitalist history than Polanyi did, or Piketty himself is wont to do.

Polanyi famously argued that "once elaborate machines and plant were used for production in a commercial society, the idea of a self-regulating market was bound to take shape" (*The Great Transformation*, p. 40). But because these capitalist markets were necessarily still embedded in social and political institutions, he derided the notion of a self-regulating market as both utopian and misconceived. He showed that the actions of the English state to facilitate the emergence of capitalist labor markets by the late eighteenth century also involved buffering those markets' destructive social effects through poor law support for the indigent—whose inability to derive sufficient income to survive by selling their labor power on the market proved, as Marx had argued, that human beings themselves could not be turned into just commodities. And Polanyi further showed that as both capitalists and workers developed greater economic and political strength throughout the first decades of the nineteenth century, the old poor-law forms of outdoor relief impaired the further development of labor markets and were replaced by a new Poor Law.

As Block and Somers dramatically put it, this new law "forced those displaced from the countryside into the hated workhouses as the only alternative to the despised factories" (*Power*, pp. 51–52). They insist, however, that it was wrong for Polanyi to argue that this happened because the original, less dehumanizing, poor laws had impaired further capitalist development. They claim that it was illogical of Polanyi to suggest that any earlier form of "embedding of the market economy impairs the process of market self-regulation" since his own argument was founded on the notion that "there can never be a self-regulating system" (p. 94). Asserting that it was instead the Scrooge-like "rhetoric of perversity" (in a phrase borrowed from Albert Hirschman) of the laissez-faire classical liberal economists like Thomas Malthus that primarily undermined the old poor laws, they then bring the same argument forward to our time in order to stress the determining role played by Hayekian market fundamentalists in undoing U.S. welfare measures in the neoliberal era. In both cases, "the real battle was ideational" (p. 161). This is indeed a very major amendment to Polanyi.

As Polanyi carried his account of the great transformation through the nineteenth century, he examined how states facilitated the commodification of land, labor, and money both at home and internationally while at the same providing some socially necessary protection from the effects of commodification. He showed how, in the context of new class struggles and alliances, the contradictions in capitalism's dynamic development thereby multiplied, intensified, and grew ever more explosive. August 1914 was the result, and so was the Great Depression that followed, after the failure of the vain attempt to keep the old system going by reviving the international gold standard. As he put it on the opening page of *The Great Transformation* (p. 3), this was only the "proximate cause," however, of the rise of fascism and World War II. What he called "the catastrophe" was the result of the contradictions inherent in the "double movement" that was involved in both the promotion of, and the protection from the effects of, capitalist accumulation and commodification.[9]

When *The Great Transformation* was published, just before the end of World War II, Polanyi may have hoped that the internationalization of the U.S. New Deal, alongside a postwar majority Labour Government in the UK, would pave the way for a new era of democratic socialist planning that would finally put an end to capitalism and the explosive contradictions of its "double movement." But he soon recognized that the New Deal reforms and British welfare state were not only constrained by, but even subordinated to, renewed capital accumulation. Block and Somers ascribe Polanyi's postwar dismay to the Cold War (*Power*, p. 95), but it was in fact the resiliency of the capitalist classes and the broad attractions of commodification *within* Western European and North American societies that really dismayed him.[10]

Melding Marx and Polanyi

The great resiliency of capitalism after World War II did not happen because Friedrich Hayek had already won the battle of ideas. As Wolfgang Streeck explains so well in his important new book, Hayek's increasing prominence as the rest of the century unfolded rather had to do with the extent to which he anticipated "the inherent political and economic logic" of postwar capitalism. Addressing specifically postwar European integration, Streeck argues that as it "grew out if its Keynesian illusions and its enthusiasms for planning, and the more integration progressed and advanced into the centre of the European political economy, the more it followed Hayek's intuitions." It was as if he "had worked out the lines of force along which the institutions of European unity . . . would eventually position themselves" (*Buying Time*, p. 102) Speaking to this with the German political economy topmost in mind, based on his very close study of it since the 1970s, Streeck presents the postwar regime as one "which had enabled them ['capitalists and their managers'] . . . to regain their positions on the commanding heights of industry" (p. 27).

