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**Karin Priester**

**A Schoolgirl's Report:  
The feminine face of Jihad**

**Thomas Meyer**

**How to Defeat Fear-Mongering:  
Take Fears Seriously**

**Jürgen Kocka**

**Piketty on Inequality**

**A Conversation with Wolfgang Merkel  
»Democracy's Problem is not the Crisis  
but the Triumph of Capitalism«**

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# Editorial

In the essays submitted for this issue, our distinguished authors all devote considerable attention to the major crises of our time. Among their themes are the increasing dominance of markets and great wealth over the democratic order in our societies and globally rampant inequality of wealth and income, which the French economist Thomas Piketty has recently put back into the center of public debates. By assembling reams of evidence on the structure and history of inequality, he has shed new light on this scandalous phenomenon. And over the past few years his research has begun to attract attention all over the world.



Other crises featured in these pages include the nearly complete digitalization of the economy, often referred to as »the second industrial revolution,« and the disruption of the European peace system by Russia's Ukraine policy. There are numerous reciprocal relationships and murky connections among these major crises. The one thing they all have in common is that they harbor the potential to change fundamentally the world as a whole, the European order, and almost every society. Furthermore, they all raise new questions for which sound answers have yet to be found. Not only do our authors seek to clarify the nature and causes of these changes; they are also interested in helping us find answers that might offer direction and guidance as we devise responses to those wrenching transformations. Obviously, the future that libertarian-leaning utopians in Silicon Valley have dreamed up cries out for alternative approaches. In the best case, the new possibilities inherent in advanced technologies would be made compatible with traditional political ideals such as an autonomous life, good work, checks on government action, and a democratic society. Time is of the essence. As capitalism gradually throws off the restraints placed on it and increasingly becomes an independent hyper-power, there is a danger that democratic polities will degenerate into market-states, mere service-providers for the interests of high finance. If that happens, democracy will slowly lose its credibility and that will enable both left- and right-wing populism to flourish. Moreover, advancing inequality undermines democratic legitimation, while rendering the new financial-market-driven form of capitalism more susceptible to recessions.

All of these trends warrant urgent political debate at the transnational level, since their causes have long since transcended national boundaries. Democratic solutions, therefore, will succeed and have the desired effects only if they take a transnational approach. Such solutions, in general terms, would include the political and social imbedding of markets, agreement on new tax policies to reverse global inequality, and efforts by society to shape and control the digitalization of work, life, and communication. The current issue should be read as a contribution to that debate.

*Thomas Meyer*

Thomas Meyer  
Editor-in-Chief and Co-Publisher

Tom Schimmeck

## Is the Dream Over?

### The United States – a case of narrative overreach

*»That dream of a land in which life should be better and richer and fuller for every man, with opportunity for each according to his ability or achievement...«  
(James Truslow Adams, 1932)*

First it was a misunderstanding, and then a joke. My credit card had failed to work at cash register three of the El Camino Real Safeway, the main drag of Silicon Valley. When the transaction finally went through, I asked the cashier whether »you have your money now.« For that remark I was rewarded with a broad, malicious grin. »My money?« said the young man, knitting his brow. »I think the one percent have already taken care of that.«

*The one percent.* In the fall of 2011 the »Occupy Wall Street« movement took to the streets against the growing concentration of wealth in the hands of the upper echelons of American society. The outcry died away with amazing rapidity. Yet the recognition that there is a tiny, extremely wealthy and influential stratum somewhere up at the top has persisted, altering both our vocabulary and our consciousness. Today in the USA you can hear bitter comments about social disparities on any street corner.

Up until the crash of 2008 most Americans did not care to know exactly how things stood with the distribution of wealth in their country. Talk about equality always led straightaway to the suspicion that the speaker was a socialist, a killjoy who wanted to undermine the Americans' naturally optimistic, »can do« spirit and their ambition to strike it rich. Such talk was contrary to the American Dream, the rags-to-riches narrative that had fed the hunger for advancement. It was believed that anyone, even a humble dishwasher, could make it if s/he really wanted to. People just needed to hang in there and give it their all. This

is the prospect that has led America's lower classes to put their noses to the grindstone and that continues to attract millions of immigrants to the »new world«: the promise of a life of freedom and abundance, of happiness that is entirely individual. Then too there is always gold fever – the chance that one might get rich, make the big score, hit the jackpot.

There is no story more exalted and variegated than this American one. The narrative of the American dream may possibly be the most popular global promise of the modern age; certainly it has been presented thousands of times in film and song. It was already implicit in the Declaration of Independence of 1776, which postulated that all men were »created equal« and that every person had the right to life, liberty, and the »pursuit of happiness.« This formula, poetic and grandiloquent at the same time, has exerted its magnetic attraction all over the world.

For quite some time it seemed as though the nation's self-confidence, its conviction that it was a »gift to mankind« and offered the best possible life, was unassailable. True enough, *Doubts are rampant* the number of people who still believe in the American dream remains high. Nevertheless, if one takes into account that we are talking about a quasi-religious doctrine, a magic formula central to the country's identity, the number of true believers is undergoing an ominous decline. In 2009, when the economic crisis was at its worst, 72 % of respondents still professed belief in this most fundamental of American tenets. By

now that number has fallen to just 64 %. Doubts are rampant. In opinion surveys two-thirds of Americans express their conviction that this America no longer offers everyone the same opportunities and that they no longer agree with the current distribution of wealth. By now only a minority still thinks that the next generation will be better off than this one. The issue of inequality is being talked about everywhere, even at Harvard and in economics journals, where a scholar such as Thomas Piketty is still regarded as a left-wing outsider.

Despite this shift, the majority of the citizenry still has no idea of how wide the gap has become between the wealthy and everyone else. When asked to choose from among various models of wealth distribution the one that most accurately reflects the status quo, Americans tend to opt for models that present a far less drastic picture of economic inequality than is actually warranted. In fact, statistics reveal that inequality has reached a level not seen since 1929, the era just before the Great Depression. It has been increasing steadily for more than three decades. This is due above all to the boom in the top one-tenth of one percent of U.S. society, which has more than tripled its share of the national wealth since 1979, from 7 % to 22 %. In this way, all of the efforts to redistribute wealth undertaken since 1929 have been rendered null and void.

Although Americans have increased their productivity by 80 % since 1979, the great majority have seen virtually no benefit from these gains. Today, the bonuses paid out to managers alone are on average 62 times higher than the salary earned by a typical American worker. The average employee has to slave away for more than a month to »earn« what his or her CEO makes in a single hour.

By now the »Great Recession« seems to be over, at least for the time being. Unemployment continues to decline. In just six years the Obama Administration has

managed to reignite a boom, accompanied by impressive growth rates and all-time highs on the stock markets. Still, there is enormous disappointment, because the majority is losing out, while the newly created jobs are often low-paying. This phase of the economic recovery has not been felt by most people.

The spread between the rich and everyone else has widened during the Obama era. In the first two years of the recovery the wealth of the top 7 % of U.S. society grew by another 28 %; meanwhile, the remaining 93 % actually lost 4 % of their wealth. According to estimates by critical economists, 95 % of all the income gains since 2009 were racked up by the top one percent of income earners, already obscenely rich, while median household income fell by more than a third. The critics calculate that the middle class is poorer today than it was back in 1989, when Ronald Reagan left the White House. Obama himself has conceded that »almost all the benefits of the upturn have gone to the top one percent.«

There was a time when the American public scarcely would have noticed facts like these. A solid citizen of the United States would have shrugged his shoulders and said: »if I just work hard enough, maybe tomorrow I will be among the lucky few. And if I don't make it, maybe my kids will.« Today things are quite different. To begin with, many Americans have been witnesses of their own social descent and realize that the middle class is shrinking perceptibly. Furthermore, millions of college graduates are beginning their careers deeply in debt (the total amount of unpaid student loans has climbed to 1.2 trillion dollars). Finally, everyone can see that the American infrastructure is falling apart. The American engineering society ASCE has given it a grade of D+, which means: »bad, with a high risk of collapses.« By 2020 an invest-

ment of 3.6 trillion dollars will be needed to fix it.

Moreover, the public is finally becoming aware of the affiliation between wealth and power, and the enormous influence of big money on politics. The post-democratic orchestration of moods and opinions has become a major, noisy, lucrative business. The presidential election campaign of 2012 burned through the record sum of 6.3 billion dollars. The mid-term elections last year cost around four billion. Today, even contests for insignificant posts in local government can require lavish material resources. And the Supreme Court, of all institutions, removed the last remaining limits on the rampant spending binges.

George Packer, a staff writer for the *New Yorker*, has provided a minute description of this multi-faceted decline in his rightly-praised book, *The Unwinding*. The author has surveyed both prospering and decaying landscapes across the United States and analyzed the biographies of quite a few average blue-collar types, small businessmen, mothers, preachers, addicts, and even a few so-called celebrities. Packer uses these varying portraits to throw the decline of the American dream into sharp relief, sometimes from close up, sometimes from a distance, often in a downright sensual style. In his own words, Packer wanted to reveal »the nervous system of the last generation of Americans.«

And he does exactly that. Those nerves are on edge. In an interview for the public broadcasting network PBS – itself perpetually under siege – Packer summarized the findings of his journalistic tour de force. Not only did he take note of collapsing institutions and infrastructure; he also identified a gradually widening fissure in the social fabric. In his view it involves a violation of the unwritten social contract, which holds that, »if you work hard and are basically a good citizen, you will have a place.« The recognition that people used

to be granted as members of the social fabric, the prospect of an economically secure existence, plus the chance that one's children would have an even better life – these were the foundations of the American dream. However, according to Packer this structure has fallen apart since the end of the Seventies: »Basically, the contract has been torn to pieces.« And he surveys the arc from 1978 to 2012, from Carter to Obama. It is a time span of barely thirty years without a world war and without the trauma of Vietnam. Yet it has been an era of harsh swings of the pendulum, a sinuous journey full of promises and reverses, one with unanticipated catastrophes and new wars, in which the one constant has been the steady, relentless growth of social inequality.

