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Taking capitalism seriously: towards an institutionalist approach to contemporary political economy

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This paper outlines an institutionalist political economy approach to capitalism as a specific type of social order. Social science institutionalism considers social systems to be structured by sanctioned rules of obligatory behaviour. Its perspective is one of collective ordering, or governance, through regularization and normalization of social action, either by public authority or by private contract. Political economy looks at the interrelations between collective action in general, and collective rule-making in particular, and the economy; it extends from economic and social policy-making to the way in which economic interests and constraints influence policy, politics and social life as a whole. The approach proposed in this article looks at society and economy as densely intertwined and closely interdependent, which is exactly what traditional concepts of capitalism stood for. Proceeding from an institutionalist perspective, it elaborates a concept of capitalism not as a self-driven mechanism of surplus extraction and accumulation governed by objective laws, but as a set of interrelated social institutions, and as a historically specific system of structured as well as structuring social interaction within and in relation to an institutionalized social order.

Keywords: capitalism, political economy, institutions, institutional change, economic systems, social order

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1.

In this paper I will outline an institutionalist political economy approach to capitalism as a specific type of social order. Social science institutionalism considers social systems to be structured by sanctioned rules of obligatory behaviour. Its perspective is one of collective ordering, or governance, through regularization

and normalization of social action, either by public authority or by private contract.¹ Political economy looks at the interrelations between collective action in general, and collective rule-making in particular, and ‘the economy’, extending from economic and social policy-making to the way in which economic interests and constraints influence policy, politics and social life as a whole. However, while much of contemporary political economy, not to mention contemporary institutionalism, treats the economy as a black box, relying at best on standard economics to account for the constraints and opportunities it poses for politics and society, the approach that I am suggesting is in line with a general programmatic conviction that economic action is but a subtype of social action and must therefore be analysed in basically the same way (Beckert and Streeck, 2008). This is why the kind of institutionalist political economy that I am proposing looks at society and economy together as densely intertwined and closely interdependent, which is exactly what traditional concepts of *capitalism* stood for.

More precisely, proceeding from an institutionalist perspective, I will elaborate a concept of capitalism not as a self-driven mechanism of surplus extraction and accumulation governed by objective laws, but as a set of interrelated social institutions, and as a historically specific system of structured as well as structuring (Giddens, 1984) social interaction within and in relation to an institutionalized social order.² In this way, I hope to exploit the strengths of institutionalist analysis (Hall and Taylor, 1996)—and in particular of its ‘historical’ (Thelen, 1999) and ‘actor-centered’ (Mayntz and Scharpf, 1995) versions—for a better understanding of capitalism, and especially of the problems of governing capitalism through socio-economic institutions. At the same time, by ‘bringing capitalism back in’ (Streeck, 2009b), I expect to make institutionalism, and institutionalist political economy in particular, substantively richer in the sense of closer to the real world. The way I will do this is by specifying what are, in my view, overly abstract categories of institutionalist political economy—i.e. the general properties and dispositions it attributes to political and economic actors, actions and institutions—in such a way that they better match the particular properties of the capitalist social configuration. In the process I hope to replace what I believe to be *misplaced generality* with *desirable concreteness*, and indeed *historical concreteness*, following the insight of the Marxist tradition that different

¹Conventionally one distinguishes, with Hall and Taylor (1996), three versions of institutionalism: *rational choice institutionalism*, which accounts for social order in terms of economic efficiency; *sociological institutionalism*, which emphasizes legitimacy as the main force regulating social action and *historical institutionalism*, which focuses on the interplay between historical legacies of social order and political and economic interests, and on the resulting politics of rule-making and rule-enforcing. For more on this, see below.

²Or, in the words of Polanyi (1992 [1957]), as an ‘instituted process’.

socio-economic formations require different theories, or at least different specifications of general theories.

The approach I will suggest should be particularly relevant to the analysis of political–economic institutional *change*—which is, incidentally, a central theme of classical theories of capitalism, from Marx to Schumpeter. Significant progress has recently been made towards an institutionalist account of change in social or economic orders, associated in particular with concepts like ‘path dependence’ and ‘increasing returns’ (Pierson, 2000), with the notion of ‘punctuated equilibrium’ and the distinction between disruptive and gradual change (Krasner, 1988), the development of various typologies of gradual but nevertheless transformative change (Thelen, 2002; Streeck and Thelen, 2005a), and the discovery, or re-discovery, of self-undermining institutions and dialectical change (Greif and Laitin, 2004; Greif, 2006; Streeck, 2009b). Some of the most interesting new insights into the dynamics of contemporary political economies originated in the context of research on the gradual worldwide transformation of modern capitalism in the 1980s following the dissolution of the post-war economic order (Glyn, 2006)—a process of market expansion and intensified commodification that came to be described as one of ‘liberalization’, or ‘disorganization’, of capitalism (Offe, 1985; Lash and Urry, 1987; Streeck and Thelen, 2005b). However, while the new conceptual toolkit offered a rich language with which to catalogue processes of continuous, non-disruptive change, what it failed (and in fact never intended) to do was to account for the *historical emergence* and the *pervasiveness* of the sort of change that it had been developed to capture—its location in time and space as well as its direction and driving forces.

In other words, while recent analyses of institutional change had made progress in classifying certain formal properties of the processes found to be at work in the real world of contemporary capitalism in general terms, they were unable to speak to the underlying causes of such processes. They also remained unconnected to a growing literature that had become dissatisfied with universalistic representations of ‘the economy’ as nature, or as a black box, returning for remedy to the concept of *capitalism* as a historically specific socio-economic order (for many others McMurtry, 1999; Peck and Theodore, 2007; Ingham, 2008; Sewell, 2008; Bohle and Greskovits, 2009). I suggest that this was because the decline of post-war organized capitalism and its neo-liberal re-formation were treated by institutionalists, including historical institutionalists, as essentially no more than coincidental research material for what was ultimately to be a theory of the general properties of institutions, or of political economies conceived as institutionalized social orders, and the way they change, sidelining historical context and the historical forces that condition when and how and for what purpose particular institutional processes may emerge (Streeck, 2010).

2.

Before I begin, I should like to point out that I do not consider what I am about to present to be a *theory* in any deterministic or predictive sense—if only because in my view, the social sciences are, for fundamental ontological reasons, incapable of producing such theories. Nor, as indicated, do I intend to offer a conceptual framework for institutional analysis in general. I rather prefer to think more modestly of what will follow as a *heuristic checklist*, hopefully drawing attention to empirical phenomena that might be a *worthwhile explanandum* or a *promising explanans* in dealing with contemporary, i.e. capitalist, political economy. In other words, I regard what I am undertaking to develop as basically a set of suggestions as to *where to look and what to look for* when doing political economy today: as *informed conjectures* as to what would be a good question to ask, or a worthwhile problem to address, and where to search for particularly satisfactory answers. Note that a heuristic is not necessarily ‘falsified’ if what it recommends looking for is not found. In fact, the absence of something it offers reasons to expect may be a particularly interesting observation. Of course, if a heuristic keeps failing to produce instructive cues as to relevant observations and convincing conclusions, it should rightly be abandoned as useless.

Another way to think of my list is as a collection of *parametric specifications* of the conceptual framework of institutionalist political economy, for dealing with its capitalist version in particular. Perhaps at some stage that collection may develop into something like a stylized representation of capitalism as a complex and dynamic configuration of actions and actors—i.e. as an institutionalized social order, much like the Weberian ‘ideal type’. An ideal type presents a simplified, abstracted image of the world that is not necessarily disproven by the fact that it does not include everything that exists in it. What matters is that it captures what is *essential*, and that the differences between it and the real world are peripheral for the latter or from the point of view of the investigation. As I have indicated, roughly the same logic applies to a heuristic.

