

# What Does a Legitimation Crisis Mean Today? Financialized Capitalism and the Crisis of Crisis Consciousness

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The concept of a “legitimation crisis” is most closely associated with Jürgen Habermas, and recently, his 1970s book on crisis tendencies in postwar capitalism has provided a common reference point for discussion of various forms of political turmoil that have ensued in Europe and the U.S. since the 2008 financial crisis. This chapter explores the meaning of crisis and crisis consciousness under the financialized capitalism of the 21st century, showing how it might differ from the account given by Habermas. This chapter argues that what sets the current legitimation crisis apart—and what paves the way for a possible descent into illiberalism—stems from the way financialized capitalism is bound to secure legitimacy by hollowing out the political realm. In the process, it deprives citizens of the capacity to discursively come to terms with the consequences of major crisis, leaving them disempowered, alienated, and vulnerable to exploitation by charismatic leaders with illiberal agendas.

## Introduction

When we hear the expression “crisis of liberal democracy” today, more likely than not what is being referenced is the rise of right-wing populist movements. But democracy has been caught on the shoals for some time. Some two decades ago, Colin Crouch coined the term “post-democracy” (2004) to describe a society that still possessed all the formal trappings of liberal democracy, but they ceased to be of any substance, as real authority had passed to a technocratic elite serving the interests of financialized capitalism. Crouch did not believe that we were already living in such a society, only that we may be moving in that direction. In this respect, German Finance Minister Wolfgang Schäuble may have become the first self-consciously post-democratic politician when he reputedly declared at a 2015 Eurogroup meeting, “Elections cannot be allowed to change the economic program of a member state” (Varoufakis 2016). Years before Donald Trump publicly mused about disregarding the results of the U.S. presidential election, the European leadership was already making a practice of overriding democratic procedures to enforce

its austerity policies. To the adage that the answer to the problems of democracy is more democracy, we might add the corollary that the problems of democracy, left unaddressed, only bring more problems.

There were many on the left who hoped that the political aftermath of the 2008 financial crisis would spark a *legitimation crisis* in capitalist societies—one that would at last overturn neoliberal forms of economic thought, kick-starting a revitalization of social democracy and a much-needed renewal of utopian energies. Others noted the startling absence of such a legitimation crisis in the years following 2008, despite the evident strains being put on democratic autonomy and legitimacy by international financial institutions and encroaching technocratic forms of governance, especially in the EU (Crouch 2011; Fraser 2015). There was even speculation that late-capitalist societies may have reached a point where it is effectively immune to serious legitimation challenges (Azmanova 2014a, 2014b, 2015; Roitman 2014; Streeck 2016).

The 2016 Brexit referendum and Trump's election as U.S. President made it clear that the symptoms of legitimation crisis have finally arrived. But they arrived in a form very different from what many expected, much less desired. Moreover, if the hegemony of the neoliberal world order has been shaken, it is far from clear what (if anything) might fully unseat it, for the populist movements that have sprouted up seem hardly any more stable in the long run. Nancy Fraser writes that we find ourselves in what Gramsci once described as an "interregnum," in which "the old is dying and the new cannot be born," during which time "a great variety of morbid symptoms appear" (Gramsci 1971, 276; Fraser 2017).

The concept of a "legitimation crisis" is most closely associated with Jürgen Habermas, and recently, his 1970s book on legitimation crisis tendencies in postwar capitalism has provided a common reference point for discussion of the various forms of political turmoil that have ensued in Europe and the U.S. over the last decade (Cordero 2014; Streeck 2014; Fraser 2015; Habermas 2015; Milstein 2015; Gilbert 2019; Ibsen 2019; Lebow 2019). Originally published as *Legitimationsprobleme im Spätkapitalismus* in 1973, *Legitimation Crisis* examines the deep-seated tensions between capitalism and democracy and the ways in which crises can be "displaced" from the economic realm into the administrative and political realms of society.