Capitalism is not a zero sum game, however: The postwar era was also characterized by the strengthening of labor as a social force. A series of workers' revolts by the late 1960s yielded not so much the legitimation crisis envisaged by the Frankfurt School theorists but, rather, a new economic crisis as profits were squeezed. What these theorists had not recognized, Streeck insists, with their notion of capital as a functional "system" was the role of capital as an *actor*, one which had become much more powerful in the postwar era. It was in the context of the class struggles that capital and labor were engaged in during the high growth and full employment conditions of the 1960s that "the capitalist elites and their political allies looked for ways to extricate themselves from the obligations that they had had to incur for the sake of social peace and which, broadly speaking, they had been able to meet during the reconstruction phase" (ibid., p. 19). It should be noted that Streeck falls here into the conventional and misleading terminology of capital "urgently needing to break free from the cage-like institutional framework of the post-1945 'social market economy'" (p. 19). In light of his recognition of the postwar regime as an "enabler" of capitalists and their managers, the apt metaphor for the postwar regime is not a cage but rather a cradle, which capital had outgrown and found too constraining by the 1960s amidst the enormous expansion of foreign investment by multinational corporations and international investment banking (not least in the Eurodollar markets).[11]

To aid his analysis, Streeck notably goes back to the neo-Marxist theories of the state of the late 1960s and early 1970s, heaping particular praise on the prescience of James O'Connor's *The Fiscal Crisis of the State*.[12] Streeck explains this explicit theoretical turn in his book's Introduction: "After what has happened since 2008, no one can understand politics and political institutions without closely relating them to markets and economic interests, as well as to class structures and conflicts arising from them. Whether or not this is 'Marxist' or 'neo-Marxist' is a matter of complete indifference to me, and I have no wish to enter into it. But one outcome of historical developments is that we can no longer say for sure where, in the effort to shed light on current events, non-Marxism ends and Marxism begins" (p. xv).

It was the severe contradictions of the emerging fiscal crisis of the state by the early 1970s, Streeck argues, that led mainstream politicians and senior public officials—who, notoriously pragmatic as they are, abjure ideological fundamentalism of any kind—to undertake the kinds of measures that capitalists and neoliberal economists could applaud. This fiscal crisis "need not be attributed to democratic empowerment of insatiable electorates," Streeck writes. "Rather, there is much to be said for the functionalist view that it expressed a growing need for public investment and curative measures to accompany capitalist development—measures that repaired the damage caused by capital accumulation as well as creating the conditions for future growth" (ibid., p. 68). But Streeck shows that what happened through the playing out of the fiscal crisis was "the transformation of the *tax state* into a *debt state*" (p. 72). And as states increasingly relied on borrowing to cover their expenditures, this not only made them ever more dependent on international financial markets but also ensured that they would be active in facilitating those markets' deepening and expansion, a process "underway by the 1980s at the latest" (p. 73).

In light of the overwhelming priority accorded to capital mobility under the Economic and Monetary Union ever since the 1980s, and the imposition of Gold Standard-like austerity to deal with the euro crisis since 2010, Streeck makes a strong case that "instead of making things worse by rushing ahead to complement monetary union with 'political union,'" it might be better to dismantle the EMU, scuttle the euro and return to a system of flexible European exchange rates" (p. 185). His suggestion that those centrally involved in the EMU project actually believed in the "globalization euphoria of the 1990s, for which the state political capacity for action was not just obsolete but dispensable" is dubious, however. It is in fact belied by his own recognition of the active role even the smaller states of Europe have been expected to play, and have indeed played, in the process of "wielding the euro as an instrument of political discipline." But Streeck's recognition that restoring national currencies would also need to involve "as both as desirable and necessary, a return to capital controls of one kind or another" is certainly correct (p. 187).