Finally, I note that the list of parametric specifications that I will suggest for institutionalist political economy to better capture the essence of capitalism as a social order is mostly derived from classical theories, as associated with the names of Marx, Luxemburg, Weber, Schumpeter and Polanyi. Obviously my list is incomplete, sketchy, eclectic and syncretistic, and no more than a first try. Also, unlike, for example, Commons (1924) or, in a different way, Williamson (1985), I am not dealing with individual capitalist institutions such as wage labour or the credit system. Instead, as I have pointed out, my concern is with the specific problems of institutionalizing social order or governance *as such* in capitalism as a social and economic system. It is from this perspective that my list directs attention, for example, to the central distinction for capitalism

between traditionalist, subsistence-oriented and modern, maximizing action dispositions; the role of competition in destabilizing institutions and social relationships; the differential resource endowment and agentic capacities of actors from different classes; the inherent dynamism of the capitalist social and economic order and the specifically capitalist mechanisms of economic and social innovation; the fundamental tension between social cohesion and market expansion, and between ‘embedding’ and ‘disembedding’ institutions and politics; the directionality and systemic nature of institutional change in capitalist political economies, and the ways in which it tends to be politically contested etc.

3.

Recent progress in institutionalist political economy has involved a conception of institutions as Weberian *Herrschaftsverbände* linking rule makers and rule takers inside a surrounding society of ‘third parties’ (Streeck and Thelen, 2005b). Rule makers govern the behaviour of rule takers—the distinction being an analytical one, as the two may be identical³—by creating and enforcing a normative order that is sanctioned by the society at large. The concept distinguishes not just between makers and takers of rules, but also between institutions as social structures and the actors they constrain and enable, as well as between norms of behaviour and actors’ compliance with them. The basic model resembles that of the ‘actor-centered institutionalism’ defined by Mayntz and Scharpf (1995), with which it shares its emphasis on the strategic, or agentic, capacities of actors in relation to institutions. Where it differs is in the special attention it pays to the *enactment* of institutions or, in other words, to what it means to follow a rule.

Briefly, the argument runs as follows: Institutions impose rules on the behaviour of social actors—or they are supposed to do so. However, it cannot be assumed that those whose behaviour is to be ruled, or governed, have always internalized the rule in question (i.e. adopted it as a ‘script’) or will follow it voluntarily out of self-interest. Rule takers can and do rebel against the rule they are expected to follow—or they may follow it in bad faith, like workers fighting management by ‘working to rule’. The important point is that the opportunity for actors to take a strategic posture in relation to the institutions that are supposed to govern them arises from the very nature of the ‘application’ of a general rule to what always is a specific, unique situation. Any such application requires a creative interpretation of what the rule is supposed to mean and how it might fit the inevitably

³In a democracy, identity between the makers and the takers of policy is presumed as the former are supposed to be the agents of the latter. To the extent that principal-agent problems obtain, identity is fictional. For another, simultaneously important variant of identity between rule-makers and rule-takers see below, where I discuss the case of contracted institutions.

unique circumstances of the individual case. Applying, or following, a rule involves bridging the ontological gaps between the general and the specific as well as between the normative and the factual; none of this is straightforward or fully predictable in its event, even if the rule is applied entirely in good faith. This makes the ‘spirit’, or ethos, of action in relation to an institution crucially important, and with it the *institutionally expected* ethos of the actors in question, and the effect such expectations have on actors’ perceptions and definitions of self. As time passes, precedents accumulate which help with the interpretation of the rule while also, more or less perceptibly, changing its ‘meaning’. Normally, the environment of the institution will change as well, thereby continuously upsetting its emergent interpretation and evolving re-interpretation.

The rule taker versus rule maker model is particularly relevant for the analysis of *institutional change*. The fact that in principle, any rule-following, even if intended to be fully conforming, must call forth what Hans Joas has called the ‘creativity of action’ (Joas, 2005), implies that no social order can ever be perfectly reproduced in its enactment. What an institution ‘really means’ must *and therefore can* be continuously re-invented by actors in the light of both specific situations and changing general circumstances. As rule takers creatively apply a rule that is supposed to govern them, they inevitably produce outcomes that rule makers could not have expected when making the rule, since they could not possibly anticipate the variety of future conditions under which the rule would have to be followed. Nor could they know in advance the innovative ways rule takers would invent either to follow or to circumvent the rule. Since rule takers are always both at liberty and compelled to find out the situational meaning of a rule for themselves, they can and will, in following a rule, impart a bias on it. As a result, rule makers may, in the light of what with time and ‘in practice’ has become ‘the rule’, feel a need to revise it in order to restore its originally intended meaning. Thus, not only rule-breaking, but also rule-following tends to set in motion interactive processes between rule makers and rule takers which make the institution and its meaning evolve over time. At this level of generality, no particular direction of the continuous revision of institutionalized rules in the interplay between governors and governed is assumed, apart from the general principles that the reproduction of any social order can only be an imperfect one; that all social–institutional orders are always in flux; and that slow and gradual change is an ever-present condition in institutional structures.

4.

In the following I will introduce into this model a number of *parametric specifications* that characterize the functioning of institutions *in a capitalist political economy in particular*. My—incomplete and preliminary—list of what I suggest are empirical characteristics of capitalism as an institutionalized socio-economic

order begins at the micro level of social action from where it gradually proceeds, in a clearly less than systemic fashion, to institutional structures at the macro level of society as a whole.

4.1 *Legitimate greed*

Capitalist markets are as institutions based on civil rights of private agents to engage in contractual exchange with other private agents in pursuit of material gain (Marshall, 1965 [1949]). Capitalist societies are self-described as societies of traders relentlessly striving to improve their material position, with ‘sweet commerce’ (Hirschman, 1982) having taken the place of violence on the one hand and of reciprocity and redistribution (Polanyi, 1992 [1957]) on the other. Free market exchange is guaranteed by a non-predatory state which respects private property and safeguards freedom of contract. Participants in market exchange—in other words, all members of market society—are entitled to, and stylized as enthusiastically engaged in, the pursuit of, in principle, unlimited material wealth: what Marx contemptuously called *Plusmacherei*, represented by his famous formula ‘ $M \rightarrow C \rightarrow M$ ’⁴. Open-ended maximization of material possessions was considered morally inferior in pre-capitalist times, remained socially marginal, and was at best tolerated as unfortunately irrepressible. Under capitalism, by comparison, where material greed is satisfied through voluntary agreement instead of force⁵, it figures as normal and is considered legitimate⁶. Where voluntarism ends and force begins (where contracts cease to be voluntary and begin to be concluded under duress) is a matter of definition and regulation, and it is for the state to ensure that the borderline between voluntary exchange and forcible extortion is properly drawn and observed. The same applies to the equally crucial distinction between trade and fraud.

4.2 *Institutionalized cynicism*

The expected action disposition of rule takers under capitalism is *rational-egoistic*. This is to say that rule makers cannot expect rule takers to interpret their rules in

⁴While Marx reserved *Plusmacherei* to the owners of industrial capital, and in particular of money capital, modern self-descriptions of capitalism treat workers, too, as utility-maximizing capitalists, in their capacity of owners of ‘human capital’. Alternatively utility maximization among workers is represented in labour economics as ‘shirking’, which may be seen as the illegitimate counterpart, or the travesty, of legitimate surplus extraction by capitalists proper.

⁵This being the difference between Spencer’s two types of society, ‘militant’ (meaning feudal) and ‘industrial’ (meaning capitalist, Spencer, 2003 [1882]).

