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Interview: Economic Sociology and capitalism

Christoph Deutschmann interviewed by Sascha Münnich

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Stuttgart, August 10, 2016

1 *Professor Deutschmann, thanks again for this opportunity, as well as your willingness to share your thoughts on contemporary capitalism, its crisis and its significance for economic sociology, with us. In your 2011 SER article titled "A Pragmatist Theory of Capitalism" I found this quote that provides a good starting point: "Capitalism is not only an economic term, but a sociological one as well." What are the most important characteristics of capitalism as a* sociological *term?*

After all, I am an economic sociologist, and my ideas have grown in the context of economic sociology, with [its] catchword "embeddedness". Indeed, "embeddedness" was a term intended to denote the social character of market relations. As it was argued, a sociological perspective on markets should focus on networks, trust and institutions. In the meantime, embeddedness has become a term so broad and so vague that even Mark Granovetter (as its inventor) says he avoids it because it has become so diffuse. The problem is, although the concept has inspired a lot of fruitful and productive research, in some sense it [has] guided all of us on[to the] wrong track. The implicit consequence of the embeddedness concept was to neglect the core institution of capitalism, the institution of private property, and with it market exchange as a *social* relationship, and money as a medium of mutual recognition and transfer of property rights. I think it would be misleading to locate the social character of market relations only in trust, networks and institutions, and [to leave] out the key institution of private property itself. This is a point that [was] raised by Greta Krippner already some time ago. As an unintended consequence, the embeddedness concept helped to maintain the neoclassical idea of markets as an asocial sphere, as a sphere dominated only by technical or instrumental orientations.

2 *It keeps up the idea that there is a core of a-social or non-social market interaction.*

Yes, but this is only one problem in this approach. The other implication is what I would call a parochial view of society, because the "social" element of markets appears to be confined to their local, regional or at most national contexts. In contrast to this parochial view, private property is a universal kind of institution that has a truly worldwide spread. Private property rights are an institution that can most easily cross the boundaries of cultures, of civilizations, of local traditions. Marxist world system theories and Marx himself have always emphasized this. The classical liberals (Smith, Ricardo) too, argued that the "natural" system of the economy, as they described it, is a universal one, not one bound to particular cultures or collective identities.

3 *Yes, but it is my impression from your work that to say we have to concentrate on the universal core elements of capitalism from a sociological point of view is only one of your points of view. There is also a second line of critique, in which you argue that for explaining capitalism, it is still not enough to say we have private property of the means of production as an institutional setting, because it is just potential. We still have to ask about what really makes society develop in the direction of capitalism.*

Capitalism cannot be defined simply as an "economic subsystem" within a frame of noneconomic institutions. In some sense it is this that the liberals of the eighteenth century had in mind: a society [in which] people could regulate their affairs freely on the basis of market exchange; [in which], however, the state, the church and cultural traditions had their proper place, too. What they could hardly imagine was that their own message could become so overwhelmingly successful, taking the character of a "militant credo" (Polanyi), and wiping [away] all traditional boundaries of the reach of markets. In the nine-

teenth century, the market model spread into all spheres of society and initiated a process, which today we [usually] term – following Polanyi – the "disembedding" of markets. To capture this process it is useful to distinguish between four dimensions of disembedding. The first one is a *territorial disembedding* in the sense of a spectacular expansion of world trade developing at a large scale since the nineteenth century. The second one is *social disembedding*, undermining local subsistence economies, and making entire populations dependent on markets. An "individualized" society in Simmel's sense emerges, [in which] everybody takes the role of a buyer or seller, of a debtor or creditor. The third dimension is *material disembedding*, referring to the extension of private property rights from the results of production to its conditions, i.e. to land, other means of production, free labor, and, finally, money as the medium of markets itself. As a result, the entire circle of human reproduction [comes] under the control of markets. The fourth dimension is *temporal disembedding*: a new, linear, future-orientated time structure of the economic process arises, which is sharply different from previous cyclical, natural or custom based time structures. In his new book on "Imagined Futures", Jens Beckert focuses on this very temporal dimension. Thus, capitalism is defined by markets becoming the most encompassing social system, covering all dimensions of human existence, though non-economic institutions – of course – do not disappear. The reach of the latter, however, is confined to regional, national, local or subsystemic levels.

