

**Democracy's Crisis:  
On the Political Contradictions of Financialized Capitalism**

**Nancy Fraser**

We are currently facing a crisis of democracy. That much is beyond dispute. What is less well understood, however, is that this crisis is not freestanding, and its sources do not lie exclusively in the political realm. Contra bien-pensant commonsense, it cannot be solved by restoring civility, cultivating bipartisanship, opposing tribalism, or defending truth-oriented, fact-based discourse. Nor, contra recent democratic theory, can our political crisis be resolved by reforming the political realm—not by strengthening “the democratic ethos,” reactivating “the constituent power,” unleashing the force of “agonism” or fostering “democratic iterations.”<sup>1</sup> All these proposals fall prey to an error I call “politicism.” By analogy with economism, politicist thinking overlooks the causal force of extra-political society. Treating the political order as self-determining, it fails to problematize the larger societal matrix that generates its deformations.

In fact, democracy's present crisis is firmly anchored in a social matrix. It represents one strand of a broader, more far-reaching crisis, which also encompasses other strands—ecological, economic, and social. Inextricably entwined with these others, it cannot be understood in isolation from them. Neither freestanding nor merely sectoral, today's democratic ills form the specifically political strand of a *general crisis* that is engulfing our social order in its entirety. Their underlying bases lie in the sinews of that social order—in the latter's institutional structures and constitutive dynamics. Bound up

with processes that transcend the political, democratic crisis can only be grasped by a critical perspective on the *social totality*.

What exactly is this social totality? Many astute observers identify it with neoliberalism—and not without reason. It is true, as Colin Crouch maintains, that democratic governments are now outgunned, if not wholly captured, by oligopolistic corporations with a global reach, lately liberated from public control.<sup>2</sup> It is also true, as Wolfgang Streeck contends, that democracy’s decline in the Global North coincides with a coordinated tax revolt of corporate capital and the installation of global financial markets as the new sovereigns that elected governments must obey.<sup>3</sup> Nor can one dispute Wendy Brown’s claim that democratic power is being hollowed out from within by neoliberal political rationalities that valorize efficiency and choice and by modes of subjectivation that enjoin “self-responsibilization” and maximization of one’s “human capital.”<sup>4</sup> Finally, Stephen Gill is right to insist that democratic action is being preempted by a “new constitutionalism” that locks in neoliberal macro-economic policy transnationally, through treaties such as TRIPS and NAFTA, which enshrine free-trade strictures as political trumps and foreclose robust social and environmental legislation in the public interest.<sup>5</sup> Whether taken individually or read together, these accounts convey the entirely plausible idea that what threatens our democracy is neoliberalism.

Nevertheless, the problem runs deeper. Neoliberalism is, after all, a form of capitalism, and today’s democratic crisis is by no means capitalism’s first. Nor is it likely, if capitalism perdures, to be the last. On the contrary, *every* major phase of capitalist development has given rise to, and been transformed by, political turmoil. Mercantile capitalism was periodically roiled and eventually destroyed by a slew of

peripheral slave revolts and metropolitan democratic revolutions. Its *laissez-faire* successor racked up a solid century and a half of political turbulence, including multiple socialist revolutions and fascist putsches, two World Wars and countless anti-colonial uprisings, before giving way in the inter- and postwar era to state-managed capitalism. The latter regime was itself no stranger to political crisis, having weathered a massive wave of anti-colonial rebellions, a global New Left uprising, a protracted Cold War and a nuclear arms race before succumbing to neoliberal subversion, which ushered in the current regime of globalizing, financialized capitalism.

This history casts the present democratic crisis in a larger light. Neoliberalism's political travails, however acute, represent the latest chapter of a longer story, which concerns the political vicissitudes of capitalism as such. Not just neoliberalism, but *capitalism*, is prone to political crisis and inimical to democracy.