Using Habermas's original thesis as a point of departure, the purpose of this chapter is to explore the meaning of legitimation crisis under the financialized capitalism

of the 21st century. My argument is that legitimation crises can take on specific and pathological forms under financialized capitalism, which Habermas's model failed to fully capture. At the same time, Habermas's argument contains theoretical resources that are invaluable to understanding the present crisis, though he did not always develop them sufficiently. In addition to his analysis of crisis tendencies in state-managed capitalism, Habermas's book is notable for the way it questions and reformulates the *concept* of crisis in capitalist society. As Rodrigo Cordero recently noted, a central claim of the book is that "the analysis of the reality of crisis cannot proceed without a critique of the concept of crisis" (Cordero 2014, 500). Habermas realized that, though we frequently describe crises as objective events accessible to social-scientific description and analysis, the "reality" of crises in modern societies is a function of crisis *consciousness* on the part of society's participants: societal contradictions, pathologies, systemic deficits, and the like only rise to the level of crisis phenomena to the extent that actors *experience* them as such. Furthermore, he realized that crisis consciousness in modern societies is enacted *discursively*, in the way crisis-conscious citizens bring their experiences and understandings of crisis to bear on each other *as a public*. But he did not carry through on the implications of this discursive conception of crisis consciousness, and particularly the ways the discursive deployment of crisis consciousness can be impeded or distorted under certain social conditions.

As we will see, the contours of a legitimation crisis under financialized capitalism differ from those described by Habermas in the 1970s. The contradictions of financialized capitalism are such that securing legitimacy can only be achieved via the virtual desiccation of the political public sphere. This has a side effect, however, in that, when the hegemony of financialized capitalism falls into legitimation crisis, the absence of a sufficiently robust public sphere compromises the ability of citizens to fully develop their collective sense of crisis consciousness. This allows society to fragment. It does not "cause" people to embrace illiberal or authoritarian populism, but it fosters an atmosphere in which such populism can gain a foothold. In this respect, financialized capitalism exacerbates the legitimation crises it generates for itself, leading them to take on pathological forms, including several of those we now group under the heading of "crisis of liberal democracy."

## Habermas Revisited

For all its influence, *Legitimation Crisis* was a product of its time. Aside from its heavy reliance on the systems-functionalism of Talcott Parsons, its core thesis is aimed directly at the politics of the late 1960s and early 1970s, which were marked by widespread counter-cultural and protest movements across Europe and the U.S. The question concerning Habermas was whether the Keynesian welfare state really had overcome capitalism's tendencies toward contradiction and crisis (Habermas 1975, 30–31). Orthodox Marxism, after all, is built on the idea that capitalism is at its core afflicted by an ineradicable contradiction between the forces and relations of production, which drives it into periodic economic crises of increasing intensity, which articulate themselves politically in class conflict. But postwar economic policy had brought to the West near-continuous growth uninterrupted by major economic crisis, while the “welfare state compromise” brought the forces of labor and capital to a truce. Had the Keynesian welfare state really “resolved” the core contradictions of capitalism? If so, why all the discontent?

Habermas's argument was that the Keynesian welfare state had not eliminated capitalism's crisis tendencies; it merely *displaced* them. Habermas accepted the view that, under state-managed capitalism, economic crises are no longer necessary sources on legitimation crisis in the way they had been under the laissez-faire capitalism of the 19th century. At the same time, the capacities of the political system to absorb the tensions internal to capitalism come at a cost, which could only be paid through the ever-increasing intrusion of the administrative realm into the sociocultural lifeworld of society. This had the effect of making the administrative state the focus of political conflict instead of class division: the more the state expands into everyday life, the more legitimacy it must command. In Habermas's assessment, the increasing need for legitimacy creates for the capitalist state a new kind of problem (Habermas 1975, 68–75). As the state penetrates further and further into society, it begins to alter the social and cultural bases of society. Growing bureaucratization of social life increases senses of alienation and disillusionment. Economic prosperity means that citizens are no longer as driven by basic material needs as they once were, loosening the hold of privatist ideology. Eventually, the welfare state becomes its own source of public discontent by destroying the cultural resources it requires for legitimation (Habermas 197, 92–94).