⁶As famously expressed by François Guizot, Minister in the reactionary French government of the 1840s, when he urged his supporters, ‘Gentlemen, enrich yourselves!’ (‘Messieurs, enrichissez-vous!’).

other ways than in *studied bad faith*. There is no language available in a capitalist social order to dissuade agents from dealing with rules in a purely instrumental way, i.e. from the perspective of how they may be applied, avoided or circumvented for individual benefit. Ultimately this is because the free market, being the core institution of capitalism, promises to produce the common good as an unintended by-product of the self-interested pursuit of private goods, all by itself and unmotivated. ‘It is not’, writes Adam Smith famously,

from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity, but to their self-love, and never talk to them of our own necessities, but of their advantages. (Smith, 1993 [1776], p. 22)

Sentimentality⁷ is not envisaged and is in fact frowned upon, not only as individual stupidity but also a source of a distorted allocation of resources. Where common interests are best taken care of by the unrestrained pursuit of individual interests, there is no way to demand individual sacrifice in their name. Regulatory institutions must therefore be designed to fit actors who can only be expected to read rules, as it were, like tax lawyers, i.e. not as normative principles to be adhered to and applied in good will, so that their intended meaning is realized as much as possible, but as potential obstacles to the maximization of individual utility, and as a test of an actor’s ability to find innovative ways of overcoming them. I suggest considering this to be the typical—or better: *normal*, in the sense of both *institutionally expected* and *empirically prevailing*—kind of compliance in a capitalist social order.

Avoidance of social obligations is not of course confined to capitalism. The difference is that here, the inventive pursuit of self-interest is in the spirit of the social order itself, so that the blame for a rule being circumvented lies importantly with its makers: Those avoiding a rule ‘only do what is in their interest’, while not having made the rule watertight is considered its makers’ ‘own fault’.⁸ Put otherwise, whereas there is always high legitimacy in a capitalist

⁷Of course Adam Smith is the author, not just of *The Wealth of Nations*, but also of *The Theory of Moral Sentiments* (Smith, 1979 [1759]), where he explores the moral and communal underpinnings of the emerging modern society of his time. But how the two books relate is far from clear. In any case, the ‘other’ book is never mentioned when the true spirit of modern capitalism is being celebrated, and those who have made *Wealth* their Bible consider *Moral Sentiments* with embarrassment as something like a youthful sin. In capitalist practice and in the worldview that comes with it Smith reduces to Mandeville and his idea of public benefits being the product of private vices (Mandeville, 1988 [1714]).

⁸This holds true even for the capitalist welfare state where recipients of benefits who exploit loopholes in the law often defend themselves, and are defended by others, in these terms.

regime for being creative in maximizing one's utility, normative resources for voluntary self-restraint would have to be generated outside the market and imported into a capitalist social order that continuously generates good reasons for actors *not* to restrain themselves. Since institutions always require a modicum of good faith on the part of their constituents, the high social legitimacy under capitalism of *creative cleverness* in relation to social obligations must give rise to a typical conflict between rule makers and rule takers in which the latter permanently test the vigilance of the former. The result is a particular direction in the evolution of capitalist institutions, in the course of which these are continuously redesigned to anticipate and adapt to a systemic bad faith of interest-seeking rule takers.

Note that by referring to the bad faith of the stylized typical actor under capitalism, I refer to the *normalized intentions* informing the design of capitalist political-economic institutions. Just as military strategists feel obliged to attribute the worst possible motives to the potential enemy, even though they may not be empirically observed, capitalist institutions in order to be on the safe side assume that those supposed to be governed by them are nothing but self-seeking opportunists 'with guile' (Williamson, 1975).⁹ That the cynicism¹⁰ of this attribution is not, however, entirely unrealistic is due, for one thing, to the dynamic effects of what the conservative German institutional economist Götz Briefs once called the 'marginal ethics' (*Grenzmoral*) of a pluralist-competitive society:

By 'marginal ethics' I mean the ethics of those least restrained in the competitive struggle by moral inhibitions, that is of those who because of their minimal ethics have under otherwise equal conditions the best chances of success and who on this account force competing groups, at the penalty of elimination from competition, gradually to adapt in their trading to the respectively lowest level of social ethics (i.e. to the 'marginal ethics')¹¹.

⁹'Guile' is later explained by Williamson to mean 'lying, stealing, cheating, and calculated efforts to mislead, distort, disguise, obfuscate, or otherwise confuse' (1985, p. 47). The logic behind the normalization of this behavioural syndrome in institutional design is the military one of *Si vis pacem para bellum* (If you want peace prepare for war).

¹⁰According to Wikipedia, cynicism in its contemporary usage means 'a disposition to disbelieve in the sincerity or goodness of human motives and actions'. It shares with its ancient meaning the implication that people are, or must be expected to be, like dogs (Greek: κύνου)—or today one would probably say: pigs.

¹¹My translation from the German original: 'Unter "Grenzmoral" verstehe ich die Moral der am wenigsten durch moralische Hemmungen im Konkurrenzkampf behinderten Sozialschicht, die aufgrund ihrer Mindestmoral unter übrigens gleichen Umständen die stärksten Erfolgsaussichten

Moreover, as we also learn from military planning, and in a different way from 'labeling theories' of criminal behaviour, policies and institutions that expect actors to have a certain intention may thereby make them develop it, causing a downward spiral in which expectations of undesirable behaviour call forth such behaviour, which subsequently confirms the expectations.

Actors under capitalism, summing up so far, are *socially constructed* as *constitutively devious* by the institutions designed to govern them. The typical rule *taker* that capitalist institutions must reckon with as the normal case is a rule *bender*: She reads rules entrepreneurially, untiringly looking for ways of twisting them in her favour. Capitalist institutions cannot but stylize capitalist actors as rational-utilitarian exploiters of gaps in rules. This is because of a dominant ethos that cannot condemn egoistically rational innovation in rule following, if not in rule breaking, and a culture that lacks the normative means by which to enforce and reward behaviour in good faith.

4.3 A moral deficit

As convincingly argued by economic sociology, even a capitalist economy cannot function in an exclusively Williamsonian mode, i.e. without some shared normative, i.e. non-rational principles of reciprocity, solidarity, fairness, good will, kindness to strangers, mutual trust and the like. Adherence to such principles, however, cannot be assumed since it may detract from actors' individual utility and because its rewards are likely to be diffuse and uncertain. Moreover, in the marginal case, which for the dynamic of the system is the critical one (Briefs, 1983), what one could call the *market excuse* trumps any rhetoric of moral restraint¹² and makes such rhetoric vulnerable to being denounced as an expression of the resentment of losers, or as outdated, unsophisticated, and indeed irrational and 'unscientific'. As a consequence, institutions that assume actors to be sentimental, or less than fully rational-egoistic, would therefore risk being subverted, as they would be exposed to relentless attacks from the

hat und sohin die übrigen konkurrierenden Gruppen bei Strafe der Ausschaltung vom Wettbewerb zwingt, allmählich in Kauf und Verkauf sich dem jeweiligen tiefsten Stand der Sozialmoral (der "Grenzmoral") anzugleichen' (Briefs, 1957).

¹²In particular where it is reinforced, as it commonly is, by an *organization excuse*. Since most major economic transactions in a modern capitalist economy are conducted on behalf of organizations, they are doubly protected against a 'moral economy' that can appeal to the conscience only of individuals. Organizations, as impersonal social constructions, have no conscience (which is, among other things, why they are not liable to criminal prosecution). Although moral argument may manage to touch the hearts or minds of a firm's executive officers, this does not mean that it will affect the firm's behaviour. See Friedman (1983 [1973]) on why whatever moral sentiments business managers may develop must not make them forget the one and only 'social responsibility' of their firms, which is to maximize their profits.

margins eating into the core by cunning opportunists foregoing being virtuous in favour of being smart. One may well subscribe to Etzioni's observation at the end of his seminal book, *The Moral Dimension*, that 'the more people accept the neo-classical paradigm as a guide for their behavior, the more their ability to sustain a market economy is undermined' (Etzioni, 1988, p. 257). But this does not mean that one could rely on capitalist utility-maximizers exercising self-restraint in the name of a collective interest in the long-term sustainability of capitalist utility maximization. Indeed the fact that capitalist actors may be willing to destroy the commons on which they depend and deplete moral resources without which they cannot exist even though they cannot restore them, is a point that has often been made, from Karl Marx to Fred Hirsch (Hirsch, 1976)¹³.

