

SYMPOSIUM  
CAPITALISM AND CRITICAL THEORY



CAPITALISM, SOCIALISM, AND DEMOCRACY

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# Capitalism, Socialism, and Democracy

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## Introduction

**C**apitalism. *A Conversation in Critical Theory*, written in the form of a dialogue between Nancy Fraser and Rahel Jaeggi, two eminent scholars of contemporary Critical Theory, is an extremely rich book, full of very inspiring thoughts, suggestions and points for reflection. It constitutes a sort of point of convergence for the different research paths that Fraser – as well Jaeggi – has been pursuing over recent years through an enormous quantity of articles, presentations, interviews. But it represents also a sort of compendium of the themes and issues that are currently at the centre of the debates within contemporary Critical Theory. In the following presentation and discussion of the main issues elaborated in the text, I will focus mainly on Fraser’s research project. I will leave aside a discussion of the different research paths of Rahel Jaeggi, who is not only a

dialogue partner of Fraser but who also outlines, in some passages of the book, her own different theoretical approach.

As one reads in the first pages of the book, the discussion developed in this book is motivated by a fundamental aim: the aim of actualizing “the original idea of critical theory as an interdisciplinary project aimed at grasping society as a totality” (Fraser-Jaeggi 2018, 5). In the most recent decades – so argue Fraser and Jaeggi – most of those who think of themselves as critical theorists abandoned the terrain of a large-scale social theory of capitalist societies and went on to freestanding moral, political, or legal theory. On the one hand, they no longer linked normative questions to the analysis of societal tendencies and to a diagnosis of the times; on the other hand they simply stopped trying to understand capitalism as such (*ibid.*).

Accordingly, the dialogue in *Critical Theory* between Fraser and Jaeggi seeks to contribute to reversing this tendency. Fraser’s main task, in particular, is to elaborate a large-scale social theory of capitalism, focused on its “deep structures and driving mechanisms, its defining tensions and contradictions, or its characteristic forms of conflict and emancipatory possibilities” (*ibid.*). This theory should therefore renew the original spirit of the left-Hegelian project, still present in the first *Critical Theory* of Frankfurt School: it should renew the link between normative critique and social analysis.

In developing her project, Fraser is also motivated by a sharp diagnosis of our current situation. In her view, we are faced nowadays with a deep crisis of the social order in which we live: a crisis that makes evident the “palpable fragility of capitalism.” The current crisis is multidimensional. Certainly, with the economic crisis of 2008 we experienced an economic and financial crisis, comparable to that of 1929, which has meant further growth in inequality, unemployment, and maldistribution of wealth. But we are also living in other forms of crisis: an ecological crisis, a

democratic crisis, a general care crisis. A large social theory of capitalism focused on its “crisis tendencies” and “contradictions” should clarify that all of these different crises can be structurally connected. All of those crises are not merely objective dysfunctionalities that we observe from the outside in a neutral way. We experience them also from a participant perspective, and from this point of view they can become for us historical occasions for a praxis oriented toward radical transformations. They can motivate social action that “transgresses the bounds of the established social order and opens the possibility for major institutional change” (*ibid.*, 68). So we need a large-scale social theory of capitalism also to find an orientation for those of our political struggles and efforts which are triggered by the crisis. This is another way of rediscovering another fundamental characteristic of the original Critical Theory: its capacity to link social theory and normative critique with a political praxis of emancipation.

For Fraser, the first step to develop a large-scale social theory of capitalism is to abandon a restricted view of capitalism, which sees it exclusively as an economic system – an autonomous, self-regulating system that functions independently of the rest of society. We have to analyze capitalism not as an economic system but as a social totality: a set of institutionally differentiated social spheres, interrelated with each other, of which the economic is only a “subsystem,” albeit a predominant one.

To reach this new understanding of capitalism Fraser integrates the insights of Marxism with those of newer paradigms, including feminism, ecology, and postcolonialism. The lessons of Karl Polanyi, the Hungarian philosopher, sociologist, historian, and economist, author of the well-known book *The Great Transformation*, also plays a very important role in her project: not by chance does Fraser call her approach “a neo-Polanyian approach to capitalism.”