In short, instead of resolving capitalism's crisis tendencies, the postwar welfare state transposes them from the economic to the cultural domain. Habermas was far from alone in locating the source of mid-century alienation and discontent in some complex of the administrative state and consumerist culture. Much of the criticism of the postwar period, such as that can be found in the works of Hannah Arendt, Michel Foucault, and the Frankfurt School, coalesced around suspicions of "the social" and associated forms of "discipline," "governmentality," or an "administered world" (Arendt 1958; Foucault 1977, 1991; Marcuse 2002 [1964]; Adorno 2003 [1968]). This is not to mention the ways state-managed capitalism was seen to reinforce gender-based and (especially in the U.S.) racialized status hierarchies (Fraser 2016; Fraser and Jaeggi 2018, 87–90, 103–6). Indeed, by the 1980s, the fault lines of social conflict as articulated in the "new social movements" appeared to have shifted toward a decidedly "post-materialist" terrain (Inglehart 1977; Habermas 1987a, 392–6; Fraser 1997).

Needless to say, the 2008 crisis and its aftermath threw cold water on this aspect of Habermas's thesis. Late-capitalist society remains quite capable of tumbling into economic crisis, and in retrospect, there appear a number of fronts on which his argument may have fallen short. One is Habermas's understanding of political economy. After all, his thesis about crises taking on post-materialist forms presupposes a capacity on the part of the administrative system to effectively subsume the economy. According to Wolfgang Streeck, Habermas overestimated the extent to which the state could transform owners and firms from "advantage-seeking profit maximizers" into "functionaries obediently carrying out government economic policy" (Streeck 2014, 21). For Streeck, the postwar arrangement could better be characterized as an uneasy partnership between capitalism and democracy, and in fact it had already begun to unravel around the time *Legitimation Crisis* was published. Over the next three decades, successive governments attempted a series of monetary, fiscal, and financial policy strategies to preserve standards of prosperity well after the postwar economy ran out of steam, including reliance on sovereign debt and deregulation of private finance, before the game finally expired in 2008.

More to the point, Habermas's account of the legitimation crisis of state-managed capitalism failed to anticipate how it might pave the way for the neoliberal revolution to come. Building in part on Streeck's analysis, Nancy Fraser argues that because Habermas did not duly recognize the political agency of capital, he could not account for the ways

capital exploited or maneuvered the crisis. In her view, capitalists were ultimately able to channel progressive discontent with the welfare state in such a way that made “post-materialist” politics compatible with a regressive economic politics. This ultimately would lead to what she calls “progressive neoliberalism,” an alliance of identity politics and free-market capitalism with which Fraser associates the “Third Way” agendas of Tony Blair, Bill Clinton, Gerhard Schröder, and others (Fraser 2017; Fraser and Jaeggi 2018, 79–81, 200–04). For Fraser, the overtaking of center-left parties by an agenda that largely forfeits resistance to marketization and financialization would leave them unprepared for the political crisis that followed 2008 (and ultimately allow populist movements to draw away voters in former labor strongholds). But there is a deeper issue at play as well.

Underlying this objection is a point concerning the character of legitimation crises as such. Habermas wanted to situate his account of crises in a theory of social evolution, and he lists among the drivers of emergent crisis consciousness the progression of scientism, post-auratic art, and universal morality (Habermas 1975, 84–89). But in Fraser’s view, this “culturalist” account does not take into account the specifically *political* forces that need to be in motion for the legitimacy of a given order to fall into crisis. It is not sufficient to speak, as Habermas sometimes does, of a mere “withdrawal” of legitimacy; rather, a full account of crisis requires an account of *hegemonic politics*—that is, the way social and political forces come together to shape the parameters of “normal” political debate, as well as the counter-forces that might challenge or upset such normality (Fraser 2015, 172–3). Disturbances in the sociocultural realm are not sufficient to spark political change without effective political mobilization; nor can they by themselves determine the *direction* of political change.

Indeed, the evolutionary model on which Habermas relies, as well as the (still not fully developed) model of communicative rationality to which he ties it, expects largely progressive outcomes of such crises. In *Legitimation Crisis*, and later in *Between Facts and Norms*, his analysis of transformative possibilities in times of crisis does not extend further than the prospect of a galvanized citizenry “mobilizing counterknowledge” and challenging established power (Habermas 1975, 96; Habermas 1996, 372–3, 380–4). Consequently, the model has no means for distinguishing between crises that reignite the progressive-democratic energies of the citizenry, those which are recuperated by elites in a different guise (see Boltanski and Chiapello 2007), and those which lead down a path

toward authoritarian populism and destructive ideologies. As a result, not only was Habermas unable to foresee how the 1970s crisis paved the way for the neoliberal revolution, but it also appears underequipped for discerning how the 2008 crisis paved the way for the present crisis of liberal democracy.