4.4 *A non-traditionalist super-norm*

Actors in a modern-capitalist context, as they confront institutionalized expectations, find themselves encouraged and enabled to proceed on the premise that everything that is not explicitly forbidden is allowed. In traditionalist settings, by comparison, the governing premise is the opposite: Everything that is not allowed is forbidden. Obviously the capitalist version of what is—one's—'right' is more favourable to innovation, or imperfect reproduction, with respect to the way interests are pursued in the context of, and perhaps in conflict with, the social order. Such pursuit includes the deliberate stretching and testing of the law as it stands, in an effort to determine and push outward the borderline between fraud and, in principle welcome and indispensable, innovation (Balleisen and McKenna, 2009)¹⁴.

4.5 *Differential endowment of social classes with agentic capacities*

In a capitalist setting the functioning of social order is typically biased by a differential endowment of classes with resources enabling actors to calculate their interests and challenge or circumvent received interpretations of institutionalized social obligations. Not everybody can hire a tax lawyer or a financial adviser, not to mention a lobbyist, and the services of the best of them are available only to those who can pay the most. A promising working hypothesis for institutionalist

¹³The answer of standard economic theory, as well as, incidentally, of rational choice sociology, is of course to ground social order conceptually in an equilibrium of individual interests enlightened by the experience of opposing counter-interests. Greed is to be restrained, and social stability procured, not by morality—which is in any case no longer available—but by self-interest, that is, by greed itself. On the position of classical sociology concerning the theoretical and practical utopia of an amoral social order rooted in a balance of particularistic self-interests, see below.

¹⁴How thin that borderline is was forcefully demonstrated recently by the 'innovative' financial 'products' sold to the public by a deregulated banking industry.

accounts of capitalist political economy would therefore be that the capacity creatively to evade institutions or transform them in the course of their enactment, including the capacity to ‘capture’ regulatory agencies, is not randomly distributed but rather correlated with the class structure. The same would apply to the ability to act in line with the modern as distinguished from the traditionalist super-norm, or indeed to participate in the pursuit of the general promise of unlimited wealth. Rather than talking about the general ability of actors as such and in general to use the gap between the normative and the factual to bend social rules in line with their rationally calculated self-interest, theories of a capitalist social order may become more realistic by assuming a *superior agentic capacity of the capitalist class*.

In a capitalist democracy with freedom of association, members of the under-resourced non-capitalist classes do have the possibility of pooling resources to hire their own experts in rule production, avoidance or enforcement. To do this, however, they need to organize collectively or capture the government of the state, each of which is difficult, and success is uncertain. Normally, business has an organizational advantage over labour, if only because individual members of the business class and their private organizations, or firms, are often sufficiently well-endowed not to require the support of other members or the government for getting their view of their institutional obligations validated (Offe and Wiesenthal, 1980).

4.6 *Unlimited rewards*

Capitalism as a social order may be defined by the absence of any cultural-normative ceiling on the amount of economic gain individuals can aspire to or imagine achieving. This is what Durkheim, in *Suicide*, described as anomy, resulting from open-ended possibilities for achievement combined with competitive pressures, as it affects businessmen but also artists and scientists (Durkheim, 1966 [1897]). While even in the most capitalist of societies there may be, and normally are, traditionalist informal *folk norms of decency* that condemn those ‘who cannot get enough’, the core capitalist institutions of market and money do not set place a ceiling on the material rewards individuals can legitimately hope for; in this sense, they entail a promise of unlimited wealth (Deutschmann, 2001).

The absence of institutionalized limits to economic gain can account for several other distinctive characteristics of capitalism. One is the dynamic growth of capitalist economies through relentless innovation, including the permanent revision of institutional arrangements in order to ‘economize’ on transaction costs. Limitless rewards drive limitless growth, which in turn underwrites limitless rewards. The fact that under capitalism, the premium for a creative discharge of social obligations, or for circumventing traditional norms or legal regulations, can be very high is bound to sharpen the innovative intelligence of rule

takers powerful and well-positioned enough to pursue capitalism's unlimited opportunities for personal enrichment. It also helps suppress moral scruples as may interfere with the rational-egoistic maximization of self-interest: The higher the prize, the more virtue is needed for actors to refrain from going for it by less than virtuous means¹⁵.

4.7 Maximization of gain instead of minimization of effort

Capitalist rational-egoistic action is institutionally expected and licenced to be oriented towards *maximization of economic gain*. The normalized actor under capitalism is someone who does not relent in his effort to get richer regardless of what he has already achieved; for him 'the sky is the limit', and there is no pre-established point where he 'has enough', or is institutionally expected to have enough. This holds true not just for capitalists or for capitalist firms, but also for consumers, whose desires are ideal-typically assumed, and more often than not empirically prove to be, open-ended. Maximizing is the hallmark of the capitalist economic ethos whereas limiting effort to what is 'necessary' for meeting one's 'needs' is the essence of economic traditionalism and the motivational basis of a subsistence economy.¹⁶ At the actor level and empirically, both dispositions co-exist even in the most capitalist of societies. What matters is their distribution, by individuals and by class,¹⁷ and their specific legitimacy or non-legitimacy. While not everybody maximizes in a capitalist economy, as a motivation of economic action maximizing is not considered monstrous, and indeed is almost by definition regarded as *rational*, and in this sense as *natural* and *normal*, and therefore *to be expected*.

¹⁵See Freeman (2011), with convincing examples and an illustration from a Marx Brothers movie: 'Groucho (to pretty lady at dinner): Would you sleep with me for \$52 million? Pretty lady (laughing): Of course! Groucho (leering wildly): How about for 10? Pretty lady: Mr. Marx, what do you take me for? Groucho: We've already established what you are. Now we're just haggling over price.'

¹⁶I consider this distinction a parametric specification of the rational actor model. That model, which is intended to be general and universal, is ambivalent, and in fact empty, in that it includes both the maximization of output and the minimization of input. Only the former, however, is compatible with the dynamic economy of capitalism and culturally and institutionally enforced on investors, consumers and workers.

¹⁷In fact, modern and traditionalist dispositions for economic action are institutionally ascribed under capitalism to different classes as normalized, or expected, motivations of individuals. Capitalists, stylized as willing to accept risk, are rewarded by what is interestingly called a 'residual' income, namely profits. Workers, stylized as 'risk-averse', receive and are assumed to prefer a fixed income (a wage). While owners of capital maximize their 'residual' (in the sense of *a priori* unlimited) rewards, with capital accumulation as *Selbstzweck* (an end in itself), workers work for a 'living wage' to provide for their and their family's subsistence.

Economically maximizing behaviour, or greed, also exists outside of capitalism, but it is only inside it that it is not regarded as strange, or criminal. Non-capitalist economic maximizers like the Mobutus or the Marcoses of this world who rely on public violence to become unendingly rich are outcasts under capitalism, while the Swiss or American banks that invest their booty for them, in pursuit of equally open-ended ‘residual income’, only do what banks do. Goals that are morally dubious outside capitalism may be fully legitimate inside it, capitalism being the only system where they ever were.¹⁸

In abstract terms, capitalism’s institutionally normalized maximizing ethos is represented in standard economic theory by the psychology ascribed to *homo oeconomicus*. In capitalist self-description, that psychology is both an *anthropological constant* and a differentially distributed *individual capacity* required for and rewarded by economic success. The implication is that capitalism both fits human nature and makes humans behave in line with it, with the ‘realism’ of the market as an antidote against moral ‘illusions’. Capitalism offers rich material rewards to those in whom human nature happens to be particularly strong, and punishes others who, for whatever reason, have failed fully to develop it—thereby reinforcing the *habitus* (Bourdieu, 2005) that the system both assumes and produces.