There is no reason for anyone to visit America's old mining areas or its »rust belt« of de-industrializing cities from Chicago to the East Coast, in order to experience the crisis besetting the American dream. Even *Suburban poverty* on the idyllic beaches of American hopes one always can find their dark underbelly. Anyone who cares to look more closely will see day laborers standing on the streets even of myth-enshrouded Silicon Valley. Right next to chic, prosperous Palo Alto, the home of Hewlett Packard and Stanford University, lies the community of East Palo Alto, a violence-plagued gangland whose residents are mainly black and Hispanic. There, it is not unusual for people to be found lying dead in the streets – just like that.

It is in Silicon Valley, a place that symbolizes genius and entrepreneurialism, where inventors can become millionaires overnight, that a closer look reveals the scratches and dents on the American body politic. One encounters priests who denounce greed and derelicts who have fallen far and fast – or never were high fliers in the first place. No doubt about it: The booming region between San Francisco and San Jose is wealthy. The high tech elite,

pampered by high salaries and stock options, can afford to live the good life. But for average earners like teachers, bus drivers, waiters, and salespeople, bakers, construction workers, and people in other »normal« jobs, it is an increasing challenge to make ends meet here, or even in reasonable proximity to Silicon Valley.

For them the dream of owning their own home is out of reach, since even the most ramshackle dump will cost a million dollars. Even rents, groceries, education, and transportation are barely affordable anymore. Everywhere, you run into people who put up with very long commutes for poorly paid jobs. Homelessness is rampant. Many people live in their cars. At food distribution centers, soup kitchens, and shelters you meet people whose lives have been totally disrupted. The material basis of their lives has been destroyed by an illness, a layoff, a workplace accident, a separation, drugs, or just a minor misfortune. It doesn't take long. As the director of a homeless shelter behind San Francisco Airport put it, »We are all just one paycheck away from ending up here ourselves.«

In the back room of a pizzeria on El Camino Real, I ran into a group of bus drivers who work for Facebook: blacks, whites, Latinos, men and women from Asia, Latin America, and Europe. At some point they, their parents, or their grandparents were lured here by the siren song of the American dream. Now they have long commutes to work, then very long shifts on the buses in which top earners from San Francisco ride. They are away from home for fourteen hours a day and are getting nowhere. These drivers do not live in fear or terror, nor do they appear absolutely desperate. Still, they see their share of the great prosperity all around them shrinking, their living conditions ever more straitened, and their opportunities pretty meager indeed. Their children's chances of attending a university like Stanford are growing ever more remote.

Scholars talk of »modern poverty« and the working poor. But the latter are no longer to be found – at least not only – in remote rural areas and the famous or infamous inner-city slums. Poverty has taken up residence in America's suburbs, communities that have grown up since WW II, enjoyed hefty subsidies, and been knit together by a network of freeways. For a long time these suburbs were refuges of a tranquil, stable, »better« life, accompanied by the roar of lawn mowers and the spicy odor of the barbecue grill. They were the true home of the American dream. Now, many of them are showcases of suburban poverty. For three decades poverty has been increasing fastest in the suburbs. Today there is more poverty in the suburbs than in the urban centers of the United States.

A survey of American history indicates that affluence has been highly concentrated from the very beginning. In port cities like Boston or New York, the top one percent already held 40-50% of the wealth as early as the nineteenth century. Furthermore, *The grapes of wrath* this wealth was always in the hands of white people, and it has remained so. In 2010 the average white household in the United States was almost twenty times wealthier than the average black household and more than seventy times richer than the average Latino family. If we exclude home ownership from the calculation, then the ratio is closer to 100:1.

Still, certain things have changed. The last crisis hit the less affluent disproportionately hard. But more importantly, taxes levied on great wealth have fallen tremendously since the presidency of Ronald Reagan (1981-1989). Moreover, opportunities for capital flight and global »tax planning« by corporations and the super-rich have multiplied marvelously. Before the Reagan era top income earners in the USA still contributed heavily to state revenues.

Perpetual campaigns for ever more radical tax cuts and ever smaller govern-



ment have fostered an attitude, in conservative circles at least, of general hostility to the structures and institutions of society. There is constant sniping at big government, the allegedly so profligate state, the federal government, and the political establishment in Washington. All this has had far-ranging consequences that pose a threat to democracy itself. The U.S. Congress, supposedly representing the citizens of the United States, now has disapproval ratings of between 74 and 86 %. To some extent this has had schizophrenic implications, since now some parts of Washington, believing that they must deliver on their own rhetoric, are fighting fiercely against themselves.

Republicans, libertarians, and the Tea Party have fed this diffuse anger. The latter has been a paradoxical phenomenon. On one hand, a defining feature of the Tea Party to this day has been its anti-establishment attitude. Yet it is sponsored mainly by billionaires like the Koch brothers, who may be betting that its celebrated hostility to oversight and control will lead to less regulation and environmental protection as well as lower taxes. Both the Tea Party and its backers are climate change deniers.

Since the Clinton era (1993-2001) American politics has become markedly more aggressive. Newt Gingrich, a Republican who held the office of Speaker of the U.S. House of Representatives from 1995 to 1999, followed Mao's doctrine of bloodless war by adopting an acrimonious, hysterical tone in his public utterances which still dominates political debates. Today it is characteristic of the hyper-ventilating commentators on talk radio and on Rupert Murdoch's Fox News Channel. Emotions are the main thing here, especially when whipped up on command. Politics has become a religious war. Debates resemble a Pavlovian lab experiment in which salivation is produced on cue. In recent years every new election campaign has documented the dramatic decline of discourse.

During George W. Bush's terms in office, the trend toward polarization and emotionalism in politics reached new heights, and not only because of the »permanent war on terror.« The two political camps came to despise one another more and more. Obama's presidency has been affected by these divisions from beginning to end. In fact, his opponents condemn him today as the final fruit of a Muslim-Soviet conspiracy against the USA. Even Obama lacked the power durably to influence the style and structure of his country.

As the Obama era approaches its end – a period infused with so much longing and promise – disillusionment and rancor are spreading. The foundation of values is eroding further, as the common ground once shared by most Americans shrinks. Even the rules of the game often seem to have lost all value. Republican fundamentalism on several occasions has driven the state to the brink of insolvency.

The rules of the game also are flouted with ever greater frequency. This could be observed at the beginning of March, when Israel's Premier, Benjamin Netanyahu, facing the prospect of a close election, addressed Congress at the invitation of Republican House Speaker John Boehner – while ignoring the White House. Shortly thereafter, 47 Senators signed a letter to the Iranian leadership written by freshman Senator Tom Cotton. The message threatened that a Republican president in 2017 could render any nuclear deal with Iran null and void »with the stroke of a pen.« The letter constituted an unprecedented act of sabotage against the United States government. While Boehner was presenting his guest Netanyahu with a bust of Churchill, his fellow Republican, John McCain, savaged the German foreign minister Frank-Walter Steinmeier, whom he accused of belonging to the »diplomatic school of Neville Chamberlain.«

Agreement about many of the foundational elements of American civilization



is evaporating, and with it the resonance of the great story of the United States. It had been said that the world's last superpower has been suffering the consequences of imperial overreach, but it looks as though the USA is actually a victim of narrative overreach. It is losing its own story, because that narrative no longer corresponds to actual practice; hence, it sinks to the level of kitsch.

Its expansive ego, as the home of attractive ideas and products, as the land of

liberty and opportunity, a country that serves the cause of good everywhere in the world (if need be by force of arms), has become fragile. Current discourses undermine consensus and reveal a society in tatters, at odds with itself. The obviously increasing gap between the billionaires and the have-nots is putting more pressure on Americans' self-image. As its shared mythos falls apart, the nation's morale erodes.

One person's dream has long since become another person's nightmare.



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*Karin Priester*

## **A Schoolgirl's Report**

### **The feminine face of Jihad**

In the Year of Our Lord 1212 an event took place in the regions around Paris and Cologne that has since become legendary: the Children's Crusade. Several thousand young people headed south to join in a crusade against the infidels in the Holy Land. There is much debate about how far they actually got and what happened to them, but their spiritual zeal gripped even young girls.

Today the Middle East is again exerting a magical pull on the young, including young girls. As the British *Guardian* remarked on September 29, 2014: »Hundreds of young woman and girls are leaving their homes in Western countries to join Islamic fighters in the Middle East, causing increasing concern among counter-terrorism investigators.« Jihad tourism is taking the place of Sixties-style revolutionary tourism, as holy war fills the void left be-

hind by revolution, which by now is invoked only in the past tense.

Crusades are always a big adventure for immature minds and attract idealists, romantics, seekers after meaning, and dropouts. That happens even in the best families. As an eighteen-year-old high school student, Ernst Jünger ran away to join the French Foreign Legion, although his adventure only lasted six weeks. When she was nineteen, the British noblewoman Jessica Mitford eloped with her lover, a nephew of Winston Churchill, so they could fight in the Spanish Civil War. And during the Sixties, the future writer Régis Debray who attended elite schools and came from a well-off family, joined Che Guevara's guerilla campaign.

Some 10 % of Jihadists from the West are alleged to be young girls or women, mostly those with an »immigration back-

ground« or from European-Muslim mixed marriages. In France the proportion of women in Jihadist ranks is even higher, at around 20%. At the end of 2014, *Le Monde* tallied 88 women, often from non-religious middle class households, who had gone to Syria to join up with either IS or Al Nusra, the Syrian branch of Al Qaeda. Other sources estimate the number in France at between 100 and 150 women, including some with children. In Germany it is alleged that there are about 100, as *Der Spiegel* reported, but the trend is upward. In proportion to its total population, little Belgium has the largest share of Jihadists, including around 20 young women.

Here are some examples: the sixteen-year-old twins Zahra and Salma Halane from Manchester, England, originally from Somalia, sixteen-year-old Nora el-Bathy from Avignon, and a fifteen-year-old high school student from Konstanz named Sarah O. Both of the latter have Algerian fathers. The twenty-year-old student Aqsa Mahmood of Pakistani descent, from Scotland, sends tweets from Syria under the name Umm Layth (Mother of the Lion), claiming that she wishes to become a martyr in the holy war. Three young American girls, aged 15, 16, and 17, of Somali and Sudanese descent, were apprehended at the Frankfurt Airport on the way to Syria. Sometimes entire families, including those with small children, move to the Syrian war zone. And the wife of one of the Paris assassins of January, 2015, twenty-six-year-old Hayat Boumedienne, moved to Syria immediately after the attacks.