4 *But, if you explain it like that, is disembedding still the right word for that? To me it sounds more like a transformation of many cultural and social practices from premodern forms of thinking and acting to new forms – it is not about throwing off feudal shackles and now everybody is just an individual pursuing their profit interests, but a broader emergence of new understandings of time, of space.*

It means that property and market based social transactions are becoming dominant in an extensive and an intensive sense. They spread across territorial borders, they intervene into social interactions and almost all spheres of everyday social life. Moreover, with material disembedding, the property claim embodied in money no longer extends only to the given quantity of goods already produced, but also to what *could* be produced via the organized exploitation of the creativity of labor. This means that the economy even develops an imaginary dimension, giving rise to dreams and imagined futures.

5 *Is this control over the infinity of possibilities also what brings your analysis of capitalism so close to questions of religion, a connection you have been working on for a long time? Do we have to care more about religion in economic sociology in order to understand capitalism?*

The parallels between capitalism and religion lie in two points. The first one is related to what we have just discussed: capitalism generates dreams; even more, it can realize them. Capitalism manages contingency; it literally can do "wonders," like the saints; consider only the cases of electricity or the airplane. That humans can fly like birds would indeed have appeared as a wonder … to the generation of Adam Smith. Sure, capitalism does not promise the pleasures of eternal life and of paradise; instead it can fulfill the most important desires of mundane life, such as affluence, health, freedom, at least for those who can pay for them. Such desires – of course – have always been vital for religious believers, too. The second parallel between capitalism and religion lies in the fact that both represent forms of human universality – a point made already by George Herbert Mead. Like disembedded markets, the big religions constitute universal forms of sociality, which Jaspers and Eisenstadt analyzed in their theory of "axial" civilizations. Religious communities do not see themselves as one among other communities of a similar kind, like families, like nations or local groups. They form the most encompassing community, which exists only as a singularity; this was also Durkheim's argument. The same applies even more to disembedded markets. Different even from Christianity and Islam, whose universality was confined to the regional "civilizations" which they created, it is only capitalism that generated a truly global, encompassing and singular form of sociality.

6 *What would be some of the characteristics of this particular collective identity, which, as you said, transcends the boundaries of other local or national identities? What is this particular collective identity built around?*

Markets do not generate sociality in the sense of collective identity. The relational sociality of markets is different from the type of community generated by religions or other forms of collective identity. What is collective identity? We all are familiar with Mead's theory of symbolic interaction and his analysis of the formation of individual identity. Ego forms his/her identity by taking alter's perspective on him/herself. Identity, thus, is not an innate quality of the single individual. It is a social construct that can develop only via the "detour" of communication and identification,

of ego identifying him/herself with significant or generalized others. This model of identity formation works on the individual level; it can also work on the level of intermediate collective identities, i.e. groups, clubs, families, even nations. However it cannot be applied to the level of society as a whole, since by definition there is no collective "alter" serving as a reference point for ego. This is why Mead failed to deliver a theory of encompassing social identity, as Habermas noted in his critique of Mead. From this, the enigmatic character of religious identity formation explains itself. Due to the singular character of the religious community, identity formation can proceed only via the *social construction* of God as collective alter. Only by identifying with God and taking his perspective on itself can society become aware of its own symbolic unity. To become a force of social integration, however, the socially constructed character of the collective alter must remain hidden to the believers; it must be displayed by and performed in rituals; it must be made visible by icons and myths. Capitalism clearly is a form of sociality, but not a form of collective identity in this sense.

7 *But it needs it in a way.*

Capitalism relates people to each other in a network-like way, apparently without need of a collective alter. Nevertheless, some imaginary [version] of the collective alter is required in capitalism, too. This is apparent, if you come to problems of trust that occur in the use of money: people need to trust in the given currencies and forms of money. To accept money as a means of payment, everybody has to trust in the readiness of other people to accept money, too, in particular in the case of contemporary currencies without intrinsic value. This type of trust may indeed require a kind of collective imagination similar to religion. The "numinous" qualities of money, discussed already by Simmel, explain themselves largely from here.

