OXFORD

NEW SPIRITS OF CAPITALISM?

Crises, Justifications, and Dynamics

EDITED BY PAUL DU GAY & GLENN MORGAN

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Great Clarendon Street, Oxford, OX2 6DP,
United Kingdom

Oxford University Press is a department of the University of Oxford.
It furthers the University's objective of excellence in research, scholarship,
and education by publishing worldwide. Oxford is a registered trade mark of
Oxford University Press in the UK and in certain other countries

First Edition published in 2013
Impression: 1

British Library Cataloguing in Publication Data
Data available

Library of Congress Cataloging in Publication Data
Data available

ISBN 978–0–19–959534–1

Printed in Great Britain by
MPG Books Group, Bodmin and King's Lynn

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Preface

This book began life when the two editors, Paul du Gay and Glenn Morgan, worked together at Warwick Business School (WBS). The publication of Boltanski and Chiapello's book *The New Spirit of Capitalism* clearly offered the possibility to link the distinctive interests characteristic of WBS at the time across a number of dimensions, that is, cultural theories of social reproduction and change, the evolution of work organization, the nature of management in the public and private sectors, as well as the analysis of new forms of capitalism. The book's range, depth of theoretical insight, and empirical detail offered plenty for 'critical' social scientists inside and outside business schools to engage with, not least in the context of the unfolding of the financial crisis. Therefore, following a number of preliminary meetings, the editors decided to organize a small workshop focusing on the explanatory power and reach of the New Spirits thesis, and its capacity to speak to and elucidate the contemporary crisis of financialized capitalism. The event was co-funded by WBS and the ESRC Centre for Research on Social and Cultural Change (CRESC) based at the University of Manchester and the Open University and of which Paul du Gay was a member. We would like to thank both organizations for their support. We would also like to thank all the participants for their contributions, and in particular Luc Boltanski and Eve Chiapello for accepting our invitation to the workshop and taking part in an open and constructive way, even when their book was subjected to heavy criticism. Following the workshop, the editors decided to develop this book drawing in part on papers presented at the original workshop but also commissioning new papers. We would like to thank all the authors for their cooperation in this process, and to express our gratitude to David Musson and Emma Booth at Oxford University Press for encouraging us in this endeavour and helping us to bring it to fruition. Our overall aim was not only to provide both a balanced critique and overview of *New Spirit* (a decade or more after its original publication in French) but also to show how it could be deployed in a variety of empirical studies to develop new insights into the functioning and regulation of capitalism in the contemporary era. We hope the book will encourage others to continue to address and develop the crucial issues which *The New Spirit of Capitalism* elucidated.

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May 2012

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Eve Chiapello is Professor at the HEC School of Management, Paris, France. She teaches Economic Sociology, Organization Theory, Qualitative Research Methods, and Social Studies of Management Instruments. She has published the following books: *Artistes versus Managers* (Paris: Métailié, 1998) and *Le Nouvel Esprit du Capitalisme* (Paris: Gallimard, 1999, with Luc Boltanski), translated to English (*The New Spirit of Capitalism*, Verso, 2005). She has also published several articles in *Accounting, Organizations and Society, Sociologie du travail, Critical Perspectives on Accounting, Discourse and Society, European Journal of Social Theory*, etc.

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Understanding Capitalism: Crises, Legitimacy, and Change Through the Prism of *The New Spirit of Capitalism*

Paul du Gay and Glenn Morgan

Introduction

Published in France in 1999 (and then in English in 2005 with a new preface), *The New Spirit of Capitalism* (NSC) immediately became something of a publishing sensation in France (and later in the United Kingdom and the United States), enjoying a scope and scale of public commentary rarely enjoyed by social science texts, especially ones weighing in at 843 densely argued pages. It received considerable attention in the French media, for example, sparking debate not simply about the meaning, significance, and effects of contemporary mutations in economic and organizational life, but becoming a reference point in political discussions about the future of the welfare state and the possibilities both of collective action in a 'networked' world, and of reconciling the interests of social justice with the 'laws of the markets' (Leca and Naccache, 2006). Such a reception is not as surprising as it might first appear, not simply because the themes of the text spoke to a popular sense of discontent concerning the nature, direction, and consequences of the 'neo-liberal' experiment (in France, as elsewhere), but also because this massive book offered a comprehensive and subtle series of discrete but inter-related arguments (it is really several books under one set of covers)—combining sociological and cultural analysis, socio-historical narrative, political economy, and engaged advocacy (Budgen, 2000: 149)—that chimed with ongoing debates about the meaning, significance, and effects of changing forms of capitalism and the role of neo-liberalism as these were being articulated in a disparate range of fields (Blackledge, 2007; Budgen, 2000; Fligstein, 2006; Guilhot, 2000; Katz, 2007; Kemple, 2007; Kogut, 2000; McTavish, 2009; Mohanty, 2010; Parker, 2008; Piore, 2000; Reid, 2000; Ross, 2000; Turner, 2007). When taken together, these arguments offered some important clues as to how and why neo-liberalism has proven so resilient and adaptable when faced with evidence of its own hubris. This edited book was therefore born out of the effort to interrogate the perspectives, tools, and techniques developed by Boltanski and Chiapello in relation to the development of neo-liberal capitalism in the period since their original publication and in particular the culmination of these developments in the ongoing crisis since the financial collapse of 2007–8.

