

COLIN CROUCH

Institute of Governance and Public Management, Warwick Business School, University of Warwick.

POST-DEMOCRACY

Begrüßung: **Rudolf Scholten**, Präsident des Bruno Kreisky Forums
Einleitung: **Barbara Rosenberg**, stv. Direktorin des Renner Instituts
Moderation: **Robert Misik**

Donnerstag | 5. März 2009 | **18.30 Uhr**

Die Veranstaltung findet in englischer Sprache mit Simultandolmetschung ins Deutsche statt

Oesterreichische Kontrollbank | **REITERSAAL** |
Eingang: Strauchgasse 3 | 1010 Wien

u.A.w.g.

Tel.: 318 82 60/20 | Fax: 318 82 60/10

e-mail: einladung.kreiskyforum@kreisky.org

Colin CROUCH: Professor an der University of Warwick.

BA 1969, London School of Economics and Political Science, 1972 – 1973 Dozent an der University of Bath, 1975 Doctor of Philosophy, Nuffield College, Oxford University, 1973 – 1985 Lektor und Dozent für das Fach Soziologie an der London School of Economics and Political Science, 1985 – 1994 Fellow des Trinity College, Oxford, Professor für Soziologie an der Oxford University, 1995-2004 Professor für Comparative Social Institutions am Europäischen Hochschulinstitut in Florenz/EUI, seit 1997 Auswärtiges wissenschaftliches Mitglied des Max-Planck-Instituts für Gesellschaftsforschung, seit 2005 Leiter des Institute of Governance and Public Management an der Warwick Business School, University of Warwick.

Forschungsschwerpunkte: Gesellschaftsstrukturen in Europa, besonders Arbeitsmarkt, Gender und Familie; Wirtschaftssoziologie und neoinstitutionalistische Analyse.

Ausgewählte Publikationen: *The Diversity of Democracy: Corporatism, Social Order and Political Conflict* (ed. with W. Streeck). London: Edward Elgar, 2006; *Capitalist Diversity and Change: Recombinant Governance and Institutional Entrepreneurs*. Oxford: Oxford University Press, 2005; *Post-democracy*. Cambridge: Polity Press, 2004 (Italian edition 2003; Spanish edition 2004); *Changing Governance of Local Economies: Response of European Local Production Systems* (with P. Le Galès, C. Trigilia, H. Voelzkow) Oxford: Oxford University Press, 2004, *Local Production Systems in Europe: Rise or Demise?* (with P. Le Galès, C. Trigilia, H. Voelzkow). Oxford: Oxford University Press, 2001 (Italian edition 2004); *Modelling the Firm in Its Market and Organizational Environment: Methodologies for Studying Corporate Social Responsibility*. *Organization Studies* 27, 10, 1533-1551 (2006).

Robert MISIK: 43, Journalist, Blogger, Buchautor. Buchveröffentlichungen u.a. *Genial dagegen*. Kritisches Denken von Marx bis Michael Moore (Aufbau-Verlag, 2005), *Das Kultbuch. Glanz und Elend der Kommerzkultur* (Aufbau-Verlag, 2007), *Gott behüte! Warum wir die Religion aus der Politik raushalten müssen* (Ueberreuter-Verlag 2008). Förderpreis des Bruno Kreisky-Preises für das politische Buch (1999, 2000), Österreichischer Staatspreis für Kulturpublizistik 2008.

Postdemokratie - dieser Begriff des Politikwissenschaftlers Colin Crouch wurde nach dem Erscheinen der Originalausgabe seines Buches zum Kristallisationspunkt der Debatte um Politikverdrossenheit, Sozialabbau und Privatisierung. Crouch hat dabei ein politisches System im Auge, dessen demokratische Institutionen zwar weiterhin formal existieren, das von Bürgern und Politikern aber nicht länger mit Leben gefüllt wird. Das Unbehagen an gegenwärtiger Politik äußert sich vielfältig, in fast allen westlichen Ländern: Rückgang der Wahlbeteiligung, pessimistische Erwartungen, Verachtung für die politische Klasse. Viele sehen Symptome, wer erklärt Ursachen, Zusammenhänge? Crouch entwirft in seinem Buch ein Panorama der Postdemokratie, wobei er den geometrischen Begriff Parabel verwendet: die vordemokratische Vergangenheit am Beginn der aufsteigenden Kurve, den Scheitelpunkt im dritten Viertel des 20. Jahrhunderts, die Gegenwart abfallend auf dem Weg der Kurve vom Scheitelpunkt weg.

Eine Zusammenarbeit zwischen dem Bruno Kreisky Forum für internationalen Dialog und dem  **Renner** Institut

DIE VERANSTALTUNG IST GEFÖRDERT AUS MITTELN DER REPUBLIK ÖSTERREICH UND DER STADT WIEN.

Rudolf Scholten

Ich möchte Sie im Namen der Kontrollbank, im Namen des Bruno Kreisky Forums und auch im Namen des Renner Instituts sehr herzlich willkommen heißen. Barbara Rosenberg wird unseren Ehrengast genauer vorstellen, insofern erlauben Sie mir nur ihn zu begrüßen. Herzlich willkommen. Außerdem möchte ich sehr herzlich willkommen heißen Robert Misik, der im Rahmen seiner Reihe "Genial Dagegen" im Kreisky Forum seit vielen Monaten eine Reihe internationaler Gäste zu den großen Themen der Arbeitsgesellschaft eingeladen hat, die auf großes Interesse stößt und mittlerweile auch ihr eigenes Stammpublikum hat. Darüber wir sind sehr froh und behaupten daher, dass er

natürlich primär deshalb den Staatspreis für Kulturpublizistik bekommen hat. Damit darf ich Sie alle herzlich nochmals willkommen heißen, Ihnen einen interessanten Abend wünschen und Barbara Rosenberg bitten, die Einleitung zu machen.

Barbara Rosenberg

Vielen Dank, Rudolf Scholten. Ich möchte mich gleich vorab bedanken bei dir und bei den Kolleginnen des Bruno Kreisky Forums für die angenehme, schöne Kooperation im Vorfeld der Veranstaltung, da wir so in dieser Kombination Colin Crouch nach Wien bekommen konnten, was uns eine große Ehre ist. Ich habe mit Freude übernommen, den heutigen Abend einzuleiten. Die Freude hat zwei sehr konkrete Gründe. Der erste Grund ist, der Vortrag ermöglicht es mir Prof. Colin Crouch persönlich kennen zu lernen. Es geht mir so wie wahrscheinlich allen hier im Raum. Wir begegnen seinen Thesen und Zitaten in fast allen demokratiepolitischen Diskussionen. Wir wissen, dass er mit seiner Analyse eine neue Reflexionsebene in die Diskussion eingeführt hat. Wir wissen, dass er einen ganz wichtigen Begriff auf den Punkt gebracht hat, geprägt hat. Und es hat natürlich für mich und für uns alle einen besonderen Reiz, einen Wissenschaftler dieser Kategorie persönlich kennen zu lernen und mit ihm zu diskutieren. Der zweite Grund ist, dass es mir die Gelegenheit gibt, ein paar Worte zu einem Arbeitsschwerpunkt des Renner Instituts zu sagen, den wir im vergangenen Jahr gemeinsam mit Prof. Anton Pelinka ins Leben gerufen haben und in dessen Zusammenhang wir auch den Wunsch entwickelt haben, Colin Crouch nach Wien zu bekommen.