8 *If subjective motivations and expectations are vital for capitalism, how can we explain that people always, or at least very often, tend to subjectively act and react in ways that advance capitalism?*

The question is: do they really have a choice, beyond the vast variety of options which capitalism offers? It is difficult to imagine situations in which people have a real option *not* to continue the logic of capitalism. Of course it depends also on the relative class position in which people find themselves. However, there is also a more general methodological problem involved here, a problem about our own position as scientific observers. Society and capitalism as a whole cannot become an object for any observer. We cannot view society or capitalism like a man on the moon views the earth, from the outside, because even we as observers are always involved in the object of our observations, and we can only describe our situation and explicate our perceptions. All we can do is reconstruct the mechanisms driving capitalist dynamics, without being able to anticipate the end it will lead to. I think, one of the key motivational factors driving the dynamics of capitalism is what I would call the double bind character of the capitalist class dichotomy.

9 *What does that mean?*

This is related to what I have called material disembedding, the extension of markets to the means of production. The result of material disembedding is the capitalist class dichotomy, with proprietors of land, of material, means of production on the one hand and labor on the other. The capitalist class dichotomy, however, differs from premodern class structures in important respects, as individual affiliation to classes is not personally fixed. It is not determined by birth and social origin, but is simply a matter of the type of property owned. The double bind character of class relations results from the fact that the class structure is collectively closed and individually open at the same time. On the one hand it is factually almost impossible for the unpropertied to cross the class dichotomy and to rise into the class of capital owners. On the other hand the class dichotomy is formally open, and this generates ever new dreams of social rise by hard work and entrepreneurship on the side of the poor. Capitalism is a dream machine also in the sense of generating dreams of social advance. What keeps the system moving are just such illusions.

10 *So, it is the potential or promise of social mobility that makes so many people want to join the collective identity of market makers or entrepreneurs?*

Yes, indeed, but if you want to go deeper into the problems of social rise, we have to take account of at least two conditions. First of all, the chances of social rise – of course – depend on the structural distribution of wealth and social opportunities: how polarized is the distribution of capital and political power; how strong is the position of the middle classes; [what] is the structure of labor markets and the organizational power of workers; how egalitarian is the educational system? Second, what is important is not only

the class structure as it displays itself to the scientific observer, but also as it is perceived by the actors themselves. Of course, this depends also on the class position in which you find yourself. I think Merton's classic model of deviant behavior is still useful to understand how people perceive the double bind nature of class. As is well known, Merton focuses on the inconsistency between institutionalized goals in society and legitimate means to attain these aims. Those well-equipped with legitimate means are not likely to experience any conflict here. Those having little means, but nevertheless obliged to pursue the institutionalized goals, have a variety of options to deal with the conflict: conformity, retreat or rebellion. What is most relevant from the viewpoint of our discussion is the option that Merton calls "innovation": To find ways out of the means–end conflict, people explore unconventional ways, sometimes beyond or on the verge of legality. A plausible hypothesis is that the pattern of innovation is most likely to emerge in the middle classes and in the qualified layers of the working classes. In the lower and marginalized classes, people do not expect much from their lives. Conformism, retreat and apathy are widespread modes of adaptation. Innovation is most likely to emerge not in the lowest classes but in people of the middle classes who have at least a minimum confidence in their personal potential.