In the small French town of Auxerre there is a group of over thirty women, all veiled in black, who belong to a pietistic-fundamentalist sect known as the Tablighi, which the German Constitutional Protection Unit classifies as a conduit for Islamic terrorism. The group is led by a Moroccan woman and a French convert. They proselytize among marginalized Muslim women from sub-Saharan Africa and the North

African Maghreb, and oppose not only the West but also the Islam of their parents' generation, which they deem too moderate. The Tablighi are said to be especially popular among female converts. All this is happening in a small town of only 43,000 inhabitants far out in the provinces of France, led by women who have issued a feminist rebuff to their emancipation and integration into French society. Feminism can also backfire.

Melanie Smith, a scholar at King's College, London, has studied 200 Western women who are now living in parts of Syria occupied by IS, mainly in their bastion of Ar-Raqqa, *A multiplicity of motives* including about 60 from Great Britain alone. By now those figures likely would be much higher. When it comes to preparing for, organizing, and to some extent also financing the journey, one can hardly overestimate the role played by the Internet and social media. Twitter, Facebook, and Skype enable Syria-bound women to establish contacts and make concrete preparations for their departure. Parents are totally flabbergasted when their daughters get in touch with them from Syria. They say: our children are just too nice and hard-working to do such a thing. Nobody could have anticipated this, so they must have been brainwashed.

One prerequisite for their trip to Syria is a quick betrothal to an IS fighter, which is usually set in motion via Skype even before the journey begins. Many Muslim Westerners in IS-controlled territory don't speak Arabic or have any contact with local women, so they are willing to allow IS-sympathizing young women to travel to the Middle East in search of their Robin Hood or Prince Charming. Nor should we overlook the sex appeal of these bearded young men posing atop tanks with flags and Kalashnikovs, their chests swollen with pride. The French »Center for the Prevention of Sectarianism Related to

Islam« identifies five motives that may lead a person to embrace Islamic fundamentalist sects such as the Tablighi or Salafists: the image of the heroic knight, which mainly appeals to young men; the wish to render humanitarian aid, which attracts young women, many of them still minors; the quest for a leader; inspiration provided by video war games such as *Call of Duty*; and finally the chance to act out fantasies of omnipotence and feel as though all limits and boundaries have been set aside by a religiously issued license to kill. Yet those actually involved consistently refer to other motives, including the quest for community, belonging, and identity and the desire to live according to their religion among fellow-believers, without interference. In the background one also finds crises of adolescence, difficult family circumstances, a lack of perspective, social marginalization, and – among Muslim girls – low self-esteem and the desire to stand up for themselves.

By no means all Jihadist brides are driven by humanitarian motives. The tweet of a twenty-two-year-old mother of two from London, Khadija Dare, certainly attracted attention when she bragged that she wanted to be the first woman to kill Western men. Her tweets are a mélange of Internet slang, chat jargon, lower-class idioms (»da« instead of »the«, acronyms like »lol« (laughing out loud) or »omg« (oh my god), combined with a few Arabic words to give it all an exotic flavor. She seems unable to get along without adolescent expressions (»lol« and »hahaha«). In August of 2014, Dare posted the following comment: »Any links 4 da execution of da journalists plz [please]. Allahu Akbar. UK must b shaking up haha. I wna b da 1st UK woman 2 kill a UK or US terrorist (sic!).« Upon seeing a corpse for the first time, another woman seems to have enjoyed herself no end: »Looool yes and seeing for the first time a dead body loooool hahahahaha that was so funny.« Emotional brutalization or shock

in the presence of a bloody reality? But things get bloodier still. On Twitter you can see a veiled woman wearing a white lab coat holding a severed human head in her hand. As yet the identity of the woman has not been established, but she may be a twenty-one-year-old British medical student.

Ever since the Islamic State (IS) was proclaimed in the summer of 2014, the organization has promoted these types of Internet contacts, arranged for contact persons and reception centers, while offering tips for the journey (always book a round-trip ticket and say you're a tourist wanting to visit Turkey). The offer is enticing: The young people live rent- and tax-free, and pay no electric power bills, since IS takes care of everything. But the brave new world of the Caliphate is by no means as egalitarian as some people imagine. Westerners who live in Ar-Raqqa »receive special treatment and are pampered by the organization,« writes one observer on *al-monitor*. »They get the best houses and cars, while the populace pays the taxes.« The locals are starving, but Western IS fighters don't need to give up their daily ration of Kitkat, 7 Up, Nutella or Red Bull, according to a *Guardian* story of November 30, 2014.

Umm Layth, the Twitter propagandist, caters to the obvious expectation of young female volunteers that they will have a chance to take part in armed combat. But nothing will come of it, girls! You are responsible for your husband, children, and the household, or perhaps at most for Syrian orphans and maintaining Internet contacts. And any woman who does not take a husband will live under state supervision in a female community (*maqar*), something midway between a barracks and a cloister. »We are created to be mothers and wives. That is especially important to realize, since Western society has subtly distorted your opinions about this by fostering a feminist mentality.« Umm Layth

*Armed struggle?  
That will not get  
us anywhere, girls*

also knows that not all women from Western countries come from difficult lower-class family circumstances. »Most of the sisters I have met attended universities, and have big, happy families, lots of friends, and promising careers ahead of them.« And, she adds, they have given all this up for the sake of a life pleasing to God, while lacking in luxuries and consumer goods. But please don't forget to bring jewelry and cosmetics along with you, since those things are unobtainable here.

To be sure, we should take with a grain of salt reports that tell of young women being passed from one mujahid to another. Only non-Muslim women, such as female Yazidi or Christian captives, are considered sexual fair game. Divorces following marriages lasting only three months, as in the case of the nineteen-year-old Dutch woman Sterlina Petalo, and uncontested remarriage are as much a part of everyday life in the Sharia state as are crucifixions and the amputation of hands.

But women's brigades such as Al-Khansaa or Umm Al-Rayan also assign tasks to women outside the home. Black-clad guardians of public morals, mostly from Western countries, make sure that dress codes are obeyed and check to see whether anyone is carrying weapons under the burqa or attempting to pass through a checkpoint without being recognized. In addition, the British tabloid rag, the *Daily Mail*, reports that women's brigades are supposedly used to supervise brothels. That may be little more than sensationalist propaganda designed to satisfy Westerners' lurid curiosity, but in the long run tens of thousands of young male fighters are not going to be consoled solely by the prospect of 72 virgins in paradise. A sharia state knows that too. Nevertheless, the fighting morale of the foreign IS rebels seems to be on the wane. The adventure is not quite as excellent as they may have imagined. At the end of December, 2014, German media sources reported that the IS had executed 100 foreign

deserters, including some Europeans. The *London Independent* put the number even higher, at 120. The background of the decline in morale seems to be this: IS rebels are now less and less engaged in fighting the real enemy, the Assad regime; instead, they are fighting one another, a turn of events that has caused a great deal of frustration and kindled the desire among some to leave.

The war zones in Afghanistan or Pakistan have never even remotely held as much attraction for young people as Syria does today. Living standards are higher here, and besides, Syria is easier to reach via Turkey. Moreover, unlike the Taliban, IS is not merely waging a campaign of national liberation; it sees the Islamic state as the embryo of an international geopolitical space under the banner of the Prophet. While the European left is discovering the motherland and appearing alongside right-wing populists in displays of patriotism, the flag of internationalism is being waved today by radical Muslims. It is not hard to figure out how much of this can be laid at the doorstep of misguided policies of intervention and invasion carried out by the West in Afghanistan.

Syria is merely the territorial base of a utopia, and this utopian element of a global umma, which recognizes neither races nor nations, has not failed to exert a pull on politically and religiously uninformed but potentially enthusiastic young people. *Lol – my husband's dead!* Furthermore, it is questionable whether all of the volunteers who have been streaming into Syria from more than 80 countries really want to attain the status of martyrs in the manner of the Belgian convert, Muriel Degauque, who died in Iraq in 2005 as a suicide bomber. For Europeans the return home has become increasingly difficult; indeed, it is only possible for women if they obtain their husbands' permission. It is in that sense that we are to understand the delighted exclamation of

a youthful hero's widow: »Lol – my husband's dead.« Between dealing with baby bottles and making Nutella pancakes, young women lead a more cloistered life than our great grandmothers did, even though self-defense and military necessity may require them to handle a Kalashnikov and – truly – even to drive a car. But what is going to happen to them once the dream of building a new Garden of Eden has run its course?

And what about their children, after their fathers have been blown to bits as cannon fodder or when the latter, mutilated, traumatized, and brutalized, start aiming their automatic weapons at new targets and victims? There is still the prospect of a box seat in paradise, even though, if you are a woman, you would have to abandon your dream of having 72 attractive boys at your beck and call.



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*Gernot Erler*

## **Last Exit Minsk**

Everything about the Ukrainian conflict takes some getting used to, not least that it has become by now the most dangerous falling-out between the West and the Russian Federation since the end of the Cold War. Even the quirk of giving geographical names to political processes seems odd at first. Thus, for example, when the so-called Normandy Group (not a place that automatically evokes positive associations) convenes in Minsk, then there is hope for a diplomatic-political solution to the conflict. This was in fact the case when the parties agreed to »Minsk I« on September 5, 2014, a pact made more concrete in the Minsk Memorandum of September 19, 2014 with an eye to its planned implementation.

But it wasn't implemented. There never was any real truce, no withdrawal of heavy weapons to create a buffer zone, and certainly not any concrete step toward the agreed-upon international supervision of the porous Russian-Ukrainian border. An incomplete exchange of prisoners was the

only aspect of Minsk I that was actually carried out. The war went on with increasing numbers of casualties. This was a shocking experience for the West, which felt that the separatists and their Russian patrons bore the chief responsibility for the collapsed agreement due to their failure to deliver on their obligations. People in the West then began to ask whether the EU approach – staking everything on a political solution – still made sense if some of the parties simply ignored what had been agreed to. No wonder a supposedly alternative approach soon came under discussion: namely, arms shipments to the Ukraine.