The Problem with Social Democracy

The bleak picture Streeck draws of Europe as it is today makes Block and Somers's persistent attempt to offer up a European social democratic variety of capitalism as an alternative for emulation by progressive forces in the United States look exceedingly threadbare. And here is where Colin Crouch's *Making Capitalism Fit for Society* comes in, designed as it is to shake European social democracy "out of the defensive posture to which it has shrunk for several years now" (p. 1). Arguing that social democratic parties, whether under the rubric of the "Third Way" or the *Neue Mitte*, have contributed to the hollowing out of liberal democracy by abandoning their core labor constituencies, Crouch sadly notes that they have even ceased saying that there is "anything problematic about concentrated wealth or even inequality" (p. 8). Yet his manifesto for moving "From a Defensive to an Assertive Social Democracy" (the title of his first chapter) is itself founded on the notion that "We Are All (Partly) Neoliberals Now" (the title of his second). Crouch distinguishes between three types of neoliberalism: the pure neoliberals who advance perfect markets, extensive competition and a strong state role in advancing these and protecting property rights; "actually existing" neoliberalism, which refers to a politicized economy "so unbalanced by plutocratic power that it seriously compromises the idea of liberal democracy"; and those neoliberals who also accept "the value and priority of markets" and "the superiority of a capitalist economy over a state-owned one," but are aware that markets have deficiencies and seek to use the state to overcome market inabilities "to cope with externalities and public goods" (pp. 24–25). By explicitly identifying itself as a version of neoliberalism in this last sense, he contends, social democracy can move from defensiveness to assertiveness.

Crouch proposes to make social democracy look distinctive from the "environmentalists, religious groups, conservatives and others" who are located close to it on the spectrum of neoliberalism by reasserting its traditional association with labor movements and progressive tax policies. This would once again "create trust," so as to make it easier for workers and unions to accept "increased labour market flexibility" (p. 81). The "Nordic model" is (as always) foregrounded, with Denmark's system of "flexicurity" now taken as the guiding light, since it so clearly combines neoliberal goals with social democratic trust in switching "from job protection to employment creation": by reducing labor protection laws, placing the burden of reducing uncertainty for workers on the social insurance system, using general taxation to relieve employers of part of their contributions, and offering job search and retraining schemes to those who lose their jobs. "Given its acceptance of a market economy and therefore of the need for firms to be competitive, assertive social democracy has to relieve firms of at least part of the cost of maintaining a secure and confident workforce," Crouch writes, deploying typical neoliberal rhetoric which translates job loss and insecurity into "a secure and confident workforce." But he is quite straightforward in adding: "Under assertive social democracy the state and taxpayers assume most of the burden of compensating for externalities, just as under original social democracy" (pp. 80–81).

This is, all too sadly, very familiar stuff. The use of social democracy's ties to unions in this way harkens back to the corporatist wage-restraint policies of the 1960s and 1970s, while the promotion of state-funded "retraining" has all the hallmarks of the "progressive competitiveness" strategies advanced in the United States by the Clinton administration, even as "welfare as we know it" was being done away with. While embracing the Nordic model of flexicurity, Crouch seems to forget that he had at the outset of the book noted that the outsourcing of public services has been "particularly prominent in the Nordic countries," and derided how quick social democrats were "to seek a compromise here" with those demanding lower taxes on the grounds that "if private firms can make soft profits out of providing public services, this might lessen the ideological attack on public spending . . . The system that results, whereby governments continue to pay for services and become the 'customers' [while] reducing citizens to mere 'users,' looks like becoming the central social pact of the early twenty-first century" (p. 13). Indeed.

Crouch's case for an assertive social democracy only confirms Streeck's stark conclusion about the unviability of social democracy's core strategy of "imposing on capital reform projects which, while benefiting workers and their organizations, also helped capitalism to tackle problems of production and reproduction." In today's world, "there no longer appears to be anything that the broad mass of ordinary people could offer capital, or wrest from it, while deriving benefit for itself" (p. 159). Streeck thus appropriately argues that critical intellectuals should see it as their task to reinforce the "growing feeling among the citizens of Europe that their governments are not taking them seriously" (p. 160) rather than try to renew the old social democratic compromises within the framework of neoliberalism.

A Way Forward?