11 *So, this means that the dynamic of growth and the progress of capitalism depend on the fate of the middle class, which means that capitalism can only be dynamic if the people who are successful are not too successful. If they are overly successful and are enabled to fence themselves off from the middle class, then there would probably be a problem for this kind of social and economic order.*

Yes, this dilemma, like any other, has two horns. The one horn is a too rigid social structure, which blocks and discourages social risers. For a long time such a constellation seems to have prevailed in Latin America, where the semi-feudal rule of land and capital owners offered little chance for lower middle class people to advance. If the class structure is too rigid, this has a negative impact on growth; this is the one horn of the dilemma. The other horn evolves if *too many* people are moving upward; a constellation, which Ulrich Beck had called the "elevator" effect (*Fahrstuhleffekt*). It is this that seems to have happened in Western Europe, the United States and Japan in the decades after the Second World War. The lower classes diminished, and the middle classes and even the elites became larger. What are the effects of structural upward mobility on growth and capitalist dynamics? My hypothesis is that the effect on growth will be equally problematic – perhaps not immediately, but in the longer term – because the likely result will be an imbalance in capital markets. Financial or capital assets are always based on debtor–creditor relationships. The worth of assets depends on solvent debtors requiring the capital and paying it back at a profit. As a consequence of structural upward mobility, the volume of profit seeking assets increases due to growing wealth, not only of the elites but also of the upper middle classes. The volume of financial assets seeking profitable opportunities will rise. On the other hand, the social reservoir of potential entrepreneurs, being eager to indebt themselves to finance their social rise, will decline. Subsequent social risers will not only become less numerous, but also be faced with increasing difficulties. The prior risers and their offspring will enjoy an edge in getting access to vital resources, such as education, credit and networks, however, without having an existential interest in further social advance. They may still be career-oriented, but are not inclined to take the risks and troubles of an *entrepreneurial* career. In other words, structural upward mobility will result in a growing disequilibrium on capital markets, with more and more financial assets seeking profitable investment opportunities, on the one hand, and fewer and fewer entrepreneurial risers demanding credit and capital on the other. The impact on growth will be negative too, albeit for reasons different from the first constellation.

12 *Now we enter the topic of the fate and present situation of European societies. If I understand you, the problem that European societies currently have, concerning growth and facing financial and political instability, is not so much an elite problem as a problem of the middle class having been too successful or being too keen to become creditors.*

The key problem of the present crisis is a big oversupply of financial assets seeking profitable investment outlets. We have a vast volume of ailing credits and assets, hidden in the balance sheets of the banks.

13 *And this is essentially a middle class phenomenon?*

It is also a middle class phenomenon, because if you consider the social composition of financial assets, you can observe that, in the last 20 to 30 years, not only the top rich have become even richer, but considerable wealth has been accumulated in the upper middle classes, too. They have invested much money in life insurance and investment funds, and these institutional investors are now fac-

ing tremendous difficulties finding outlets for their capital. The situation of the lower middle classes is very different: these people do not have substantial savings and assets, and they find themselves in a "sandwich position", as their employment conditions are deteriorating, wages are stagnating and prospects of social rise are declining. In the Unites States, Britain and many Western European countries we have clear evidence of social polarization. Not only have the elites in general become substantially richer, but something like a financial aristocracy of extremely rich people has emerged. On the other hand, the situation of the middle classes has deteriorated. In Germany, the class structure still is not so polarized: until 2008 or 2009, there was a tendency towards polarization, but since then it has not continued; the distribution of wealth is still not so unequal as in the United States, Italy or the UK.

14 *So, the solution to the crisis is not primarily about a smart way of governing, not a question of institution-building or reforming policies. As I read in one of your articles, the situation in Europe would not be much better if we did not have the euro. Instead, it has much more to do with social structural processes over the long term?*

That it is not the euro, which lies at the heart of the trouble, can be concluded from the simple fact that we have very similar problems in countries not belonging to the euro zone: Britain, the United States, Japan. Richard Gordon and Larry Summers have come up with their stagnation theories; they predict a long period of stagnation, which they believe to be due to a lack of promising scientific inventions. I am not very convinced about this either, since there appears to be no lack of new scientific ideas (in nano- or biotechnologies, or in the digitalization of manufacturing, for example), and it seems impossible to predict the future course of scientific discoveries. My recommendation is to come back to Schumpeter's distinction between scientific inventions and innovations. What drives capitalist growth is not scientific inventions as such, but their transformation into marketable products by entrepreneurs; this is what Schumpeter meant by his concept of innovation. It is not a lack of scientific progress, but the deterioration of the social environment for entrepreneurs in the advanced capitalist countries that explains the present crisis. What we are lacking are not scientists, but entrepreneurs.