Despite the above-named problems, Habermas's model of late-capitalist legitimation crises remains pertinent. After all, the story Streeck tells about the "delayed crisis of democratic capitalism" has purchase precisely because states continue to assume responsibility for economic performance and crisis management (cf. Lebow 2019, 388). As much as states attempt to renounce their regulatory authority in favor of first public and then private modes of financialization, the history of late 20th-century capitalism is one tailored to the dilemma of a political system that, having openly acknowledged capitalism's crisis tendencies and staked its own legitimacy on its capacities to successfully mitigate them, has yet to convincingly extricate itself from these burdens in the way a genuine free-market ideology would demand. This suggests that Habermas's more fundamental diagnosis of the tensions between capitalism and democracy continues to be relevant. In what follows, I will argue that how these tensions are managed under financialized capitalism, and at what cost, remains problematic as they create specific legitimation demands that can only be met by compromising society's ability to successfully process crisis.

### **The Modern Concept of Crisis**

But it could well be argued that the real legacy of Habermas's contribution lies not in the particulars of his sociological diagnosis but in how he engages our understanding of "crisis" as such. *Legitimation Crisis* also contains Habermas's first sustained engagement with his famous distinction between "lifeworld" and "system" aspects of society. Believing both the Marxist and cultural-conservative conceptions of crisis to suffer crucial limitations, his two-level approach avoided the pitfalls of a fully "system"-oriented view as well as an exclusively "culturalist" view by recasting crisis phenomena as disturbances felt by lifeworld-embedded participants grappling with intrusion by system imperatives (Habermas 1975, 3; Cordero 2014, 500–01). Consequently, "crisis" must be treated no longer as a diagnosis applied by an external observer but as—in Cordero's words—"an act of communication with critical intentions," whose validity

claims reside in the end in the discursive activity of the participants themselves (Cordero 2014, 502). I would argue, however, that Habermas himself does not fully capitalize on the implications of this discursive reformulation of the crisis concept. A more in-depth exploration will afford us necessary tools for understanding the dynamics and—more importantly—the potential *deformations* of legitimation crises in late-capitalist societies. Andrew Simon Gilbert recently noted how a postmetaphysical reconstruction of the crisis concept implies “a focus on ‘crisis’ rather than crisis” (Gilbert 2019, 177). Particularly in light of the linguistic turn in 20th-century philosophy and theory, the meaning and import of “crisis” must be understood above all in the discursive contexts within which it is put into play by social actors: “first as a conceptual vehicle for validity claims, only second as a candidate for social theory or history” (Gilbert 2019, 177). This account has the potential to answer criticisms that the crisis concept necessarily invokes a “philosophy of history” (cf. Koselleck 1988; Roitman 2014); more importantly, it allows us to account for abuses, exploitations, and distortions in social practice.

The word “crisis,” of course, comes to us from Ancient Greece, and it possessed a variety of connotations in medicine, politics, law, and theology, which inform the ways we understand the concept today (Koselleck 2006 [1982], 358–61). Yet the concept of crisis, in the sense that we know it today as a moment of broad social or political urgency, is a distinctly *modern* concept. The idea of a political crisis did not take shape until the 17th and 18th centuries, and the idea of an economic crisis only entered into widespread circulation with the rise of liberal capitalism in the 19th century. This is not to say that there were no phenomena prior to modernity that could be described as crises. Crisis-like events certainly happened, but in the modern period, they became “routinized” in a specific way. One reason is the growing complexity and accelerated pace of social life: though Europe had seen some notable events that resembled the modern economic crisis, such as “Tulip Mania” in the 1630s and the South Sea Bubble of 1720, only in the 1800s was it possible to refer to “economic cycles” that alternated regularly between periods of boom and bust. But it is also the concept itself that standardizes these situations of unexpected urgency and uncertainty, and that makes them all of a type that is to be approached in a particular way with a particular consciousness.