That, in any case, is the thesis I shall argue here. Treating democracy's present-day crisis as one strand of the general crisis of the social totality, I shall construe the object of that crisis as *capitalist society in its present form*. But I shall also argue the stronger thesis that *every* form of capitalism harbors a deep-seated *political contradiction*, which inclines it to political crisis. Like capitalism's other contradictions—economic, ecological, social, this one is inscribed in its DNA. Far from representing an anomaly, then, the democratic crisis we experience today is the form this contradiction assumes in capitalism's present phase, which I shall call *financialized capitalism*.

## **1. The political contradiction of capitalism “as such”**

My thesis rests on enlarged understandings of capitalism and capitalist crisis. Many leftwing thinkers, including most Marxists, understand capitalism narrowly, as an economic system *simpliciter*. Focused on contradictions internal to the economy, such as the falling rate of profit, they equate capitalist crisis with economic system dysfunctions, such as depressions, bankruptcy chains and market crashes. The effect is to preclude a full accounting of capitalism's crisis tendencies, omitting its *non-economic* contradictions and forms of crisis. What are excluded, above all, are crises grounded in *inter-realm contradictions*—contradictions that arise when capitalism's economic imperatives collide with the reproduction imperatives of the non-economic realms whose health is essential to ongoing accumulation, not to mention to human well-being.

An example is what I have called the “social reproductive” contradiction of capitalist society. Marxists have rightly located the secret of accumulation in the “hidden abode” of commodity production, where capital exploits wage labor. But they have not always fully appreciated that this process rests on the even more hidden abode of unwaged carework, often performed by women, which forms and replenishes the human subjects who constitute “labor.” Deeply dependent on such social-reproductive activities, capital nonetheless accords them no (monetized) value, treats them as free and infinitely available, and assumes no responsibility for sustaining them. Left to itself, therefore, and given its relentless drive to limitless accumulation, it is always in danger of destabilizing the very processes of social reproduction on which it depends.<sup>6</sup>

Another example of inter-realm contradiction is ecological. On the one hand, the accumulation of capital relies on nature—both as a “tap,” which supplies material and energetic inputs to commodity production, and as a “sink” for absorbing the latter's waste.

On the other hand, capital disavows the ecological costs it generates, effectively assuming that nature can replenish itself autonomously and without end. In this case, too, capitalism's economy tends to eat its own tail, destabilizing the very natural conditions on which it relies.<sup>7</sup> In both cases, an inter-realm contradiction grounds a proclivity to a type of capitalist crisis that transcends the economic: social reproductive crisis, in one case, and ecological crisis, in the other.

These considerations suggest an enlarged understanding of capitalism—no longer just an economy, but something bigger: *an institutionalized social order*. The point is that, above and beyond its economic subsystem, capitalist society also encompasses the non-economic realms that support its economy—including social reproduction and nonhuman nature. As such, it harbors a plurality of crisis tendencies—not just those stemming from intra-economic contradictions, but also those based in inter-realm contradictions—between economy and society, on the one hand, and between economy and nature, on the other. Not just Marxian contradictions, then, but also Polanyian contradictions, are built into capitalist society.

This enlarged understanding affords a way of understanding democracy's present travails that escapes the trap of politicism. No longer seen as freestanding, these appear as a further strand of capitalist crisis, grounded in yet another inter-realm contradiction: a contradiction between the imperatives of capital accumulation and the maintenance of the public powers on which accumulation also relies. This *political contradiction of capitalism* can be stated in a nutshell: legitimate, efficacious public power is a condition of possibility for sustained capital accumulation; yet capitalism's drive to endless accumulation tends over time to destabilize the very public powers on which it depends.

On this view, today's democratic crisis is a strand of capitalist crisis whose broader contours supply the key to its resolution.

Let us pursue this hypothesis by noting, first, that capital relies on public powers to establish and enforce its constitutive norms. 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; to sustain the monetary regimes that constitute capital's lifeblood; to undertake efforts to forestall or manage crises; and to codify and enforce both official status hierarchies, such as those that distinguish citizens from "aliens," and also unofficial ones, such as those that distinguish free exploitable "workers," who are entitled to sell their labor power, from dependent expropriable "others," whose assets and persons can simply be seized.<sup>8</sup>

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. 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. Then, too, it was national states that conferred subjective rights upon some and denied them to others. It was such states, finally, that nationalized and underwrote money. Having thus constituted the capitalist economy, these political powers subsequently took steps to foster capital's capacities to accumulate profits and face down

challenges. They built and maintained infrastructure, compensated for “market failures,” steered economic development, bolstered social reproduction, mitigated economic crises and managed the associated political fall-out.