## I

### Conceptualizing capitalism

To clarify what an enlarged view of capitalism consists of, Fraser and Jaeggi clarify anyway first of all what a narrow conception of capitalism consists in. In the first step, Marx and Weber are the main points of reference. In the next steps they try to de-orthodoxize the initial definition of capitalism, by showing how its core features relate to other things and how they manifest in real historical circumstances.

Capitalism is initially defined as a mode of organization of the economy characterized by four defining features:

(1) The private ownership of the means of production and class division between owners and producers; historically connected with the break-up of prior social formations in which most people had some access to means of subsistence and to means of production without having to access these through labor markets;

(2) The institutionalized marketization and commodification of wage labor and the related tendency to exploit the labor force;

(3) The dynamic of capital accumulation, premised on an orientation toward the expansion of capital as opposed to consumption. Capitalism is peculiar in having an objective systemic thrust: namely, toward the accumulation of capital. As Fraser writes “Everything the owners do is and must be aimed at expanding their capital. Not to expand is to die, to fall prey to competitors” (*ibid.*, 18);

4) A peculiar centrality of markets. Capitalism uses markets not only for distribution of goods for personal consumption, but also for allocating productive inputs and general societal resources that are intrinsically trans-individual or collective. Capitalism hands the most important human matters over to market forces – for example, where people want to invest their collective energies, the surplus accumulation of the economy and so on. For Fraser what is really distinctive of capitalism is “the removal of fundamental

questions from the purview of human determination, the ceding of them to an impersonal mechanism geared to the maximal self-expansion of capital”. “Whatever else socialism might mean, it must entail collective democratic determination of the allocation of social surplus” (*ibid.*, 25).

Already these four characteristics are sufficient to explain why the capitalistic economy has a constant tendency to generate economic crises, such as the succession of cycles of expansion and decline, the formation of structural unemployment, the tendency of capital to move from production to finance and the tendency of the rate of profit to fall. So far, however, the analysis of capitalism follows an “orthodox” Marxian model – as Fraser admits. This is not enough to gain a wider view of capitalism and its crises. The second step is therefore to clarify in what sense capitalism is something more than those institutions and social practices that are directly economic. Fraser invites us to shed light on the hidden “conditions of possibility” of the capitalist economy and its processes of capital accumulation. She wants to show exactly why the Marxian definition of capitalism is inadequate – by demonstrating that the four core features we have identified rest on certain other things, which constitute their background conditions of possibility. As Fraser explains, one should reiterate the method that Marx applied in *Capital* when he shifted attention away from the exchange of goods to their production, and away from the relations of production and exploitation to the primitive capitalist accumulation.

If Karl Marx is the main theoretical reference of the first step of Fraser’s analysis, Karl Polanyi is her reference for the second step. In his book *The Great Transformation*, as is well known, the Hungarian social theorist shows, through historical arguments, how the birth of the idea of a capitalist market economy represents a radical discontinuity with respect to all previous eras. According to Polanyi, in the past, the economic order had always been a

function of the social order in which it was contained. Embedded markets were the historical norm; throughout most of history, markets were subject to external controls (political, ethical, religious), which limited what could be bought and sold, by whom, and on what terms.

In contrast, the disembedded market is historically anomalous and specific to capitalism. In theory, disembedded markets are “self-regulating”: they establish the prices of the objects traded on them through supply and demand, a mechanism internal to the market, which trumps external norms.

However, to produce this effect – noted Polanyi – capitalism must transform the rest of society into a “market society.” To create a self-regulating market, free-market politicians have sought to commodify all the necessary preconditions of commodity production. Turning labour, nature and money into objects for sale on “self-regulating” markets, they proposed to treat those fundamental bases of production as if they could be commodities like any other. In fact, however, as Polanyi stresses, this project of “fictitious commodification” was self-contradictory. From Polanyi’s perspective, an unregulated labour market undermines and violates individual abilities. If money is left up to the unrestricted competitions of supply and demand, there will be uncontrollable financial speculation; and finally, if land becomes a commodity on a deregulated market, the plundering of nature and environmental damage will be the immediate result. This explains why any radical liberalization project – as that of the liberal capitalism of the nineteenth century – sooner or later produces counter-movements aimed to protect society from the marketization.