4.8 *Elite interests divorced from interest in system survival*

Unregulated rewards for which there is no ceiling are a source of steadily growing inequality, especially as they can be re-invested for cumulative advantage, not least in agentic rule bending capacity. Because of the inherent inegalitarian tendency in a capitalist political economy that arises from the open-endedness of potential material gain, the perennial question of redistributive countermeasures aimed at protecting or restoring social cohesion will always be on the political agenda. Open-ended inequality at the same time gives rise to a characteristic disjuncture between the interests of economic elites in their and their family’s personal fortune and in the stability of the economic system as a whole. The greater the gains an individual has managed to appropriate under capitalism’s wide-open skies, the more irresponsible he can afford to be with respect to the capitalist system’s long-term survival: Whatever happens, his accumulated riches, safely stashed away, will be enough to carry him and his family very comfortably through. In fact, in contemporary capitalism, unchallenged by any radical political alternative, it is the masses—who of

¹⁸In any case, today those who aspire to being very rich are well-advised to remember Brecht’s ironic question in his *Threepenny Opera*: What is robbing a bank compared to founding one? (*Was ist ein Einbruch in eine Bank gegen die Gründung einer Bank?*).

course have little to no control over the system's fate—who depend on its stability much more than the elites do.

The way in which rising inequality separates the private interests of the winners from collective interests in system survival, effectively doing away with traditional ideas of elite 'stewardship', is reflected in the notion of 'plutonomy', which was coined by the personal finance department of Citibank during the Bush years, in a circular to its wealthiest clients (Citigroup Research, 2005, 2006). The concept refers to an economic situation in which the very rich have become so rich that their consumption can sustain economic growth, and the profits that depend on it, even in the face of advancing impoverishment of mass consumers. Another facet of the same condition is the ruthlessness with which banks took on ever higher risks in the years leading to the Great Recession of 2008 and beyond. While banking executives may have counted on a government bailout early on as their firms had become 'too big to fail', they must also have been aware that even in case of a return of the 1930s or worse, they and their families could never become destitute after they have 'earned' tens or hundreds of millions of dollars per year for several years in a row.¹⁹ Perhaps advanced capitalism is the first society in history whose peasants cannot expect their lords to exercise self-restraint for the sake of the survival of their regime, given that they no longer need to fear decapitation after its collapse.

4.9 *Competition privileged over solidarity*

The inherent dynamism of capitalism as a social order is reinforced by the omnipresence of competitive pressures in its free markets. Competition forces actors continuously to monitor their position and strategic behaviour in relation to that of competitors and potential competitors, and instills in them an attitude of permanent vigilance. Competition exists where there is a social licence for actors to try to improve their position at the expense of others. A licence to compete implies a licence to behave in a way that is the opposite of solidarity. Capitalist political economies are characterized by the fact that they hold out very high rewards to actors who skillfully and innovatively breach norms of solidarity in order to enrich themselves, even if this means impoverishing others who are less successful.

Although in principle governed by competitive markets, all capitalist political economies have seen efforts to contain competition through private agreement

¹⁹The chief of Goldman Sachs, Henry Paulson, estimated his personal fortune to be about 700 million dollars when he acceded to the post of Secretary of the Treasury under George W. Bush. Paulson took the risk of forcing the bankruptcy of Lehman Brothers (which, of course, was Goldman's main competitor). Even if his gamble had resulted in a crisis worse and longer-lasting than the Great Depression, Paulson and his family would clearly not have had to make changes in their lifestyle.

or public regulation. In fact, initiatives to ‘stabilize’ markets tend to be as omnipresent in capitalism as competition.²⁰ Not only workers, but also capitalists have tried again and again to forge social compacts protecting them from market entry by outsiders and from the attacks of insiders. Especially among capitalists, however, where the potential rewards of undercutting public or private market-stabilizing institutions are high, success always remained precarious. Government regulation must ultimately prove as fragile as private cartels in an institutional environment in which competitive behaviour is *a priori* assumed to be legal whereas ‘conspiracy against trade’ is *a priori* under suspicion of being illegal, unless it is explicitly legalized. (If it is, however, it is exposed to creative subversion just like any other rule.) Moreover, the establishment and defence of an anti-competitive economic regime requires some sort of collective action organizing and controlling an entire class of potential competitors; whereas for competition to start, no more than one break-away is required. Given the potentially unlimited rewards a successful predator can reap, competition is more probable than solidarity and its containment will never be more than temporary.

Foreclosing competition creates a traditionalist, *ständische*, live-and-let-live political economy, with profits limited to what is necessary to provide for subsistence at a level deemed socially appropriate. While that level can be high, especially for upper classes that turn from entrepreneur to *rentier*, any economic traditionalism is profoundly incompatible with the spirit of maximization that is at the heart of the capitalist mode of production and is idealized in its ethos (not to mention its organizations). A static, non-competitive economic order is not only hard to establish but also ultimately unsustainable in a capitalist system where the premium on defection is potentially unlimited, and undercutting the market position of others is a fundamental civil right rooted in the elementary principle of freedom of contract. Therefore, even in the most ‘coordinated’ capitalist society, one can expect a general climate of nervous tension among potential competitors, of mutual distrust and permanent awareness of the possibility of competitors appearing on the scene to upset the peace. Even while arrangements to suspend competition still hold, each actor will be constantly tempted to defect, if only because he cannot trust his fellow actors not to defect before him. This cannot be otherwise in a culture in which rational-egoistic advantage-seeking at the expense of others cannot be morally condemned and, if successful, is in fact entitled to the admiration even of those who find themselves left behind.

²⁰Nobody knew this better than Adam Smith: ‘People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the publick, or in some contrivance to raise prices’ (1993 [1776], p. 129).

Table 1 Two types of political-economic institutions

Durkheimian	Williamsonian
Public order	Private ordering
Obligational	Voluntaristic
Exogenously imposed	Endogenously contracted
Authoritative organization	Voluntary coordination
Creation of obligations	Reduction of transaction costs
Government	Governance
Status	Contract

4.10 Two types of institutions

Capitalist political economies are governed by two types of institutions, which complement as well as oppose one another. The general tendency in capitalist development is for the older, traditional type to be subverted and partially replaced by the modern one. In the institutionalist literature, the two types of institutions, or social order, that precariously co-exist in capitalism tend to appear as alternative conceptualizations of institutions as such—the former being put forward by what is called historical and sociological institutionalism, the latter by rational choice institutionalism (Hall and Taylor, 1996). Treating them as different types resolves much of the confusion in the ongoing debate on ‘what institutions really are’.

Institutions in the more traditional sense may be conceived of as normative social structures which precede actors and regulate their behaviour with the force of legitimate authority, even though actors may have internalized the norms enforced on them (and even though all institutions depend on being creatively enacted). Rule makers and rule takers are not identical, the former perhaps—as in the case of a political constitution—being long dead. Institutions are authoritatively imposed, and the norms they represent are enforced by third parties—‘society as a whole’—whose readiness to support them constitutes their legitimacy. Elsewhere (Streeck, 2009b, 2010) I have called this type of institution ‘Durkheimian’, distinguishing it from ‘Williamsonian’ institutions that are based on voluntary agreement between present partners and constructed to fit the present interests of their creators in making their transactions optimally efficient (Table 1). Whereas Durkheimian institutions are *moral* in nature in that they limit or regulate the rational-egoistic pursuit of material interests, Williamsonian institutions are *economic* in that they are designed by interested parties to increase the returns on their mutual transactions. Since in the latter case, rule takers and rule makers are identical, rules can at any time, if necessary or profitable, be revised by agreement among the consenting adults who have put them in place.

In a simplified way, one can say that Williamsonian institutions arise out of private market relations and compete with each other in a *market for institutions*, while Durkheimian institutions are based in public authority in a broad sense and, among other things, serve to *circumscribe markets*. Whereas Williamsonian institutions are a product of the rational choices of self-interested individuals under freedom of contract, representing a type of social order that is essentially voluntaristic, Durkheimian institutions arise from collective action, however it may be organized, on behalf of society as a whole, however it is represented.²¹ In a rational choice theory of the world—or better: a rational choice utopia—all institutions and the entire social order ultimately are, or should, can and will be, of the Williamsonian sort. In fact, liberal progressivism up to this day describes the expansion of markets as a long historical process replacing obligatory institutions with contractual ones—as an escape from traditionalism and as simultaneous progress towards political liberty and economic rationality.

