

# Life After Bankruptcy

The age of privatisation is over. Politics not the market is responsible for promoting the common good. Philosopher Jürgen Habermas talks to Thomas Assheuer about the necessity of an international world order.

**Thomas Assheuer:** *Herr Habermas, the international financial system has collapsed and a global economic crisis is looming. What do you find most worrying about this?*

**Jürgen Habermas:** What worries me most is the scandalous social injustice that the most vulnerable social groups will have to bear the brunt of the socialised costs for the market failure. The mass of those who, in any case, are not among the winners of globalisation now have to pick up the tab for the impacts of a predictable dysfunction of the financial system on the real economy. Unlike the shareholders, they will not pay in money values but in the hard currency of their daily existence. Viewed in global terms, this avenging fate is also afflicting the economically weakest countries. That's the political scandal. Yet pointing the finger at scapegoats strikes me as hypocritical. The speculators, too, were acting consistently within the established legal framework according to the socially recognised logic of profit maximisation. Politics turns itself into a laughing stock when it resorts to moralising instead of relying upon the enforceable law of the democratic legislator. Politics, and not capitalism, is responsible for promoting the common good.

*You recently lectured at Yale University. Which images of this crisis impressed you most?*

A seemingly endless loop of melancholic Hopperian images of long rows of abandoned houses in Florida and elsewhere with "Foreclosure" signs on their front lawns flickered across the television screens. Then you saw buses arriving with curious prospective buyers from Europe and wealthy Latin Americans, followed by the real estate agent showing them the closets in the bedroom smashed in a fit of rage and despair. After my return I was struck by the sharp contrast between the agitated mood in the United States and the calm feeling of "business as usual" here in Germany. In the US the very real economic anxieties coincided with the hot end-spurt of one of the most momentous election campaigns in recent memory. The crisis also instilled a more acute awareness of their personal interests in broad sectors of the electorate. It forced people to make decisions that were, if not necessarily more reasonable, then at least more rational, at any rate by comparison with the last presidential election which was ideologically polarised by "9/11." America will owe its first black president – if I may hazard a prediction immediately before the election – and hence a major historical watershed in the history of its political culture, to this fortunate coincidence. Beyond this, however, the crisis could also be the harbinger of a changed political climate in Europe.

*What do you have in mind?*

Such tidal shifts change the parameters of public discussion and in the process, the spectrum of political alternatives seen as possible. The Korean War marked the end of the New Deal, Reagan and Thatcher and the waning of the Cold War the end of the era of social welfare programs. Today, with the end of the Bush era and the bursting of the last neoliberal rhetorical balloons, the Clinton and New Labour programs have run their course too. What is coming next? My hope is that the neoliberal agenda will no longer be accepted at face value but will be suspended. The whole program of subordinating the lifeworld to the imperatives of the market must be subjected to scrutiny.

*According to the neoliberal slogan the state is just one player in the economic field and should play as small a role as possible. Is this way of thinking now discredited?*

That depends on what course the crisis takes, on the perceptual capacities of the political parties and on the issues that find their way onto the public agenda. In Germany, at any rate, things are still strangely calm. The agenda that recklessly prioritises shareholder interests and is indifferent to increasing social inequality, to the emergence of an underclass, to child poverty, a low wage sector, etc., has been discredited. With its mania for privatisation, this agenda hollows out the core functions of the state, it sells off the remnants of a deliberating public sphere to profit-maximising financial investors, and subordinates culture and education to the interests and moods of sponsors who are dependent on market cycles.

*Are the consequences of the privatisation mania becoming apparent in the financial crisis?*

In the United States the crisis is exacerbating the already apparent material, moral, social, and cultural damage caused by a policy of deregulation pushed to an extreme by the Bush administration. The privatisation of social security and health care, of public transport, the energy supply, the penal system, military security services, large sectors of school and university education, and the surrender of the cultural infrastructure of cities and communities to the commitment and generosity of private sponsors are part of a social design whose risks and consequences are difficult to reconcile with the egalitarian principles of a social and democratic constitutional state.