Put another way, the crisis concept presupposes some distinctly modern assumptions about one’s relation—that is, the relation of one who *makes use* of the crisis concept—to the social world. “Crisis” emerges as social participants cast off their reliance

on traditional authority or divine order, taking on instead a reflexive attitude toward themselves and their societal context (Milstein 2015, 144–5). But it also emerges alongside a certain level of social complexity, whereby society appears to acquire the status of a “second nature ” (Habermas 1987a: 173). Sociologists have long noted a paradoxically dual character to modern society, thematized through such distinctions as “labor” and “capital,” “agency” and “structure,” and “lifeworld” and “system.” Society appears, on the one hand, as something that can be *acted upon by its members*, and that can be made transparent and shaped according to their own collective will and reason; yet it also appears, on the other hand, as something that *acts upon its members*, and that remains external and opaque to everyday life, carrying its own objective force, to which the self-understanding of participants must bend (Milstein 2015, 146). As a basic concept (*Grundbegriff*) of modernity, “crisis” functions as a conceptual tool for navigating this duality. We speak of the economy, the state, or the environment being “in crisis” only to the extent that we can point to a discrete entity called “the economy” or “the state” or “the environment” that behaves according to rules we can comprehend and manipulate if not make transparent. As unpredictable, wild, overpowering as a crisis may be, this is what distinguishes one from a plague, disaster, or scourge of the gods. To the latter, one may contain it, adapt to it, or repent for it. Crises, in contrast, emanate from a source we believe *can be mastered*, at least in principle.

It is not difficult to note the promethean element of modern crisis consciousness, which Koselleck once tied to modernity’s entanglements with utopian arrogance and revolutionary excess (Koselleck 1988 [1959]). Once the crisis concept is understood *discursively*, however, the situation becomes more ambiguous. On the one hand, modern crisis consciousness implies a form of “positive freedom”: in declaring the existence of a crisis, one is not only making a normative judgment about how things should or should not be and that action is urgently needed, one is also assuming for oneself a certain ownership or authority over the situation. “Crisis” is a public concept, which members of a public deploy to alert each other to a matter of public concern and to bind one another to a set of commitments for taking action (Milstein 2015, 148). To possess crisis consciousness is to assume ownership of one’s social world, in the sense of being capable and assuming oneself authorized to make judgments and demand actions. On the other hand, the actualization of this positive freedom now depends on the ability of crisis-conscious citizens to *successfully* make discursive sense of their stakes in the crisis and

claims to action. This raises the question of whether the means of the discursive realization of crisis consciousness can be somehow disturbed or distorted.

Among the early Frankfurt writers, Erich Fromm was especially sensitive to this dilemma. In *Escape from Freedom*, Fromm, too, locates the core of modern crisis consciousness in society's emergence from what he calls the "primary ties" of traditional authority. But this move only earns the modern individual "negative" freedom, a freedom *from* constraining bonds and dogmas. To fully make good on one's freedom, the participant must progress to "positive" freedom, which Fromm associates with the development of "an active, critical, responsible self" (Fromm 1969 [1941], 108). Otherwise, participants find themselves overwhelmed by the forces of a society that now appears alien and unremitting:

The rationality of the system of production, in its technical aspects, is accompanied by the irrationality of our system of production in its social aspects. Economic crises, unemployment, war, govern man's fate. Man... has become estranged from the product of his own hands, he is not really the master any more of the world he has built; on the contrary, this man-made world has become his master, before whom he bows down, whom he tries to placate or to manipulate as best he can. ...He keeps up the illusion of being the center of the world, and yet he is pervaded by an intense sense of insignificance and powerlessness which his ancestors once consciously felt toward God. (Fromm 1969 [1941], 117-18)

Crisis consciousness is awareness of the conflict wherein it remains to be decided whether it is the participants who steer society or vice versa, whether we will make our own history or be made by it. Stripped of "primary ties" of traditional modes of life, a merely negative freedom unaccompanied by positive freedom can become too burdensome, leading people to seek *escape* from freedom altogether in search of ontological security. In Fromm's analysis, such tactics of retreat can take the form of authoritarianism, destructiveness, and conformism: deprived of power over themselves, they are driven to exert power over others; lacking in purpose, they submit themselves to the cause of a leader; overburdened by the tasks of critical thought, they embrace unthinking or "pseudo-thinking" conformism (Fromm 1969 [1941], 140-204). Fromm believed that the appeal of fascist doctrines such as National Socialism was in their—ultimately futile—promise to replace the "primary ties" lost to modernity.