What then is to be done? Crouch, very much like Piketty, unimaginatively recites old mantras about the inevitable authoritarianism and inefficiency of any attempt at socialist economic planning, using dismissive terms that would do Hayek proud, in sharp contrast to Polanyi's determined insistence against Hayek that democratic planning is not only possible but is actually the necessary condition for realizing genuine individual freedom by connecting it to collective sociability. To achieve this would, of course, require considerable "institutional engineering" to develop new party and state capacities so that capitalism's inegalitarian dynamics might be finally overcome. This was always the strategic import of neo-Marxist theories of the state. In this respect, it is profoundly to be hoped that the books reviewed here serve to remind us that the neo-Marxists and institutionalists in political science have been talking past each other for far too long.[13]

In this respect, as well, it is rather surprising that Streeck should have gone back to those earlier contributions to developing state theory, including O'Connor's, which focused on how the state was embedded in capitalism's systemic logics and contradictions, but which paid little attention to actual state actors and institutions. Problematizing the linkages between state and capitalist institutions and actors was precisely what Ralph Miliband and Nicos Poulantzas, in their very different ways, were trying to do toward the end of the 1960s and throughout the 1970s.[14] They were countering not only pluralist theory, with its utter neglect of the dynamics of capital accumulation and the deep structures of class inequality, but also Marxian economics, with its tendency to reduce the state to an agent of an undifferentiated "monopoly capital." And rather than assuming the coherence of the state, they both problematized this as well. Poulantzas, primarily concerned as he was with theoretical refinement, sought to give us a conceptual vocabulary for understanding the tensions among state institutions in terms of different crystallization within them of historical compromises among various class forces; this was designed to help identify the "internal cracks, divisions and contradictions" in any given state, as well as to help trace the complex and contradictory ways a certain unity behind state policy among these institutions could nevertheless be established.[15] For his part, Miliband's theoretical departure involved delimiting the variety of state institutions and insisting on the conceptual separation of state power and class power within them, before investigating empirically how common commitments among various state and business actors to the reproduction of capitalist social relations came to be forged—with all the limits this necessarily imposed on reducing, let alone ending, class inequality.[16]

The neoliberal decades of growing class inequality have in many ways confirmed how correct Miliband and Poulantzas were in insisting, even at the height of the Keynesian era, that the central task of political science was to address the complex way that state power and class power cohered in advanced capitalist societies. Although more and more political scientists focused on the institutional differences among the states they designated as CMEs and LMEs throughout the 1980s and 1990s, even Peter Hall now points to the importance of identifying the developments that produced across *all* the advanced capitalist states the "institutional architecture for the neoliberal era, whose component parts reinforced each other to produce distinctive aggregate and distributive outcomes."[17] It is in good part for its foresight and help in identifying just this architecture that there has been a growing interest in, and a further development and application of, neo-Marxist state theory.[18]

The main contribution of Piketty may well be to remind us that to understand the dynamics of class inequality and what can be done about it, we need to start with capital and capitalism rather than the much more general and ahistorical concepts of states and markets. It is high time we moved on from the banal if true insistence on the mutual embeddedness of states and markets against the simplistic neoclassical nostrum, even while granting to it—in terms of notions of more or less embeddedness—our periodization of history and our comparative focus. The deeper issues for the discipline of political science concern assessing the implications for democracy and equality as state institutions have become ever more dependent on capitalist competition and accumulation for their own revenues and legitimacy. And we need to carefully study the processes through which state institutions were engineered by party and state actors to further promote and facilitate capitalist competition and accumulation in recent decades, thereby themselves becoming ever more complicit in the deepening of class inequality even while endeavoring to contain the economic and political crises to which all this gives rise.

Might political science also be able to contribute to escaping this vicious circle? Hall is certainly right to insist that "to see this institutional architecture as economically-determined would be to miss important parts of the picture."[19] Political scientists might even try to be useful to popular movements, from Occupy to Syriza, by thinking through not just to putative policies but also to the institutional changes that would be required to escape the inegalitarian effects of today's global capitalism. It would be important, for instance, to focus more attention on the ways in which state institutions might be reengineered so as to undertake the democratic economic planning required to displace the state's dependence on capitalist competition and accumulation and the class inequalities that arise from them.