*State agencies are incapable of conducting business in accordance with economic imperatives.*

Yes, but certain vulnerable areas of life should not be exposed to the risks of stock market speculation, which conflicts, for example, with basing provision for the elderly on shares. In democracies there are also some public goods, for example undistorted political communication, which cannot be tailored to the profit expectations of financial investors; the citizens' need for information cannot be satisfied by the culture of easily digestible sound bites that flourishes in a media landscape dominated by commercial television.

*Are we experiencing a "legitimation crisis" of capitalism, to quote the title of a controversial book of yours?*

Since 1989-90 it has become impossible to break out of the universe of capitalism; the only option is to civilize and tame the capitalist dynamic from within. Even during the post-war period, the Soviet Union was not a viable alternative for the majority of the Left in Western Europe. This was why in 1973 I wrote on legitimation problems "in" capitalism. These problems have again forced their way onto the agenda, with more or less urgency depending on the national context. A symptom of this are the demands for caps on managers' salaries and the abolition of "golden parachutes," i.e. the outrageous compensation payments and bonuses.

*But aren't such policies merely window dressing? There are elections coming up next year.*

Yes, this is of course symbolic politics designed to divert attention away from the failures of the politicians and their economic consultants. They have been aware of the need for regulation on the financial markets for a long time. I just reread Helmut Schmidt's crystal-clear article "Regulate the New Mega-Speculators" from February 2007 in Die Zeit. Everyone knew what was going on. In America and Great Britain, however, the political elites viewed the wild speculation as useful as long as things were going well. And Europe succumbed to the Washington Consensus. In this regard there was also a broad coalition of the willing for which Mr. Rumsfeld didn't need to advertise.

*The Washington Consensus was the notorious economic plan proposed the IMF and the World Bank in 1990 that was supposed to provide the template for economic reform, first in Latin America and then throughout half of the world. Its central promise was "Trickle Down": led the rich become richer and affluence will trickle down to the poor.*

Empirical evidence of the falsehood of this prognosis has been accumulating for many years. The effects of the increase in affluence are so asymmetrical, at both the national and the global level, that the zones of poverty have grown before our very eyes.

*Let's confront the past a bit: How did it come to this? Did the end of the communist threat strip capitalism of its inhibitions?*

The form of capitalism reined in by nation-states and Keynesian economic policies – which, after all, conferred historically unprecedented levels of prosperity on the OECD countries – came to an end somewhat earlier, already with the abandonment of the system of fixed exchange rates and the oil crisis. The economic theory of the Chicago School already acquired practical influence under Reagan and Thatcher. This merely continued under Clinton and New Labour – and during the period as British chancellor of the exchequer of our most recent hero Gordon Brown. However, the collapse of the Soviet Union led to a fatal triumphalism

in the West. The feeling of being among the winners of world history is seductive. In this case it contributed to inflating a theory of economic policy into a worldview permeating all areas of life.

*Neoliberalism is a form of life. All citizens are supposed to become entrepreneurs of their own labour power and to become customers...*

...and competitors. The stronger who win out in the free-for-all of the competitive society can claim this success as their personal merit. It is deeply comical how managers – though not just them – fall prey to the absurd elitist rhetoric of our talk shows, let themselves be celebrated in all seriousness as role models and mentally place themselves above the rest of society. It's as if they could no longer appreciate the difference between functional elites and the ascriptive elites of estates in early modern societies. What is so admirable about the character and mentality of people in leading positions who do their job in a halfway competent manner? Another alarm signal was the Bush Doctrine announced in Fall 2002, which laid the groundwork for the invasion of Iraq. The social Darwinist potential of market fundamentalism has since become apparent in foreign policy as well as in social policy.

