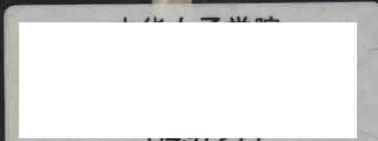




# STATE OF CRISIS

  
Zygmunt Bauman  
Carlo Bordoni

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Zygmunt Bauman and  
Carlo Bordoni

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First published in 2014 by Polity Press

Polity Press  
65 Bridge Street  
Cambridge CB2 1UR, UK

Polity Press  
350 Main Street  
Malden, MA 02148, USA

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ISBN-13: 978-0-7456-8094-1

ISBN-13: 978-0-7456-8095-8 (pb)

A catalogue record for this book is available from the British Library.

Typeset in 11 on 13 pt Sabon  
by Toppan Best-set Premedia Limited  
Printed and bound in Great Britain by Clays Ltd, St Ives PLC

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## Preface

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An essay written by four hands. Starting with the definition of 'crisis', this book develops along a path through the various forms taken on by the most serious problems of our changing times. It analyses current society according to Zygmunt Bauman in collaboration with Carlo Bordini.

The basic thesis of this book is that the crisis facing the Western world is not temporary, but the sign of a profound change that involves the whole economic and social system and will have long-lasting effects. Bordini theorizes a crisis of modernity and post-modernity, representing a contentious interregnum (a time-limited phenomenon that has left its aftermath in the present), while Bauman proposes new solutions within the framework of his theory of liquid society.

The final objective of this work is an original and previously unpublished analysis of the current condition of Western society, involving different aspects: from the crisis of the modern state to representative democracy, from neoliberal economics to the ongoing exit from mass society. A lively debate at a distance on the issues of the liquid society and an attempt to understand the present in order to prepare for the future. A sort of dictionary of the crisis, in which all the topics associated with it are discussed by the authors in an original way.

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assistant, Neil de Cort, production manager, and Leigh Mueller, copy-editor, for their professional help; moreover, Carlo Bordini wants to thank Wendy Doherty for her careful help in translation of his text.

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# 1

## Crisis of the State

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*In the twenty-first century, what will replace the nation state (assuming it is replaced by something) as a model of popular government? We do not know.*

Eric J. Hobsbawm<sup>1</sup>

### A definition of crisis

**Carlo Bordoni** *Crisis*. From the Greek word κρίσις, 'judgement', 'result of a trial', 'turning point', 'selection', 'decision' (according to Thucydides), but also 'contention' or 'quarrel' (according to Plato), a standard, from which to derive *criterion*, 'means for judging', but also 'ability to discern', and *critical*, 'suitable to judge', 'crucial', 'decisive' as well as pertaining to the art of judgement.

A word that occurs frequently in newspapers, on television, in everyday conversation, which is used to justify, from time to time, financial difficulties, increases in prices, a decrease in demand, a lack of liquidity, the imposition of new taxes or all these things taken together.

Economic crisis is – according to dictionaries – a phase of recession characterized by a lack of investments, a decrease in production, an increase in unemployment, a term that has the general



meaning of unfavourable circumstances, often linked to the economy.

Any adverse event, especially concerning the economic sector, is 'blamed on the crisis'. It is an attribution of responsibility absolutely depersonalized, which frees individuals from any involvement and refers to an abstract entity sounding vaguely sinister. This is because, some time ago, the word 'crisis' lost its original meaning and has since taken on a purely economic connotation. It has replaced other words that have been abused historically, such as 'conjuncture', which was often used in the 1960s and 1970s, when the general economic situation was more optimistic, and gave way to seasons in which mass consumerism reigned undisturbed.

Experiencing a period of 'conjuncture' was considered to be a painful but necessary transition in order to reach a new phase of prosperity. It was a time of adjustment in which to prepare the ground, refine strategies and recharge in order to regain strength and security and negotiate bargain deals as soon as things stabilized.