Fromm's approach is psychoanalytic. Yet despite searching for frustrated crisis consciousness in individualized psychological experience, Fromm locates the inhibitions to positive freedom in prevailing *social* conditions. He blames the monopoly capitalism of the early 20th century for stifling prospects for self-actualization: as capital becomes increasingly concentrated in the hands of fewer and fewer, class domination and the

commodification of social relations strip away the resources available to individuals to develop themselves.

We can reconstruct this pathological deprivation of positive freedom in communications-theoretic terms. Habermas does not theorize the ways a legitimation crisis can take on pathological forms, but we can do so using the above-discussed conception of crisis as “an act of communication with critical intentions” (Cordero 2014, 502). Understood thusly, the collective development of crisis consciousness hangs not on the successful psychic development of self-world relations but on the communicative exercise of public autonomy. Understood as a publicly articulated discursive process, crisis consciousness begins as a personal *intuition* of crisis, but its full development into a fruitful sense of crisis consciousness—one capable of generating a collective understanding of the crisis and ultimately reasserting agency over the causes and mechanisms of crisis—can only be achieved for the citizenry at large in public discourse. This requires, among other things, a sufficiently (even if imperfectly) open and active civil society and public sphere where citizens and their representatives can voice and reconcile their diverse experiences, action claims, and stakes in the crisis. This implies a conception of public freedom that is less demanding than Fromm’s and easier to translate into institutional terms. Conversely, we can hypothesize about the forms of alienation that result from being denied voice and representation in the public realm, from being denied the resources with which to make sense of crisis intuitions.

### **Financialized Capitalism’s Crisis of Crisis Consciousness**

Recalling Streeck’s analysis, financialized capitalism relies on a contradictory arrangement. *On the one hand*, it demands the deregulation of markets and the dramatic rolling back of social welfare protections. Not only do such moves exacerbate the iniquities of capitalism, allowing for extreme concentrations of wealth among owners of capital, the dismantling of protections for sellers of labor power leaves them exposed not only to stagnated standards of living generally but to the ravages of economic convulsions. *On the other hand*, because elites cannot openly rewrite the terms of democratic capitalism in so onerous a fashion, the political order must continue to stake its legitimacy on the postwar commitment to manage economic crises and sustain prosperity, even as it relinquishes its capacities for doing so. As we now know, the

strategies of first public, then private financialization through which states sought to compensate their loss of regulatory capacity only increased the likelihood and magnitude of crisis, and, in so doing, it all but invited their metamorphosis into administrative and then legitimation crisis as the remnants of the postwar commitment finally prove themselves a façade (Thompson 2012; Ibsen 2019).

But there is more. Not only does the contradiction of financialized capitalism contain the seeds of its own legitimation crisis, it also distorts the discursive processing of crisis consciousness in pathological ways. This is due to the exorbitant and contradictory legitimation demands financialized capitalism must place on itself to sustain this already contradictory arrangement. Such demands could only be met through a ruthless depoliticization of the economy, which was achieved via the cartelization of the political party system and the post-democratic desiccation of the public sphere. This had the effect of keeping capitalism out of the political realm, but it also had the collateral cost of depriving society of the resources necessary to fully generate a collective sense of crisis consciousness.