But that 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 inherent expansionist thrust and its deep-seated drive to siphon value from peripheral regions to its core. But its ability to operate across borders, to expand through international trade, and to profit from the predation of subjugated peoples—all this depends not only on national-imperial military might but also on transnational political arrangements: on international law, brokered agreements 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 hegemon, which have sought to foster accumulation on a progressively expanding scale within the framework of a multi-state political system.<sup>9</sup>

At both levels, then, the state-territorial and the geopolitical, the capitalist economy is deeply indebted to political powers external to it. These “non-economic” powers are indispensable to all the major streams of accumulation: to the exploitation of free labor and the production and exchange of commodities; to the expropriation of racialized subject peoples and the siphoning of value from periphery to core; to the organization of finance, space, and knowledge—hence, to the accrual of interest and rent. In no way marginal adjuncts, political forces (like social reproduction and nonhuman

nature) are constitutive elements of capitalist society. Essential to its functioning, public power is part and parcel of the institutionalized social order that is capitalism.

But the maintenance of political power stands in a tense relation with the imperative of capital accumulation. The reason lies in capitalism's distinctive institutional topography, which separates "the economic" from the "political." In this respect, capitalist societies differ from earlier forms, in which those instances were effectively fused—as, for example, in 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, economic power and political power are split apart; each is assigned its own sphere, endowed with its own distinctive medium and *modus operandi*.<sup>10</sup> The power to organize production is privatized and devolved to capital, which is supposed to deploy only the "natural," "non-political" sanctions of hunger and need. The task of governing "non-economic" orders, including those that supply 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 non-political, and the political is non-economic.

Definitive of what capitalism is, this separation severely limits the scope of the political. Devolving vast aspects of social life to the rule of "the market" (in reality, to large corporations), it declares them off-limits to democratic decision-making, collective action, and public control. Its very structure, therefore, deprives us of the ability to decide collectively exactly what and how much we want to produce, on what energetic basis and through what kinds of social relations. It deprives us, too, of the capacity to determine how we want to use the social surplus we collectively produce; how we want to relate to

nature and to future generations; how we want to organize the work of social reproduction and its relation to that of production. Capitalism, in sum, is fundamentally anti-democratic. Even in the best-case scenario, democracy in a capitalist society must perforce be limited and weak.

But capitalist society is typically not at its best, and whatever democracy it manages to accommodate must also be shaky and insecure. The trouble is that capital, by its very nature, tries to have it both ways. On the one hand, it freeloads off of public power, availing itself of the legal regimes, repressive forces, infrastructures and regulatory agencies that are indispensable to accumulation. At the same time, the thirst for profit periodically tempts some fractions of the capitalist class to rebel against public power, to badmouth it as inferior to markets and to scheme to weaken it. In such cases, when short-term interests trump long-term survival, capital is like a tiger that eats its own tail. It threatens to destroy the very political conditions of its own possibility.

The nub of the problem is encapsulated in four words that begin with “D.” First, capitalist societies *divide* their economies from their organized political powers. Second, they constitute their economies as *dependent* on political powers in order to run. But third, because capital recognizes only monetized forms of value, it free rides on public goods and *disavows* their replacement costs. Geared to endless accumulation, finally, capitalism’s economy is primed periodically to *destabilize* the very political powers that it itself needs.

Together, these four D-words spell out a political contradiction lodged deep in the institutional 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

tension is not located “inside” the economy but rather at the border that simultaneously separates and connects economy and polity in capitalist society. Inherent in capitalism as such, this inter-realm contradiction inclines *every* form of capitalist society to political crisis.