Streeck holds out little hope for the discipline in this respect: "Professionalized political science tends to underestimate the impact of moral outrage. With its penchant for studied indifference, which it regards as value-free science, it strives to develop theories in which there can be nothing new under the sun, and has nothing but elitist contempt for what it calls 'populism,' sharing this with the power elites to which it would like to be close" (*Buying Time*, p. 163). But political science, like the state itself, is a contested field. Even if the balance of forces is highly asymmetric, there remains plenty of space for advancing the case for a political science that would seek to develop and contribute its knowledge of institution building to aid in the process of developing popular capacities to enter and transform the state so that democracy can in fact prevail against capitalism.

Notes

1 Isaac 2013, p. 1.

2 [1944] 1957. Piketty does actually use the term "great transformation" once (*Capital*, p. 377), but he does so with the adjective "supposed" before it, in reference to how "less dramatic than is sometimes thought" is the declining significance of inheritance in the concentration of wealth and income. Nor, in making no reference to Polanyi, is he alone among economists of a similar perspective. As Lisa Martin (2013, 177) pointed out in her review, in this journal, of books by Dani Rodrik, Joseph Stiglitz, and James Galbraith, even while they did "not directly discuss Karl Polanyi, it is difficult not to see the shadow of his masterpiece."

3 Ruggie 1982.

4 For the best overview and assessment, see Coates 2005.

5 See particularly Streeck and Thelen 2005.

6 See Cammack 1990; Evans, Reuschemeyer and Skocpol 1985; Levi 2002; Miliband 1983; Panitch 2002.

7 It is symptomatic that Piketty—in seeking to pit his "fundamental laws" against Marx's "law of the tendency of the rate of profit to fall"—takes on Marx at his most formulaic and economistic, while ignoring Marx's broader political economy and historical sociology. The faintest acquaintance with this subject would belie Piketty's claim that Marx totally neglected the role of "durable technological progress and steadily increasing productivity" in explaining capitalism's dynamism (*Capital*, p. 10). That said, even though technology and productivity do figure centrally in the "countertendencies" that Marx attached to his "law of falling profits," E. P. Thompson (1978, 253) was right to lament that Marx himself sometimes became too captivated, in the course of engaging in his critique of classical economics, by its search for "fixed and eternal laws independent of historical specificity." As Paul Sweezy (2014, 39) once wrote in a letter to Paul Baran: "Formulas are the opium of the economists, and they acted that way on Marx too. Vide the chapter on the falling rate of profit which tries as hard as any of the modern stuff to squeeze knowledge out of tautologies."

8 Panitch and Gindin 2012.

9 In a recently published collection of her essays, Karl Polanyi's daughter, the eminent Canadian political economist Kari Polanyi Levitt (2013, 100), defines her father's notion of the double movement far more accurately than do Block and Somers: "It must be understood that Polanyi's 'double movement' is not a self-correcting mechanism to moderate the excesses of market fundamentalism but an existential contradiction between the requirements of a capitalist market economy for unlimited expansion and the requirements of people to live in mutually supportive relations."

10 Given that the evidence for this was set out clearly some 15 years ago by Hannes Lacher (1999a, 1999b), it is quite astonishing that his work is not addressed, or

https://doi.org/10.1017/S1537592715002340 Published online by Cambridge University Press

even cited, by Block and Somers. Yet as Tim Clark (2014, 62) has recently pointed out, this seems to be part of a more general pattern whereby the promoters of a welfare-statist reading of Polanyi "have systematically failed to engage with their critics."

11 See Panitch and Gindin 2012, p. 10 and Chapter 5.
12 O'Connor 1973.
13 Sam Gindin and I have recently attempted to start this conversation with our 2014 Deutscher Lecture "Marxist Theory and Strategy: Getting Somewhere Better" (Panitch and Gindin 2015).
14 Miliband 1969, 1977; Poulantzas 1968, 1977.
15 See Poulantzas 1977, esp. p. 132 ff.
16 See Miliband 1969, esp. p. 49 ff; and Miliband 1983, esp. Chapter 4.
17 Hall 2013, 134.
18 See, for instance, Barrow 2005; Gallas et al. 2011; Konings 2010; Panitch and Gindin 2012; Wetherly, Barrow, and Burnham 2008.
19 Hall 2013, 132.

References

Barrow, Clyde W. 2005. "The Return of the State." *New Political Science* 27(2): 123–145.