15 *In the sense of organizing innovation?*

Yes. The question about social conditions favorable for the generation of entrepreneurs, is a sociological and not a technological or scientific one. Science as such does not produce economic growth, only entrepreneurs do. As has been shown by several empirical studies, a strongly polarized distribution of wealth and social chances, as has developed in many advanced capitalist countries during recent decades clearly has a negative impact on entrepreneurship.

16 *We know from entrepreneurial research, which is something that you mention in your text quite often, that ethnic communities, for example migrant communities, are much better in forming entrepreneurial spirit and innovative capacities, because of the special social situation they have. So is there maybe some hope in the broad migration situation that we have in Europe now, because it may spark entrepreneurship?*

Yes, there is an element of truth in that. The ratio of emerging entrepreneurs is much higher among the immigrant population than among the natives. The problem is that, due to the low average level of qualifications, immigrant entrepreneurship is largely confined to special segments of the economy that are already overcrowded, such as personal services, gastronomy, import-export trade, etc. Immigrant entrepreneurs are largely absent in more sophisticated areas, such as software or digital technologies. I do not think that broad immigration can be a solution for the present day European growth problems. What is needed are qualified immigrants, so-called high potentials, but the international competition for such high potentials is extremely tough.

17 *Let us talk about the political dimensions or political implications of your arguments. When people discuss social inequality and the present crises in Western countries, one of the major political puzzles seems to be why we do not see a renaissance of social democracy at this moment of distributive troubles in Europe. I once read in one of your statements that the success of social democracy was never built around redistribution, it was built around social mobility. Here you have an argument that is not very present in today's the debate. Do you think that the growth problems may have something to do with the lack of a politically powerful group or party that carries a renewed and convincing narrative of social mobility?*

Indeed, the present problems of European Social Democrats seem to be closely associated with the above discussed social consequences of structural upward mobility; in some of my papers I have suggested the term "collective Buddenbrooks effect" to describe these consequences. Social democracy is a political movement of social risers. As long as the hopes of many workers in social upward mobility were largely fulfilled – as happened in the 1950s, 60s, 70s, and still in the 80s – everything went smoothly and social democrats could celebrate their successes. However, what has come after that success? Not everybody can move upward into the wealthy classes, because this would lead immediately to a breakdown of capital markets. Not everybody can become a manager or a professor; we still need "Indians", not only "chiefs". Upward mobility as a recipe for solving social problems can only work temporarily. As soon as success is achieved, the crisis will set in, except perhaps under the condition of new streams of immigrants continuously filling the lower layers of society (this is what seems to have happened in the United States in the nineteenth century). As I said above, however, it seems doubtful whether broad movements of immigration can provide a solution for the present stagnation of the EU economies. These are the problems social democrats are faced with today.

18 *I would like to focus now on the more immediate lessons to learn for economic sociologists from everything we have discussed so far. What do you think would be the most important directions to take in economic sociology research to make further progress with the analysis of contemporary capitalist societies?*

Most importantly, economic sociology can provide more realistic views of the economy. At the same time, its theoretical claims are more modest and more historically based than those of mainstream economics. I think mainstream economics still enjoys good reputation among political decision makers for its analyses and advice. However, at least since the financial crisis this reputation has suffered. Mainstream economists, nevertheless, still have a very strong self-confidence about their own potential to give interpretations of the situation and to formulate economic policy proposals. In my view, they are too self-confident, and economic sociology could help to develop a more realistic understanding of the role of scientists as political consultants. Of course, there is still a long way to go, because we are still far away from being in a position to compete with mainstream economists. I think, a particular strength of economic sociology is that it does not reclaim for itself the role of moral "preacher." It does not claim to show politicians the way to the common good, a mission, which not a few economists still seem to have their eyes on. This is a strength of economic sociology, not a weakness.