*But Bush wasn't alone. He was flanked by an impressive horde of influential intellectuals.*

Many of whom have learned nothing in the meantime. In the case of leading neoconservative thinkers like Robert Kagan, the thinking in terms of predatory categories à la Carl Schmitt has become only more apparent after the Iraq disaster. His recent commentary on the current regression of international politics into a nuclear armed and increasingly unrestrained power struggle is: "The world has returned to normal."

*But to repeat: What went wrong at the political level after 1989? Did capital become too powerful vis-a-vis politics?*

It became clear to me during the 1990s that politics must build up its capacities for joint action at the supranational level if it is to catch up with the markets. There even seemed to be initial steps in this direction during the early part of the decade. George Bush the elder spoke in a programmatic way of a New World Order and seemed to want to make use of the long blocked – and ridiculed! – United Nations! There was initially a sharp increase in the number of humanitarian interventions enacted by the Security Council. The politically intended economic globalisation should have been followed by a system of global political coordination and a further legal codification of international relations. However, the initial ambivalent efforts lost momentum already under Clinton. The current crisis is making us aware of this deficiency again. Since the beginning of the modern era, the market and politics have had to be repeatedly balanced off against one another in order to preserve the network of relations of solidarity among the members of political communities. A tension between capitalism and democracy always remains, because the market and politics rest on conflicting principles. The flood of decentralised individual choices unleashed within more complex networks also calls for regulations after the latest phase of globalisation; this is contingent on a corresponding extension of political procedures through which interests are generalised.

*What does that mean? You continue to support Kant's cosmopolitanism and advocate Carl Friedrich von Weizsäcker's idea of a global domestic politics. That sounds downright illusory – how should we think of it? After all, you need only consider the current state of the United Nations.*

I must admit that a reform of the core institutions of United Nations from the ground up would not go far enough. To be sure, the Security Council, the Secretariat, the Tribunals, and the powers and procedures of these institutions in general must as a matter of urgency be made fit for a global implementation of human rights and the effective prohibition on violence – in itself an immense task. However, even if the United Nations Charter could be developed into a kind of constitution for the international community, this framework would still lack a forum in which the militarised struggle of the major powers would be transformed into institutionalised negotiations concerning the problems of the global economy in need of regulation, including problem of climate and environmental policy, of the distribution of contested energy resources, scarce supplies of drinking water, etc. At this transnational level problems of distribution arise that cannot be dealt with in the same way as violations of human rights or infringements of international security – in the final instance as prosecutable offences – but have to be worked out through political negotiations.

*But an institution responsible for this already exists, the G8.*

That's an exclusive club in which some of these issues are discussed in a noncommittal way. As it happens, there is a revealing discrepancy between the overhyped expectations associated with these events and the meager results of the media spectacles that remain without consequences. The illusory weight of expectation shows that the populations are very well aware – perhaps even more acutely aware than their own governments – of the unresolved problems of a future global domestic politics.

*That sounds suspiciously like the dreams of a ghost-seer.*

Just a few days ago most people would have regarded what is happening today as unrealistic. The European and Asian governments are outdoing each other with regulatory proposals to address the deficient institutionalisation of the financial markets. Even the SPD in the CDU are presenting proposals on accounting rules and capital adequacy ratios, on the personal liability of managers, on improved transparency and oversight of the stock market, etc. Of course, a tax on stock market transactions, which would already go some way towards a global tax policy, is rarely mentioned. In any case, the new "architecture of the financial system" announced with much fanfare will not be easy to implement against US resistance. As to whether it would even go far enough given the complexity of these markets and the worldwide interdependence of the most important functional systems... International treaties, which is what the parties currently have in mind, can be revoked at any time. They cannot provide the basis for a watertight regime.