What was to be done – just return to the negotiating table and start all over again? There was some risk that the negotiators and their backers would be made to look silly. The German federal chancellor hesitated to accept the invitation to attend yet another Normandy meeting (which would include, besides herself, presidents Hollande, Poroshenko, and Putin) to be held in Astana, Kazakhstan. A summit of

this kind would only make sense if there were well-founded expectations of its success. But right about the same time, the situation on the battlefield reached a crisis point. The separatists from the »People's Republics« of Donetsk and Lugansk made enormous territorial gains and kept forcing the Ukrainian units to retreat with grievous losses. The guarantee of success had to be rescinded. In the short run a new date and site were chosen for the next Normandy meeting: Minsk (much closer to Europe than Astana is) on February 11 and 12, 2015.

Minsk II differs very little in substance from Minsk I. As its title suggests, it is actually just a »package of measures to implement the Minsk accords,« that is, those from Minsk I. Nevertheless, there are important differences between them. In each instance the thirteen individual points contain specific timetables for their implementation. Then too, there is a political declaration by the three presidents and the German chancellor committing them to support all of the measures agreed to on February 12, 2015. In this way, the authority of the heads of government is on the line. Non-fulfillment of the thirteen points would entail for them a serious loss of face and credibility.

However, the declaration of February 12 issued by the four leaders also sends an additional, important political signal. Express support is given to the continuation of trilateral talks by the EU, Ukraine, and Russia on energy issues. In the interim those negotiations in fact have been restarted, and with some success, at least in the sense that time has been gained. Moreover, other trilateral talks on the EU association agreement with Ukraine, and its potential conflict with Russian interests, are also given explicit backing in Minsk II. These talks already had gotten underway in July, 2014, but had reached an impasse. Finally, the four leaders express their verbal commitment to the »vision of a common humanitarian and economic space from

the Atlantic to the Pacific on the basis of full respect for international law and the principles of the OSCE« (Organization for Security and Cooperation in Europe).

Anyone can see what is meant by these declarations: President Putin's proposal for a common economic area from Lisbon to Vladivostok first aired in 2010. The express reference to international law and OSCE principles may not sit well with Moscow – after all, the West has been accusing the Russians of ignoring precisely those rules by annexing Crimea and supporting eastern Ukrainian separatists. Nevertheless, the three points set forth in the joint declaration are supposed to make one thing clear. The West, with the consent of Ukraine, is ready to enter into a dialogue about Russian interests and proposals for a new order, while seeking constructive solutions. The signal being sent here means that the joint commitment to »an exclusively peaceful solution« can pay significant political dividends to Russia while making it easier for president Putin to revise his previous policies without losing face.

So what makes Minsk II more promising than Minsk I? The thirteen points have been formulated concretely; there are now timetables for implementation; the heads of state and government have made a »guarantee declaration«; and the four-power declaration has been combined unmistakably with a positive political signal to Moscow. The first few weeks after Minsk II were a mixed bag. The humiliating Debalzewe debacle came at the very beginning. Even after the truce went into effect the separatists, supported by powerful Russian forces, expanded their territory by seizing this important transportation hub. President Putin gave them the green light by making comments that appeared either cynical or indifferent. But steps were also taken to implement the accord, a fact that encouraged hope. After the seizure of De-

*Commitment to  
»an exclusively  
peaceful solution«*



balzewe, the truce was widely honored while heavy weapons were withdrawn on both sides, a measure that eventually will create a buffer zone 50-140 kilometers wide under OSCE control. When that is accomplished, the long-suffering civilian population will gain access to humanitarian aid.

No question about it: There is still a long way to go! Every step taken to implement the agreement consumes time and energy, and can be reversed almost overnight. Hence, it is becoming more and more important to develop capabilities to observe what is happening. The decision to step up the OSCE mission on the ground was long overdue, although – oddly enough – it has been difficult to find and assign suitable, well-trained observers on short notice. Still, every effort is worthwhile, because we are facing a »Last Exit Minsk« situation. If this second attempt should fail, that would automatically discredit Europe's commitment to a diplomatic and political solution. Calls for arms deliveries to Ukraine would become louder and more insistent, even though they cannot change the fact that a military solution is off the table. Russia, as a global military power, would resort to any means necessary to prevent a defeat of the Ukrainian separatists by Ukrainian arms, and it has sufficient means to do just that. Given those facts, if Minsk II were to fail, the only option would be to launch a Minsk III, assuming that such a thing were even politically workable. Hence, Minsk II must not be allowed to fail.

The political section of the February 12 accord is devoted to a new Ukrainian constitution that will facilitate a decentralization of the country, grant a special legal status to Donetsk and Lugansk, and restore social and economic relations with the conflict zones, including the payment of pensions and taxes. All these are steps that may pave the way for a genuine de-escalation of the conflict.

But the accord is still not a master plan or grand design that would regularize

future relations among the EU, Ukraine, Russia, and the Eurasian Economic Union.

Those issues are reserved for a post-Minsk process that can only begin once the package of measures in the current accord has been implemented step by step.

This will be a painstaking process for both Russia and the West. At first glance the Russian side holds most of the cards, since Moscow has so-called »escalation dominance.« Hostilities can be brought to a boil at any time via Russia's proxies in eastern Ukraine, while the EU continues adhering to its pledge to settle the conflict exclusively through diplomatic channels. To President Putin it must seem enticing to continue his previously successful brand of »hybrid warfare.« He supports the rebels in eastern Ukraine with weapons, volunteer fighters and camouflaged Russian troops. But at home he has used effective propaganda to make the domestic populace believe that a Russian-speaking minority is defending itself against the pressure, if not the genocidal designs, of a »fascist junta« that has recently seized power in Kiev. Of course, their Russian brethren cannot remain indifferent to the plight of this embattled people. TV broadcasts show images of more than fifteen aid convoys, whereas the military intervention has been consistently denied in the face of all – even independent – observers' reports. This is a typical feature of the modern hybrid style of warfare, commonly called »plausible deniability.«

But what do you do if, for whatever reason, you want to extricate yourself from this kind of politics, in which you have strengthened the national conservative forces at home and endeared yourself to them due to your ruthless policies toward Crimea and eastern Ukraine? When we talk about the prospects of Minsk II, our gaze suddenly shifts to the Russian domestic policy scene. To this very day it is

*Still no*

*master plan*



still being shaped by Putin's speech in the Kremlin's George's Hall, delivered on March 18, 2014, in which he lauded »reunification« with Crimea while condemning his critics as »national traitors« who were encouraging a fifth column. In this way he practically forced them out of Russian society. Since then the treatment of the opposition and critical civil society has become far more brutal; in general, an atmosphere of aggression and hatred has begun to pervade society.

Regardless of which assassins or accomplices are arrested for the brutal murder of the Russian opposition politician Boris Nemtsov on the night of February 28, 2015, the crime has to be ascribed to this inflamed social atmosphere, which has become an integral part of hybrid warfare. As always,

all sorts of conspiracy theories are making the rounds. One such theory holds that the bloody deed, carried out under the windows of the Kremlin, was a warning signal by hardliners to the President not to overdo his willingness to compromise in the Minsk process. That would suggest that the forces which the President himself has empowered are now staking their claims upon Russian policymaking on the Ukraine issue. Then too, at last report, Nemtsov was supposed to be working to document Russia's military intervention in Ukraine, a project that would have undermined the »plausible deniability« of its involvement there.

There are many other speculations, but by now one thing is clear: Whether Last Exit Minsk is taken or not depends partly on the internal evolution of Russian society.



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*Thomas Meyer*

## **How to Defeat Fear-Mongering: Take Fears Seriously**

The American philosopher Martha Nussbaum summed up her study of ways to overcome the politics of fear (*The New Religious Intolerance: Overcoming the Politics of Fear in an Anxious Age*, 2013) as follows: »Our time is genuinely dangerous. As we have seen, many fears are rational, and appeals to fear have a role to play in a society that takes human life seriously.« Her remark calls to mind the epoch-making idea of American president Franklin D. Roosevelt that freedom from fear ought to count as one of the crucial fundamental rights of our time, and that any democracy worthy of the name ought to insure that it is respected.

That is the reason why modern governments should neither deny nor repress the anxieties that continually well up from the depths of the human psyche by attempting to conceal them behind a glittering facade. Instead, they should face them openly and with a sense of responsibility. The crucial first step in this direction is to acknowledge the anxieties; the second is to rely on reason to trace them back to their concrete causes, i.e., the factors that really should be feared, so that they may be overcome by a common effort. In this vein Roosevelt phrased his appeal to his countrymen in the following way: I know your fears, and together we will conquer them –

not by weeding out the weaker, but by including everyone in the quest for the best solution.

Adopting that principle, the New Deal crafted policies against fear that worked well and – no less important – were widely accepted throughout society. Thus, American policies to bolster civilization during the Great Depression stand in stark contrast to the National-Socialist policies designed to instrumentalize fear by annihilating social minorities previously cast as scapegoats. Those policies took the shortest road into barbarism.

In brief, fear can be a good or bad guide, depending on how we use it: in an open, inclusive spirit or in a crabbed, exclusionary way. It is irresponsible to instrumentalize existing fears for demagogic

*It is rational to deal with fears on a political level*

purposes. In that case, issues about which society needs to reach a shared, reasonable consensus get pushed off into the realm

of the irrational. Scapegoats are created on whom people can vent their pent-up anxieties. The latter process amounts to ignoring the real causes of those anxieties. By contrast, it is rational to confront fears on a political level, since we then can transform vague dangers into well-founded apprehension of clearly identified threats, thereby motivating people to undertake the common efforts required to overcome them. For example, the fear experienced by the supporters of the anti-immigrant organization known as Pegida (Patriotic Europeans against the Islamization of the West) is real, and its original motives were respectable. It was not until the organization was diverted into creating broad-brushstroke images of Islam as the enemy and attacking the media and the »political caste,« that its strategies proved to be reprehensible and dangerous. A movement such as Pegida will never enable us to find and eliminate the true causes that have given rise to such fears.

We may cite two examples of ways in which fear can be dealt with productively: »the social democracy of fear« spoken of by Tony Judt in *Ill Fares the Land* and the »heuristics of fear« described in Hans Jonas' book, *The Imperative of Responsibility*. Both continue to be relevant because they appeal to a specifically defined anxiety or fear, which can be converted into a powerful motive for a brand of politics that is in the common interest. Such a politics would seek to avert a pressing danger that is receiving too little attention because of our society's penchant for repressing unpleasant phenomena. The two authors particularly seek to address latent fears in order to avert the dangers inherent in them while there is still time to do so. There is a risk that, if one waits too long to confront fears, the very thing that people fear may come true. Judt is concerned with reinforcing the social foundations without which no modern democracy can last, a project the importance of which increasingly is being forgotten.