19 *So, one thing is that we can be more realistic and empirically oriented in understanding economic processes; that is an important thing. Do you think it is the right way to continue the micro-oriented research of the New Economic Sociology that concentrates on empirical research about how different markets or different fields develop and function, or do you think that we actually need a more encompassing view, maybe in close exchange with other sociological disciplines?*

I think micro-macro analysis is vital for economics and sociology, and still it is posing many unsettled problems. Mainstream economists are working on these problems too, and they appear as unresolved as they are in economic sociology. But I think we have a potential to develop empirically valid micro-macro analyses, while at the same time refraining from what one could call holistic claims. We have to confine ourselves to partial explanations and partial analysis of the micro-macro relationship and I think that economic sociology could be more successful in this field than it has been so far.

20 *Do you think that the concept of capitalism which we just discussed, your sociological concept of capitalism, should in any way enter into empirical economic sociology research? Should we look more for the capitalist aspects in the partial research that we do?*

Yes, I think it would be fruitful to consider markets not only as a sphere of instrumental action in the sense of economic theory, but to analyze disembedded markets as a social system, and as the most encompassing system of society. Starting from such a macro view and then entering into the depths of micro-macro analysis would be a promising approach. It would also lead us away from what, to cite him again, Ulrich Beck has called "national container thinking", which means the focus of political economy and academic economics on the national state as the center of economic governance. To settle the unresolved questions of globalization, it is vital to understand global capitalism as a coherent form of society, instead of thinking about global society as an aggregate of national societies.

21 *From how you develop your theory of capitalism and the role of creativity, I think there is an even more fundamental conceptual difference between your account and other contemporary economic sociology perspectives, which I see in the emphasis you put on the processual character of capitalism and entrepreneurs. Capitalism, as I see it in your work, is primarily a process and not a specific institutional order, and this is something which of course could also be related to Marx's decision to name his most important work "Capital" and not "Capitalism". But is such a processual understanding of capitalism a blow to any structural economic sociology?*

The dynamic forces of capitalism, first of all, are located on the macro-level, and here I would also differ from Schumpeter. There is much truth in Schumpeter's emphasis on the transformative role of the individual entrepreneur. Nevertheless this is a shortcut, because the entrepreneur as social type needs a particular institutional environment to emerge. The most important aspect of institutional change relevant for the rise of entrepreneurship is what I called material disembedding of markets, the extension of the property claims of money from goods to the factors of production, including free labor and its creative capacities. Human creativity is a resource that never can be redeemed or exploited exhaustively; it is impossible to deliver a comprehensive theory or definition of it. The emergence of a market for free labor, [in which] workers develop a genuine self-interest in selling their own capacities, is a key macro-condition for entrepreneurship. Of course, adventurers, speculators, and merchants of all kinds have existed at almost all times. The modern industrial entrepreneur, however, is something new and unique. In short, structural conditions – disembedded markets – are vital; but it is just such a conceptualization that allows us to take account of the active and transformative role of individuals, and not to treat them as mere marionettes of structures.

22 *And something that cannot be derived from some structural features of the system but depends on how everything interplays, how everything is interrelated – that is why I thought maybe it is not so much about studying the structure of the market which is important but which is maybe just the first step. Then afterwards it is about how these conditions play out and bring about different developments.*

Of course, to arrive at a more specific analysis, we have to proceed step by step. It is not material disembedding alone that generates entrepreneurship. It is a necessary condition, but additional factors must come into play. Beyond what I said above on the structure of social inequality and its perception by the actors, cultural, institutional and political conditions, as they are considered in present day theories of growth (North, Porter, Sala-i-Martin) are relevant, of course. Moreover, the temporal and dynamic character of capitalism highlighted by Jens Beckert can never be emphasized enough. Capitalism must move, and the key force making it move, are fictions and imagined futures.