Habermas notes that all capitalist societies must confront “the problem of distributing the surplus social product inequitably and yet legitimately” (Habermas 1975, 96). In postwar social democracy, this meant, first, that governments took responsibility for quelling the harshest iniquities and instability of market forces, and, second, that sellers of labor power would be granted the formal rights of citizenship. Hence, Gøsta Esping-Andersen described the postwar welfare state as a project of “decommodification”: these measures shield individuals from the “sense of insignificance and powerlessness” Fromm attributes to a post-traditional state of “mere” negative freedom by facilitating a modicum of positive freedom (Esping-Andersen 1990). A fully empowered form of positive freedom, in contrast, is not a viable option, as Habermas explains: “Genuine participation of citizens in the processes of political will-formation [*politischen Willensbildungsprozessen*], that is, substantive democracy, would bring to consciousness the contradiction between administratively socialized production and the continued private appropriation and use of surplus value” (Habermas 1975, 36). In Habermas’s assessment, legitimacy under capitalism requires a “structurally depoliticized public realm” that exhibits the trappings of formal democracy but largely encourages citizens to resign themselves to a limited role of granting and withholding electoral acclamation. This passive orientation is buttressed, in turn, by an ideology of

“civic privatism”: citizens remain motivated by personal, careerist, and consumerist pursuits, while trusting political matters to a qualified elite (Habermas 1975, 37).

Fraser, too, argues that democracy must perforce be limited in all capitalist societies, but the “hollowing out” of democracy takes an extreme form under financialized capitalism (Fraser 2019; see also Crouch 2004). Despite the “truce” declared between capital and labor during the postwar years, even politics under welfare-state capitalism retained traces of class partisanship, even as major political parties shifted from old cleavage structures to “catch-all” organizations (cf. Kirchheimer 1966; Lipset and Rokkan 1967). By the 1990s, the “economic cleavage” had become largely depoliticized as even center-left parties deprioritized social policy in favor of free-market agendas (Ibsen 2019, 808–9). Richard Katz and Peter Mair refer to a process of *cartelization* of Western party systems whereby major political parties begin to not only converge in their political platforms but, in certain ways, “cooperate” with one another (Katz and Mair 2009). Though partisan rivalry appears no less acrimonious in some cases, topics of debate become restricted to matters of culture and identity or personal scandal, while dissenting voices are marginalized.

This depoliticization process comes to be reflected in the public sphere as well. Katz and Mair note how domination of mass media in politics has greatly reduced the dependence of party elites on members and activists, while increasing their dependence on money in political campaigns (Katz and Mair 2009, 758). Commercial mass media and television have, in turn, altered the character of political discourse, forcing politicians and journalists alike to prioritize the scandalous and the sensational (Crouch 2004, 46–49). Moreover, ownership of mass media outlets are settling into fewer and fewer hands, which has the effect of exerting additional pressure on the part of capital on the constraint of political agendas. As Colin Crouch observed:

Control over politically relevant news and information, a resource vital to democratic citizenship, is coming under the control of a very small number of extremely wealthy individuals. And wealthy individuals, however much they might compete with one another, tend to share certain political perspectives, and have a very strong interest in using the resources at their command to fight for these. This does not just mean that some parties will be favoured rather than others by the media; the leaders of all parties are aware of this power and feel constrained by it when they formulate their programmes. (Crouch 2004, 50)

Political systems under post-democratic conditions thus find themselves doubly gate-kept by capital: first, at the level of party politics and political campaigns, as political elites become more dependent on corporate funding and various lobbies; second, at the level

of the public sphere, as political messaging must be both sufficiently attention-grabbing and inoffensive to pass the filters of media conglomerates. What was established, in short, was a rigid form of political hegemony whereby the legitimation demands posed by the contradiction of financialized capitalism were met by a full expulsion of capitalism from the political realm. In the years following 2008, this hegemony faltered as governments proved unable or unwilling to manage the fallout of the economic crisis.

In *Legitimation Crisis*, Habermas wrote that when the contradictions of the prevailing order are exposed, causing its legitimacy to evaporate, “the latent violence [*Gewalt* (translation amended)] embedded in the system of institutions is released,” inviting an “expansion of the scope for participation” (Habermas 1975, 96). Conditions appear to (temporarily) resemble that of a “substantive democracy” able to “bring to consciousness the contradiction” contained in the existing social order, opening the horizon to societal progress (Habermas 1975, 36). Years later, in *Between Facts and Norms*, Habermas likewise describes crisis consciousness as periods of public “problematization” wherein “the attention span of the citizenry enlarges” in “an intensified search for solutions” (Habermas 1996, 357). Even in a “power-ridden” public sphere dominated by corporate mass media, it should remain possible *in principle* for a galvanized citizenry to successfully countermand a critically exposed order of hegemony.