Der Titel des Arbeitsschwerpunktes ist die Qualität der österreichischen Demokratie, Befunde und Reformperspektiven. Also eine sehr handlungsorientierte Zielsetzung und eine sehr aktuelle Zielsetzung. Zum einen geht es uns darum, die Debatte über die Qualität der österreichischen Demokratie über den universitären Rahmen hinaus zu verbreitern. Zum anderen wollen wir zumindest unseren Beitrag dazu liefern, dass nachvollziehbare Grundlagen für demokratiepolitische Positionen und Forderungen in Österreich vorhanden sind. Inzwischen kann ich auf erste Studienprodukte in diesem Arbeitsschwerpunkt verweisen. Sie konzentrieren sich auf die Frage der Kriterien der Qualität der Demokratie, die Frage der Sensibilisierung für Kriterien der Qualität der Demokratie. Diese Ergebnisse werden ihm Rahmen eines Symposiums in nächster Zeit zum Thema die Qualität der österreichischen Demokratie, Befunde und Reformperspektiven am 14. Mai vorgestellt. Das ist ein Symposium, das wir in Wien durchführen gemeinsam mit der Österreichischen Gesellschaft für Politikwissenschaft.

Nach dieser Werbeeinschaltung, die als Einladung gemeint ist, zum Vortrag des heutigen Abends. Die Originalausgabe des Buchs "Postdemokratie" von Colin Crouch ist vor fünf Jahren erschienen, 2004, zuerst auf Italienisch. Bei seiner Diagnose des Zustands der westlichen Demokratien war Colin Crouch, wie er selbst schreibt, vor allem von zwei Phänomenen beeinflusst, von dem Programm von New Labour in Großbritannien und vom Erfolg Berlusconi in Italien. Heute wird er seine Thesen vor dem Hintergrund der Krise des reinen Marktmodells formulieren und weiter entwickeln. Er wird uns auch Gelegenheit geben, seine Diagnose und sein Fazit aus dem Jahr 2004 aus heutiger Sicht zu reflektieren, auch zu hinterfragen. Zur heutigen Situation ein Zitat von Colin Crouch aus einem jüngst im Falter erschienen Interview, das bezeichnenderweise von Robert Misik durchgeführt wurde. "Was die ökonomischen Aussichten betrifft, ist es natürlich ein deprimierender Moment. Man muss hoffen, dass nicht viele Menschen ins Elend stürzen. Was die Möglichkeiten betrifft, dass es wieder eine lebendigere Politik gibt, ist es ein hoffnungsfroher Moment." Mein persönlicher Blick auf den heutigen Abend richtet sich auf die Frage nach den angesprochenen Hoffnungsaspekten, nach den möglichen Handlungsebenen. Diesen bekanntermaßen durchaus widersprüchlichen Handlungsebenen ein wenig näher zu kommen, könnte aus meiner und aus unserer Sicht der heutige Abend leisten.

In diesem Sinne wünsche ich uns einen Gewinn bringenden Abend im besten Sinne des Wortes. Zu den biografischen Details wird Robert Misik etwas sagen.

Robert Misik

Lassen Sie mich auch nochmal sagen, Colin Crouch, willkommen hier. Es ist für mich eine große Ehre und Freude, diesen Abend moderieren zu dürfen. Colin Crouch lehrt an der Warwick Business School, er lehrt governments and public management, und insbesondere im deutschsprachigen Raum hat sein Buch "Postdemokratie" für Aufmerksamkeit gesorgt, es ist eingeschlagen. Ich zitiere nur aus den Reviews, "eine der meist geachteten politischen Schriften der vergangenen Jahre" nannte es der Spiegel, und die Welt, normalerweise einem linken, linksliberalen Autor nicht notwendigerweise zugetan sagt, "man wünscht dem Essay Erfolg". Und damit gebe ich das Wort schon wieder ab und bitte Sie, Colin Crouch, um Ihren Vortrag.

Colin Crouch

Vielen Dank für alle diese drei gnädigen Einleitungen und für diese Einladung nach Wien. Es ist immer ein Vergnügen, in dieser Stadt zu sein.

I wrote this little book as people have said about *Post-Democracy* five years ago. And now what I am trying to do is to integrate that theme with the theme that is on all of our minds at the moment and that is the political implications of the financial crisis. So I'm trying to build a kind of combined discussion. What I'm going to do this evening is first say some things about the crisis and my interpretation of it. And then towards the end I will combine this with the post-democracy theme. In the discussion later on if people want to come back more to these things of democratic quality we can do that as well. But the talk is going in a slightly different direction.

My main observation really about the crisis is that what we have seen produced in the Anglo-American world is something that I call privatized Keynesianism. We know what original Keynesianism is. Original Keynesianism is a way in which government sustains expenditure during times of recession in order to maintain economic activity and consumer confidence. And then, of course, in times of inflation it is supposed to withdraw its expenditure in order to prevent inflation. By privatized Keynesianism I mean that this task of taking on debt in order to maintain the economy is not performed by government but is performed by ordinary people themselves, especially by poor people. In a way the great invention of the Anglo-American economies during the 1980s and 1990s was to get this model as an alternative to Keynesianism. The central point about it is that it solves a central riddle, which otherwise a great puzzle, of the last few years. Why is it that American workers and to some extent British workers who have lower labor rights than in for example Germany who have incomes that sometimes do not rise from one year to the other and which are rather uncertain, how come people in these countries have maintained consumer confidence, continued spending when in Germany, much of the rest of continental Europe, and in Japan where people have more security have not been willing to spend? And the answer is that people in the Anglo-American world borrowed. And that then begins to explain what has been happening and it also presents us with some very difficult problems.

The starting point is a problem in the relationship between capitalism and democracy which is also a problem for capitalism itself. And the problem of capitalism and democracy is that the market economy in order to function needs a very flexible, uncertain labor force. But democracy needs to give people certainty and security in their lives. That's a puzzle that democratic capitalism has to solve. Undemocratic capitalism doesn't have this problem, just ignores people's needs for security. They are just in the market.

But in modern capitalism whether it's democratic or not there is a further problem. And that is that modern capitalism depends on mass consumption by a large numbers of people. And so the problem for capitalism, even forget democracy, is how can it have a flexible labor force with uncertain economic lives who nevertheless when they become consumers are very confident and keep spending their money. In pre-modern capitalism right up until the mid-20th century really the problem didn't arise, partly because there wasn't democracy, but also earlier forms of capitalism did not depend on mass spending by the mass of the population. The motors of capitalism were more in luxury markets, in wealthy groups. Ordinary people had very little to spend. They were not engines of economic growth. That produced a problem as democracy developed.