Conjuncture was a short period compared to all the rest. The term already implied a positive attitude that was confident about the immediate future, in contrast to other terms commonly used to indicate the economic difficulties in the past. After the Wall Street Crash of 1929, the *Great Depression* set in. Still today, this term, in comparison with 'conjuncture', evokes doomsday scenarios, and suggests a severe, long-term recession, combined with deep existential distress – something from which it is extremely difficult to recover, marked by the inevitable psychological implications.

The most serious crisis of modernity, that of 1929, which caused the stock-exchange collapse and gave rise to a chain of suicides, was skilfully resolved by applying the theories of Keynes: despite the deficit, the state invested in public works, employing labour at a time when there was no work to be found and companies were having to let people go; orders were stimulated and breathing space was given to industry, thus restarting the flywheel of the economy. However, the current crisis is different. The countries affected by the crisis are too far indebted and do not have the strength, perhaps not even the instruments, to invest. All they can do is make random cuts, which have the effect of exacerbating the recession rather than mitigating its impact on citizens.

Today we prefer to speak of 'crisis' rather than 'conjuncture' or 'depression'. It is certainly a more neutral term that has been used in many other contexts, apart from an economic one, and is therefore rather familiar. From matrimonial crises that upset the life of a married couple, to adolescent crises that mark the transition from puberty to adulthood, 'crisis' conveys the image of a moment of transition from a previous condition to a new one – a transition which is necessary to growth, as a prelude to an improvement in a different *status*, a decisive step forward. For this reason it strikes less fear.

As can be seen, 'crisis', in its proper sense, expresses something positive, creative and optimistic, because it involves a change, and may be a rebirth after a break-up. It indicates separation, certainly, but also choice, decisions and therefore the opportunity to express an opinion. In a broader context, it takes on the meaning of the maturation of a new experience, which leads to a turning point (on a personal level as much as on a historical–social level). In short, it is the predisposing factor to change that prepares for future adjustments on a new basis, which is by no means depressing, as the current economic impasse shows us.

Recently 'crisis' has become linked to the economic sector essentially to indicate a complex and contradictory condition, which cannot be defined as 'inflation', 'stagnation' or 'recession', but in which a series of causes and effects is combined in a jumble of conflicting issues.

In fact, this crisis is characterized by the simultaneous combination of an economic gamble on an international level (the causes) and the measures taken locally to deal with it (the effects). Both impact on the citizen in a different way, interacting and contributing to the complexity of a social malaise that is proving to be more and more important. The widespread perception is that the cure is worse than the disease, because it is more immediate and noticeable on the people's skin.

This crisis comes from afar. It has its roots in the 2000s, marked by the new outbreak of terrorism and the emblematic destruction of the Twin Towers in New York in 2001. It was no coincidence that the Twin Towers were part of the World Trade Center, the headquarters of the World Trade Organization. Premonition or coincidence? In fact, since then, despite the explosion of the 'new economy', the financial markets have begun to tremble, showing

that globalization would not have led to anything good. The main concern for observers at the close of the twentieth century was, in fact, the consequences of the invasion of world markets by large multinational corporations – economic, but also cultural colonizations (challenged by the ‘No logo’ movement), which made us fear globalization as the triumph of a huge standardized and homogenized world-wide market, at the expense of small producers and commercial networks.

But the liberalization of borders, as well as having significant effects for personal liberty and communications, has also opened the way to a flood of economic difficulties. A stock market crash in Tokyo has immediate repercussions in London or Milan. So the speculative bubble on junk bonds, which started in South America and is responsible for the most serious collapse of the banking system ever, infiltrated Europe, triggering the present crisis, which we cannot see a way out of.

The current crisis is financial, while the crisis of 1929 was industrial: now the theories of Keynes could not be applied. Look at the case of Greece, where the huge contributions from the European Community only serve to reduce the deficit temporarily and fail to develop into new productive investments. The flywheel cannot restart.

Similarly, private companies have no interest in investing capital in the countries undergoing serious difficulties, partly because of the banking credit crunch, but especially because of inconsistent economic returns, a result of the reduction in consumption.