Democracy itself is in danger, because we tend to forget the reasons that led to the social-democratic compromise in the first place: reasons associated with the Great Depression in the United States and Scandinavia and its aftermath in Continental Europe. It is that compromise that furnishes the solid underpinning of democracy wherever it has endured. Today, the unprecedented advantages of that historic compromise are so taken for granted that we are barely aware of its existence. The memory of its social origins in the existential crisis of democracy is fading. What we do see, by contrast, are its disadvantages, although these are relatively minor. For that reason younger people, especially, neither grasp its attractiveness nor feel any urgency to preserve it. And that renders them defenseless against the attacks of those who have been waiting a long time to corrupt the moral foundations of the social democratic compromise.

The social democracy of fear ought to be a wake-up call for the entire society, reminding us that the fate of democracy in Europe would be sealed if we acquiesce in the dismantling of its historical foundations. If we could mobilize anxiety, and/or the concrete fear of what would happen to most people if those foundations were destroyed, we might be able to create an emotional and social power capable of resistance. It would be comparable to the historical anxieties that originally moved the great beneficiaries of the capitalist market economy and the workers' movement to reach the social democratic compromise. The latter included several key clauses: the market economy, yes, but only if supplemented by political regulation and the universal social state; private ownership of the means of production, yes, but only when strictly limited by labor laws and the power of labor unions (economic democracy).

By means of this appeal to fear, Judt hopes to recreate the experience that once made the social democratic compromise so compelling to the entire society and thereby insure that people will not have to relive it in reality all over again.

Hans Jonas' concept of a »heuristics of fear« can be compared to Judt's approach.

He is proposing a method that would enable and motivate us to oppose the destruction of the natural foundations of civilization before it is too late. It entails the imperative to think concretely about the risks and dangers that might arise under the worst case scenario whenever we undertake large-scale interventions in nature, ones that might threaten the natural systems upon which life depends. We are to imagine as vividly as we can the experiences that we would be inflicting on successor generations due to our actions in the present. The heuristics of fear is supposed to force us to break through the armor of repression (»Oh, it could never be *that* bad«) before we act, so that we can do justice to our obligations vis-à-vis the generation to come.

Obviously, anxieties will always be present wherever human beings live and act, and their realistic core is mostly productive. Their repression rarely results in anything good and never lasts long. For the »risk society« that we currently have, the examples adumbrated above show how fears can be dealt with in a productive as well as socially and ecologically sustainable way. In that respect they may point the way toward a better approach to fear.



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Marc Saxer

## Shaping the Next Great Transformation

A deep crisis is paralyzing the societies of the West. The outsourcing of manufacturing to emerging economies has created a »precariat« excluded from economic, social, and political life. The middle classes, already hard-pressed by decades of stagnating real wages, fear that they might suffer the same fate in the digital economy. More and more people are asking whether democracy still gives them any say, or is in fact one of the drivers of this disenfranchisement. Little has been done to rein in casino-style capitalism. Under the pressure of the financial markets, the seminal project of European unification is about to collapse. The old certainties are starting to crumble. The next Great Transformation has begun.

Digitalization, robotization, and artificial intelligence will change the way we work and live. Genetic engineering and nanotechnology are changing what it means to be human. The revolution in information technologies has shown how quickly disruptive innovations can shake up entire industries. The next industrial revolution will once again come from garages. Digital tools like 3-D printers allow us to manufacture everything from a cup of coffee to vital organs with the click of a mouse. The household of tomorrow will be a micro-factory and a micro-power plant in the same way that today's social media have turned it into micro-broadcaster. Developers and makers, sellers, and buyers are connected worldwide through the Internet of Things. Techno-utopians view this democratization of the means of production as nothing less than the greatest emancipatory leap in history.

Nevertheless, today our imagination of the future is dominated by bleak dystopias. Many have come to understand that the political economy of tomorrow still will be

dominated by power-political interests, albeit perhaps different ones. Google and Co. have shown how power can be concentrated even within the allegedly flat world. In the NSA scandal, the old surveillance state rears its head. Cyber-attacks offer a first glimpse into the wars of tomorrow. The social gap between »technical haves« and »have-nots« will continue to widen. Does democracy have a future if the middle classes lose out due to digitalization?

If we want to live in a sustainable world characterized by social justice and solidarity, the economy of tomorrow needs to be ordered and regulated.

This self-evident truth, *The political economy of change* however, is far from being shared by everyone. Too

many still place their trust in the invisible hand of the market. What they forget is that the first two industrial revolutions never would have happened without the infusion of state resources on a grand scale and the application of coercion. Others tend to overlook the fact that economic development is too often accompanied by dispossession, eviction, and exploitation. Every change produces winners and losers. The elites, who owe their status and privilege to the status quo, have a lot to lose. Often the established middle class feels hard-pressed by emerging classes. Still others sense that their identities are threatened by the rapid shift in social norms. Finally, there are those who welcome change in general, but just not in their backyard. Modernization produces the forces that resist it.

In short, a new order does not emerge naturally, but can only be the outcome of protracted transformational conflicts between the forces of inertia and progress. However, such conflicts are not always framed in those terms; instead, they tend

to be viewed as cultural questions that involve religious, ethnic, gender, or race identity. In that cultural framework, it is all too easy to cast minorities as scapegoats for the alleged moral decay that society is experiencing. The resulting political blockades benefit those who have the most to lose in a new order. Meanwhile, others pluck the chords of identity politics masterfully in order to advance their own economic interests.

At the same time, there is a struggle over the direction of change. Whoever gets to frame this struggle will have the power to define the trajectory of policymaking for years. Over the past three decades, neoliberals successfully have framed their market radicalism as »economically reasonable and rational,« which has allowed them to paint opponents as defenders of the status quo who ultimately would endanger our collective well-being. This extraordinary power of definition not only survived the financial crisis, but allowed conservatives to depict it as a crisis of the welfare state, thereby making the case for the next wave of structural adjustments under the banner of »austerity.«

If the coming Great Transformation is to be shaped in a progressive way, three major challenges must be met. To win the struggle over definitions, a practical utopia and a convincing narrative of change are needed. To implement the shift in the development path against the defenders of the status quo, a broad coalition in favor of social change must be mobilized. Finally, to institutionalize the new order, new mechanisms must be created to organize the political process.

### *The historical role of social democracy*

The last Great Transformation was given its definitive form by social democracy. On the basis of a social democratic social contract, a complex architecture of institutions was built with the aim of taming capitalism and harnessing its creative powers for the

common good. Without the century-long struggle between capital and labor, this inclusive social contract never would have been possible.

Today, social democracy is struggling to shape the next Great Transformation. With the decline of the proletariat, the movement lost its »historical subject.« Social democratic mass organizations, political parties and labor unions are essentially creations of the centralized, hierarchic, and standardized industrial society. The very notion of policymaking, reflective of the industrial process of universalization of standardized norms, today seems to be at odds with the pluralistic, decentralized, differentiated society with its manifold speeds and contrasting life-worlds. Accordingly, social democratic answers to the challenges of the industrial age no longer satisfy the needs and demands of the emerging society. Social insurance schemes, for instance, are premised on lifelong formalized employment, and seem ill-fitted for the informal, highly flexible, international types of employment typical of the post-industrial economy. In short, to shape the Third Industrial Revolution, the old formulas will not do.

Above all, however, the traditional labor movement is no longer strong enough to shape the struggle over the new order, if left to its own devices. Hence, new alliances among all progressive forces must be forged. The challenge is to build a platform on which heterogeneous groups with often divergent interests can join together. This observation suggests that a coalition based on the lowest common denominator cannot generate enough political muscle to win the struggle over the new order. What is needed is a transformative compromise as the inclusive foundation for the new social contract.

To mobilize the masses and persuade them to work together for social improvement, a concrete and achievable vision of a better tomorrow is required (»Change you

can believe in«). Practical utopias have a long tradition within all progressive movements. However, under the British TINA principle (»There is no alternative«), utopian thinking has gone out of fashion. Today, we have to realize that the very lack of viable alternatives on the political left has opened the door for right-wing populists. To form and keep together a broad coalition in behalf of social change, a compass is needed to point the way toward a better future.

At least the search for alternatives to market radicalism has begun. Under such clunky titles as »Industry 4.0,« »Zero Margin Society,« or »Green New Deal,« practical visions for a new economy are being put forward. What these somewhat technocratic models have in common is their faith in new technology. The social costs of techno-economic change, not least growing inequality and exclusion, are often neglected. The crisis of social justice is addressed by inclusive growth models, which unfortunately often fail to come up with anything more than warmed-over Keynesian redistributive policies. More exciting are models that envisage socially just, robust, and green dynamic growth. This is the formula to which more than 200 Asian and European thinkers have pledged allegiance within the »Economy of Tomorrow« project. Similar models have been formulated by UNDP, OECD, and even the World Bank.

Dry models of economic theory are useful to orient the technocratic implementation of transformative policies. To mobilize the muscle for their political implementation, however, a vision of a better tomorrow for all is needed. What such a practical utopia might look like has been outlined by the thinkers of the European »Good Society« project.

Social democracy has an important contribution to make here: namely, working out the terms of a blueprint for the Good Society. Its crucial clause will feature an inclusive compromise among all social classes, still the best starting-point for the new social contract.

What would a common platform for a broad coalition in favor of social change look like, and how could such an inclusive compromise be reached? The Asian thinkers brought together by FES in the »Economy of Tomorrow« project point to Amartya Sen's seminal capabilities approach as a way to create that platform. The Harvard philosopher has identified the complete realization of human »capabilities« as both the prerequisite and the goal of development. That approach is, first of all, a social compromise between the middle class, which demands a merit-based social order, and the majority population, which aspires to work its way up the social ladder. It is, moreover, an economic compromise between capital, which seeks innovation and productivity gains, and labor, which expects better qualifications to pay off in the form of improved working conditions. In the knowledge economy of the future, the capabilities approach would spur growth by activating the full creative, entrepreneurial, and organizational potential of each individual. Finally, the capabilities approach offers a broad political platform on which a wide spectrum of social groups – ranging from labor to responsible entrepreneurs, from civil society activists to technocrats, from progressive intellectuals to minority groups – can join forces. »Full capabilities for all« can serve as the rallying cry for the common struggle to shape the economy of tomorrow.