On the other hand, as Durkheim (1964 [1893]) never tired of pointing out, a regime of free contracts governing the growing division of labour could unfold only inside an already existing society. For functional reasons alone, the *order of freedom* must remain ‘embedded’, to use the key concept of contemporary economic sociology, in an *order of obligation*, whether inherited from tradition or reconstructed with modern means. Even under capitalism—contrary to the various Robinsonian founding myths of modernity—society is not a *product* of competitive contracting but its *precondition*. A world constituted by contract is to Durkheim, in Polanyian language, no more than a ‘frivolous experiment’ that is doomed to fail.²² Markets, or market economies, cannot function without being encased in a shell of obligatory, non-voluntary rules determining, among other things, who is entitled to engage in contractual relations and what may and may not be subject to contractual agreement, and generally safeguarding the ‘non-contractual conditions of contract’ (Durkheim, 1964 [1893]) without which contracts could be neither made nor enforced.

4.11 Capitalist development as market expansion

Capitalist development, then, may be conceived of as a process of gradual or periodic *expansion* of the system of contracts—or, in other words, of market

²¹The distinction is, of course, reminiscent of Spencer’s evolutionary continuum from feudal-traditional to industrial-modern society, or from a *status*-based social order to one based on *contract* (Spencer, 2003 [1882]).

²²The same idea is summarized in Joseph Schumpeter’s famous dictum, ‘No social system can work which is based exclusively upon a network of free contracts between (legally) equal contracting parties and in which everyone is supposed to be guided by nothing except his own (short-run) utilitarian ends’ (Schumpeter, 1975 [1942], p. 417).

relations—as the privileged mode of social and economic intercourse: of competitive contracting at prices that fluctuate with changes in supply and demand. The driving forces behind this are the potentially unlimited and highly unequal rewards to be gained in an economic regime that knows no profit ceilings, together with the pressures and attractions of competition and the incentive-cum-opportunity inherent in it to maximize the returns on invested resources. Capitalist advancement entails the progressive commercialization, or commodification, of social relations, with Polanyian regimes, or Durkheimian institutions, of reciprocity and redistribution being gradually replaced by markets for contractual exchange governed, increasingly, by cost-cutting Williamsonian arrangements. The widening, or spatial spread, of markets is accompanied by their deepening or intensification, as more and more social spheres and an increasing range of ‘necessaries of life’ (Adam Smith) become commodified—i.e. subsumed under a ‘self-regulating’ price mechanism driven by actors’ self-interest and made available in exchange for ‘bare Zahlung’ (cash payment) (Marx and Engels, 1972 [1848]). In a capitalist society, the system of contractual market exchange that inhabits it like an incubus constantly pushes outward against the limits set for it by its social containment, expanding the range of commercial activities to extend not just to traded goods, but also to the ‘fictive’ commodities of labour, nature and money. This process, whereby freedom of contract fuels expansion of contractual relations, is what is meant by the concept of ‘self-sustaining economic growth’.

Capitalist market expansion, propelled by the restless inventiveness of interest-maximizing capitalist actors and their creatively biased enactment of market-containing institutions, has been metaphorically characterized as *Landnahme*, or land-grabbing (Luxemburg, 1913). *Landnahme* is conceived of as a process of social evolution linking previously parochial, or particularistic, social relations into ever more encompassing, increasingly universal economic contexts. While Luxemburg emphasized the spatial *extension* of markets, reflecting the age of imperialism in the late nineteenth century, the concept may also be used to denote an increase in the *intensity* or *depth* of commodification: for example, the ongoing reorganization of private lives, including the commercialization of household services, to accommodate an ever more ‘flexible’ organization of work and of labour markets (Hochschild, 2003). Capitalist market expansion, or economic growth, is fuelled by innovation, both in technology and in the organization of social and commercial relations. Innovation upsets social structures and ways of life in that it unpredictably changes the relative prices of goods and services, causing fundamental uncertainty among groups and individuals whose life chances depend on their market position.

Given the enormous flexibility of contracts and their capacity easily to extend beyond the reach of authoritative institutions, one can expect the progress of

market relations typically to outpace that of their social regulation. Moreover, while one should expect that under capitalism public regulation will lag behind private contracts, one may also expect public authorities in charge of Durkheimian institutions to try and catch up with the evolution of markets. *Nota bene*, however, that it is only in a functionalist worldview that the success of such efforts is guaranteed, and this holds true even where the long-run viability of the economic system as such depends on its eventual reregulation. Failure to re-regulate, in other words, is as much a possibility as success, as vividly illustrated by the recent financial crisis and its aftermath.

4.12 *Commodification of the future*

Capitalist expansion depends to an important extent on credit, which is an institutionalized social relationship that serves to pull the proceeds from future economic activities into the present, making future production and future income available for present investment and consumption. Credit is based on an enforceable promise on the part of credit takers to engage for an extended period of time in productive activities profitable enough for them to repay their debt at a set rate of interest. The institutional machinery for pulling the future into the present is the financial system; it makes capitalism a society in which time is an added dimension. Private ordering in capitalism, especially with respect to credit and banking, is to ensure, as much as at all possible, that debtors live up to their promises and creditors can feel safe when they rely on this.

Capitalism, in other words, is more dynamic than other economic systems because it has found ways to turn promises and expectations into presently available resources, enabling the economy at any point in time to invest and consume more than it has already produced.²³ By creating binding obligations for individuals to devote long stretches of their future lives to working towards paying off their debts, the economy redeems the advances it continuously draws on its future production.²⁴ While profit is the carrot of capitalist growth, debt is the stick. Public policy, particularly monetary and fiscal policy and the regulation of banking and finance, must ensure that privately created entitlements to repayment with interest do not exceed the economy's future production capacities—that the banking system as a whole does not overdraw the society's account with the real economy's future

²³The *locus classicus* on the relationship between credit and capitalist development is Schumpeter (2006 [1912]).

²⁴The same situation holds for public debt, which forces governments to ensure that future generations maintain or increase the existing level of labour market participation, so that governments can deliver on their promises to their creditors (including future beneficiaries of social security).

growth (or better: does not allow the suspicion to arise that it may be doing so). In particular, financial regulation is to prevent bubbles and the panics they may cause, as these would interrupt the stream of transfers from the future into the present and implode the complex web of mutual entitlements and obligations that makes up an advanced capitalist economy. Regulation may, however, err on the side of caution by underestimating the economy's future production capacities, which results in lower growth than would be possible.

Although capitalism unfetters and encourages the creative intelligence of rational-egoistic economic agents, it depends at the same time on their discipline as debtors, as much as on their prudence as creditors. It also requires that monetary policy and the banking system more or less correctly—or in any case credibly—assess a future that cannot be known with certainty. While statistical techniques and ever new methods of risk pooling promise to eliminate the uncertainty of the future, their main contribution may be that they make the future appear more knowable than it really is, and thereby help sustain the basic optimism of creditors and debtors, or investors and consumers, that is essential for the functioning of the complex and fragile system of social relations on which the capitalist mode of production is founded. Capitalist institutions of private ordering serve not least to produce an optimistic confidence in the face of an uncertain future. Even where it is at first unjustified, such confidence can become self-justifying by encouraging productive activities that a 'realistic' assessment of the world would have advised against.²⁵

4.13 *Freely fluctuating relative prices destabilizing social structures*

Fluctuating relative prices in self-regulating markets impose instability and uncertainty on social structures and social life, clashing with the needs of human beings for social integration in stable communities. While the extent of flexibility in social structures that is humanly acceptable is not fixed once and for all, and is obviously subject to cultural and historical variation (Streeck, 2009a), it is likely always to be exceeded by the flexibility of free markets. Societies, according to Polanyi (1957 [1944]), can therefore be expected to respond to increasing marketization and commodification with collective efforts to stabilize markets, and with them social life. Mobilization for protection from the socially destructive effects of a free market economy is the second stage of what Polanyi has described as a 'double movement' of capitalist

²⁵Note the crucial importance for economic policy of what its jargon calls 'psychology', which is essentially the spreading of good feelings about an unknowable future in the hope that optimistic forecasts will become self-fulfilling prophecies by stimulating the sort of behaviour on which economic growth depends.

modernization, when oppositional social forces emerge to impose on the political economy what may be called neo-Durkheimian, or post-Williamsonian, regulatory institutions.