Fraser updates Polanyi’s approach.

She emphasizes how, on the one hand, capitalist economic production is not self-sustaining, but relies on background conditions of its possibility: these are social reproduction, non-



human nature, and political power. On the other hand, the capitalist's drive to unlimited accumulation threatens to destabilize the social, natural and political processes that capital requires. The effect over time can be to jeopardize the necessary background conditions of the capitalist economy.

More in detail, Fraser's neo-Polanyan approach aims to show how capitalism must be conceived as an "institutionalized social order." This formulation points out the existence of structural divisions and institutional separations. Capitalism's economy stands in a complex relation to its background conditions that are institutionally divided from it: in "a relation of division-dependence-disavowal." It is divided from them but, at the same time, "it depends on them for various 'inputs,' including people, and for various forms of political and social organization without which it couldn't profitably produce and sell commodities, access and exploit labor, and accumulate and appropriate surplus value on a sustained and ongoing basis" (*ibid.*, 72). But "capitalism's economy also stands in a relation of *denial* vis-à-vis its background conditions. It disavows its dependence on them by treating nature, social reproduction, and public power as 'free gifts,' which are inexhaustible, possess no (monetized) value, and can be appropriated *ad infinitum* without any concern for replenishment" (*ibid.*). This kind of relation is a built-in source of potential instability, a recipe for periodic crisis (*ibid.*).

Four divisions are constitutive in the capitalist society. "First, the institutional separation of economic production from social reproduction, a gendered separation that grounds specifically capitalist forms of male domination" (*ibid.*, 52) Second, the institutional separation of economy from polity, a separation that expels matters defined as "economic" from the political agendas of territorial states, while freeing capital to roam in a transnational no-man's land, where it reaps the benefits of hegemonic ordering while escaping political control; third, the ontological division

between its (non-human) “natural” background and its (apparently non natural) “human” foreground which predates capitalism but is massively intensified under it; and finally, the institutionalized distinction between exploitation and expropriation, which grounds specifically capitalist forms of imperial predation and racial oppression (*ibid.*, 52-53).

To sum up: Capitalism harbors other, ‘noneconomic’ contradictions and crisis tendencies. It contains a social-reproductive contradiction: a tendency to take as much ‘free’ reproductive labor as possible for capital’s benefit, without any concern for the replenishment of this labor. As a result, it periodically gives rise to ‘crises of care,’ which exhaust women, families, and communities. It contains an ecological contradiction; an inherent tendency to reduce nature to a ‘tap’ dispensing energy and raw materials on one hand, and to a ‘sink’ for absorbing waste on the other – both capacities that capital freely appropriates but does not replenish. Likewise, this social formation houses a political contradiction: a tendency to limit the purview of politics, devolving fundamental matters of life and death to the rule of “the markets,” and turning state institutions into capital’s servants. As Fraser writes: “for systemic reasons capitalism is disposed to frustrate democratic aspirations, to hollow out rights and public powers, and to generate brutal repression – entanglement with imperialism and racial oppression – endless wars, and crises of governance.”

Fraser emphasizes that these other contradictions are often muted, and the associated crisis tendency remains obscured. It becomes acute, however, when capital’s drive to expanded accumulation success to fully escape from its social bases and turns against them.

## II Historicizing capitalism

In the second chapter of their book, Fraser and Jaeggi emphasize that capitalism is also “a historical social order that changes over time and that has different significant characteristics as things evolve through history.”

For this reason, over the course of its history, the capitalist organization has undergone important historical changes, often as a result of political struggles arising as a reaction to its contradictions and their sharpening in times of crisis. The idea here is that new regimes of accumulation react to crises of the old regime. But each regime of accumulation also introduces new problems of its own, which it is unable to resolve. For regime of accumulation Fraser means “a relatively stabilized institutional matrix, in which the accumulation dynamic is shaped and channelled by a specific organization of its background conditions”: “by a specific organization of public power at both the state and geopolitical levels, including political membership, citizenship rights, hierarchies of political subjectivation, and core/periphery relations”; “by a specific organization of social reproduction, including family forms and gender orders; and finally, by a specific ecological organization, including characteristic ways of generating energy, extracting resources, and disposing of waste” (*ibid.*, 64-65).