*Even if new powers were transferred to the International Monetary Fund, that would not amount to a global domestic politics.*

I don't want to make predictions. Given the scale of the problems, the most we can do is to think about constructive proposals. The nation-states must understand themselves increasingly as members of the international community – even in their own interest. That is the most difficult task that needs to be tackled over the next couple of decades. When we speak of "politics" with this stage in mind, we often think of the actions of governments which have inherited the self-understanding of collective actors who make sovereign decisions. However today the continuity of this self-understanding of the state as a Leviathan, which developed since the seventeenth century in tandem with the European system of states, has already been broken. The substance and composition of what we used to call "politics" in the international arena is constantly shifting.

*But how does that fit with the social Darwinism in international relations which, as you claim, has again become prominent on the global political stage since 9/11?*

Perhaps we should take a step back and look at a somewhat larger context. Since the late eighteenth century, law has gradually permeated the politically constituted power of government and stripped it of the substantive character of mere "force" in the domestic sphere. In its external relations, however, the state has preserved enough of this substance, in spite of the growth of intertwined international organisations and the increasingly binding power of international law. The concept of the "political" shaped by the nation-state is nevertheless in a state of flux. Within the European Union, for example, the member states continue to enjoy their monopoly on legitimate force while nevertheless implementing the laws enacted at the supranational level more or less without demur. This transformation of law and politics is also bound up with a capitalist dynamic which can be described as a periodic interplay between a functionally driven opening followed in each instance by a socially integrative closure at a higher level.

*Does this mean that the market splits society apart and the welfare state closes it up again?*

The welfare state is a late and, as we are now learning, fragile accomplishment. Expanding markets and communications networks have always had an explosive force with simultaneously individualising and liberating consequences for individual citizens; but each of these breaches has been followed by a reorganisation of the old relations of solidarity within a more comprehensive institutional framework. This process began during the early modern period as the ruling estates of the High Middle Ages were progressively parliamentarised, as in England, or mediated by absolute monarchs, as in France, within the new territorial states. The process continued in the wake of the constitutional revolutions of the eighteenth and nineteenth centuries and the welfare state legislative programs of the twentieth century. This legal

taming of the Leviathan and class antagonism within civil society was no small matter. For the same functional reasons, however, this successful constitutionalisation of state and society points today – following a further phase of economic globalisation – towards the constitutionalisation of international law and of the strife-torn world society.

*What role does Europe play in your scenario?*

Not the one it has in fact played in the crisis. It is not clear to me why the recent crisis management of the European Union is being praised so highly. Gordon Brown was able to bring the American finance minister Paulsen to reinterpret the laboriously negotiated bailout with his memorable decision because he brought the most important players in the Eurozone on board through the mediation of the French president and against the initial resistance of Angela Merkel and her minister of finance Peer Steinbrück. You need only examine this negotiation process and its outcome more closely. For it was the three most powerful among the nation-states united in the EU who agreed as sovereign actors to coordinate their different measures which happened to point in the same direction. In spite of the presence of Messrs Juncker and Barroso, the way this classical international agreement came about had almost nothing to do with a joint political will-formation of the European Union. The New York Times duly registered, not without a hint of malice, the Europeans' inability to agree upon a joint economic policy.

*How do you account for that?*

The present course of the crisis is making the flaw in the construction of the European Union manifest: every country is responding with its own economic measures. Because the competences in the Union, simplifying somewhat, are divided in such a way that Brussels and the European Court of Justice implement the economic freedoms whereas the resulting external costs are palmed off on the member states, there is at present no joint will-formation at the level of economic policy. The most prominent member states are even divided over the principles governing how much state and how much market is desirable in the first place. Moreover each country is conducting its own foreign policy, Germany first and foremost. The Berlin Republic, for all its quiet diplomacy, is forgetting the lessons that the old Federal Republic drew from history. The government is exploiting the extended room for manoeuvre in foreign policy it has gained since 1989-90 and is falling back into the familiar pattern of national power politics between states, though the latter have long since shrunk to the format of minor princedoms.