## **2. Historicizing capitalism’s political contradiction**

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. And far from being given once and for all, capitalism’s constitutive division between “the economic” and “the political” is subject to contestation and to change. Especially in periods of crisis, social actors struggle over the boundaries delimiting economy from polity—and sometimes succeed in redrawing them. In the 20<sup>th</sup> century, for example, sharpening class conflict forced states to take on new responsibilities for promoting employment and economic growth. In the lead-up to the 21<sup>st</sup>, by contrast, partisans of the “free market” altered the international rules of the road in ways that strongly incentivized states to abandon such efforts. The result, in both cases, was to revise previously established boundaries between economy and polity. That division has mutated several times in the course of capitalism’s history, as have the public powers that made accumulation possible at every stage.

Products of what I have called “boundary struggles,”<sup>11</sup> such shifts mark epochal transformations of capitalist society. If we adopt a perspective that foregrounds them, we can distinguish four regimes of accumulation in capitalism’s history: an early modern century regime of mercantile capitalism, a 19<sup>th</sup> century regime of “laissez-faire”

competitive capitalism, a 20<sup>th</sup> century regime of state-managed monopoly capitalism, and the current regime of globalizing financialized capitalism. In each case, 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. In each regime, finally, capitalism's political contradiction incited different forms of social struggle. Lets us briefly consider the distinctive ways these dynamics played out in the first three regimes, before turning to the present one.

Consider, first, capitalism's initial, mercantile phase, which held sway for a couple of hundred years, roughly from the sixteenth to the eighteenth centuries. In this phase, capitalism's economy was only partially separated from the state. Neither land nor labor was a true commodity; and moral-economic norms still governed most everyday interactions, even in the towns and cities of the European heartland. Absolutist rulers used their powers to regulate commerce internally, within their territories, even as they profited from external plunder, which was effected through military force, and from long-distance trade, which was organized capitalistically under first Genovese and then Dutch hegemony, through an expanding world market in slaves, precious metals and luxury commodities. The result was an internal/external division: commercial regulation inside the national territory, "the law of value" outside it.

Although that division held for a while, it could not in the end be sustained. The tensions within this order intensified as the value logic that operated internationally began to penetrate the domestic space of European states, altering the social relations among landowners and their dependents and fostering new professional and business milieus in

urban centers, which became seedbeds of liberal, even revolutionary, thinking. Equally corrosive – and consequential – was the rising indebtedness of rulers. Needing revenue, some of them were forced to convene proto-parliamentary bodies, which they could not in the end control. And that led in several cases to revolution.

Thanks to this combination of economic corrosion and political turmoil, mercantile capitalism was supplanted in the nineteenth century by a new regime, often called “liberal” or “laissez-faire” capitalism, although those terms are highly misleading, as we shall see. In this phase, the economy/polity nexus was reconfigured. Leading European capitalist states no longer used public power directly to regulate internal commerce. Rather, they constructed “economies,” in which production and exchange appeared to operate autonomously, free from overt political control, through the “purely economic” mechanism of supply-and-demand. What underlay that construction was a new legal order, which enshrined the supremacy of contract, private property, price-setting markets, and the associated subjective rights of “free individuals,” viewed as utility-maximizing, arms-length transactors. The effect was to institutionalize, at the national level, a seemingly sharp division between the public power of states, on the one hand, and the private power of capital, on the other. But, of course, states were all the while using repressive power to sanctify the land expropriations that transformed rural populations into “doubly free” proletarians. In this way, they established the class preconditions for the large-scale exploitation of wage labor, which, when combined with fossilized energy, powered a massive takeoff of industrial manufacturing—and with it, intense class conflict. In some metropolitan states, militant labor movements and their allies were able to force a class compromise. Majority-ethnicity workingmen won the

vote and political citizenship, while effectively conceding capital's right to rule the workplace and exploit them in it. In the periphery, by contrast, no such compromises were forthcoming. Dropping every pretense of political abstinence, European colonial powers marshaled military might to crush rebellions. Enforcing wholesale looting of subjugated populations, they consolidated colonial rule on the basis of "free-trade imperialism" under British hegemony – all of which raises doubts about the expression "liberal capitalism."