The first real steps towards a mass capitalism, of course, as we all know happened with the developments in the Ford Motor Company just exactly a hundred years ago and the development of the mass produced motor car which used technology that enabled workers of low skill and low productivity to produce considerable added value which meant that they could get higher wages. But the mass production meant that they could produce products that relatively poor people could afford. And so poor people could earn good money and they could afford to buy things which powered the mass production model even further. The model didn't really spread to Europe until later. Joseph Stalin thought it was a wonderful model and implemented parts of it in the Soviet Union and gradually it spread to other parts of Europe. But until that time there really wasn't a capitalism that depended very much on mass growth of spending and consumer confidence by ordinary working people. By itself, of course, this development was not enough because by 1929, just after twenty years of this model starting, the Wall Street crash happened and the world was thrown into an enormous depression. Something else was needed to maintain consumer confidence among relatively poor people. And the answer that was found eventually first of all in the Scandinavian countries, in a minor way in the New Deal in the United States, after the Second World War in Britain, and then in Austria, never

really so much in Germany and not so much in France or Italy, the model of Keynesian demand management that I referred to before that government by its own spending would sustain the economy during difficult times and out of that could come consumer confidence. And this therefore solved the capitalist problem for a time.

As we know the model eventually ran into inflationary crisis in the 1970s and was seen to have failed although it never completely failed. And in countries where the Keynesian model was also supported by neo-corporatist industrial relations institutions, primarily Austria, the Netherlands, the Nordic countries, in those countries the model never completely collapsed because the behavior of the industrial relations institutions was able to keep some control over inflation, moderate inflationary tendencies which meant that governments could continue with these policies with less risk. Elsewhere and at the level of the global economy and at the level of international organizations, at the level of the ideology of the international economy the Keynesian model was seen to have failed. The Keynesian model had been based on the spending needs, the security needs, and the economic behavior of ordinary working people. It had also served at the political level to achieve something that in many countries in continental Europe had proved impossible to do before and that was to integrate the mass of the working class as citizens in the democratic process. It provided an economic stability and a basis for a political stability. And in a sense we see in that event, in the development of the Keynesian model alongside the welfare state which, of course, developed with the Keynesian model and which also provided a basic security and certainty against the vicissitudes of economic disturbance for working people. We see in all of that a kind of rather weak version of what Karl Marx anticipated being the role of the proletariat. Marx says at some point, "At any moment in history there is a class, the special interests of which also represent the general interest of that form of society." And in a way the post-war welfare state plus Keynesian plus mass consumption, mass production model was a kind of realization of that. The class that was important to integrate politically, the class that was important to integrate economically was the manual working class. In a way it was a class of a particular period. Of course, for Karl Marx when the proletariat performed that role then that would be the end of the problem, not the end of history because Marx said that was the end of pre-history and the start of history. But unfortunately history or pre-history has continued to move on and gradually the working class lost this role.

And those years in the late 1970s are very, very crucial years because not only does that model of the Keynesian system and the strong welfare state come into a crisis, but also it's around that time that in most of the advanced economies the manual working class begins to be a declining part of the population, in particular the manufacturing manual working class starts to be a declining part. It's no longer the class that is constantly growing and growing as it had been. It starts to decline. And we begin to enter post-industrial society with its different social groups, social groups which still today have not really formed their own political identities which is an important part of the post-democracy argument.

Also it's in those years then when a different ideology carried by a different class comes to prominence. And that's the ideology that we come to know as neo-liberalism. Neo-liberalism said we need to reverse all these directions of the welfare states, of Keynesian demand management, of government intervention. The markets have become choked with all this. The markets are not breathing anymore. There is too many institutions, too much interference around markets. We need to get back to markets. We need to get back to markets in welfare. We need to get back to markets in labor relations and in wage fixing. We need to get back to the market and loose the government from the economy. And alongside this change of model was a newly confident business class, executive class, capitalist class with its own ideas, with magazines like "The Economist" and "Business Week" that provided with an ideology week by week and with a new central slogan, the maximization of shareholder value which became established as a sole goal of enterprises and in particular the idea that the purest form of shareholder maximization was the maximization of equity value and therefore the financialization of all assets. And one gets this move therefore to a dominance of the financial sector as the main measure of economic success.

So one gets a very, very considerable turnaround in the whole approach, the whole social order, starting in the United States and starting in my country, in Britain, in the late 1970s, gradually spreading and spreading partly because in many countries the Keynesian model was seen to be in great difficulties. There were problems that markets were not functioning well. But also because of these changes in class relations happening with the decline of the manual working class, decline in manufacturing, and the rise in the importance of business executives and the shareholder model. Also the fact that the United States, which was the place where this all starts, is such a dominant country. Its ideas and its practices spread through the world either in voluntary imitation or by being put down really

as a condition by American firms and other global firms wanting to invest. And alongside of it all, of course, come the spread of the globalization of production and an ever larger number of people around the world joining in the global production system, producing a global surplus of labor which weakens the position of labor everywhere. So this was the major transformation that took place. The Keynesian period lasted about thirty years. And from the mid-seventies until last year was another thirty years. And this other model came and was proud of it and it's now got into its crisis.

The new model, the neoliberal model had to solve the same basic problem that the Keynesian model did try to solve. How do you reconcile the uncertainty, and insecurity, and flexibility that the capitalist labor market needs with the need for working people to be confident consumers? And at first, of course, for quite a time it didn't solve that problem, and the model was associated with very high unemployment wherever it was introduced. Then something seems to change during the course of the 1990s and we get to this phenomenon that I started with at the very beginning that American and British workers despite all their insecurity started to become far more confident consumers than Germans, or Japanese, or French. What took place? Sure, economic theory would like us to believe that once you have pure markets everywhere then there are no shocks to the system actually. Everything is very predictable. You assume everybody has perfect knowledge. They can anticipate their actions. There are no nasty shocks. There is no deep uncertainty. But we never really got to a society of pure markets of that kind. And anyway that model is still vulnerable to external shocks. And they continue to happen.

What actually happens to enable capitalism to solve its problem was that a form of privatized Keynesianism developed, that working people in the United States and Britain started to borrow. In particular they borrowed on the value of their houses. One of the consequences of liberalized economies was that limitations and rules about how much you could borrow on the basis of your house were relaxed and people could start to borrow more and more on the basis of their house, extending eventually to 120% of the value of their house. Everybody believed that house prices would continue to rise. And so it was possible for people to take on these loans. Also at the same time rather smaller than houses but certainly important was the enormous growth in the use of credit cards. What one had was an enormous rise, unprecedented in history, of unsecured borrowing by people who actually had no collateral. They had the value of their houses, but the value of their houses was being exceeded by their borrowing. These were unsecured loans. As we know this was only possible, could only happen because of something else that was happening as a result of deregulated markets. And that was the development of very sophisticated, fascinating market products for the sale of assets. A bank would buy some risks. It would have some of these mortgages that people had. And it would package these mortgages with some other things, some other loans it make, and it would invite other people to buy a share in these debts. And those people bought those debts in order to share with even more. And it was seen as a model whereby risk could be shared by more and more and more investors in an expanding global economy so that no one risk really would hurt anybody. Risks were being shared through this long chain of secondary markets. There wasn't a question about what have we bought, what's the nature of these debts, how good are these. The question was who is likely to be willing to buy these debts. And these persons who were willing to buy these debts were also asking the question who would be willing to buy these from me, and the person buying from them. And it went on and on and so this enormous chain which it was believed would actually provide security through enormous sharing of risk. And it is these two things coming together, the ability of people to borrow more and more money either on credit cards or on their homes followed by the spread of secondary markets that enabled the privatized Keynesianism system to get going. And for capitalism to solve its problem, people in insecure markets, insecure jobs could nevertheless keep spending like this.