*But what could these princedoms do? What would be the next step?*

Are you asking me for my wish list? Since under the present conditions I regard graduated integration or different speeds of unification as the only possible scenario for overcoming the present stagnation, Sarkozy's proposal for an economic government of the Eurozone can serve as a starting point. This does not mean that we would have to accept the statist background assumptions and protectionist intentions of its sponsor. Procedures and political results are two different things. The "closer cooperation" in the field of economic policy would have to be followed by "closer cooperation" in foreign policy. And neither could be conducted any longer through backroom deals behind the backs of the populations.

*You won't find support for that even in the SPD.*

The SPD leadership is abandoning this idea to the Christian Democrat Jürgen Rüttgers, the "labour leader" in the Rhine and Ruhr region. All across Europe the social democratic parties have their backs to the wall because they are being forced to play zero-sum games with shrinking stakes. Why don't they embrace the opportunity to break out of their national cages and gain a new room for manoeuvre at the European level? In this way they could even set themselves apart from the regressive competition from the left. Whatever "left" and "right" still mean today, only together could the Eurozone countries acquire sufficient weight in world politics to be able to exert a reasonable influence on the agenda of the global economy. The alternative is to act as Uncle Sam's poodle and throw themselves at the mercy of a global situation that is as dangerous as it is chaotic.

*Speaking of Uncle Sam – you must be deeply disappointed with the United States. For you the US was supposed to be the draft horse of the new world order.*

Do we have any alternative except to bet on this draft horse? The United States will emerge weaker from the current dual crisis. However, it remains for the present the liberal superpower and it finds itself in a situation which encourages it to overhaul its neoconservative self-image as the paternalistic global benefactor. The worldwide export of its own form of life sprang from the false, centralised universalism of the Old Empires. By contrast, modernity rests upon the decentralised universalism of equal respect for everyone. It is in the interest of the United States not only to abandon its counterproductive stance towards the United Nations but to place itself at the head of the reform movement. Viewed historically, the confluence of four factors – superpower status, the oldest democracy in the world, the assumption of office of a, let's hope, liberal and visionary president, and a political culture that provides an impressive sounding board for normative impulses – represents an improbable constellation. Today America is deeply distraught by the failure of the unilateral adventure, the self-destruction of neoliberalism and the abuse of its exceptionalist consciousness. Why shouldn't this nation, as it has so often in the past, pull itself together and try to bind the competing major powers of today – the global powers of tomorrow – before it is too late into an international order that no longer needs a superpower? Why shouldn't an American president – buoyed by a watershed election – who finds that his scope for action in the domestic arena is severely constrained want to embrace this reasonable opportunity – this opportunity for reason – at least in foreign policy?

*The so-called realists would dismiss your proposal with a jaded smile...*

I realise that many things speak against it. The new American president would have to overcome the resistance of the elites within his own party who are subservient to Wall Street; he would doubtlessly also have to be dissuaded from succumbing to the reflexes of a new protectionism. In addition, the United States would need the friendly support of a loyal yet self-confident ally in order to make such a radical change of direction. A West that is "bipolar" in a creative sense will become possible, of course, only when the EU learns to speak with one voice in foreign policy and, indeed, to use its internationally accumulated capital of trust to act in a farsighted manner itself. The "Yes, but..." is obvious. Yet in times of crisis there is perhaps more need of a somewhat broader perspective than the advice of the mainstream and the petty manoeuvring of politics as usual.

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**Jürgen Habermas** currently ranks as one of the most influential philosophers in the world. Bridging continental and Anglo-American traditions of thought, he has engaged in debates with thinkers as diverse as Gadamer and Putnam, Foucault and Rawls, Derrida and Brandom. His extensive written work addresses topics stretching from social-political theory to aesthetics, epistemology and language to philosophy of religion, and his ideas have significantly influenced not only philosophy but also political-legal thought, sociology, communication studies, argumentation theory and rhetoric, developmental psychology and theology. Moreover, he has figured prominently in Germany as a public intellectual, commenting on controversial issues of the day in German newspapers such as *Die Zeit*. (Quoted from *The Stanford Encyclopedia of Philosophy*).