Virtually from the start, moreover, this regime was wracked by instability, both economic and political. In the democratizing countries of the core, political equality stood in a tense relation with socio-economic inequality; and the political rights extended there sat uneasily in the minds of some with brutal subjection in the periphery. Equally corrosive was the contradiction, diagnosed by Hannah Arendt, between the unlimited, trans-territorializing thrust of colonial-capitalism's economic logic and the limited, territorially bounded character of its democratic polities.<sup>12</sup> No wonder, then, that as Karl Polanyi stressed, this economy/polity configuration proved chronically crisis-ridden. On the economic side, "liberal" capitalism was roiled by periodic depressions, crashes, and panics; on the political side, it generated intense class conflicts, boundary struggles, and revolutions—all fueling and fueled by international financial chaos, anti-colonial rebellions, and inter-imperialist wars.<sup>13</sup> By the twentieth century, the multiple contradictions of this form of capitalism had metastasized into a protracted general crisis, which was finally resolved only in the aftermath of World War II with the installation of a new regime.

In this new, state-managed capitalist regime, the states of the core began to use public power more proactively within their own territories, to forestall or mitigate crisis. Empowered by the Bretton Woods system of capital controls, which had been established under US hegemony, they invested in infrastructure, assumed some costs of social reproduction, promoted full employment and working-class consumerism, accepted labor unions as partners in trilateral corporatist bargaining, actively steered economic development, compensated for “market failures,” and generally disciplined capital for its own good. Aimed in part at securing the conditions for sustained private capital accumulation, these measures broadening the purview of politics while simultaneously taming it: they incorporated potentially revolutionary strata by augmenting the value of their citizenship and giving them a stake in the system. The effect was to stabilize matters for several decades, but at a cost. Arrangements that delivered “social citizenship” to majority ethnicity industrial workers in the capitalist core rested on some not-so-nice background conditions: on women’s dependency through the family wage, on racial/ethnic exclusions, and on ongoing imperial expropriation in the “Third World.” The latter proceeded, by old means and new, even after decolonization, severely limiting the capacities of newly independent states to stabilize their societies, steer development, and protect their populations from the market-mediated predation. The effect was to plant some ticking political time bombs, whose detonation would eventually converge with other processes to bring down this regime.

In the end, state-managed capitalism, too, ran up against its own contradictions – both economic and political. Rising wages and generalization of productivity gains combined to lower profit rates in manufacturing in the core, prompting new efforts on the

part of capital to unshackle market forces from political regulation. And a global New Left erupted to challenge the oppressions, exclusions, and predations on which the whole edifice rested. What followed was a protracted period of crisis, at times acute, at times slow boiling, during which the state-managed capitalist settlement was stealthily supplanted by the present regime of financialized capitalism—to which I now turn.

### **3. Political contradictions of financialized capitalism**

Financialized capitalism has remade the economy/polity relation yet again. In this regime, central banks and global financial institutions have replaced states as the arbiters of an increasingly globalized economy. It is they, not states, who now make 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, the result is a dramatic shift in the relation of economy to polity.

The previous regime had empowered states to subordinate the short-term interests of private firms to the long-term objective of sustained accumulation. By contrast, 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 have hobbled 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.”

The shift to a regime centered on accumulation through debt arose through a major restructuring of the international order—including the dismantling of the Bretton Woods framework of capital controls, fixed exchange rates, and convertibility to gold, on the one hand, and the repurposing of the World Bank and the International Monetary Fund as agents of economic liberalization, on the other hand—both moves pushed by the US and serving to prolong its hegemony. There soon followed the US-led assault on the developmental state first, via “the Washington Consensus,” and then, via “structural adjustment.” As liberalization was imposed at the gunpoint of debt throughout much of the Global South, indebted states scrambled for hard currency by opening Export Processing Zones and by promoting labor emigration for the sake of remittances. Meanwhile, the relocation of manufacturing to the semi-periphery empowered capital in two respects: first, by instituting a race to the bottom in the South, and second, by decimating powerful trade unions in the capitalist core, thereby weakening political support for social democracy. Meanwhile, the abolition of capital controls and the creation of the Euro deprived nearly all states of control over their currencies, putting

them at the mercy of the bond markets and ratings agencies, and disabling a critical tool of crisis management.<sup>14</sup> The states of the core were thrust into a position long familiar to those of the periphery: subjection to global economic forces they cannot possibly hope to control.