The crisis of neo-liberalism and the *New Spirit of Capitalism*

The financial crisis that erupted in 2008–9 and whose latest turn, at the time of writing, has unfolded in the form of the so-called 'sovereign debt crisis' appear to signify the tipping point for a set of ideas and practices that have gained a remarkable hold over the conduct of governments, institutions, organizations, and individuals since the late 1970s. These ideas and practices are often gathered together under the heading of 'neo-liberalism', though they have elicited many categorizations—'advanced liberalism' (Rose, 1999), 'turbo capitalism' (Luttwak, 1999), 'knowing capitalism' (Thrift, 2005, and this volume), and 'the new spirit of capitalism' (Boltanski and Chiapello, 2005), to name but a few. While there are clearly explanatory dangers in grouping an often quite heterogeneous range of ideas, norms, devices, and techniques, frequently lashed up in contingent ways to address quite specific problems, in particular locales, under a single amorphous heading (thereby overplaying their coherence and homogeneity), it is not too fanciful to claim that the different branches and brands of this 'neo-liberalism' do share a certain family resemblance, thematically at least (Blyth, 2002; Burchell, 1996; Harvey, 2005; Peck, 2010; see also Foucault, 2008 for an early and prescient analysis of forms of neo-liberalism—the book is based on lectures delivered in 1978–9). Indeed, the term 'neo-liberalism' in a sense came to provide a certain rationality, a way of linking up these diverse developments so they appeared to partake of a coherent logic. And once they did so, once a kind of rationality could be extracted from them, allowing translations between them, it could itself be redirected towards both them and other objects and persons, which were able to be thought about in the same way—as for example, with the various uses of the term 'entrepreneurship', 'empowerment', 'market', and 'choice'. And such rationalities came to be embodied in or infused a range of practices for governing economic life, public management, medical care, welfare policy, and so on (du Gay, 1996; Foucault, 2008; Rose, 1999).

This neo-liberal rationality holds few surprises now. Indeed, its basic assumptions and technical repertoire are both relatively limited and easily delineated. They have not altered much over time, though their reach has expanded considerably. One of the dominant themes of this rationality, simply expressed, relates to what we might term 'the imagined market' (MacKenzie, 2005, 2006): the basic assumption that 'marketization' provides the best means of satisfying a range of aspirations, collective and individual, and that markets are in particular to be preferred to states and politics, which are at best inefficient and sclerotic, and at worst threats to liberty and freedom (Peck, 2010). The embeddedness of this approach in the discipline of economics, most particularly in the Chicago School, and its strong association with a politics that sought to shrink the state, at least in terms of its regulation of business and its provision of welfare and other collective services, created powerful coalitions of politicians, experts, and corporate interests at national and international levels that pushed forward forms of neo-liberal policies in many countries and international institutions from the 1980s onwards (on neo-liberalism and the discipline of economics, see Peck, 2010; also Fourcade, 2009; on the diffusion of neo-liberal ideas and their differential adoption in distinctive national contexts, see Blyth, 2002; Fourcade-Gourinchas and Babb, 2002; Prasad, 2006; Simmons et al., 2008; Streeck, 2009; on the role of international bodies such as the European Union (EU), the World Trade Organization (WTO), and the World Bank in these processes, see Abdelal, 2007; Chwieroth, 2010; Jabko, 2006).