But there is another possibility—namely, that the post-democratic public realm proves itself inhospitable to the collective processing of crisis consciousness. As Fraser observes, the conversion of a legitimation crisis into a successful overturning and replacement of prevailing hegemonic order with a more equitable and democratic order requires the successful organization and mobilization of “counter-hegemony,” one that reflects a broad coalition of identity and class interests (Fraser 2015, 172–3; Fraser and Jaeggi 2018, 216–7). But such a movement requires crisis-conscious actors to be able to reconcile their various understandings and claims across identities and classes. They must be able to mobilize around collective understandings of the crisis; its causes, character, magnitude, and effects; the social norms, values, and capabilities it threatens; and what an adequate response looks like. A political public sphere beholden to corporate interests that largely echoes the issue-agendas of a cartelized political system may prove ill-equipped if not hostile to this task. Elites may not want to relinquish the ability to direct the public narrative, and they may even have interests of their own to pursue in the midst of the crisis. Meanwhile, mass media may indirectly or overtly marginalize

efforts to propagate counterhegemonic understandings or alternative strategies. A media atmosphere constructed around sound-bites and “politainment” may inhibit efforts to gain broad support for new ideas and critiques, while political journalists may join elites in casting them as fringe, radical, or otherwise lacking in seriousness.

If welfare-state capitalism had a propensity to find itself faced with “crises of crisis management” (Offe 1984 [1973]), financialized capitalism finds itself exposed to *crises of crisis consciousness*. This need not mean that the public is left unaware of the “latent violence” behind the system; on the contrary, citizens may have strong intuitions that their representatives are acting in interests other than those of their constituencies. But while the hegemony of the establishment may be faltering, the citizenry is hampered in mobilizing an effective counter-hegemony. Deprived of the sense of positive freedom necessary to redeem their sense of crisis in the public realm, citizens may be led to reject the public realm altogether. In the face of elite corruption and hypocrisy, appeals to “unity” or “civility” sound increasingly self-serving; in the face of a closed-off and intransigent mass media, claims of “fake news” or “*Lügenpresse*” in this context carry a certain resonance. Lacking an effective public sphere within which to assess claims, justify knowledge, or synthesize judgments, citizens may be drawn to act on prejudice, seek alternative fora, or embrace conspiracy theories, while offensiveness to established pieties becomes the primary standard for evaluating authentic challenges to the status quo. The public realm fragments and the political atmosphere becomes fertile for exploitation by charismatic figures and demagogues. This scenario is not by itself sufficient to *cause* illiberal populism to take root, but it fosters an environment in which the appeal of indiscriminate anti-elitism, simplistic promises, or finding scapegoatable “others” can more easily take hold.

## Conclusion

One of Habermas’s core theses was that legitimation crises manifest themselves differently under different formations of capitalism. Under the liberal-competitive capitalism of the 19th century, economic crises remained the immediate source of legitimation crises in the form of class conflict, while postwar welfare-state capitalism pushed the contradictions of the capitalist system into the administrative and cultural realms (Habermas 1975, 29–30, 68–75, 92–94). The aforementioned reflections suggest

that, under 21st-century financialized capitalism, the character of legitimation crisis transforms yet again, by pushing the contradictions into the political sphere. As we have seen, the contradiction of financialized capitalism consists in the fact that the demands of sustaining legitimacy for a political order, which claims ability to manage economic crises while dismantling the regulatory capacities to actually do so, are such that hegemony can only be maintained via an increasingly desiccated public realm that allows minimal scrutiny and the formulation of no alternatives. In the process, it deprives citizens of the capacity to discursively come to terms with the consequences of major crisis and participate in the formulation of solutions, leaving them with a Frommian “sense of insignificance and powerlessness” that invites exploitation by charismatic leaders with illiberal agendas. The present “crisis of liberal democracy” is then a consequence of a propensity in financialized capitalism to exacerbate the crises it generates for itself—a propensity which begins, ironically, with the hollowing out of liberal democracy by financialized capitalism.

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