I described it as something that develops in the market. And it's a private development. It really is truly a part of the neoliberal model. And this starts in the market, comes from the market. It's not a public policy. But it eventually became a kind of public policy. And certainly public policy encouraged many aspects of it and strengthened the model. First of all and rather accidentally the period we have been living in since the mid-1970s has been one where governments and in particular central banks have had as their main concern the control of inflation. All monetary and economic policy is focused on making sure there is no inflation. So prices of goods, prices of labor find that public policy is creating a lot of problems for them. We find we are trapped if we tried to go back to the old inflationary ways of the 1970s. But the prices of financial assets and the prices of property like houses and rises in those prices are not seen as inflation. If houses go up in value that's not inflation! It's a good thing. Oil goes up in price, disaster. Houses go up in price, good thing. Because if houses go up in price then people who own houses or who are buying houses with mortgages have got a greater basis in which to get more credit and they can spend

more money. And, of course, rises in the prices of financial assets are seen as a sign of the strength of the economy. They are not seen as inflation. So the anti-inflation policy structure has given a very, very strong incentive to people who could do so to convert everything into financial assets.

Then also governments, certainly in Britain, governments began to notice the role that house price inflation was playing. They began to notice that it was actually helping the economy to develop. And so they would make sure that they kept on rising. So policy instruments would be used. Either change in the regulations if there were still regulations for getting mortgages would be loosened. Things would be done to stimulate the housing market. It became easier to get planning commission for building. All in order to ensure that house prices kept rising. And so the model became in fact a kind of public policy even though it was never formally adopted by anyone. And what we have to remember is it was enabling a lot of relatively poor people to live better lives than they would have lived if we didn't have the model. In the countries that generated it all, the British and the Americans, we benefitted in many ways. Our houses were going up in value. We could borrow a lot of money. We could spend. In countries which didn't really have that model themselves they could benefit because they could sell us stuff and we bought it from them. So everybody was joining in this model. So it seemed as though it has finally solved the problem of the capitalist economy and reconciled it with democracy and reconciled it with workers whose jobs were insecure but who could keep spending.

Except that, as we now know and as actually some clever people noticed some years ago and tried to warn us; but we ignored them as the model was working so beautifully, there was something really rotten at the heart of the whole thing. And I think the best way to look at what was wrong with it is to look at what was happening to the concept of price and the idea of information and knowledge about relative prices within this model. Because if the market economy is about anything it's about prices giving you signals about value, exchange value, and an ability to have information about those prices. But many of the things that were central to this model that was developing were actually giving actors in the financial sector incentives to ignore information. And in fact in the end the markets themselves started to destroy the basis of the information that they needed to function. In a way the markets became like one of those diseases that destroys an organism. It became a self-destructive process. This happened for a number of reasons. Firstly because the more and more these secondary markets dominated the less and less important became the original values of what various factors of production were worth, that were then being traded in these secondary markets. People didn't want to have information about what they bought because all that mattered to them was what they could sell it for later on. Of course, in theory everybody has in mind what's really in those packages, how good are these debts, how much are they worth, what's the risk they go wrong. But as you go further and further on the secondary chain fewer and fewer people are actually interested in that. And everybody knows that no one is really interested in that. And actually all they are interested in is what they can sell it for.

And if we look at the form of regulation that the market itself developed for these things, the rating agencies, these American firms which judge the quality of assets. They judge the quality of banks. They judge the quality of individual countries. They themselves learned the game and they said, people don't really want to know what these things are worth, they just need to know information about the strength of the secondary markets, so that's all we'll tell them. And probably the final thing was when the international rules of accountancy were changed so that it was no longer necessary for firms to give an account of the real resources they own and what they seem to be worth in an internal market exchange. All what they had to do was to express the change in their business during the year by reference to changes in the price they were getting in the stock market. So in other words, eventually what would have been the primary market, the judgment of that what things were worth, became dependent on the secondary market instead of it being the other way round. So the secondary market became a kind of world in its own, a self referential world.

During the 1970s when we used to write about inflation I used to say that inflation was a kind of cardboard cake. The distributive struggle is always talked of in terms of who is going to have the big slice of the cake. And of course the answer we always had from consensus politics in the post-war decades was, it's very difficult to get people to agree to a new division of the cake, let's make a bigger cake. And as the cake gets bigger and bigger we can all get bigger shares. So we don't mind the rich getting richer because we are all getting richer. So you tried to make the cake bigger through economic growth. And that was what the world was about. But of course if that didn't work and the cake wasn't growing very quickly and people still wanted to get bigger shares what actually happened was inflation took place. Government expanded supply of money. People could get wage rises, everyone could get wage rises. But

it didn't change the distribution. It simply produced wealth that didn't really exist. You got a pay rise, but it was a money pay rise, not a real one because inflation destroyed it. So instead of making the cake bigger or instead of changing the distribution of the cake we made cake that wasn't real cake. That was the sin of Keynesianism that it made cardboard cake.

The sin of privatized Keynesianism is it produces enormous cakes that simply don't exist. We have all believed we were richer and we have all been buying things but on the basis of money that none of us had. And so eventually a number of things happened that people couldn't bluff anymore and the collapse has taken place that we are all now living with.

What happens now? And here is where you get two different scenarios really. And I think they are opposite scenarios. But they may both be true in an interesting way because there is diversity in the world and something is happening in some place, some in other places. What people say to me often is, right now this system is in disgrace. We all hate bankers, we all hate hedge fund directors, we all hate private equity; we all think it's disgusting. Now we are angry. There is no longer post-democracy because we are all politically engaged again, we all want to do something about this. The problem is that nothing has really changed in the basic power relations within the global economy. The class that dominates is still there. Going back to Marx's concept the class of the age is the one whose special interest actually also helped the general interest. The awful thing that we have to recognize is that we all benefitted from this model, some countries more than others. We all benefitted. Though the system was one of deep financial irresponsibility it actually produced collective goods because we all gained. We would all be poorer now than if they hadn't done all this. We might be even poorer in two years time. But as of now there has been a collective good in financial irresponsibility.

And I think what's going to happen over the next few years is the following thing. And this is my pessimistic scene and this is where it joins up with post-democracy. And then just as my little book has a little optimistic bit at the end so this... But first we are going to see obviously much tougher regulation over the financial system. Governments are saying already you can't do this anymore, it's been disgraceful, and you got to stop. And you get banks which depend on public money so the governments have a chance to say right, there are conditions for getting this money. You are not going to carry out certain practices. You are not going to be allowed to put many of your transactions away from your balance sheets so that it never appears there. You are going to have to go back to certain capital ratios. People aren't going to be able to borrow money except under certain regulations. Or something else that might happen is something that is discussed quite a bit and that is some people say there is two kinds of financial economy. There is the ordinary banks that we all need and use, consumers, workers, small firms. We need banks. We need places where we can put money and get money. That is a kind of public good. Whether it's owned privately or publicly it needs to be regulated because it's important that this is kept safe. People need to have the confidence, put money in a bank and the bank's not going to do silly things with it. There is that bit of finance. Then people say within this other finance there is the funny money that rich people play with. Let them go and play with it. Perhaps they'll become very rich. People who believe in free markets say to us, let them have their market, let them play with it, no rules, no need for government to help them if they get into trouble because they got this special money that doesn't really affect anybody else, let them have their funny money, let them have a true free market there. If they get into trouble governments doesn't help them. Government does look after ordinary people's money. It used to be like that actually before deregulation. That's the basic systems that we had. So I think we'll get a return to all these things.

