Democracy Nomen Nudum

 12/10/2013

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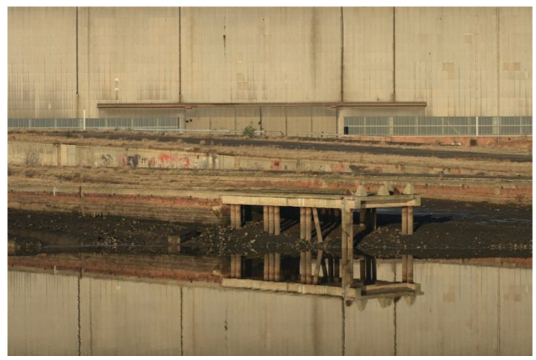
The Eurozone crisis is much more than a sheer fiscal problem plaguing a number of countries in the South of the continent. It is rather a symptom of a diseased situation that has to be interpreted within the broader context of the world economy. Indeed, only superficially can the crisis be regarded as the product of the Eurozone's deficient architecture. In reality, this crisis is only one manifestation of a global economic malaise and of the tectonic shifts in the international division of labour. As the much-rehearsed story goes, the last couple of decades -at least since the early '80s- witnessed the massive dematerialisation of Western economies. Essentially, most Western economies have undergone a process of de-industrialisation, whereby the manufacturing sector was replaced by financial corporations, investment banks and other service-based businesses. Not surprisingly, the production of material goods has moved eastwards. The idea was actually presented back then as the best deal ever: poor countries get polluting factories with miserable working conditions, yet emerge from their dire poverty; and Western workers are employed in high-tech, knowledge-based and knowledge-producing economies. Fashionable, clean, smart!



In reality, however, this has been true only for a relatively small segment of Western workers. Behind the façade of the 'service economy' millions of people who would have been happy to work in factories with a relatively guaranteed job, and who do not possess the educational background to be hired by high-tech companies, have found themselves discharged in a post-industrial world where steady jobs have been drying up quickly, temporary employment has become the norm, and an industrial economy has been replaced by an explosion in redundant retail, housing bubbles and every sort of anything-but-actually-productive activities. In order to dissimulate the erosion of the post-war welfare state and the gradual impoverishment of the vast majority of the middle-class Western population, the financial industry has been quite resourceful – under political pressure – in inventing ways to secure that a cheap-credit-fuelled economy could continue to produce unchecked prosperity as long as possible. This has been reflected in the hyper-relaxed US monetary policies of the post-2001 period, on the one hand, and in the unrealistically low interest-rates applied to every Euro-nation, regardless of the actual risk of their sovereign debt, for most of the decade before 2008. In an ironic twist of history, the ideologues of the free-market economy have mutated into the greatest manipulators of prices and market mechanisms, thus misdirecting entire societies on erroneous perceptions of risk and mispriced assets. This unprecedented work of manipulation has managed to delay perceptions of substantial Western myopia, while preserving the possibility of higher profits for multinational corporations operating in the East but still selling most of their products in the West.

In southern European countries, now facing a dire economic destiny, unrealistically low interest rates for a decade have accompanied a period of unprecedented bonanza for re-financing local political elites and their clientelistic networks, mostly at the expense of public finances (such as in Italy, Greece, Portugal) or of the banking sector (as in Spain). As we now know, most of this new debt was channeled into unproductive activities and untenable real estate speculations strengthening the grip of ruling kleptocracies and intensifying the entanglement of the global financial elite with the European ruling elite.

Since the 2008 global financial crisis, business as usual is no longer a tenable option. Due to the collapse of the Western banking system, cheap credit is no longer available in abundance. In the US, both the government and the Federal Reserve have been struggling to re-inflate the housing market, with disappointing results. As in Britain, an emergency policy has been patched together, essentially relying on the accumulation of public debt at an astonishing pace, and on quantitative easing, i.e. on yet another manipulation of market mechanisms on a large scale. Of course, this policy cannot last indefinitely, certainly not decades, as the US and UK public debts are going to reach unsustainable levels in less than five years. In the Eurozone, the straightjacket of the Maastricht Treaty has made monetary manipulation by the ECB hard to achieve but not necessarily less probable (LTRO, direct purchase of sovereign debt, etc.).

The exceptional situation which has been building up in the last few years has however had the merit of laying bare two profound political trends that have remained largely under the public radar for the past three decades. On the one hand, Western political elites, from the right *and* the left alike, have tended to minimise how complicit they have been in erecting a faltering economic system through their entanglement with major financial corporations and the banking system in their countries, resulting in an implicit hijacking of the public good by private economic interests. In fact, this unholy conflation of private and public interests has practically become the official ideology in every country of the Western hemisphere inflicted by the crisis.

On the other hand, Western political elites, from the right *and* the left, are complicit in the development of a culture of intolerance and racism in Western societies by couching complex problems such as mass immigration, forced displacement and global demographic explosion in ideological terms for the advancement of short-sighted domestic political agendas. Using what Didier Bigo has termed a 'governmentality of unease', these practices distract the public from questions of the *political* economy of their countries to direct their anxieties and frustrations to the either threatening (for both the right and the left) or sanctified (for the left) figure of the Other. Caught in the depoliticising opposition of xenophobic vs. xenophilic discourses, the Other in the guise of the (preferably 'illegal') migrant stealing your job has become the explanatory figure for the crisis, or the counter-figure to 'democratic' (read passive and submissive) reaction to the crisis.

Technical economic rationale and language – best incarnated by the installation of technocractic governments – as well as xenophobic rhetoric and policies are but the more profound effects of an economic situation that has ended up out of control. Major ideological divisions that have defined political rivalry in the past, such as left and right, are considered irrelevant to our present predicament which allegedly calls for practical solutions as opposed to ideological battles. Nominal democracies, with their regularly held elections and alternance in power, are finally laying bare that what is seen as just a 'technocratic break', an exception from the norm, to save our republics from the imminent danger actually is more revealing, as students of Schmitt and Agamben know very well, of deeper entrenched mechanisms at the heart of our societies. Our late capitalist societies are becoming post-democracies in which the complex symbiosis and interconnection of political and economic power is generating a new type of quasi-authoritarian rule where the democratic legitimacy of the sovereign is bypassed by the market legitimacy of the expert.

Unsurprisingly, austerity has become the technical and depoliticising mantra in the mouth of Western elites. Arguing that European economies just do not produce enough wealth to sustain current living standards or to welcome those who are deemed to not only strain the sovereign's own wealth but its own sense of home, Western elites are eager to displace technically the fault for the situation to the unfortunately brutal necessity of economic adjustment and to excuse their political inefficiency in addressing challenges the unorthodox nature of which exceed existing ideological blueprints and conventional politicking.

The failure of the European economy is not a natural disaster, it is not the result of foreign pressures, and it is not the inevitable result of economic cycles. It is largely the outcome of sheer mismanagement, lack of political vision and failure of imagination which has led Western elites to deliberately turn a blind eye to the inflexibilities and structural deficiencies of an ailing western economic and social model.

Our democracies are the first victims of this elite failure.

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Note: This article gives the views of the authors, and not the position of the Euro Crisis in the Press blog, nor of the London School of Economics.