In the book, four capitalistic regimes of accumulation are distinguished:

1. mercantile or commercial capitalism;
2. liberal (competitive) capitalism;
3. the state-managed or social-democratic capitalism;
4. financialized and neoliberal capitalism, in which we presently find ourselves.

A fundamental thesis elaborated in this chapter is that a proper explanation of capitalist “regime change” must encompass (at least) two different levels: a system-level explanation and a social-level explanation. The first level aims to focus on crisis tendencies that are located within capitalism’s economy (“Marxian’ crisis tendency”) and that arise at the *boundaries* that divide the economy from its non-economic conditions of possibility (“quasi-Polanyian crisis tendencies”). The second level aims to focus on the level of experience and social action, and on the “social action that transgresses the bounds of the established social order and opens the possibility of major institutional change” (*ibid.*, 68). Fraser explains how capitalist societies are inherently prone to generate two types of struggle: “class struggles”, in the Marxian sense, and “boundary struggles,” in a sense reminiscent of Polanyi, which erupt at the sites of capitalism’s constitutive institutional divisions: where economy meets polity, where society meets nature, and where production meets reproduction. The key question is how these two types of struggle relate to each other in general crisis, in which all of capitalism’s inherent contradictions exacerbate one another (*ibid.*, 69).

### III

#### **Criticizing capitalism**

In the third chapter of the book, Jaeggi and Fraser try to clarify what are the most appropriate strategies to criticize capitalism. They distinguish three strategies of critique: a functionalist critique, a moral critique, and an ethical critique. The functionalist argumentative strategy holds that capitalism is intrinsically dysfunctional; the moral or justice-oriented mode of argument asserts that capitalism is morally wrong, unjust, or based on exploitation; finally, the ethical critique contends that a life shaped by capitalism is a bad, impoverished, meaningless, or alienated life.

In general, this chapter attempts to show how an adequate critique of an enlarged understanding of capitalism should succeed in integrating all three of these types of criticism.

In the narrow view of capitalism, typical of Marxism, capitalism can be criticized because it is an irrational system, inasmuch it has an intrinsic tendency to generate crisis (functionalist critique); it is an unfair economic system, inasmuch it exploits workers and appropriates their surplus value (moral critique); it is a physiologically undemocratic system, which limits political freedom and autonomy, in that it undermines the social conditions of democracy and removes the economy from democratic government (ethical critique).

But the capitalist system is also the source of non-economic crises: social, political, environmental crises (functionalist critique). It feeds many non-economic injustices: it reinforces gender asymmetries; it generates racial oppression, imperialism and expropriation against indigenous people; it generates an environmental injustice (moral critique). Finally, it generates normative contradictions that undermine the conditions of a good life, as conceived by the social actors themselves (ethical critique).

## IV

### **Contesting capitalism**

In the fourth and last chapter all the threads of the complex discussion converge on the question about the political perspectives opened up by the critical theory of capitalism as institutionalized social order. The enlarged conception of capitalism, outlined in the text, also implies an enlarged conception of social conflicts. As already outlined, there are not only political struggles within economic relations – class struggles on income, for example – but also struggles on the borders that delimit the economy from society, the economy from political democracy, the economy from

ecology. These “struggles on borders and over borders” – for the protection of social reproduction, of democracy, of natural ecosystems – are also anti-capitalist struggles, insofar as they stem from the will to oppose forms of domination anchored to the structure of capitalism. For Fraser, sexism, racism, imperialism, devastation of ecosystems, the attack on democracy, are all ideologies anchored, in modernity, in the functional divisions of capitalism.

The problem is that the social struggles – class struggles and boundary struggles – do not automatically converge on a single trajectory, as was assumed by Marxism with respect to class struggles. Evaluation criteria are therefore needed to differentiate which of these struggles on borders and over borders have a truly emancipatory character and which, instead, have a regressive character. In this regard, Fraser elaborates three criteria: each proposal for revision of the institutional divisions of capitalism must not reproduce forms of domination; it must be functionally sustainable in the long run; it must have the potential to be democratically institutionalized, so as to make it possible for the participants to question this same revision later. It is in the light of these three criteria, therefore, that the limits and potentials of the current social movements not strictly related to class conflicts are analyzed: anarchist, de-growth, post-colonial, decolonial and indigenous movements.