Cammack, Paul. 1990. "Statism, New Institutionalism and Marxism." In *The Retreat of the Intellectuals: Socialist Register 1990*, ed. Ralph Miliband and Leo Panitch. London: Merlin.

Clark, Timothy David. 2014. "Reclaiming Karl Polanyi, Socialist Intellectual." *Studies in Political Economy* 94(1): 61–84.

Coates, David, ed. 2005. *Varieties of Capitalism, Varieties of Approaches*. New York: Palgrave Macmillan.

Evans, Peter, David Reuschemeyer, and Theda Skocpol. 1985. *Bringing the State Back In*. Cambridge: Cambridge University Press.

Gallas, Alexander, Lars Bretthauer, John Kannankulam, and Ingo Stützle, eds. 2011. *Reading Poulantzas*. London: Merlin.

Isaac, Jeffery C. 2013. "The Politics of Inequality in the Face of Financial Crises." *Perspectives on Politics* 11(1): 1–7.

Hall, Peter A. 2013. "The Political Origins of Our Economic Discontents." In *Politics in The New Hard Times: The Great Recession in Comparative Perspective*, ed. Miles Kahler and David A. Lake. Ithaca, NYC: Cornell University Press.

Konings, Martijn. 2010. "Renewing State Theory." *Politics* 30(3): 174–182.

Lacher, Hannes. 1999a. "The Politics of the Market: Re-reading Karl Polanyi." *Journal of Interdisciplinary International Relations* 13(3): 313–26.

———. 1999b. "Embedded Liberalism, Disembedded Markets: Reconceptualizing Pax Americana." *New Political Economy* 4(3): 343–60.

Levi, Margaret. 2002. "The State of the Study of the State" In *Political Science: The State of the Discipline*, ed. Ira Katnelson and Hellen V. Milner. New York: Norton.

Levitt, Kari Polanyi. 2013. *From the Great Transformation to the Great Financialization: On Karl Polanyi and Other Essays*. New York: Zed Books.

Martin, Lisa L. 2013. "Polanyi's Revenge." *Perspectives on Politics* 11(1): 177–86.

Miliband, Ralph. 1969. *The State in Capitalist Society*. London: Weidenfeld & Nicolson.

———. 1977. *Marxism and Politics*. Oxford: Oxford University Press.

———. 1983. *Class Power and State Power: Political Essays*. London: Verso.

O'Connor, James. 1973. *The Fiscal Crisis of the State*. New York: St. Martin's Press.

Panitch, Leo. 2002. "The Impoverishment of State Theory." In *Paradigm Lost: State Theory Reconsidered*, ed. Stanley Aronowitz and Peter Bratsis. Minneapolis: University of Minnesota Press.

Panitch, Leo and Sam Gindin. 2012. *The Making of Global Capitalism: The Political Economy of American Empire*. New York: Verso.

Panitch, Leo. 2014. "Marxist Theory and Strategy: Getting Somewhere Better." 2014 Deutscher Lecture, London, November 7. *Historical Materialism* 23(2): 3–22.

Polanyi, Karl. [1944] 1957. *The Great Transformation: The Political and Economic Origins of Our Time*. Boston: Beacon Press.

Poulantzas, Nicos. 1968. *Pouvior politique et classes sociales*. Paris: Maspero.

———. 1977. *State, Power, Socialism*. London: NLB.

Ruggie, John Gerard. 1982. "International Regimes, Transactions, and Change: Embedded Liberalism in the Postwar Economic Order." *International Organization*, 36(2): 379–415.

Streeck, Wolfgang and Kathleen Thelen. 2005. *Beyond Continuity: Institutional Change In Advanced Political Economies*. New York: Oxford University Press.

Sweezy, Paul. 2014. "The Baran-Sweezy Letter Project, Letter Two: Paul M. Sweezy to Paul A. Baran, November 23, 1956." *Monthly Review* 65: 38–40.

Thompson, E.P. 1978. *The Poverty of Theory & Other Essays*. London: Merlin.

Wetherly, Paul, Clyde W. Barrow, and Peter Burnham. 2008. *Class, Power and the State in Capitalist Societies*. New York: Palgrave Macmillan.