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## The »Crass Utopia« of Free Trade and its Alternative: Solar power plus solidarity

The world market has been in the works since at least the end of the fifteenth century, although it has come into being in quite contradictory ways, as Fernand Braudel pointed out in his three-volume work *Civilization and Capitalism; 15th-18th Century*. On account of the »great discoveries« made during that era, the economy was on its way to becoming modern, global, and capitalist, while around the same time, in 1648, the modern nation-state system was christened at the talks in Münster and Osnabrück that led to the Peace of Westphalia. Nation-states with boundaries versus the boundlessness of markets, political regulation and economic deregulation, free trade and protectionism, the imbedding of the economy in society and nature: These are the poles between which high-tension historical conflicts arc and which have defined subsequent scholarly and political discourses. One would not go far wrong in observing that present-day debates about the Trans-Atlantic Trade and Investment Partnership and similarly constituted agreements such as TPP, TiSA, and CETA feature the same tension between the economy and politics, the market and the state, deregulation and regulation.

At the beginning of the nineteenth century David Ricardo, one of the most eminent founders of political economy, explained what the expansion of foreign trade was supposed to achieve. It should insure that more »food and necessities of the labourer can be brought to market at a reduced price.« Because wage costs fall, profits rise. Ricardo then draws the conclusion – for which he has been revered ever since – that foreign trade is »highly beneficial for a country.« But even in Ricardo's time doubts arose concerning this theory, some of them formulated by the German eco-

nomist Friedrich List. Ricardo and other advocates of the free trade doctrine staked all of their hopes on the stimulating effects of free competition, the pressure to perform, material incentives, the quest for profit, and innovative ideas that economic actors would hit upon once the framework of a functioning market economy had been established.

But the liberal framework would be unavailing unless the productive forces of the nation had been improved, for example, through science, infrastructure enhancement, policies designed to create a modern educational system, and the promotion of regional economic development. None of this can be achieved as long as the market remains free and has not been imbedded in the social and natural environment. The economy needs to be ordered by industrial policy.

In short, the state and social institutions give structure and shape to the economy. But for centuries there has been much controversy in free trade theory over the question of how these shaping functions might be performed most appropriately. This is the case because, in the global capitalist market, the conditions of competitiveness vary markedly from one location to another. There are multiple reasons for such disparities. They involve the »factor endowment« of a place, the distribution of resources in a given locale, the value of its currency, and unit labor costs.

Not only do states perform a shaping function. They also have protective responsibilities which their own security-hungry populations have demanded that they assume, often in violent class conflicts over regulation under the auspices of the

*The »satanic mills« of the unfettered market*



social welfare state, unemployment insurance, old-age pensions, health insurance, housing, education, and child-care. As Karl Polanyi has emphasized, disimbedded markets – the mantra of the free trade doctrine – are »satanic mills« for the commodities traded on them: labor markets for labor power, markets for nature (now treated as natural capital), and financial markets for money and currencies. That is the reason why there has always been a »double movement« in history: on the one hand, you have liberalization and disimbedding of markets coupled with measures to deregulate and privatize public goods and services; on the other hand, you have movements to protect society from the satanic mills of the unfettered market. As Michael Brie has shown in his book *Polanyi Neu Entdecken* (English: *Rediscovering Polanyi*), both movements have been limited by the system of social and economic coordinates characteristic of the capitalist order in society. For that reason, the one movement does not pass beyond the liberal or neoliberal paradise it has conjured up, while the other does not transcend the restricted horizon of capitalism.

This is the »strange attractor« familiar from chaos theory, toward which all further developments tend to drift, almost as if propelled by fate. The crises in capitalist accumulation do not prevent it. They are simultaneously destructive and creative, as Joseph Schumpeter remarked; hence, in the long run they stabilize the system as a whole. Even great fortunes that continue growing in the course of the accumulation process do no harm to the system, despite the fact that their owners become so politically powerful that no labor union could make headway against them even if it wanted to. Technical progress, which really should be one path toward emancipation, merely perfects the »cage of bondage« from which it is both dangerous and difficult to escape.

For these reasons most people, at least in the wealthy countries around the globe, have made their peace with »really existing capitalism.« In places where this accommodation has not happened, chaos has erupted: including the territories of former states in the Middle East from Syria and Libya to Iraq and Afghanistan as well as in the expanding regions of feral capitalism. Without such accommodation, the power of the state is often captured by gangs, while religion is invoked to justify and embellish a primitive form of brute domination. Meanwhile, those regions are beset by an interventionist power that knows only one way of operating: reliance on secret services and military might.

Even in developed parts of the world there are many people who are disinclined to put up with the unreasonable demands of capitalist development. This is so because the planned liberalization of world trade will be so ruthless that a consoling slogan like »creative destruction« begins to sound like unvarnished cynicism. A major portion of the protection afforded to labor power, nature, and currency values, hard won over decades of struggle, will be sacrificed on the altar of disimbedding envisaged in the new free trade accords. Even democratic procedures will fall by the wayside. The one thing that will surely come to pass is the increase in profits so fulsomely praised by Ricardo, especially in the form of higher returns for financial capital. That outcome dovetails nicely with the interests of the most important actors in modern, finance-driven capitalism. It is all about the bottom line. Wealth increases, the »haves« do very well, while the »have-nots« must pay a high price: dismantling of the social safety net, dangerous games with the climate and long-term nuclear waste disposal, adverse effects on species diversity, and the plunder of the planet's resources. One could add still more items to the bill being presented to the »have-nots«:

financial markets will be destabilized and disastrous financial crises conjured up; income, wealth, and opportunity will be distributed in increasingly unequal ways in the modern world; and, last but not least, democracy itself will be eroded and give way to a post-democratic system.

It is possible to prevent these impending disasters. As Karl Polanyi has written, neoliberal society, characterized by markets disimbedded from society and nature, amounts to a »crass utopia.« Because of its tendency to recurrent crises, the free market cannot work well in capitalism even in a purely economic sense. On the social level, stability will be well-nigh unattainable since global society is so fragmented that consensus is lacking. And on the political front, legitimacy and democratic consent will be absent for most decisions to the extent that they are guided by Ricardo's logic, using free trade as a vehicle of profit maximization.

There is an alternative which can be expressed in the slogan, »solar power plus solidarity.« We should not forget that the idea of free trade arose more or less contemporaneously with the industrial revolution, the phase of capitalist accumulation that Marx depicted as the »real subsumption of labor (and, we would add, of nature as well) under capital.« Thus, one might suppose that the age of fossil fuels is coming to an end as we reach and pass the peak oil stage (at which half of all the earth's proven oil reserves will have been exploited already) and come to grips with the climate crisis. If so, then perhaps the free trade system will also run out of gas, forcing us to look for alternatives. In that case the hype surrounding TTIP and CETA would prove to be the final lap around a track where soon a stop sign will be put up reading: continue at your own risk.

Nature has morphed into natural capital, a category that has found solid moorings in neoliberal thought. Labor

power, the substratum of variable capital, has become human capital. Thought that moves along these lines – and the actions that flow from it – can scarcely even imagine a non-capitalist economy, nor can it easily envisage a society based on solar power and solidarity in which markets are imbedded in society and nature. Yet that is exactly what we need, because the fossil-fueled journey is coming to an end.

*Nature has morphed into natural capital*

The neoliberal remedy, which prescribes disimbedding, will not be able to cure the deficiencies of this world, as history itself demonstrates. Utopias are indispensable if we are to map out the pathways toward a solar-powered, solidarity-based future. The basic idea is simple. Contrary to what Ricardo and his latter-day successors believe, international trade should not be thought of as a means to increase profits. Instead it should be conceived as an exchange of commodities and ideas and a means to deepen the division of labor, culture, and science. Cooperative economies sustained by social movements will tend to produce for local and regional markets and networks. They do not need to rely on the disimbedded markets in which mainly big corporations and supply chains operate. In any case, it will be hard to keep such markets going once we run out of fossil fuels and other resources. It is better to train ourselves now to work with alternative forms of life and production than it is to deregulate all boundaries and arm ourselves for a final »catch as catch can« free-for-all.

Even the Bush administration was ahead of its time when it commissioned a report in 2005 that was to investigate the adjustments that would have to be made as we approached peak oil, an event then expected to occur very soon. The ensuing Hirsch Report concluded that we would inevitably have to get off of the fossil-fuel-

driven industrial development path, and should do so right away. For a brief period the Bush administration took down the study from the Web. Apparently it is better to go on with business as usual than to

respect the limits of nature and society and strike out on a new path of development based on democracy, solidarity, and solar power. But we also know this: Life punishes those who come too late.



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*Jürgen Kocka*

## **Piketty on Inequality**

When Thomas Piketty's book, *Capital in the Twenty-First Century*, was translated into English and German in 2014, it met with rave reviews. The author promised to illuminate the inner laws of modern capitalism, highlighting its inherent tendency to divide society into rich and poor. The underlying problem that Piketty addresses head-on is the worsening of inequality in both income and wealth, a trend observable in many societies since the 1970s. How could it be explained? Could the growing wealth and income gap be justified? What were its implications for society and politics? The author, a French economist, has delved far back into history to find answers to those questions. His work can be seen as simultaneously an economics text and an historical inquiry. This is another respect in which his work differs from that of mainstream economics, which he criticizes severely.

Although the book has been the target of considerable – and evidently increasing – criticism from within the economics profession, it is a great roll of the dice, a »work for the ages« (Hartmut Kaelbe). At least in terms of its treatment of inequalities of wealth, which are increasing again, that is a valid judgment. Piketty is tackling

one of the most explosive social problems of the present day.

Among the book's signal achievements is the compilation of new statistical data on the distribution of wealth from the late eighteenth century up until today, particularly in certain European and North American countries. The data are based mainly on tax records. While it may be uncertain on matters of detail, the statistical analysis provides a reliable account of overall trends and suggests a new way to understand the periodicity of economic history. In the

still predominantly agrarian French and English societies around 1800, inequality loomed large. The top 10% owned nearly 90% of the national wealth, while the top 1% held about 50%. In other words, great inequality predated the emergence of industrial capitalism in the nineteenth century, although the latter slightly aggravated it. Inequality reached its zenith around 1910, more markedly in Europe than in North America, which at the time was still much more egalitarian.