But as the months and eventually the years go by the bankers will start to get restless again. And they will say to government, look how much more we could be making for you, look how much prosperous your societies would be if you didn't hold us back. All these regulations are getting in our way. And there will be three or four countries around the world that aren't obeying the rules and they will be seen to be doing very well. Also it would be impossible really to keep these two big pots of money separate from each others. The bankers who are in the safe bit looking after real people's and real firms' money will notice that their people who are playing with the funny money are getting so much bigger profit rates for a period. And there will be a constant lobbying of government to say come on, relax these rules.

And we must remember the financial sector will have lost its political influence. If you look at what's been happening in the financial sector in the last few months, last year, nearly now, there will be many amalgamations of

banks. So at the end of this round of crisis there will be fewer banks. There will be more monopoly. There will be less competition. Also governments, especially in the United States and Britain, but not only in our countries, have been very involved in these mergers because often these mergers break competition law. And governments have had to say yes, okay, breaks competition law but we are not going to pursue you with the law because we know you are consolidating the system, you are making it safe. So what one's got is a less competitive and more monopolistic financial system with a small number of very large banks, each of which continues to have a very special relationship with government because government needs them. Government has encouraged them to merge. Government will continue to take an interest in them. And government doesn't understand what they do. So if it wants to find out what they do it has to ask them. And if it wants to regulate it has to say, please help us regulate you. After a time I think we will see a move where governments say we will relax regulations provided you follow certain codes of behavior that you developed yourself, a kind of model of corporate social responsibility as it's called that firms will take upon themselves as self monitoring role.

If this process happens all it will do is to reinforce something that is already happening in the economy. This has been the tendency across a large number of sectors for several years now. It's very interesting; the neoliberal concept of the economy speaks of markets and uses neoclassical economic theory which is all about markets. But very frequently especially in the public policy debate people do not distinguish between markets and firms. Firms and markets are not the same thing. Firms buy and sell in markets, but they may be very dominant within their markets so that real competition doesn't work. And, of course, when firms get very large and dominant they become very important political actors. This is part of the post-democracy hypothesis. What the problem of modern is that as I said before briefly post-industrial society is not yet really producing major forms of political mobilization. There are exceptions to that. I have to make three major exceptions: we have to accept the success of the women's movement, the success of the environmental movement, and also we have to accept the success of racist and populist movements in actually changing the political agenda. There is still a lively politics out there. What has proved difficult is to get the socio-economic groups of post-industrial society to express themselves politically. There is a kind of weakening of economic politics among ordinary people.

On the other side that we are not balancing it, reinforcing it is the spread of globalization, the spread of enormous corporations operating on the global level who are autonomous of governments, who are not committed to any particular national polity. And increasingly we see issues like the environment, over the exploitation of labor in supply chains that go all the way back from countries like ours towards China. In all of those issues one finds more and more a reliance of the political world, a reliance of society on corporations being willing to behave themselves, corporations being willing to say: all right, we accept there are certain moral obligations on us. And this is the debate about corporate social responsibility. It can be simply a public relations exercise, extremely trivial and of no importance. But it can also be politically extremely important. If an issue moves from the normal political arena into the arena of corporate social responsibility it moves out of the public democratic sphere into the private sphere of the corporation. And with global firms that cannot be reached by any individual national political system frequently this is what is happening. The only way an issue can be dealt with is if firms take it on themselves. And firms are not part of the democratic polity. In real neoclassical economic theory firms are not in the polity at all, they are in the economy, and they have to be kept there. We often see that neoliberal ideology interpreted to mean the state should not interfere in the market. But it also means that firms should not interfere with politics. If you go back to the originators of economic theory, people like Adam Smith, a problem of their period, the 18th century, was not just that government was inside the economy but also that firms were controlling politics. And that was seen as interfering with markets. We've lost that part of the dialogue. So it's not seen as problematic. The United States like to see the polity and the economy is very separate. They say we have a market economy. And they mean by that that government doesn't interfere very much. It does, but they believe it doesn't.

But they don't notice the enormous corporate lobbying of politicians. That's not seen as a problem for the market. But it is a problem for the market. And so there is a real problem for the market economy. There is a problem for both democracy and the market economy. If political issues, major questions are increasingly treated within corporation it is a privatization of politics. It's not just privatized Keynesianism, it is privatized politics which is a return to the Middle Ages. This is a tendency already there over issues like the environment and global supply chains.

What I predicted will happen with the financial system strengthen this tendency very considerably, reinforces it, and makes it much, much bigger. So that's the future polity, is a reinforcement of post-democratic trends because we've remained dependent on this sector. It's going to stay there. It's going to be big and powerful. Governments don't know how to regulate it. They are frightened to regulate it. They let it regulate itself through informal understandings, pessimistic story. Optimistic story, when firms enter politics in this way, when quite clearly issues are being tackled within corporations and not within the true public space then those firms become political objects as well as political subjects. But you can't become a political subject without also becoming a political object. And so there becomes a politics around individual global corporations. And we see this already with these developments I mentioned, environment and global supply chains. There are other issues, for example the role of pharmaceutical companies in providing medicines to the Third World. There is a whole range of issues where these firms have taken these issues up and around them is a little group of social movements, activists, troublesome people criticizing them, running websites about what they are up to, monitoring whether what they claim in their corporate social responsibility statements are true. In other words, if politics move into the corporation then so does democratic debate. The corporate world starts to become politicized. In a way it's very dangerous really for the market economy. But in terms of if we are thinking of the health of democracy my pessimistic scenario that says these issues just disappear is unlikely to be true because in lively countries with people who care about things that simply won't happen. And you will get a politics of global business, an opposition of politics. So, corporate social responsibility becomes a debate about corporate accountability. These trends are already there over issues like the environment. They will now increasingly also be about financial issues which take you into the heart of the whole thing.

As I say there is a pessimistic scenario and an optimistic scenario. Because in some countries this activist model that I have just defined is likely to develop very strongly, for example in the Scandinavian countries. If one of the Scandinavian multinational gets involved in some nasty labor practices in China this becomes news very quickly, and consumers get angry and they stop buying the products. The market is working here, the consumer market. Whether they really do anything about what's happening in China is another question. But they certainly give the impression that they can act about what's happening. There are other countries where people will be less concerned. So there'll be some countries where there will be a lively politics around corporate behavior. There'll be other countries where they get away with it. So the optimistic scenario will be in some places, the pessimistic scenario will be in other places.