One response was a policy shift from “public Keynesianism,” based on “tax and spend,” to “privatized Keynesianism,” which encouraged consumer debt to promote continued high levels of consumer spending under otherwise unfavorable conditions of falling real wages, rising precarity, and declining corporate tax revenues. The effect, as we know, was the 2007-08 financial crisis, which only solidified the hold of private creditors over public power. Having orchestrated sovereign debt crises, central banks and global financial institutions compelled states under assault by bond markets to institute “austerity, which meant sacrificing the interests of their citizens to those of international lenders. The European Union, once considered the avatar of “postnational democracy,” rushed to do the bidding of the bankers and investors, forfeiting its claim to democratic legitimacy in the eyes of many.

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 EU, WTO, NAFTA and TRIPS, which make the lion’s share of the coercively enforceable rules that now govern vast swaths of social interaction throughout the world. Accountable to no one and acting overwhelmingly in the interest of capital, these bodies are “constitutionalizing” neoliberal notions of “free trade” and “intellectual property,” hard-wiring them into the global regime, and pre-empting democratic labor and environmental legislation in advance.

Through a variety of means, finally, this regime has promoted the capture of public power by private (corporate) power, while also colonizing the former internally, modeling its *modus operandi* on that of private firms. Foucauldian scholars of governmentality have described this “neoliberal political rationality” very well.

The overall effect has been to hollow out public power 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, privatization, 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 finance and corporate capital. And woe unto those who object. In the current regime, capital’s enablers brazenly target any public powers or political forces that might challenge them—whether by nullifying elections and referenda that reject austerity, as in Greece in 2015, or by preventing the candidacies of popular figures who appear likely to choose that path, as in Brazil in 2017-18. Throughout this era, meanwhile, leading capitalist interests (Big Fruit, Big Pharma, Big Energy and Big Arms) have continued their longstanding practice of promoting authoritarianism and repression, imperialism and war throughout the world. We owe the current refugee crisis in large part to them, as well as to the state actors to whom they are tied.

In general, then, the present regime of accumulation has spawned a crisis of democratic governance. But far from being freestanding, this crisis is grounded in the contradictory, self-destabilizing dynamics of capitalist society. What some call our “democratic deficit” is actually the historically specific form that capitalism’s inherent

political contradiction assumes in its present phase, when runaway financialization inundates the political realm, diminishing its powers to the point that it cannot solve pressing problems, including those, such as global warming, that endanger long-term prospects for accumulation—not to mention life as we know it on this planet. In this phase of capitalism, as in every other, democratic crisis is not merely sectoral, but an aspect of a larger crisis complex, which also has other aspects—ecological, social-reproductive, and economic. Inextricably entwined with those others, our present democratic crisis is part and parcel of the *general crisis of financialized capitalism*. It cannot be resolved short of resolving the general crisis—hence, without transforming that social order root and branch.

#### **4. Hegemonic crisis of financialized capitalism**

Nevertheless, there is more to be said about the current democratic crisis. In this essay, I have considered it chiefly from a structural perspective, as the non-accidental unfolding of contradictions inherent in financialized capitalism. That perspective is indispensable, as I hope to have shown. But does not suffice to clarify the full extent of the present crisis, which, like every general crisis, also includes a hegemonic dimension.