Piketty diagnoses a clear decline of inequality in the age of the world wars of

*Great inequality predated the emergence of industrial capitalism*

the twentieth century. He ascribes it mostly to the devastation caused by war and economic crises, especially as they caused great fortunes to implode. But he also mentions the ways in which taxation and social welfare policies, coupled with rapid economic growth, insured that inequality did not soar again during the century's third quarter. Whereas the top 10 % in England and France had owned 90 % of total national wealth around 1910, their share fell to just 60-70 % by the 1970s. During that same span of time the wealthiest 1% in those two countries saw their share sink from 60-70 % to just 20-30 %. So far as we can tell, this was a general trend that emerged in similar fashion in both the USA and other European countries.

By contrast, inequality of wealth clearly has been on the rise since the late 1970s. In a few countries such as the by now highly inequalitarian United States (though not in Europe) inequality of wealth has once again attained the levels at which it stood in 1914. Piketty appears to see this as a return to the normal pattern endemic to capitalism once the catastrophes of the twentieth century had passed into history. However, he identifies some additional causes contributing to the growing income gap, including exorbitant salaries paid to managers, deregulation, and the dismantling of redistributive tax and welfare state policies under the aegis of the neo-liberalism of the last few decades.

The second chief contribution of Piketty's book is especially provocative. He argues that, in the long run and on average, incomes derived from the ownership of capital will outstrip the rate of macroeconomic growth as well as income derived or derivable from labor. This means that, over the long haul, those who depend on gainful employment for their income (particularly wage labor) will lose out to those whose income flows from wealth (e.g., interest and dividends). The concentration of wealth is proceeding apace, and the share of that wealth derived from inheri-

tance rather than having been earned through the efforts of the wealth-holders is also increasing. Piketty thus describes inequality as the consequence of market mechanisms inherent in capitalism under the legal regime that now exists, and not – to cite one alternative explanation – as a case of market failure. He expects this trend to continue in the future. He warns of the great dangers of »patrimonial capitalism« in which rewards are doled out on the basis of family connections, i.e., to the heirs of those who were successful in the past, rather than to current high achievers. He sees this anti-meritocratic inequality as a challenge to fundamental democratic values in Western societies, which hold that inequality is to be justified solely on the basis of »rational« and »universal« principles and ultimately must benefit everyone.

To prevent that from happening, Piketty would introduce a progressive inheritance tax on a global scale with a marginal rate of more than 80 % as well as high levies on wealth – at least 10 % for billionaires. He knows that this is a »utopian idea« that has no chance of being enacted. That is the case because, for the foreseeable future, there is no quasi-state mechanism at the global level with the power and legitimacy to put a scheme like this into effect.

Besides pillorying Piketty for having proposed such an unrealistic solution, critics also rightly point out that he has not fully clarified the distinction between functional distribution (of income from various sources of capital and labor) and personal distribution (of wealth between the top tenth or hundredth and everyone else). The critics note that his analysis of inequality focuses intensively on the upper echelons of society, while neglecting both inequality at the middle and lower ends of the wealth and income pyramids and other dimensions of social inequality.

There is also good reason to doubt whether the edge enjoyed by real returns on capital vis-à-vis macroeconomic growth rates and income trends from gainful employment really represents a natural law of capitalism. Aren't circumstances changing fundamentally in light of the global glut of money and the impending shortage of skilled labor due to demographic shifts? Critics have been right to point out that Piketty never actually analyzes the effects of labor markets at all. Nor does he really investigate the complex nexus between the productive and inequality-generating functions of capital within capitalism.

Still, his is a pioneering work. In addition to the considerable progress in empirical knowledge that it achieves, Piketty's book puts some central questions on the agenda of the present and gives reason to discuss them in a new light, even in ways that supersede Piketty's own conclusions. I would like to emphasize three topics for discussion:

1. Piketty makes it clear that the most glaring cases of income and wealth inequality are not limited to countries with capitalist economic systems. The principle »the more capitalistic, the more inegalitarian« does not stand scrutiny. Incidentally, this observation is confirmed by the familiar rank-ordering of countries according to the degree of income inequality indicated by their respective Gini coefficient scores. African and Latin American countries top that list. If one were to undertake a comparative study from the perspective of universal history, it might turn out that the advent of modern capitalism and the social and political changes that often accompany it have actually led to a decline in inequality, rather than an increase.

2. Piketty's statistical series show that capitalist systems vary widely in respect to the levels of wealth and income inequality they display, as measured by both temporal and international comparisons. It is

likely that Piketty is overestimating the impact of the wars and crises of 1914-1945 in reducing inequality. Moreover, his studies of the third quarter of the twentieth century are not precise enough. In that era some countries, relying on economic, social, and fiscal policy, evidently managed to slow down and compensate for capitalism's inherent tendency toward growing inequality of income and wealth. That epoch shows what might be accomplished by political means. Indeed, international comparative statistics on distribution based on the Gini coefficient – which Piketty does not use – confirm that impression. If one considers carefully the distribution of gross income (i.e., before taxes and transfer payments) in OECD countries, one sees, for example, that Germany ranges alongside the USA and Great Britain in the top third of the Gini hierarchy and thus counts as one of the more unequal countries in this regard. But if one goes on to look at net income distribution (i.e., after taxes and transfer payments), one finds that Germany is now in the bottom half (and thus belongs among the less unequal countries), while the USA and Great Britain, along with Chile, Turkey, and Israel, occupy the top echelons and are thus leaders in respect to income inequality (figures from *Politics makes all the difference* 2011). The Scandinavian countries, which also have capitalist economies, display still less inequality. Politics makes all the difference, especially social and tax policies.

3. Nevertheless, it remains the case that there is an internal connection between capitalism and the increase in income and wealth inequality. When markets are left to their own devices, they usually don't tend to generate greater equality. It is possible to use politics to counteract market tendencies, and we should do that more resolutely than we have so far. Exorbitant inequalities of income and wealth fly in the face of democratic expectations

that society ought to strive for equality and fairness. Furthermore, they undercut the fundamental meritocratic principles of the capitalist-bourgeois systems, the true source of their power and historic superiority. For example, the inheritance tax can be employed much more than it is at present to correct hypertrophic inequalities of wealth. If one believes Piketty, who relies in this instance on French experiences, the minimum wage will turn out to be another factor that might mitigate income inequality. Other approaches are possible as well.

But even if we made more determined use of the means at our disposal, the social welfare state and the tax code, disparities of income and wealth would still remain enormous. Lamentable on political and moral grounds, such persistent inequality suggests two conclusions, one practical and the other theoretical.

For one thing, we could take steps to minimize the social and political ramifications of inequality, as has been done already (albeit more in Germany, for example, than in the United States). The chief means for achieving that end is to arrange matters in some of the highly relevant spheres of society like health care and education such that access to them depends very little or not at all on the economic resources of the individual in question. Or, one can make it more difficult to translate economic advantages directly into political power, say by putting limits on campaign contributions.

There are also various ways to insure that the accumulation of great fortunes is not equivalent to the augmentation of economic decision-making power.

For another, it is advisable to give some fresh, serious thought to the relationship between economic inequality and the general welfare, as well as that between inequality and democracy. It is not necessarily the case that economic inequality is always a barrier to increasing the welfare of the majority of people and achieving democracy. The social history of the past two centuries in our part of the world records enormous advances in the well-being and life chances of most people, but those advances did not go hand in hand with a radical dismantling of economic inequality. And where democracy did succeed in these respects, its achievements were not based on economic equality.

It is worth pondering the fact that, as Piketty shows, the reduction of inequality in the first half of the twentieth century was accompanied by profound crises, widespread misery, the collapse of democracy, and death on a grand scale; indeed, declining inequality was internally linked to these catastrophic aspects of modern history. It would be wise to reflect upon or simply bear in mind the circumstances under which economic inequality has stood in the way of the general welfare and when it has not. That is not Piketty's subject, but his book suggests those lines of thought.



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*A Conversation with Wolfgang Merkel*

## »Democracy's Problem is not the Crisis but the Triumph of Capitalism«

*Wolfgang Merkel directs the »Democracy and Democratization« section at the Social Science Research Center in Berlin (WZB), and is Professor of Political Science at the city's Humboldt University. In 2015, Springer VS published his edited anthology, »Demokratie und Krise: Zum schwierigen Verhältnis von Theorie und Empirie«. Thomas Meyer conducted the interview.*

**NG/FH:** In some sense the diagnosis of a »crisis of democracy« has been in the air for a long time. But in recent years the issue has become more urgent, to the point where people are asking whether even the core countries of the OECD still have »genuine« democracies. Those concerns culminate in the observation that, in principle, our countries may be incapable of reform when it comes to crucial matters of economic power, and that in the future they will be little more than pawns of economic power-wielders. What would be a valid criterion for judging democracy's qualities and gauging the state of its crisis, and what is the proper response to the current situation?

**Wolfgang Merkel:** These diagnoses are not so easy. Very few of them are capable of clarifying the criterion they use when they refer to democracy. Is it normative, putatively »genuine« democracy? Is it a long-lost golden age of democracy? Both of those criteria would be mistaken. There is no »one« genuine democracy. Would it be direct or representative democracy? Would we like to have more consensus and inclusion, or are we willing to trust in the efficiency of simple majority voting? Do we prefer a centralized or a federal democracy? Do we want to go the Swiss route with its consensus rules, or do we prefer

the »Westminster model« with its unalloyed majority rule?

The assumption that there once was a better age of democracy indicates historical amnesia. When was that supposed to have been? In the Sixties or early Seventies? Let's ask women, ethnic minorities, and homosexuals in the USA, Germany, or anywhere else whether they see things in the same way. Democracies today face a host of problems, but on the whole they are by no means any worse than they were in whichever past you care to name.

**NG/FH:** So right now what are the most significant democracy-related problems that are facing our countries? Hasn't deregulated, globalized capitalism in fact forced democracy back on the defensive across the board?