But then there is something more complex and that is this whole movement I'm talking about can be looked at simultaneously in a negative and a positive light. Negatively one has the fact that even if there is a lively politics and all sorts of active civil groups chasing issues, finding things out, shaming firms, making them change their behavior it's not actually formal democracy as we know it. There still needs to be the process whereby voters acquire political identities which means they choose to vote for some people instead of other people, which leads to parliaments with a certain composition, which leads to a government being formed, which constantly has to be worried about public opinion because it's going to have to trace the electorate again and because people are watching what it's doing. That's why we need formal politics. If this starts to get weak, if the party conflict begins to be about nothing very serious, which is beginning to be the case everywhere, that is very worrying. What I talked about as a lively civil society politics around global corporations doesn't really solve that problem. It leaves it there. If all the people with political energy, innovation, and political morality go off into campaigns then they leave politics to a political class and to the business class that is still going to be there. That's worrying and it remains worrying.

Looking at issues in another way though these campaigns around corporations and this increasing political role, contested political role of a corporation, manages to develop a politics, not purely democratic, but certainly lively, pluralistic politics above the level of the nation-state. This is based on global corporations and what they are doing around the world in a way that our formal politics that we all know and understand really fails to do. And the European Parliament is the nearest thing in the world to a transnational democratic polity, but it's extremely weak. Although the nation-states are very irrational, strange creations and ranging in size from Estonia to China with no particular reason for why they exist as they do except for long forgotten battles and patterns of rivers and mountains, they are strange, irrational things. Nevertheless they are the only level or the most powerful level on which we had been able to organize political mobilization, whether for the left, or the right, or the center. As soon as an issue requires something above the level of the nation-state democratic politics can't reach it, can't get it in its grips. So this new politics based on the contesting global corporations although it lacks formal democratic quality and although it leaves indeed in trouble the states of party democracy, electoral democracy, nevertheless it's able to

reach parts that democratic politics and proper national politics can't reach. So that's the kind of good side to this move that is taking place in politics. It has to be balanced against the worrying and the negative side.

I don't have a resolution. I think that these things that had been going on with the financial markets as I tried to explain have reinforced very, very strongly some tendencies already there. And these are tendencies that in some ways are very encouraging, in some ways deeply troubling. For people active in politics this is deeply worrying. Someone like me mainly studies it. It's just extremely fascinating and interesting. Thank you very much.

Robert Misik

Thank you, Colin Crouch. I don't want to ask you, is there no hope because it was a little bit depressing. You said there were two social economic models after World War II, first the state-Keynesian model and second was the private Keynesian model. If we think about it thirty years later maybe that's the natural life expectancy of social economic models.

Crouch

Given what I said is the central problem for modern capitalism that it needs flexible labor markets and confident consumers it always needs new solutions to this problem. There won't be an ultimate solution to it because it remains a dilemma. What we can expect to have are partial solutions that work for some time. And then it's a kind of Hegelian process. Eventually their weaknesses dominate and something else comes. Thirty years is not a bad life expectancy.

Misik

If we say there are two social economic models which ended not only for ideological reasons but also for material reasons change of organization of labor, change of industrial production, then we cannot really expect that we can go back to the old model. That would be crazy to expect that. On the other hand, what you say is a little bit going back to the old model. Neo-corporatism, some few big banks which are in a way at least as dependent from the state as the state is dependent on them. It's a little bit similar. And if there are industrial corporations which are in this concept then it's a little bit similar to the old model.

Crouch

There was a part that had in mind in my talk that I didn't develop, didn't do in the end. I got carried away with some things, so I had to leave others behind. I originally planned to spend more time looking at the diversity that we have among nation-states. I did say a little bit about that the countries that had the neo-corporatist model were able to preserve Keynesianism more. In these countries, which includes this country, and the Nordic countries, and the Netherlands, one or two others, many small countries interestingly, what we've had over the last twenty years perhaps is a kind of triangle between continuing strong Keynesian welfare state strategies, continuing neo-corporatism, and certain aspects of neo-liberalism. These have been systems that have not actually moved too much. They certainly have moved. They certainly are much more neoliberal than they used to be, much more market oriented. And I can see that countries of that kind may well continue to be able to maintain something of that sort. Countries where those corporatist structures were always weak went much more fully for the neoliberal model because Keynesian got into more difficulties. There is then another implication of that. And that is that where the neoliberal model is strong business, firms, are far less likely to use associations for their representation, for their political action. They operate by themselves.

There is a big difference there and it is rather curious because actually a neo-corporatist system, provided it covers the whole economy, actually provides a level playing field for corporations. It's actually more "marktkonform", more consistent with the market than individual corporate lobbying because individual corporate lobbying means there are political insider firms and political outsiders. And that corrupts the political process. So if you got a properly functioning neo-corporatism it's actually friendlier to the market economy. One of the things that have been happening is that in some countries neo-corporate structures, especially business associations, forget for a moment the role of labor, were always weak. And we now have some others where they have been strong but where entrepreneurs are saying we don't want this model anymore, we want an individual lobbying model. Partly because if it's individual lobbying you can kick labor out and partly because individual powerful corporations see they have no opportunities. And we have seen this happening in both Germany and Sweden with the leading business organizations saying we want an American model of lobbying. Interestingly these developments have only gone so

far and they stopped. So there is a very big difference between a neo-corporatist model which works on business associations and labor unions on the one hand and on the other hand one where the lobbying is done by individual corporations usually with the exclusion of labor because it doesn't get a seat at the table. We see continuing differences here actually. So some countries will continue without so much change.

Misik

I try to put it as simple as possible. The concept of post-democracy was also written by you because of the experience of New Labor in Britain and because of the general trend within the social democratic, and socialist, and central left parties in Europe that politics is going to the center which meant the center left is going to the center and the center right is going a little bit to radical neo-liberalism. So the movement to the center was only a movement by the left. We can say that's one of the reasons why we lost the lively political scene. The reason was also that there was a strong pro-market atmosphere. Everybody said, let markets work. Social democrats said okay, let markets work. Now we see markets don't work this way. Maybe social democratic, center left parties, also left socialist parties like in Germany could change to another direction and then maybe there is a lively political scene again?

Crouch

Yes, they have a viable program. My own problem with the left-left as opposed to the center-left is that its programs have not been viable. So they have to solve that problem. Yes, I think there will now be more political debate. The neoliberal model is in contestation. My problem is that what I see emerging out of it as the new model is this one of a sort of a firm dominates it capitalism. It's not so much back to the market as back to the firm and with firms playing a bigger and bigger role. If you talk to people in the big corporations as I do sometimes, they understand this and they see this is their moment. The people in the corporations who have this view are not neoliberals. They have a different view. They believe in markets, but they also believe in the responsible corporation being part of global governance. Now they are actually very well placed to begin to push this model. Both people who believe in free markets and social democrats have got to come to terms with that and probably make some compromises with it.

Question

Erhard Stackl. How do you analyze the Obama phenomenon in the context of what you have been telling us? It seems there has been a very strong mobilization amongst young people, amongst poorer people in the United States, of people that were only loosely connected to the Democratic Party if at all. Given this strong popular support isn't there a possibility for the new administration to shape new stronger politics in the direction of Roosevelt's New Deal?

Crouch

A few months ago, just after the American election I had an email from a student somewhere in the United States. She said she has been given an essay with the title did Obama refute my post-democracy thesis, and she had to write an essay on this and could I help. And I said I think it probably does. I hope it does. It's early yet. We have to see how this movement develops. But it does seem to me that the Obama phenomenon so far has managed to bring together what I said were these two kinds of politics that were apart, one the one hand the world of activists, mainly young, motivated people, and on the other the world of official parties. It does seem to be an example for something that is bringing those two worlds together. Yes. If it really does manage to succeed and sustain itself and start to be imitated in other countries, other people get the confidence to follow it then I'd be very, very happy to say my thesis has been proved wrong.