23 *I also felt in reading your work, you are always excited about the sociologists who put these dynamic, progressive elements at the center; this is also true for Marx and Schumpeter, but also for Hayek. I found it very interesting that you have a very positive perception of what Hayek said – not for his political normative side, but for the analytical position that the market is a discovery process that cannot be predicted or governed. Should we use Hayek's concepts more in order to advance economic sociological research?*

The problem with the [economic] liberals is that many of them did not take their own ideas seriously. The German ordo-liberals, for example, praise the superiority of self-regulated markets, but they want to permit self-regulation only within certain nationally defined confines. The market designed by the ordo-liberals is not really a free market; it is a national container theory of the economy. It is only Hayek and the Austrian school (which he came from) who take the liberal idea of markets as the very core of a global society seriously. Nevertheless, Hayek tends to eulogize the miracles of free markets and entrepreneurship, and he does not go deep enough into the conflicts and contradictions of a society dominated by markets. He helps himself with sermons and abstract formulas. For example, he says we should respect traditional, naturally grown institutions. But at the same time he says these institutions should not become an obstacle against innovation. He does not go into a deeper analysis of the conflicts between global markets and locally based cultures and institutions. Of course, this relationship is not a harmonious, but a deeply contradictory one. Wolfgang Streeck has presented brilliant analyses of this issue. One could also think of Benjamin Barber and his model of Jihad versus McWorld, which highlights the "antagonistic relationships" between globalization and locally based national or religious identities too. It is just these antagonistic feedbacks we are observing today in the phenomena of religious fundamentalism, and militant nationalism and populism. Clearly, Hayek is not helpful in analyzing these conflicts, but I appreciate that he is almost

the only one of the liberals who takes his own ideas seriously.

24 *I always found very striking that he is actually willing to admit that leftists are right in claiming that the results of the market will never be just. With that move he gets rid of the precarious promise of classical liberalism that in the end there will be the best society for everybody. Hayek says that is actually not true but let us still stick to this organization because only it can guarantee freedom.*

As Hayek preaches, the ultimate outcome of free market processes will be a higher level of human evolution. However, this is not a scientific statement, but a kind of quasi-religious faith. There is an analogous debate with regard to Adam Smith and his often-cited concept of the "invisible hand." Smith himself did not use this concept very often, in the *Wealth of Nations* only once and in the *Theory of Moral Sentiments* two or three times. Nevertheless, if you go deeper into his analysis, you see that it is the key to understanding his position. The argument always ends up in an apology for the self-correcting forces of markets. There is a debate on the theological background of Smith, on his Deist convictions. There are interpreters who argue that what Smith had in mind was indeed a multilevel model of society, with the actors on the micro level being guided by their individual interests and by "divine providence"' on the macro level, arranging individual actions and their consequences in a way that is collectively beneficial. Not all commentators agree about this. However, I think that there is a good point in interpreting Smith's conception as one that is at least "half-way" theological. There is no rigorous theoretical explication of the mechanism of the invisible hand in Smith's work. In the last instance, it is God who acts. This is a conceptualization running largely parallel with Hayek's; the difference lies only in the terminology: while Smith speaks of "divine provenience", Hayek addresses the superior logic of "human evolution."

25 *Smith was much more optimistic about the simple fact that actually you have to live from the self-interest of others and that creates empathy among people. Because I have to think about what you need and you have to think about what I need, this can be enough empathy to guarantee social solidarity.*

Yes, but what is wrong about that? How should a free and enlightened society be possible without leaving people room to regulate their own affairs autonomously among themselves?

26 *Yes, exactly and this is what drove Marx so mad because Smith was actually writing this in the context of a violent process of [asserting] property rights that was happening right there in Scotland.*

Still, it was an extremely powerful message, a message with a universal resonance.