The ongoing financial crisis has challenged many of the tropes of this rationality—how could it be that contemporary financial markets, perhaps some of the most complex and sophisticated market forms ever invented, could cause such untold trouble on such a massive scale, when economic theory, for instance, had demonstrated time and again that unregulated financial markets would be self-correcting? Similarly, how was it that financial institutions facing imminent collapse had to rely upon states—those sclerotic and inflexible enemies of liberty and efficiency—to rescue them? Surely, these dramatic events alone attest to certain problems with the tropes of marketization and thus point to some severe limits to the rationality of neo-liberalism to which they are attached. As Colin Crouch (2011) among others has indicated, though, such severe testing of neo-liberal rationality has had some perverse outcomes. States, for instance, hailed in 2008–9 as saviours of the financial system from its own self-destructiveness and thus as guarantors of social peace in Western societies (without the authoritative action that only states are capable of it is not difficult to imagine what the consequences for civic life would have been) have quite quickly found themselves under pressure once again to offload crucial aspects of their 'stateness' to the very markets they helped save from disaster. As the financial crisis has transmuted into a 'sovereign debt crisis', the very basis of state authority and political life and capacity has once again been put into question. Thus, both Greece and Italy have been forced to establish 'technocratic' governments committed to 'austerity' and massive reductions of the public sector budget in order to cut deficits and pay interest on government bonds. In Spain and Ireland, elected governments based on party allegiances rather than technocratic selection have nevertheless sought to appease the financial markets and their representatives in the International Monetary Fund (IMF) and the EU by imposing similarly stringent austerity packages. Elsewhere around Europe, governments have also been seeking to cope with this pressure to reduce deficits whilst maintaining popular legitimacy. Trade union action on specific issues such as job losses, wage cuts, changes in the employment rights of part-time and temporary workers, pension downgrades, etc., along with wider based protests against austerity and finance (e.g. as in the Occupy movement or the Indignados in Spain) as well as outbreaks of undirected, violent disorder, as in London, Madrid, Paris, and Athens in the period since 2010 attest to the stress which this conjuncture is placing on state authority and political life. National electorates feel they are being by-passed as governments develop austerity packages and policies designed in the first instance to appeal to (and to appease) financial market participants (Streeck, 2011). Many of the governing parties at the time of the financial crisis in 2007–8 have been turned out of office by disillusioned electorates, only to be replaced by other parties that have implemented swingeing austerity measures. Maintaining political legitimacy and support in these contexts has been highly precarious, dependent on the state of the opposition and the ability to mobilize specific discourses of 'national emergency' that fit with particular historical experiences and societal trajectories (see e.g. the discussions in Grant and Wilson, 2012). In many countries, extreme left and right wing parties seek to build on this disillusion with the existing political leadership, frequently through rejecting globalization and advocating renewed forms of national self-determination (often in conjunction with anti-immigrant rhetoric). In the European context, this is frequently articulated as part of a broader rejection of the economic, political, and social institutions of the EU in favour of a narrow nationalism or 'economic patriotism' (see Clift and Woll, 2012). The current situation therefore appears as a crisis in the relationship between the economic imperatives of neo-liberal capitalism and the political institutions of democracy, the welfare state, and the legitimacy processes that provide the necessary social cohesion for property rights, contracts, and the operation of capitalist markets (Streeck, 2011).

In 1944, reflecting on the depression of the inter-war years and the reforms of the New Deal, Polanyi identified the potential for combined crises of politics and the market in capitalism as leading to a double movement in which markets were 'tamed' by institutions that set limits on their extension and application, by, for example, establishing collective welfare provision, rights to trade union organization, taxation systems based on the ability to pay, regulation of financial institutions, etc. (Polanyi, 2001; first published in 1944). In the subsequent 'trentes glorieuses' in the developed economies, this taming could be seen as, in Streeck's terms, a 'beneficial constraint' (Streeck, 1997) that allowed a reformed capitalism to grow at least in part through releasing the consumption potential of the population as a whole, a point emphasized by members of the French 'regulationist' school such as Aglietta (1979) and Boyer (1990). The state played a central role in this by regulating the labour market in ways that increased nominal and, for a period, real wages, expanded employment through the public sector, managed output through manipulating the availability of credit as well as the broader fiscal context of economic growth, and, crucially, implemented a welfare system that provided a floor beneath which families could not fall as well as an educational and training system that increased the quality of 'human capital' and the possibilities of social mobility. For a time, this form of capitalism also enabled a stabilization in the rate of profit, though this was gradually undermined by the growth of trade union and employee power under Keynesian conditions leading to inflation and a struggle over distribution which led to what was labelled by the early 1970s as 'the profits squeeze' (Glyn and Sutcliffe, 1972), a phenomenon particularly associated with the United Kingdom and the United States but present also during the 1970s in other more corporatist societies such as France, Germany, Denmark, and Sweden.

The crisis of Keynesianism in the 1970s and its gradual replacement by neo-liberalism undermined each of these pillars and reflected the stagflation that emerged in this period, leading to declining real wages, increasing unemployment, decreased investment, and cuts in state expenditure. Even during the triumph of Keynesianism, neo-liberal economists drawing on Hayek, the polemical skills of Friedman, and the broad network of think-tanks and policy institutes built from the Mont Pelerin Society (see Mirowski and Plehwe, 2009; Peck, 2010) had argued that the policies of this era had reduced market incentives and this was leading to low productivity, low innovation, and low profits, all of which further reduced investment and increased unemployment. The resultant increases in state expenditure on social programmes led to high taxes and high inflation, further reducing incentives for investment. Therefore, governments needed to reduce taxation, increase labour market incentives, control the money supply, deregulate markets, cut barriers to foreign trade, and, above all, allow competition full rein between firms and in the labour and capital markets. These authors also articulated this as a critique of the politics of the era. Hayek's *The Road to Serfdom* (originally published in both the United Kingdom and the United States in 1944—the