Question

In your analysis you mentioned three reasons for the move to a kind of what you are calling post-democracy. First, a rising and uncontrolled power of global acting companies. You mentioned correctly that Adam Smith would have criticized this sharply. The second point is the rising power of media companies, especially in the yellow press field, Berlusconi, Murdoch. And the third point is the acting of the traditional political parties in a way of sound bites and spin doctoring. What are the forces or the institutions which can remove this development? Do you think that a kind of re-nationalization is a way in this field? You summed up a kind of solution or way how we can deal with this development to a kind of post-democracy. You pointed out that a combination of NGOs activities and positive lobbying as well as the activity of traditional political parties could be a solution in this area. Do you think that traditional political parties can fulfill their tasks and activities in the future?

Crouch

On the first one, I think most countries went too far in putting into private ownership activities that are really best left in the public sector because markets cannot work with it, for example water and to some extent railways. Where you get sectors where it's almost impossible to get real competition there doesn't seem too much point in privatizing. The state can always sell bonds in order to get money from the private sector for its ventures. If it wants private sector expertise it can hire people from the private sector. Really a puzzle the way in which we went so far towards privatization, especially where we are dealing with commodities that are seen as essential or very important to people's life, such the government always has to be involved in them, that you got sectors where you can't get much competition and government has to be involved then privatization seems a rather strange solution to me. And I think there is a case for saying that aspects of the financial sector come under that. They are not going to be very competitive and they are actually very important when government can't stay out of them and daren't leave them to the market. Beyond that though, I have never been a great supporter of nationalization. Where you can get the market, where you can get a lot of competitors striving to produce products to please consumers you actually get a dynamism and a level of innovation that you don't get from the public sector. So I think we rolled back too far with privatization.

And I'm not sure how the question about the mass media fits into that. I wouldn't like to see a solution to the problem of the mass media being state-ownership of newspapers. Then you get the opposite. You get a kind of privatization of the state in a way by one media baron. But we do want independent media out there. It's true that often public broadcasting firms, public broadcasting agencies actually have more pluralism within them than private newspapers. There is a difference between televised media and newspaper even. There are real problems about what sort of structure of media ownership both prevents state domination of debate and prevents a few very wealthy people controlling debate. We don't have an answer to this actually.

The second question: I think there are various ways in which old politics and new politics can work together. And the Obama phenomenon may be an example of that. There are certainly interesting examples of where trade unions, especially the international trade union federations, normally very weak bodies, but they are beginning to find the strength acting alongside social campaigns over issues like the starvation wages of clothing workers in Bangladesh. There is a number of points where unions in the rich countries are getting together with the weak unions in the poor countries and the civil society organizations or social movements and creating a kind of international labor politics of a good kind. So I think there are ways in which it can be done. The problem always is for a social, a civil society group the problem of moving into a relationship with a party. It's the relationship with the big monster. Come here social movement, we'll give you a place, we'll give you some money, now obey. And of course the corporations do it as well. Though I talked about the civil society groups as being people who are causing trouble all the time for corporations there are also some tame groups who pretend to be activists about environmental issues, but can very easily be bought by a large firm. They are so poor; they need so much money that you can buy them very cheaply. There is always a danger when social movements groups come into contact with either big parties or big corporations. How do they keep their autonomy because we want them to keep their autonomy? I know people who are managing political parties. In the society at large we need debate, we need conflict. I'd be good to see more working together between unions and parties with the new groups. But I don't want the groups to be swallowed by the parties.

Question

Bernd Marin. There are three aspects which all have to do with the dialectics between socialism and liberalism which I felt could be elaborated. The first one is the relationship between democratic capitalism and non-democratic capitalism. I think the orgy of mass consumption beyond one's means which you are describing, the examples are the strawberry picker, a Mexican immigrant, 12,000 dollars income a year, much below the poverty line, but talked into buying a house of 720,000 dollars. And there are ever new examples popping up now of this absurd overconsumption. Now, this wouldn't have been possible without authoritarian regimes in Asia to buy US treasury bonds at a large scale to finance this. So it was non-democratic capitalism helping this democratic capitalism to be alive. Or the famous cleaning lady in Manhattan who accumulates four houses throughout the Bronx, Queens, Brooklyn, and so on, and taking one house as guarantee for the next one she buys. The second one: socialism for the rich and capitalism for all of us or the poor. Basically the major source of the crisis was that you had a guarantee, an implicit guarantee that the enterprises too big to fail or too important to fail would be bailed out. And at the same time you had an excessive liberalization, deregulation, free for all. It couldn't lead to anything else but taking risks far

beyond ... Anybody who takes a risk risks his own money. But for other people's money if I'm a paid functionary, an employee, we know that these employees have earned between 3 and 500 million dollars over the last couple of years, all of them who have failed and run down had become rich. The banks are as poor as or poorer than they have been 15 years ago. But this could only happen because the incentive system was such that basically this was Wallstreet communism. Perfect, wonderful for the happy few! I think that's very important. Your case is the Royal Bank of Scotland, Sir Fred, I think he is now retiring earlier at the age of fifty with seventeen million pounds ...

Crouch

700, ... pension for the rest of his life because he destroyed his bank.

Marin

So I wonder about the distributional struggle ... because people are really pissed off about these great injustices. The third thing is about public control of some of the private actors. The rating agencies are just one case in point where really corruption is no word to describe for what had been going on there. If you think that the US economy has four industrial enterprises which had AAA, but about 5.000 financial products, funds and so on, many of them are not worth a penny anymore, with AAA including Lehman brothers. So I wonder if all of this would lead to interesting political debates, to re-politicization, and to some form of revitalizing democracy. I don't believe in a Raiffeisen Incorporated Austria as Raiffeisen Inc. is really not what I want to see. So the Austrian version of this form of financial corporatism is something for democratic reasons we should be very much concerned about.

Crouch

Bernd is the first person who invited me to Austria many years ago, about 1980. All my Austrian connection I owe to him. Well, these are very good comments. I don't think there is much that I could say about them. Fine remarks! There is something that you mentioned which I didn't say anything about. You could it this relationship between non-democratic capitalism and democratic capitalism. And this curious position of the world at the moment in that Chinese communism has saved Wall Street. J.P. Morgan's partly bought by the Chinese state, a Chinese firm which is the Chinese state. And this siphoning of money, you borrow money in the Far East and you invest it in the American economy that's what enabled the Americans to go on doing all this stuff. These relationships are very, very strange. If you look at the history of the state back for 2.000, 3.000 years there has always been socialism for the rich. The early function of the state is to provide a privileged class with the means to live without doing any work. In a way it's only really with the development of the modern welfare state that governments start to do anything for ordinary people. Adam Smith has a very interesting discussion about why people should pay taxes. And he says, the people who pay taxes are the wealthy, because in those days only the wealthy really were taxed, and they should pay tax because the government does most for them. Because what governments does is to protect private property. And a rich man has more property than a poor man. So a rich man should pay more tax than a poor man. He is living in a world where you assume that government works for the rich. It's only really with the modern welfare state that one got governments using money in a large way to provide something for everybody else. So this return to a kind of socialism for the rich, capitalism for the poor is another symptom of post-democracy. It's the state going back to its original form of behavior.