In this phase we witness the curious phenomenon of an increase in the price of essential goods, which goes against market trends (they should decrease as a consequence of the diminished demand): the rise in prices tries to compensate, in the short term, for the decrease in sales, remunerating the producer for losses suffered as a result of being unable to sell. At a later stage, if adequate corrective measures are not implemented, a fall in consumer prices slows production, bringing about a shortage of essential goods and causing new forced price increases that try to restore the balance between supply and demand. This situation triggers a wartime economy, with doubling of market prices (in the black market), that Europe tragically experienced in the last part of World War II.

When we move towards a severe recession, usually there is a general increase in the price of consumer goods (you only have to

do some shopping in a supermarket to notice it), along with the stagnating or falling market value of real estate. It is the most obvious sign of a serious failure, which, if not corrected, will inevitably lead to an economic collapse. The decline in sales of certain goods, such as real estate, alongside an increase in prices of essential goods, immediately indicates a different destination for the money supply which is used in consumption (rather than being invested) or, if we are dealing with large amounts of capital, is transferred abroad where it is safe and has a chance of regaining, at least in part, its lost profit.

The increase in consumer prices not only diverts resources from investment and the real estate market, it also creates a sort of '*Titanic Syndrome*', characterized by a contagious euphoria while the country is sinking. A part of the population, which for the moment has not yet been affected by the crisis, uses up its savings and increases its spending (spending more than necessary, allowing themselves holidays, etc.), justifying their behaviour to themselves with the precariousness of existence: 'let's enjoy it while we can' is their motto, as they carry on living as if nothing had changed, closing their eyes to reality.

In others it can have that particular 'echo effect' that makes them spend on the basis of the previous years' income, thus maintaining the same standard of living and then getting into debt. It is a form of obvious psychological self-defence, in which individuals try to contain the anxiety that pervades them given the collapse of all certainty for the future.

On the other hand, there are the cases of suicide. It is said there have been over 1,200 cases of suicide in Greece alone because of the economic crisis. There are those who drown while the privileged dance on the top deck of the ship, pretending not to see. Or perhaps they are well aware of it but, for this very reason, they stubbornly close their eyes to it.

Inflation is a different matter. The collapse of the value of money, its progressive inconsistency in its relationship with consumer goods, have been avoided for the moment. Inflation is linked with all the economic crises of modernity; it reached an all-time record during the Weimar Republic (before Hitler's rise to power in Germany), when the cost of a kilo of bread reached 1 million marks – or in Argentina in the 1970s, when the number of pesos needed to pay for bread increased day by day in an

endless crescendo. Inflation is the worst consequence of any economic crisis, because it sweeps life savings away and reduces people to hunger in a very short time: money can no longer buy anything and despair sets in. A fast-acting cancer that propagates with the same speed of movement as the currency. The more quickly it changes hands, the less value it has. We are saved from inflation thanks to the euro. Greece will be saved from inflation, which should already be moving at galloping speed, as long as it remains within the euro zone. A return to the drachma would be fatal.

The euro is not an inflation-proof currency, but it is the currency of most of the states of the European Community and of the stronger states (starting with Germany) and they have no intention of falling into the Weimar trap a second time. They have the right instruments to keep it at bay and they impose them on everyone else. Among these instruments are, undoubtedly, a balanced budget, a cap on interest rates, a reduction in public debt and the consequent slowing-down of the circulation of money. This is called 'deflationary' politics (a far cry from the theories of Keynes, adopted to resolve the crisis of 1929) and, to our cost, we are paying the consequences.

Unfortunately, if this condition is not corrected by appropriate interventions, it in turn generates other problems in a disastrous chain reaction. Redundancies deprive families of purchasing power, burn up savings and lower consumption, which in turn is reflected in trade and production. It opens the way to stagnation, the most feared facet of the economic crisis, in which the state and the government, instead of reducing friction, push in the opposite direction and increase taxes, which only makes the situation worse.

A special feature of this crisis is its duration. The time of unfavourable 'conjunctures', which could be resolved over a short period, has come to an end. Now the crises – so vague and generalized because they involve much of the planet – take eons to turn around. They progress very slowly, in contrast to the speed with which all other human activities in contemporary reality actually move. Any forecast of a solution is continuously updated and then postponed until a later date. It never seems to end.