27 *We did not go into very great depths with regard to our last point, the antagonistic circle between global markets and particular collective identities, which are always of a particular, of a local or at least national nature. Do you think that is the dynamic behind what we are witnessing at the moment, this outbreak of fundamentalism on all political sides, which also has a full-front religious aspect.*

As I said, Wolfgang Streeck's model of an antagonistic circle between what he calls "Durkheimian" and "Williamsonian"' institutions, or Benjamin Barber's model of "Jihad versus McWorld" are promising approaches to understanding the present-day emergence of fundamentalist movements. What is happening here is not only a revival, but a re-invention of traditions. The present nationalist and fundamentalist movements are heavily contextualized by the reality of globalization. They express a reaction against the universal claim of globalization, taking a global and total character in their turn. Olivier Roy has characterized religious fundamentalism as a "de-contextualization" of religion, as a re-invention of religion in a way that uncouples it from its local and cultural roots. In this way it can be transformed into a message that can work everywhere and operate on the same level as capitalist globalization.

28 *Is this also similar to what happened to the "market faith"' in global capitalism?*

Yes, just think about neoliberal ideology, which makes the market model the core of a militant and global belief.

29 *To close the circle with Polanyian disembedding: Do you think that what is happening now on the political side also in Europe – I mentioned the outbreak of nationalism – do you think that Polanyi's double movement is coming back; are we living through a "second" or the "next" Polanyian moment?*

I don't think so, because the problem of Polanyi's double-movement approach is that it is not constructed in a symmetric way. Polanyi's focus is on the second phase of the movement, the anti-liberal counter-movements. What he

does not really explain is the first phase of liberalization. You find only occasional remarks in his book, such as his characterization of liberalism as a "militant creed," or as an outcome of industrial machinery etc.

30 *He claims somewhere that the bourgeois classes were no longer willing to take the common course...*

A convincing theory should be able to explain *both* phases of the double movement, including the first one. Polanyi's failure to explain the disembedding of markets, and the rise of global capitalism themselves has to do with his strong anthropological assumptions. He interprets the embeddedness of economic action in society as a constitutive element of human "nature". Here Polanyi's theory clearly meets its limits. What we need is an elaborated version of the double movement theorem that avoids Polanyi's "anthropological" shortcuts, that takes account of the social universality of markets, and allows a symmetric perspective on both phases. There is a second ambivalence in Polanyi's interpretation of anti-liberal movements. In the present, we are indeed observing militant counter-movements against globalization, such as the Brexit campaign, the spread of nationalism and populism in many European countries and the U.S., the rise of authoritarian regimes such as in Russia and Turkey. Is this what Polanyi meant with his double-movement theory? On the one hand, the answer seems to be yes due to the anti-liberal character of these movements. On the other hand, most of us certainly would not see the present day counter-movements in such a positive light as Polanyi did it for his time. He himself was faced with the same problem when analyzing the fascist movements of his time, and he seemed to have difficulties coming to a clear position on this point.

31 *I also think there is a third point, which is that Polanyi is constantly stressing this opposition between a* planned *first movement and the* spontaneous *character of the counter-movement that was also not bound to any ideology but a form of inevitable reaction to the cultural catastrophe of commodification. And this is also something that we do not see today at all, we do not see a common cause of protecting people against market-induced instabilities across all political camps. To the contrary, we see a lot of popular support for pro-market reforms and so there is something more sociological to it.*

The increased level of socio-economic interconnectedness is a reality that cannot be undone, on the level of Europe as well as on the global level. We have a historically unprecedented level of transnational interdependence, which in fact is much more than a purely "economic" phenomenon. In fact, we have already gone a considerable way not only towards European integration, but also toward globalization, though the idea of a global "civil society" is still not much more than a beautiful dream. All our current political ideas, even the anti-liberal ones, presuppose the factual context of growing interconnectedness, be it in a conscious and explicit, or in an involuntary way. There is no way back to national container economies. That would also be my main critique of the Euro critics. In Germany we have a proverb "Den Sack schlagen, aber den Esel meinen", ("Beating the sack, but meaning the donkey"). Euro critics are beating the sack, which is the common currency, but what they in fact mean is the single market, the drastically increased interconnectedness of European nations, which could be undone only at unbearable cost. We have no choice but to seek ways to make the supranational governance of the European economy more effective and more democratic, despite all the tremendous difficulties.

32 *Professor Deutschmann, thanks a lot for this interview and for your interest in the European Economic Sociology Newsletter.*