Question

How happy are you about the degree of international cooperation? Even though Mr. Bush was not perhaps the most popular of world leaders there was a pretty immediate response from various leaders around the world. I wonder if one can say that the consciousness that people have all the same vote can perhaps help to avoid the idea that some people are debating around similar goals of 1929.

Crouch

We should find out in the next few months. The optimistic signs are that everybody knows about 1929. Everybody knows what are the consequences of the move to protectionism by all the states involved and how protectionism made everything worse instead of better. They have this knowledge. Against that each government is saying yes, we do want international cooperation. So the British say we want a new regulation of finance, but don't touch hedge funds because we do hedge funds, the British do hedge funds, so hands off hedge funds. Other stuff, stuff the Americans do or the Swiss do, you can regulate that. And there is a danger that there'll be a lot of that, that the interests of different national economies are rather different. And everyone can see well, we can save ourselves in our way. So we just wait now and see. We don't know.

Question

Peter Kreisky. I'm a bit more pessimistic than you already being pessimistic because if you look from the view as an Austrian with this reaction of the crisis of social democratic parties and most going to center-left, from France to Italy, also the far left tendency in Italy, shows that the chance that center-left who has joined the new liberal development mainly, in the beginning a bit hesitant, but then taking over this line. Is this discredited? And the profiting of the far right or right extremists, Austria is not the only country, in Italy these structures are governing more or less, Hungary, and with the historical past of these countries and the weakness of German social democratic party, there is no perspective meanwhile how we will come out. And the Left Party is a chance. But the Greens are too weak and they will fill maybe the center gap in traditional working class, also in the newer working class. And so I'm quite pessimistic that the winners of the situation are not important new grass root movements, it's the new right, the right extremism. Not in all countries, but in many important countries. And the other side is, beside the renewal of public companies or communal companies it's needed, also if it sounds utopian, to revitalize basic corporative self-governed, economic, small and medium, and sometimes big scale companies as alternative to state owned and to big private companies. But it's a quite utopian long scale view.

Crouch

Present day grassroots give a little bit of "Hoffnung". So I should provide "Hoffnung". The only politics that can really be pessimistic without reservation is the extreme right. And if you go too far in a pessimistic direction you end up on the extreme right. Even if you think things will be bad it's always important to think not just utopian but also in a practical way about what would be better, what movements can we see that can give us hope even if they are weak. Where can we look?

Question

I was also disillusioned or wondered why you put Austria in such a positive way. Because when we look at the votes of last weekend about 50% voted for the far right and 85% of the workers, of the working class if they still exist, 85% of the working class in Carinthia voted for the right wing, and in Salzburg it was 65%. I wonder whether there is a positive solution or positive answer you could try to find.

Crouch

Globalization is very, very difficult for ordinary people to understand. They know it's giving trouble to their lives. They cannot see the very long term by which we all gain from globalization. What they understand as globalization is foreigners and ethnic minorities in their own country. And that's the form it takes. And the only way they can kick globalization is to kick local foreigners. It's very, very difficult once that has become settled to change the dialogue. Say to people, it's global capitalism that's your problem. Ordinary people have no idea how to do anything about global capitalism. And no political parties at the moment are able to tell them this. But they can identify local foreign people as a problem even if it isn't a problem. And there is a real, real problem there. And the tragedy is for all these years the left has not been able to construct an autonomous dialogue about how the global economy should develop. It became neoliberal, followed the neoliberal and it has left the field open to the far right.

Question

No one speaks about the increasing number of poor people. There is no solution. Where is help for people who cannot find any job, cannot pay their rent anymore, or cannot pay the costs of energy? I cannot find any answer in this direction what the policy will or can do.

Question

I would like to mention the fact that the working class in Europe is getting weaker. Some people refer that to the development of technology, particularly in the manufacturing sector. But there is one issue which I think should be linked to that globalization. Globalization more or less when it started was taken as good paid. But the real term it was a mechanism through which the capitalist and transnational corporations were intending to weaken more the working class in Europe and transfer the production to the poor developing countries. And that is the outcome in China, in India, and others. And thus more or less the working class there already used to be suppressed, used to be suffering, now most of them lost their jobs even in those developing countries because the corporations are bringing ready made goods which had been assembled somewhere else next door. This is a new phenomenon, and that led in real terms in connection with democracy, reducing the possibility of democracy in the developing countries and in

the industrialized countries themselves. I will mention two examples. In the developing countries those transnational corporations are bribing those who have power. Every time you come you will see a list of countries which are corrupt. Those countries, earlier they don't know corruption. But they were bribed, those who are in power, to enable the multinationals which are coming from all over to utilize the situation for them. The second example, I noticed two years ago in Europe the European Union did a very good step to reduce carbon dioxide emission from cars, put a target. Who confronted the European Union? It was the federation of car manufacturing in Europe. And they threatened. They said if you insist on this target within the specific period we are going to transfer the production of cars to the Third World, to the developing countries. I would appreciate if you could make comments and the linkage of this in terms of democracy as well as frustration and the working class situation in the world.

Question

We are just in a curious situation. I don't believe anymore in the responsibility of companies. I did it before. So I believe in what's really written down in law. And now we do have a situation in the European Union with principles of neoliberalism written down in the treaties, also in the future Lisbon Treaty. These principles will be also the principles for the future.

Crouch

These were mainly interesting and important comments. But there is this question here about the relationship between democracy in different parts of the world and globalization. The problem here is that we've been able to achieve democracy even if it then becomes weak just in a few wealthy parts of the world. Our achievements have to some extent depended on the rest of the world being excluded from the economic model that enables us to be more prosperous than they. The process of the poor countries beginning to join in the main global economy is bound to produce very nasty shocks for both them and us because the first effect of it is this enormous increase in the supply of labor and therefore a strengthening of the relationship of capital to labor everywhere. In the very long run they start to become wealthier. Their economies can no longer depend just on export, and they actually start to be prosperous consumers, and they start to go through the dilemmas I've been talking about. Once you get to that point, when increasing parts of the world are joining in the global economy and they are able to buy things, things being produced and purchased everywhere in the world, then you can start to build up again. The problem is that between where we are not and that stage is probably a very long time. We can't go back. We can't say what we got to do is stop having any production in China, we got to stop buying goods from India, and we got to make the East Europeans go back to being farmers or maybe building tractors. We can't do that because that means condemning these people to continuing poverty. Now, obviously, even though they remain much poorer than we do their lives could be much better with different political regimes. There is a long difficult time we have to go through when there is a surplus of global labor. And that's why I start to look at these groups who are working with trade unions to build links by shaming firms in their home markets because of labor conditions in the Third World. People who are involved in that activity at the moment, people who are involved in trying to act on these huge inequalities are probably doing the most important political things in the world at the moment. But it remains long, and hard, and difficult.

Misik

Thank you very much, Colin Crouch. It was a great evening. I thank the public for coming and participating. I thank the Renner Institut, I thank the Kreisky Forum. Have a nice evening!