When one crisis ends, another, which in the meantime has come to lick round our borders, steps in to take its place. Or perhaps

it is the same huge crisis that feeds on itself and changes over time, transforming and regenerating itself like a monstrous teratogenic entity. It devours and changes the fate of millions of people, making it the rule of life rather than the exception, becoming an everyday habit which we have to deal with rather than an occasional, annoying inconvenience to get rid of in the quickest way possible.

Living in a constant state of crisis is not pleasant, but it can have its positive side, since it keeps the senses vigilant and alert, and psychologically prepares us for the worst. We must learn to live with the crisis, just as we are resigned to living with so much endemic adversity imposed on us by the evolution of the times: pollution, noise, corruption and, above all, fear. The oldest feeling in the world that accompanies us through a reality marked by insecurity.

We will have to get used to living with the crisis. Because the crisis is here to stay.

**Zygmunt Bauman** I get the impression that the idea of 'crisis' tends to drift nowadays back to its medical origins. It was coined to denote the moment in which the future of the patient was in the balance, and the doctor had to decide which way to go and what treatment to apply to help the ill into convalescence. Speaking of crisis of whatever nature, including the economic, we convey firstly the feeling of *uncertainty*, of our *ignorance* of the direction in which the affairs are about to turn – and secondly the urge to intervene: to *select* the right measures and *decide* to apply them promptly. When we diagnose a situation as 'critical', we mean just that: the conjunction of a diagnosis and a call for action. And let me add that there is an endemic contradiction involved: after all, the admission of the state of uncertainty/ignorance doesn't bode well for the chance of selecting 'right measures' and so prompting things to move in the desired direction.

But let me focus – as is, I gather, your intention – on the *economic* crisis. You start by reminding us of the horrors of the 1920s–1930s, against which each successive stumbling of the economy has since tended to be measured, and ask whether the current, post-credit-collapse crisis can be seen and described as a reiteration of that period, thereby throwing some light on its likely outcome. While admitting that there are numerous striking



similarities between the two crises and their manifestations (first and foremost, massive and prospectless unemployment and soaring social inequality), I suggest that there is, however, one crucial difference between the two that sets them apart and renders comparing one to the other questionable to say the least.

While horrified by the sight of markets running wild and causing fortunes to evaporate together with workplaces, while forcing viable businesses into bankruptcy, victims of the late 1920s stock-exchange collapse had little doubt about where to look for rescue: to the state, of course – to a *strong* state, so strong as to be able to *force* the state of affairs to concur with its will. Opinions as to the best way out of the predicament might have differed, even considerably, but there was no disagreement about who might push the state of affairs onto the road eventually selected: of course the *state*, equipped with both resources indispensable for the job: *power* – that is, the ability to get things done – and *politics* – that is, the ability to decide which things ought to be done. You rightly mention Keynes in this context: along with the rest of the informed or intuitive opinion of the time, he put his wager on the resourcefulness of the state – his recommendations made sense in as far as the ‘really existing’ states could rise to meet popular expectations. And indeed, the aftermath of the collapse stretched to its limits the post-Westphalian model of a state armed with absolute and indivisible sovereignty over its territory and everything it contains, even in forms as various as the Soviet state-managed, German state-regulated and US state-stimulated economies.

This post-Westphalian model of the omnipotent territorial state (in most cases a nation-state) emerged from the war not only unscathed, but expanded, reinforced and reassured to match the comprehensive ambitions of a ‘social state’ – a state insuring all its citizens against the vagaries of fate, individual misfortunes and fear of indignity in any of the many forms (as fear of poverty, exclusion and negative discrimination, ill health, unemployment, homelessness, ignorance) that haunted the pre-war generations. The model of the ‘social state’ was also adopted, even if in a considerably cut-down rendition, by numerous new states and quasi-states emerging amidst the ruins of colonial empires. The ‘glorious thirty’ years that followed were marked by the rising expectation that all harrowing social problems were about to be resolved and

left behind, and the haunting memories of poverty and mass unemployment would be buried once and for all.