## V

### **Three questions: social differentiation, reforms, and populism**

After having summarized the main themes of the book, I would like to put the attention on three aspects of Fraser’s reflections which, in my view, need some further clarification.

1) The first aspect is related to the social theory on which Fraser's conception of the "enlarged view of capitalism as an institutionalized social order" is based. It seems to me that it is not entirely clear what role Fraser assigns at the level of social theory to the concept of modern functional differentiation.

On the one hand Fraser traces the modern process of functional differentiation back to capitalism, making it structurally related and dependent on capitalism itself. On the other hand, however, she seems not to consider the modern process of functional differentiation – the differentiation between economy and politics, economy and social reproduction, economy and nature – as something that can be simply overcome, in the same way as for her capitalism can and should be. According to this second line of argumentation, Fraser seems to distinguish more clearly between capitalism and the modern process of social differentiation. It remains however unclear what the latter's normative status might be.

This problem can also be formulated by referring to Fraser's critique of Habermas's conception of functional differentiation elaborated in *Theory of Communicative Action*. Fraser claims that her social theory is "far more historicist and anti-essentialist" than Habermas's dual social theory of modernization, which is based on the sharp differentiation between system and life world. On the one hand, Fraser admits that her approach is similar to Habermas's (and to Weber's), in the sense that it holds that capitalist society encompasses a plurality of "value spheres", each of which has its own inner logic of development, which must not be denied by a functionalist account reading each social sphere as a mere function of capitalist economy (*ibid.*, 68). A *social-level explanation* can show how each of the different modern social realms is based on different normativities and ontologies, on "sedimented patterns of action and interpretation, which are themselves subject to contestation, disruption, and transformation" (*ibid.*, 52). The

economic “system” of capitalist society can also be interpreted from this social-level perspective: it should be not conceived as a “norm-free” zone, devoid of communication, cooperation and struggle and sharply defined by a sphere-specific “action logic”, as Habermas conceived it. Capitalist economy has rather its own normativity: it is legitimized to the social actor’s eyes in regard to ethical values like autonomy, negative freedom, meritocracy, formal equality. On the other hand, Fraser underlines that the different social spheres in question must be viewed as “artefacts of capitalism” (68). *A systemic-structural explanation* can show how “each of them gets its distinctive quality (its normativity, its social ontology) from the position it occupies in the larger institutional structure – from the way it is set apart from, and made to contrast with, the other constitutive elements of that structure, including the capitalist economy” (*ibid.*, 68).

It seems to me that, while it is fully clear how Fraser’s account is “far more historicist and anti-essentialist” than Habermas’s account, it is not equally clear in which sense her approach can justify the legitimacy of the autonomy of social spheres of action, not from the empirical point of view of their occurred realization, but from the normative perspective of their desirability. As is well known, Habermas’s “essentialist” social theory justifies the modern process of social differentiation from a functionalistic as well from a normative perspective. On the one hand the “Entkoppelung” of the systems (economy and state) from the lifeworld makes possible a gain in efficiency with respect to social basic needs related to the material reproduction of society. On the other hand, the cultural autonomization and modernization of the lifeworld corresponds to the social basic needs of the symbolic reproduction of society and also frees potentials of communicative rationality. How Fraser’s “non essentialist and historicist” account can legitimize in normative terms the process of functional



differentiation? In which sense is it possible for Fraser to differentiate functional differentiation from ‘capitalism’?

2) The second question has to do with Fraser’s use of the concepts of contradiction and crisis. As we have seen, Fraser’s critical theory aims to be a theory of the crisis tendencies of capitalist societies. She makes a particular use of these concepts. Fraser does not think that contradictions and crises lead necessary to their dialectical overcoming. In this sense she doesn’t embrace any teleological and deterministic schemes related to a dialectical philosophy of history. However she continues to think that contradictions and crises could contain indications of a possible overcoming of them. More specifically, she thinks that the solution to the crisis that time over time affect capitalist societies can come only from an overcoming of capitalism as such, in a direction of a socialist society.