Re-embedding the market economy to make it compatible with a livable life is a dialectical response on the part of society, as organized by its politics, to the potentially disruptive dynamics of capitalist ‘creative destruction’. For Polanyi, this response is the essence of politics under capitalism. Political conflicts in a capitalist social order will in one way or another be concerned with who should be protected by society, and how, from being undercut in their social position by ‘market forces’. The general question this raises is to what extent politics in a capitalist society can reliably mobilize the motivational, material and coercive resources required for containing capitalist *Landnahme*, and how long regulatory institutions can do their job without being captured by those they are supposed to regulate.

No general predictions are possible, and none is proposed, as to the eventual success of political countermovements against the marketization of social life. This holds true even where functionalist arguments can be made that without re-embedding in regulatory social institutions, a market economy will eventually be unable to function.²⁶ Catastrophes cannot be precluded *a priori*. For example, as indicated above, elites who profit from disembedding the economy may profit from it so much that they can expect to comfortably survive even if the system as a whole were to crash; having, as the Germans say, *ihre Schäfchen im Trockenen* (their sheep safe in the barn), they can continue individually to live the good life while the masses can survive only collectively with and within the society. Moreover, what will and will not suffice to stabilize ‘the system’ will always be uncertain and can typically be found out only *ex post*; the same holds true for how much social instability individuals and groups will be able or willing to absorb without rebelling. This keeps the event of the struggle between pressures for flexible markets and stable societies open, in theory as well as in real life. No end to the dialectics of the double movement can be deductively postulated, implying that reading politics under capitalism as a manifestation of the tension between its two wings should be a promising and perhaps a privileged approach to contemporary political economy.

4.14 *A social space for rational egoism*

A related concept of politics under capitalism is that of a struggle over the size and containment of the social space within which rational egoism is to be considered

²⁶From which the ‘always embedded’ reading of Polanyi draws the conclusion that capitalist development necessarily includes the development of market-stabilizing institutions (see Streeck, 2009b, pp. 246–253). A typical example is Caporaso and Tarrow (2009).

legitimate. Metaphorically, one could speak of a ‘free trade zone’ enclosed in and defined, or circumscribed, by the normative order of society. In the liberal utopia of economic theory, all of society can and should be arranged as a regime of free trade under full freedom of contract, with rational egoism generally being legitimized by the foundational premise of a market economy: that by looking after their own interests, individuals contribute to a socially optimal allocation of resources. If everybody takes care of himself, everybody will be taken care of. Egoism is the real altruism, or the altruism of those enlightened by economic theory. In real life, of course, moral norms have more to say about rational egoism, although what they do say is contested and constantly subject to revision in public discourse and political struggle. The somewhat paradoxical problem capitalist societies must come to terms with is demarcating a space where egoistic—i.e. strictly speaking, amoral—action is to be considered morally acceptable. Here, two broad principles compete, each of which represents a cornerstone of the social order: the one being that, in the language of the German civil code, ‘The owner of a thing . . . may proceed with it at will’,²⁷ and the other that, as stated in the German constitution of 1949, ‘Property entails obligations. Its use should also serve the community’.²⁸ Capitalist *Landnahme* shifts the balance between these two principles in favour of the former, while social counter-movements undertake to defend or restore the primacy of the latter.

4.15 *Politics turned around*

Finally, an important complication in the politics of capitalism—as shaped by the tension between economic pressures for flexible adjustment of social relations and human needs for stable communities—is that politics may become subservient not just to the latter, but also to the former. This is another dynamic to which Polanyi (1957 [1944]) has drawn attention. While counter-movements to marketization may get hold of the machinery of the state to protect society from being creatively destroyed by the dynamics of capitalist progress, the older configuration is one in which states create and enforce markets, first inside and then, as in imperialism, outside their territorial jurisdictions (Polanyi’s ‘frivolous experiment’ of early liberalism). Moreover, the social-democratic version of the politics of re-embedding the capitalist market economy is typically one of mediation between the conflicting demands of markets and social structures, by helping

²⁷‘Der Eigentümer einer Sache kann, soweit nicht das Gesetz oder Rechte Dritter entgegenstehen, mit der Sache nach Belieben verfahren und andere von jeder Einwirkung ausschließen’ (§ 903 BGB).

²⁸‘Eigentum verpflichtet. Sein Gebrauch soll zugleich dem Wohle der Allgemeinheit dienen’ (Art. 14 GG).

citizens to reorganize their lives so as to be able to live with ever-increasing market flexibility.

Moreover, that politics may turn into a vehicle for disembedding the economy seems all the more likely given that those interested in free markets have command of superior economic resources that can, in principle, easily be converted into political ones.²⁹ Furthermore, marketization can be an attractive political strategy for governments overburdened by demands for political protection and the reconstruction of social relations. In democratic capitalism, the responsibilities ascribed to governments by a demanding citizenry may easily outgrow the resources available for public purposes in a society in which property is essentially private (Goldscheid, 1976 [1917]). As governments face problems of ‘ungovernability’ due to a disparity between growing political demands and limited public resources, marketization—or liberalization—may suggest itself to them as a last resort, as it did to quite a few European governments, including social-democratic ones, in the final quarter of the twentieth century (Streeck, 2009b). For an institutionalist approach to capitalism, this would suggest exploring political processes as reflecting ambivalent pressures on the state to protect society from markets on the one hand and promote them on the other. While the politics of capitalism would entail struggles for power as much as any other politics, the substantive background of such struggles that would account for their specific content and direction would be a basic conflict between the two wings of the double movement over the proper use of politics in relation to the market.

5.

In this essay, I have sketched out elements of an account of contemporary capitalism as an institutionalized social order, with characteristic rules and mechanisms for their enforcement, and with actors institutionally expected to be endowed with typical values, interests, preferences and strategies. Starting from some general categories of an institutionalist theory of social order, I have arrived at a provisional catalogue of traits of a capitalist political economy through a process of parametric specification. Rather than speaking of actors in general, I have tried to capture, if not ‘model’, the particularities of actors *under capitalism* as they respond, and are empirically if not normatively expected to respond, to the constraints and opportunities provided by capitalist institutions. For example, instead of describing actors simply and generally as driven by rational egoism, I have attempted to specify the sort of rational

²⁹There is also the danger that political attempts to de-liberate markets may be catastrophically misconceived. The most important example of this in Polanyi’s work and personal experience was, of course, fascism.

egoism one must reckon with in a world characterized by institutionally unlimited economic opportunity, legitimate maximization, omnipresent competitive threats, unequal endowment with strategic resources by class, asymmetric economic dependence, and the like. Similarly, rather than speaking of institutions as such, and of what all institutions have in common, I have emphasized the specificity of markets as institutions in particular, as well as suggesting a dialectical distinction between two kinds of institutions, authoritative and contractual, or public and private, thereby drawing attention to what I believe is a central dynamic in capitalist development and a fundamental tension in social life under capitalism.

Very importantly, the institutionalized order of capitalism, as I conceive it, is a historical order, i.e. one that is continuously changing because it is inherently unstable and precarious. Indeed, capitalism as a social formation would appear to be torn by a fundamental contradiction between a 'need', functional as well as social, for stability on the one hand and, on the other hand, an internal restlessness that makes stability impossible to achieve for more than short breathing periods. Time, I have suggested, is of the essence in capitalism, not just as historical time, but also systematically as the capitalist political economy extends into and commodifies its own future, continuously developing through expansion of markets causing economic growth as well as institutional transformation. An institutionalist theory of capitalism thus cannot but be a theory of institutional change, just as any theory of institutional change in contemporary political economy must, I believe, inevitably be linked to a theory of capitalist development.