In the 1970s, however, the progress ground to a halt, confronted with rising unemployment, seemingly unmanageable inflation, and the growing inability of states to deliver on their promise of comprehensive insurance. Gradually, yet ever more starkly, states manifested their inability to deliver on their promises; gradually, but apparently unstoppably, faith and trust in the potency of the state began to be eroded. Functions previously claimed and jealously guarded by the states as their monopoly, as well as being widely considered by the public and the most influential opinion-setters as their inalienable obligations and mission, seemed suddenly too onerous or too resource-greedy for the nation-states to carry. Peter Drucker famously declared that people need to, should and shortly will have to abandon hopes of salvation descending 'from above' – from the state or society – and the number of ears keen to absorb that message grew at an accelerating pace. In popular perception, aided and abetted by the chorus of a growing part of the learned and opinion-making public, the state was downgraded from the rank of the most powerful engine of universal well-being to that of a most obnoxious, perfidious and annoying obstacle to economic progress.

Was this another watershed, then, in the history of public mood? Was it another 'interregnum', or as the French would say 'rupture' – a stretch of under-defined and under-determined terrain as yet unvisited, unexplored and unmapped, which the old trusty vehicles seem unfit to negotiate, yet the new ones fit for the job still need to be designed, produced and put on the road? Yes, but, just as during the Great Depression of the 1920s–1930s, the opinion-setters, as well as gradually but steadily widening circles of the general public, claimed *to know* what kind of vehicles were called for to replace the old ones – once trusty yet increasingly rusty and overdue for the scrapyard. Once more, it seemed to be obvious what kind of a powerful force was destined, willing and able to lead the way out of the current crisis. This time, public trust was invested in the 'invisible hand of the market' – and indeed (as recommended by Milton Friedman, Ronald Reagan, Margaret Thatcher and the fast-expanding bevy of their enthusiastic subalterns, sycophants and acolytes – all busily digging up from disgrace and oblivion Adam Smith's pronouncements and recycling/



reshaping them for public use) in the magic power of bakers' greed, on which all those who wish freshly baked bread to appear daily on our breakfast table can rely. 'Deregulation', 'privatization', 'subsidiarization' were to accomplish what regularization, nationalization and communal state-guided undertakings so abominably and frustratingly failed to deliver. State functions had to be and were to be shifted sideways ('hived-off', 'out-sourced' and/or 'contracted out') to the market – that admittedly 'politics-free' zone – or dropped downwards, on the shoulders of human individuals, now expected to furnish individually, while inspired and set in motion by their greed, what they did not manage to produce collectively while inspired and moved by communal spirit.

After the 'glorious thirty' came the 'opulent thirty': the years of a consumerist orgy and all-but-continuous, seemingly unstoppable growth of GNP indices all over the place. The wager on human greed seemed to be paying off. Its profits came into view much earlier than its costs. It took a couple of dozen years to find out what fuelled the consumerist miracle: the discovery by the banks and the credit-card issuers of a vast virgin land open to exploitation – a land populated by millions of people indoctrinated by the precepts of a 'saving-book culture' and still in thrall to the puritan commandment to resist the temptation of spending unearned money. And it took yet a few years more to awaken to the sombre truth that the initially fabulous returns from investments in virgin lands must soon run out of steam, reach their natural limits and eventually stop arriving altogether. When that ultimately happened, the bubble burst, and the bright *fata morgana* of perpetually rising opulence vanished under a sky covered with dark clouds of prospectless redundancy, bankruptcies, infinite debt-repayment, drastic falls in living standards, shrinking life ambitions – and, in all probability, of social degradation of the self-confident, upward-looking and boisterous classes to the status of a perplexed, defenceless and fear-stricken 'precariat'.

Was this another crisis of agency, then – another 'rupture' or interregnum? Yes, but with a difference – and a fateful, seminal one. As before, old vehicles of 'progress' are overdue for the scrap-heap, but there is no promising invention in sight in which one could reinvest the hope of carrying all the rudderless victims out of trouble. After the loss of public trust in the wisdom and potency of the state, now it is the turn of the dexterity of the 'invisible