**Merkel:** I would agree without hesitation. Led and pressured by the United States, the democracies have removed most of the boundaries that used to restrain capitalism, and they have done so consciously and negligently. This is the case in both a spatial and substantive sense. By deregulating markets, especially the financial markets, democracy has emasculated itself. When it comes to crucial issues of monetary, budgetary, and tax policy, it is the powerful investors, banking crises, and supposedly practical constraints that are setting the tone, not democratic majorities. In point of fact, democracy has become more market-conforming. But if one wants to risk greater democracy, one has to turn the tables and finally make markets (again) conform more fully to democracy. Looking at the big picture, it is true that democracy has made progress in some areas such as minority rights, gender equality,



and tolerance toward the »other«. But there have also been setbacks in the areas of democratic control over the economy and the creeping exclusion of the lower social strata.

**NG/FH:** In what ways have the European democracies changed over the past three decades in their approach to capitalism? And what are the true causes of these changes?

**Merkel:** In the wake of the stagflation of the Seventies during the previous century, the Keynesian paradigm of state responsibility for maintaining demand lost its

play, e.g., the orientation toward an ever-more-prominent neo-liberalism that characterizes our era?

**Merkel:** Economic denationalization has abetted this process alarmingly, especially in respect to democratic control over important economic parameters. When financial and commodity markets become global, the nation-state loses its ability to influence them. The politics of national budget-setting, a key element in the effort to create a fair society, also loses some of its importance. The EU of course is driven by its commitment to the Competition Law. For that reason it has not turned out to be

### » The bottom third of society has disengaged from politics. «

magic. Monetarism, supply-side economics, and fiscal conservatism swept the field, first in scholarly circles and then in politics. Markets allegedly had to be liberated from the productivity-suppressing and distorting regulations of »politics.« Once that had been accomplished, creative destruction would open up new potential areas for innovation, while supply and demand would find a dynamic equilibrium on their own. That became the dominant opinion. Entrepreneurs and citizens were to be freed from the unreasonable demands of high taxation. Then the new economic dynamism would benefit even the lower classes through the so-called trickle-down effect, by virtue of which prosperity would eventually extend down to the lowest strata of society. Nearly all of the economies in the OECD world followed this script. Even social democratic governments got in the act.

**NG/FH:** Economies have become increasingly open to transnational institutions such as globalization and the EU. What roles did these different transnational levels play in defining this process? And what role did conscious political decision-making

a bulwark against the de-politicization of markets, but instead something like their Trojan Horse.

**NG/FH:** For some time we have been observing with growing concern a kind of downward spiral in our countries: declining democratic (voter) participation among the lower classes and those who are precariously employed, minimal inclusion of their interests in high-level politics, then further decline in participation rates among the »losers« in the political process. How, exactly, are these two factors correlated?

**Merkel:** The fact is that, over the last three decades, conventional political participation has continued to decline in the developed democracies. This holds true for both voter participation and membership in parties and labor unions. The peculiar dilemma for democracy in this context is to be found in the phenomenon of social selection. The bottom third of society has disengaged from politics. The middle and upper classes stick with conventional politics or perhaps they seek out new organizational forms. When they are young



they join NGOs; when they are older they get involved in civil society or ecological causes, or maybe they fight the upgrading of railroad stations. We are heading for a »two-thirds democracy« in which the lower strata are underrepresented, while the middle and upper classes are over-represented.

All this differs from the situation in the Fifties and Sixties insofar as there has been an erosion of the great collective organizations such as labor unions and mass parties that once served as crucial trustees and world-explainers for social strata without much education. In a situation like this, people must rely on their own knowledge in deciding whether and how to become politically involved. Thus, those who are remote from the world of education also end up estranged from the world of politics.

**NG/FH:** How can this downward spiral be stopped and reversed? Would new forms

of participation help here – for example plebiscites, a reform of the mass parties, a larger role for the Internet? Or do we have to start from scratch?

**Merkel:** That is a huge problem. All of these nice old and new forms of direct political involvement such as referenda, deliberative forums, citizens' councils, participatory budgeting, or digital democracy have one thing in common: In theory they promise to enhance democracy, while in practice they exacerbate the problem of the two-thirds democracy. Social selection becomes even more rigorous, and the lower classes remain shut out. This is true even – and especially – of the panacea paradoxically endorsed by the left: referenda. As the »referendum democracies« in Switzerland and California have repeatedly shown, the results of these plebiscites usually end up preserving the vested economic interests of the well-off and fre-

quently discriminate against minorities. It is a relief to know that, even in Switzerland, only about 10 % of all the laws are passed by »the people.«

The democratic innovations I mentioned certainly could be instituted as supplements to representative democracy if they were divested of their elitist or discriminatory effects. But careful thought would have to be given to demarcating their proper spheres of competence and subject matter for decision-making. Yet even if those things were done, organizational considerations dictate that such reforms would play a very modest role in generating necessary democratic decisions.

**NG/FH:** Well then, where do we start in the effort to reinvigorate democracy, assuming that we won't just accept its dwindling significance as something decreed by fate?

**Merkel:** The institutions and organizations of representative democracy necessarily will continue to bear the main burden of our political community. That includes political parties as well, although they may never again regain the importance they had in their heyday, the twentieth century. They must become more open and differentiate themselves more sharply from one another. That is especially true of the mass parties. In our book, *Demokratie und Krise: Zum schwierigen Verhältnis von Theorie und Empirie* (Springer VS), we were able to show that few differences remain in the programs of the major parties of the OECD world, particularly when it comes to questions of finance and tax policies. The left parties, after having been preoccupied with cultural issues since the 1970s, finally should refocus on the question of distribution. Our citizens have become apathetic, but they could be re-politicized if substantive issues were put on the table again. That would be the case if poli-

tical conflicts revealed clear differences among the antagonists, if the privileges of the rich and super-rich were questioned in public debates, if the United States were criticized for once by democratic governments, if the de-politicizing notion of »practical constraints« were banished from public discourse, and if we could talk again about the nationalization of banks.

**NG/FH:** The historic »social democratic compromise« among business associations, labor unions, and the democratic state, reached under the direct threat of an existential crisis in the global economy, once made possible a productive relationship between a capitalist economy and social democracy. But today it is a pale shadow of its former self. Could one imagine a re-establishment of this compromise in the present day – or, if need be, something different in place of it? Or can you think of other ways to revitalize democratic decision-making and imbed capitalism more firmly in its social and economic setting?

**Merkel:** Unfortunately, I am rather pessimistic about this. The »social democratic compromise« or »social-liberal corporatism« presupposes a rough balance of power among the three actors noted already. During the decades dominated by neo-liberalism, that balance of power shifted in a direction disadvantageous to the democratic state and the labor unions; hence, there is no longer a basis in power politics for the social democratic compromise. The task ahead, then, is to give more power back to the democratic state. That cannot be done unless we regain some of the territory that we have ceded to deregulated capital. Progressive forces have to admit to themselves that capitalism cannot be tamed by civil society, quotas for women among DAX [the German stock index, ed.] millionaires, and paid parental

leave for men. The democratic state is not everything, but without a strong democratic state our societies cannot be structured fairly.

**NG/FH:** Do I detect a note of disdain for civil society here, even though many observers see it as their main hope?

**Merkel:** Not at all. But our enthusiasm for civil society has led us to forget what it can achieve and what its limits are. Meanwhile we have forgotten about the state or somehow concluded that it is out of date. But

economic and social sources. Thus, he concludes, one cannot discern any promising starting-point for a campaign to restore the lost balance.

**Merkel:** I share many of the convictions in Wolfgang Streeck's economic analysis. I also appreciate his leftist critique of the European Union, which has accelerated the deregulation of capitalism and is intrinsically more technocratic than democratic. We used to expatiate on late capitalism in the Seventies, but meanwhile capitalism has rejuvenated itself. Democracy's

### » We need a less symbolic and more substantive politics. «

the unfair distributive mechanisms of capitalist societies can be corrected only by relying on the state's regulatory instruments. Besides, civil society is mainly an affair of the middle class.

One more comment about quotas for women on DAX boards. I just can't figure out why a female quota that enables 100 economically privileged women finally to earn incomes high enough to make them millionaires too should count as a progressive policy. Obviously the women on those boards, or at least their progressive defenders, are hoping for a trickle-down effect in genuine neoclassical fashion. One might question whether this is going to help women in the low-wage sector. On this score, the minimum wage policy would have greater relevance, even though it may be set at too low a level. The conclusion is that we need a less symbolic and more substantive politics.

**NG/FH:** Wolfgang Streeck has presented a diagnosis that has become rather influential recently. He argues that there is not much hope of restoring a better balance between capitalism and democracy, because the problems of both – capitalism in the financial markets and parliamentary democracy – originate in the same eco-

problem is not the crisis but the triumph of capitalism. Still, democracy has not reached the end of its tether. Its most serious ills at the beginning of the twenty-first century are the emasculation of politics vis-à-vis markets (a self-inflicted wound) and the increasing exclusion of the lower strata from participation and substantial representation. Both deficiencies can and must be corrected; if they are not, a post-democratic, empty shell might be all that is left of democracy.

**NG/FH:** What strategy would you consider most promising as a way of making good on the claim that democracy should have primacy over the economy? And how might we effectively re-embed or socially domesticate capitalism? Or, how would you describe a realistically attainable, morally defensible relationship between capitalism in the financial markets and parliamentary democracy, one that would work under today's conditions in individual countries as well as the EU?

**Merkel:** First of all, let's be clear about one thing: In the long run, deregulated markets destroy themselves and the social cohesion of our society. The spirit of the European Union cannot be defined primarily in terms

of its Competition Law. Nation-states must refuse to cede competencies to the EU as long as the latter has not established democratic standards comparable to those of its member states. That is not anti-European; it is pro-democratic. Financial markets must be subject to stringent controls. It is pointless to wait in the hope that the United States or Great Britain might go along eventually. We have to see what can be done on a national level and, if need be, on the European level.

Last but not least, Germany must invest extensively in education, especially for young children from the lower classes. Such an investment would furnish particular legitimacy to additional taxation imposed on the rich and super-rich. Without a strong and just taxing authority, there is no way to create a fair society. Social democracy should be more courageous and tackle the distribution issue more energetically before the latter gets out of hand and becomes an insoluble class issue.

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