The list of traits of a capitalist social order that I have proposed may be read as a *heuristic*, as an *ideal type*, or as a *model*, depending on how one wants to use it. In the first capacity, it would simply suggest a number of potential empirical conditions that one might want to be attentive to when studying the political economy of contemporary modern societies. To the extent that such conditions are in fact found, they would identify a social order as capitalist, pointing to potential explanations for observed properties and problems that could be tested in empirical research. Taken, on the other hand, as an ideal type, and in particular as a model, the list would imply that its elements form a cluster: Where one appears, the others should appear as well. Whether this was actually the case would, again, have to be established empirically. Note, however, that even if the list is treated as a model, there is no assumption of static coherence or stability, as the contradiction between social life and capitalist economic organization is built into the 'model' as proposed, as inevitable and ineradicable.

Capitalism as a social order, in other words, may be an 'ideal type', but it cannot be an ideal. Strictly speaking, it is a utopia, since it cannot exist outside of non-capitalist modes of social organization even though it continuously

strives to emancipate itself from them and in fact is destructive of them. While the reality of capitalism is always mixed, the mix is far from stable and indeed always explosive. Although its internal logic of growth makes capitalism attempt to reorganize all social relations in its image—‘subsume’ them under the ‘laws of capitalist accumulation’—it can do so only at its own peril. ‘Really existing capitalism’ depends on its being embedded in two kinds of non-capitalist social orders which it nevertheless permanently erodes: remnants of cultural traditionalism that are being undermined by institutionalized cynicism, and modern institutions of social regulation and reconstruction created by political countermovements against the marketization of society. In both cases, although capitalism ‘functionally requires’ some sort of non- and even anti-capitalist institutional containment, it must be kept in it by actors motivated by objectives other than the capitalist desire for maximization of material utility. This, in a nutshell, is the most general formulation of what used to be called the basic contradiction of capitalism.

There are many interesting permutations to that contradiction as it appears today. For example, it is true that capitalists need to build cooperative alliances with other social groups in order to pursue their projects, and it is also true that social skills are as indispensable for capitalist entrepreneurs as technological or economic skills, today perhaps more than ever.³⁰ Alliances, of course, require institutions that give a modicum of reassurance to those whose cooperation is being sought. But the problem is that those institutions are as exposed as any other to the corrosive effects of cynicism and competition and to the ever-present temptation to shift opportunistically into endgame mode and break away for maximum gain. Any alliance or leadership under capitalist auspices will therefore be inevitably fragile, and coordination will be precarious and fraught with suspicion, the reason being that a social order that can be constructed on capitalist terms—i.e. on the Mandevillean premise of general benefit deriving from private vice—can only be a rational order, i.e. one based on coinciding interests. However, as already Durkheim knew, and clearly Weber knew as well, an order of this kind is inevitably unstable, since interests can easily and unpredictably change at any time, especially in rapidly fluctuating self-regulating markets.³¹ The offshoot is that building the alliances necessary for an advanced industrial society to fully use its productive potential cannot be left to capitalist actors, or for that matter to actors with a capitalist mindset. Capitalist self-interest, not to speak of capitalist prudence, is simply not enough to keep a society

³⁰This was pointed out to me by Fred Block and Christoph Deutschmann.

³¹‘For if interest relates men, it is never for more than some few moments... There is nothing less constant than interest. Today, it unites me to you; tomorrow it will make me your enemy’ (Durkheim, 1964 [1893], pp. 203–204).

together and viable, even and precisely a capitalist one. In fact, capitalists cannot but strive to eliminate any remaining non-capitalist opposition, even though this would leave nothing to prevent them from consuming the essential social preconditions of their own continued profit-making.

In this paper, I have paid particular attention to what sort of micro-foundation an institutionalist approach to capitalism might require. In this context I have identified ‘typical’ actor dispositions in a capitalist social order, not as an empirical central tendency in observed attitudes or actions, but as a stylized description of the *habitus* the institutions of a capitalist political economy—centered as they are around competitive markets and their Mandevillean promise of a blind commutation of private egoism into public interests—must be prepared to encounter among their constituents. While I have referred to a ‘spirit’ which guides actors under contemporary capitalism as they characteristically interact with the institutions that are supposed to regulate their behaviour, unlike Weber’s ‘Protestant spirit’ or the ‘new spirit of capitalism’ described by Boltanski and Chiapello (2005), my concept does not necessarily or primarily mean a particular historical-cultural mentality. Instead, it tries ideal-typically to reconstruct a social character that the institutions of contemporary capitalism expect and thereby propagate as natural, in the sense of indispensable for individual survival, and legitimate in the sense of *Jenseits von Gut und Böse*.³² Like theories of rational choice—or, for example, of the ‘survival of the fittest’—such institutionalized expectations, no matter how amoral and non-normative they may present themselves as being, function like moral rhetoric in practice, in that they offer those they address reasons for why a particular code of behaviour is (their) right—in the case of institutionalized cynicism, a code that ideally fits the conditions in the ‘iron cage’ of established capitalism in its post-Protestant period.³³ In this sense, institutionalized expectations do have strong ‘performative’ effects.

Are we not simply speaking of neo-liberal capitalism, and not of capitalism as such? Only of capitalism *now*, not of capitalism in the past? What about the domesticated capitalism of the post-war era: Was this not capitalism as well? Where are the self-correcting and stabilizing mechanisms of post-war society and economy that were at the centre of theories of ‘organized’ capitalism and neo-corporatism? Cannot ‘good governance’ also be part of capitalism? Rather than defining them

³²*Beyond Good and Evil*; the title of one of Friedrich Nietzsche’s more provocative books.

³³‘To-day the spirit of religious asceticism . . . has escaped from the [iron] cage [of the modern economy]. But victorious capitalism, since it rests on mechanical foundations, needs its support no longer . . . In the field of its highest development, in the United States, the pursuit of wealth, stripped of its religious and ethical meaning [after the dissolution of worldly asceticism into pure utilitarianism], tends to become associated with purely mundane passions, which often actually give it the character of sport . . .’ (Weber, 1984 [1904/1905], pp. 181–182).

into it, I suggest that, following Polanyi, we treat the various institutional containments that have, over time, been invented for the capitalist political economy as additions to it that must be devised and maintained against its resistance: They do not actually come with the package but must be added to it in political struggles, and they fit into it only precariously and for a time until they are worn out by ever new, untiring attempts to push them aside. The post-war regime of ‘embedded liberalism’ may have looked for a while as though it had been and was to be there forever, especially for the generation that came of age only in the 1950s and 1960s. Now, after several decades of accelerated liberalization, financialization and commodification, it should be clear that this was no more than an illusion.

With the benefit of hindsight we may today want to return to a more traditional concept of capitalism, one in which two fundamental motives of human action, greed and fear, loom large (Bohle and Greskovits, 2009). In a perspective like this, which allows us to distinguish between capitalism proper and its social containment, we can understand the past two or three decades as a period in which a wide range of institutions installed to protect society from the ‘vagaries of the market’ underwent more or less continuous erosion. In the process, capitalism became ‘unleashed’ (Glyn, 2006): As it extricated itself from the social-democratic regime imposed on it after 1945 (Streeck, 2009b, pp. 190–197, 231–236), it became *more like itself*, revealing in the course of its development its ‘true nature’, or its ‘essence’. Internationalization, of course, helped, as it provided an ideal opportunity to get out from under a post-war institutional regime that was heavily dependent on the nation-state. In the neo-liberal era, which was also one of ‘globalization’, *capitalism became progressively more capitalist* as its inherent tendency of development unfolded—its drive to break out of the social–institutional arrangements that both contain and sustain it—posing new and historically unique challenges for a politics of social reconstruction that is condemned to be always caught off guard by the cunning restlessness it is supposed to keep under control.

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