A crisis, after all, is not simply a logjam in the societal mechanism. Neither an obstruction in the circuits of accumulation nor a blockage in the system of governance merits the label “crisis” in the true sense. That sense includes not only system impasses but also the responses to them of social actors. Contra impoverished, “systems-theoretic” understandings, nothing fully counts as a crisis until it is experienced as such. What looks like a crisis to an outside observer does not become historically generative until

participants in the society see it *as* a crisis—until, for example, they intuit that the pressing problems they experience arise not despite, but precisely *because*, of the established order and cannot be solved within it. Only then, when a critical mass resolves that that order can and must be transformed by collective action, does an objective impasse gain a subjective voice. Then, and only then, can we speak of crisis in the larger sense of *a momentous historical crossroads that demands a decision*.<sup>15</sup>

That is precisely what is happening today. No longer “merely objective,” the political dysfunctions of financialized capitalism have (finally?) prompted masses of people throughout the world to defect from politics-as-usual. What observers might earlier have deemed a crisis-in-itself has now become a crisis-for-itself. We need only mention the Brexit vote, the election and Presidency of Donald Trump, and the waxing fortunes of rightwing populist and quasi-fascist parties no longer “only” in South Asia and northern and east-central Europe but now also in Brazil. We should also mention, conversely, the strong showing of leftwing populist candidates in southern Europe and the United States (including some self-described “democratic-socialists”) and rising support for the Corbyn wing of the Labour Party in the UK. Different as they are, these phenomena suggest a widespread resolve to have done with neoliberalism and the parties that have enabled it. Rejecting the reigning commonsense and political elites, the actors propelling them are thinking outside the box, contemplating new perspectives and political projects. The result is a new phase in the gestation of capitalist crisis: a “mere” conglomeration of system impasses is now a full-blown *crisis of hegemony*.<sup>16</sup> Together, these two aspects—the hegemonic and the structural—form the mutually reinforcing dynamics of the present-day general crisis of financialized capitalism.

Such crises do not come along every day. Historically rare, they represent hinge points in capitalism's history, decision moments when the shape of social life is up for grabs. At such times, the burning question is: who will succeed in constructing a viable counterhegemony, and on what basis? Who, in other words, will guide the process of social transformation, in whose interest, and to what end? As we saw, the process whereby general crisis leads to societal reorganization has played out several times in modern history—largely to capital's benefit. Through this process, capitalism has reinvented itself again and again. Seeking to restore profitability and tame opposition, its champions have redrawn the economy/polity division, reconfiguring both of those “realms,” as well as their relation to one another and to social reproduction and non-human nature. In so doing, they have reorganized not only the mode of political domination, but also the established forms of exploitation and expropriation—hence, class domination and status hierarchy, as well as political subjection. Reinventing those fault lines anew, they have often managed to channel rebellious energies into new hegemonic projects that overwhelmingly benefit capital.

Will this process be repeated today?

The struggle to resolve the present democratic crisis, like that crisis itself, can be neither sectoral nor freestanding. Far from concerning political institutions alone, it poses the most fundamental and general questions of social organization: where will we draw the line delimiting economy from polity, society from nature, production from reproduction? How will we allocate our time among work and leisure, family life, politics, and civil society? How will we use the social surplus we collectively produce? And who exactly will decide these matters? Will the profit-makers manage to turn

capitalism's contradictions into new opportunities for accumulating wealth? Will they co-opt important strands of rebellion, even as they reorganize social domination? Or will a mass revolt against capital finally be "the act by which the human race travelling in [this runaway] train applies the emergency brake"?<sup>17</sup>

The answer depends in part on how we understand the present crisis. If we stick to familiar politicist interpretations, we will construe democracy's travails as a freestanding species of political trouble. We will moralize about the need for civility, bipartisanship and respect for the truth while missing the deep sources of the trouble. Sailing high-mindedly above the concerns of the benighted "deplorables," we will discount the claims of those critical masses across the globe that are rejecting neoliberalism and demanding fundamental change. Failing to recognize their legitimate grievances (however wrongly interpreted and misdirected), we will render ourselves irrelevant in the present struggle to build a counterhegemony. The alternative, which I have sketched here, is to view democracy's current travails as expressing deep-seated contradictions built into the institutional structure of financialized capitalism—hence, as a strand of the roiling general crisis of that social order. That interpretation affords no easy answers, to be sure. But it has the signal merit of pointing us in the right direction, challenging us to reimagine—if not to abolish—the dysfunctional, anti-democratic order that is capitalism.