But is it possible to use the concepts of crisis and contradictions in another way? Given that today capitalist societies are living in a multidimensional crisis, why to exclude the possibility that these crises might be overcome in the future by a democratic regulation and limitation of capitalist processes of accumulation – by a reincorporation of economy in the ‘society’ and in the ‘ecology,’ which will not deprive society of the advantages that capitalist economy can offer in terms of innovation and efficiency in production and distribution, as well as in terms of the promotion of values like negative liberty, autonomy, and efficiency? Why exclude the possibility that capitalist societies might be able to overcome their current crisis by finding a new “regime of accumulation” based on a new social, democratic and ecological compromise?

3) The last theme it seems to me that needs some further clarification has to do with Fraser’s embracing of “progressive

populism.” In many passages of the book Fraser explains why Polanyi’s approach must be deeply revisited. Polanyi reads the dynamics of capitalism in the light of a double movement: in his reading of the desembedding of nineteenth century liberal capitalism from society, there were on the one hand the forces that were pushing for a deregulation of the markets and for an extension of commodification; and as a reaction, there were the political ‘countermovements’ that sought to protect society from market devastation. In contrast to Polanyi, Fraser believes a “triple movement” must be theorized. In fact, there exist in capitalist societies a spectrum of political and social struggles that cannot be reduced either to the pole of ‘marketization’ or to that of ‘social protection.’ These are the struggles of ‘emancipation,’ such as those carried out by anti-racist, anti-imperialist and pacifist movements, by the new left, by the second wave of feminism, by the LGBT liberation movement, and by multiculturalism.

I find extraordinarily important the way in which Fraser explains that each of the three political projects characterizing capitalist societies – the “triple movement” made by marketization, social protection, and emancipation – is inherently ambivalent. Struggles for social protection stem from opposition to the disintegrative effects of the market on communities, but can also strengthen the cultural hierarchies within communities themselves. Marketization can also have emancipatory effects, not only in a disintegrating way. Finally, even emancipatory movements can have the unwanted effect of legitimizing the logic of capitalist domination. An example of the latter is the “progressive neoliberalism” of recent years, which succeeded in ideologically integrating the battles of the new social movements of the sixties, making them functional for the new phase of capital expansion.

So, in light of the transformation of Polanyi’s scheme, Fraser analyzes the contemporary political scenarios, describing them as suspended between a crisis of hegemony of “progressive

neoliberalism,” born at the end of the last century from the convergence between economic neoliberalism and emancipation movements for recognition, and the recent rise of an “authoritarian and xenophobic populism,” born from the convergence of instances of social protection and anti-emancipatory struggles. The question for Fraser is now therefore what are prospects for a “progressive populism,” in order to produce a new counter-hegemonic social bloc, capable of addressing the general crises of neoliberalism. In any case, Fraser conceives “progressive populism” only as a transition to democratic socialism.

Regarding this point it seems to me that the way Fraser embraces the concept of populism and of a left-wing populism in particular – a concept elaborated currently also by Chantal Mouffe – needs further clarification.

In the first place, it seems to me that Fraser in her book doesn’t fully explain her interpretation of the idea of representative and constitutional democracy. In *The Democratic Paradox* (2000) Chantal Mouffe argues that the liberal democracy is the result of the articulation of two logics, which are intrinsically incompatible: the logic of equality and of popular sovereignty on the one hand, and the logic of individual liberties on the other. If the tension between equality and liberty manifests itself in an ‘agonistic’ way – in the form of a struggle between ‘adversaries’ – it guarantees the existence of pluralism. Would Fraser embrace C. Mouffe’s formulation? Or would she rather embrace Habermas’s idea, as formulated in *Facts and Norms*, of a circularity between public autonomy and private autonomy? And if the latter is the case, how reconcile this conception with her embrace of populism? Put otherwise: what role do the principles of constitutional democracy – separation of power, fundamental rights, etc. – play in her conception of a post-capitalist and socialist society?

The second question relating to the issue of populism has to do with another problem. How can Fraser reconcile the national-

popular concept of the people, as mediated by all versions of populism, including left-wing populism, with the internationalist perspective that in her view must orient a renewal of socialism and emancipatory anti-capitalist struggles?

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