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<sup>1</sup> I have selected these expressions to represent a range of different perspectives in democratic theory, those respectively of William E. Connolly, Andreas Kalyvas, Chantal Mouffe and Seyla Benhabib. But I could have chosen others as well.

<sup>2</sup> Colin Crouch, *The Strange Non-Death of Neoliberalism* (Cambridge UK: Polity, 2011).

<sup>3</sup> Wolfgang Streeck, *Buying Time: The Delayed Crisis of Democratic Capitalism* (London and Brooklyn: Verso, 2014).

<sup>4</sup> Wendy Brown, *Undoing the Demos: Neoliberalism's Stealth Revolution* (Brooklyn: Zone Books, 2015).

<sup>5</sup> Stephen Gill, "New Constitutionalism, Democratisation and Global Political Economy," *Pacifica Review* 10,1 (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 UK: Cambridge University Press, 2015), pp. 29–44.

<sup>6</sup> Nancy Fraser, "Contradictions of Capital and Care," *New Left Review* 100 (2016): 99–117

<sup>7</sup> For a classical statement of the "second [ecological] contradiction of capitalism," see James O'Connor, "Capitalism, Nature, Socialism: A Theoretical Introduction," *Capitalism, Nature, Socialism*, vol. 1, no. 1, 1988, pp. 1–22. The idea is further developed in Nancy Fraser and Rahel Jaeggi, *Capitalism: A Conversation in Critical Theory*, ed. Brian Milstein (Polity Press, 2018), pp. 35–37, 90–101.

<sup>8</sup> For an account of this last distinction as corresponding roughly but unmistakably to the global color line, see, Nancy Fraser, "Is Capitalism *Necessarily* Racist?" [2018 Presidential Address, APA Eastern Division], *Proceedings and Addresses of the American Philosophical Association*, vol. 92 (2018), pp. 21–42.

<sup>9</sup> Giovanni Arrighi, *The Long Twentieth Century: Money, Power and the Origins of Our Time* (London and New York: Verso, 1994).

<sup>10</sup> Ellen Meiksins Wood, "The Separation of the Economic and the Political in Capitalism," *New Left Review* I/127 (1981): 66–95.

<sup>11</sup> Nancy Fraser, "Behind Marx's Hidden Abode: For an Expanded Conception of Capitalism," *New Left Review* 86 (2014) pp. 55–72.

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<sup>12</sup> Hannah Arendt, *The Origins of Totalitarianism* (New York: Harcourt, Brace, Jovanovich, 1973). For the conflict between the trans-territorial 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.

<sup>13</sup> Karl Polanyi, *The Great Transformation*, 2<sup>nd</sup> ed. (Boston: Beacon, 1944 [2001]).

<sup>14</sup> The exception is the United States, which can simply print more of the dollars that serve as “world money.”

<sup>15</sup> Reinhart Koselleck, “Crisis,” tr. Michaela, W. Richter, *Journal of the History of Ideas*, vol. 67, no. 2 (April 2006), pp. 357–400.

<sup>16</sup> For an analysis of the hegemonic dimension of the present crisis of democracy, see Nancy Fraser, “From Progressive Neoliberalism to Trump—and Beyond,” *American Affairs* vol. I, no. 4 (Winter 2017), pp. 46–64.

<sup>17</sup> Walter Benjamin, “Paralipomena to ‘On the Concept of History’,” in *Walter Benjamin: Selected Writings, Volume 4: 1938–40*, ed. Howard Eiland and Michael W. Jennings, tr. Edmund Jephcott and others (Cambridge MA: Belknap Press, 2006), p. 402. The line is from one of the preparatory notes to “On the Concept of History” but does not appear in the final version. The full quotation reads as follows: “Marx said that revolutions are the locomotive of world history. But perhaps things are very different. It may be that revolutions are the act by which the human race travelling in the train applies the emergency brake.”