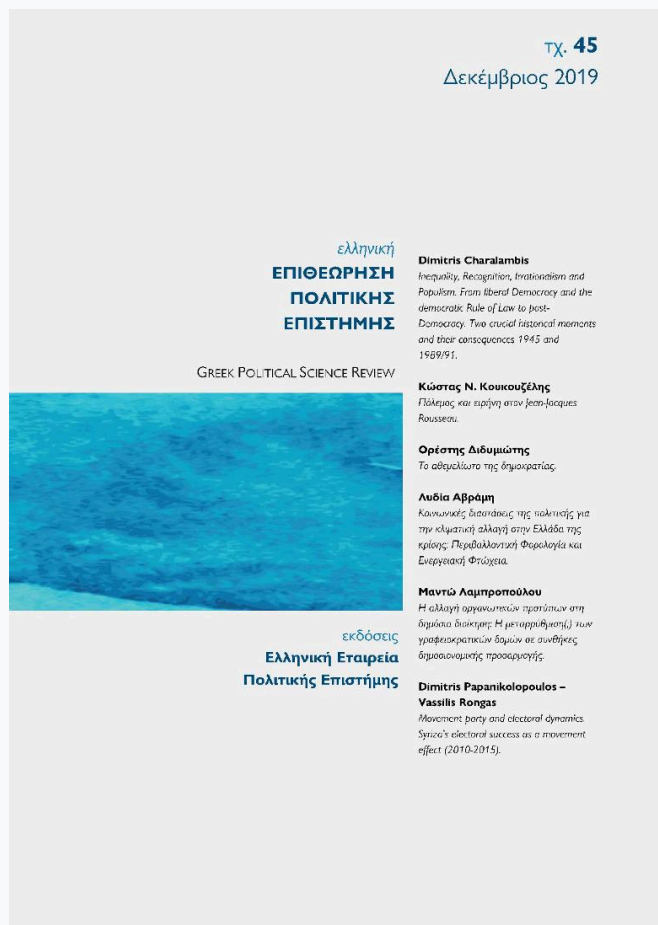


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## Inequality, Recognition, Irrationalism and Populism. From liberal Democracy and the democratic Rule of Law to post-Democracy. Two crucial historical moments and their consequences: 1945 and 1989/91

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## **Inequality, Recognition, Irrationalism and Populism. From liberal Democracy and the democratic Rule of Law to post-Democracy. Two crucial historical moments and their con- sequences: 1945 and 1989/91**

**Prof. Dr. Dimitris Charalambis\***

### **Abstract**

After the inequality turn of the late 1970s and mainly after the collapse of the Soviet Union deregulation, globalization, hyperconcentration of wealth and private power, oligopolies, monopolies and the dominant position of the financial capital are the consequences of paradigm change from the post 1945 Keynesian consensus to the neoliberal dismantling of the social contract. The end of the heavy industry era, the relocation of production to China and the digital revolution and industrialization 4.0 undermine the classical negotiation between capital and labor leading again to marginalization of social recognition and to oligarchy and transforms the *classes dangereuses* of the industrial era to *classes irrelevantes*. The erosion of Democracy and the rise of irrationalism as the systemic rationalization of inequality are the consequences in the declining Western world parallel to the aggressive authoritarian capitalism in China. It seems that the era of the social state between 1945 and the end of the 1970s and mainly after 1989/91 was only a historical intermezzo and that exorbitant inequality reappears as the constituent element of capitalism.

### **Keywords**

Inequality, recognition, irrationality, neoliberal turn, levels of taxation.

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## Περίληψη

Η αλλαγή του κεϋνσιανού παραδείγματος με τη νεοφιλελεύθερη στροφή στην ανισότητα στα τέλη της δεκαετίας του 1970 και κυρίως μετά την κατάρρευση της Σοβιετικής Ένωσης, που κατέστησαν την οικονομία της αγοράς το μοναδικό οικονομικό σύστημα του πλανήτη, καθορίστηκε από διαδικασίες απορρύθμισης, παγκοσμιοποίησης, κυριαρχίας του χρηματιστικού κεφαλαίου, ανοίγματος της ψαλίδας της ανισότητας, υπερσυγκέντρωσης του πλούτου και απαξίωσης/έκπτωσης του μεταπολεμικού κοινωνικού συμβολαίου. Συγχρόνως το τέλος της παραδοσιακής βαριάς βιομηχανίας, η μετεγκατάσταση της βιομηχανικής παραγωγής κυρίως στην Κίνα και στη συνέχεια η ψηφιακή επανάσταση στην επικοινωνία και την βιομηχανία (4.0) περιθωριοποίησαν την κλασική μορφή ανταγωνιστικής διαπραγματεύσεως μεταξύ κεφαλαίου και εργασίας και αποψίλωσαν τα εργατικά στρώματα, τις επικίνδυνες τάξεις της βιομηχανικής εποχής, από κάθε διαπραγματευτική δύναμη στις διαδικασίες της υλικής αναπαραγωγής. Συνέπεια αυτών των εξελίξεων είναι η διάβρωση της Δημοκρατίας και η ανάδειξη του ανορθολογισμού στο προνομιακό πεδίο εκλογίκευσης και αποδοχής της ανισότητας σε ένα κόσμο όπου η υποχώρηση της Δύσης συμβαδίζει με την ανάδειξη του αυταρχικού καπιταλισμού της Κίνας σε ανταγωνιστικό πόλο οικονομικής και γεωπολιτικής ηγεμονίας. Όπως φαίνεται η εποχή του κοινωνικού κράτους και του μετριασμού της ανισότητας μεταξύ 1945 και του τέλους της δεκαετίας του 1970 και ιδιαίτερα μετά το 1989/91 δεν ήταν παρά ένα διάλειμμα στην ιστορική συνέχεια λόγω των ιδιαίτερων ιστορικών συγκυριών που οριοθέτησαν αυτή την περίοδο. Η έξαρση της ανισότητας και η ασυμμετρία των κοινωνικών δυνάμεων επανέρχονται ως το ειδοποιό στοιχείο του καπιταλισμού, ενώ η προέλευση και η ταυτότητα κοινωνικών δυνάμεων που θα μπορούσαν να διαμορφώσουν νέους όρους κοινωνικής αντίστασης στην επιβολή αυτής της ολιγαρχικής κυριαρχίας είναι άδηλη.

## Λέξεις κλειδιά

Ανισότητα, αναγνώριση, ανορθολογισμός, νεοφιλελεύθερη στροφή, φορολογική κλίμακα.

## 1. THE INEQUALITY TURN

The so-called “neoliberal turn” or, “inequality turn” (Atkinson, 2015; Blyth, 2013; Milanovic, 2016; Stiglitz, 2012; Reich, 2010; Beck, 2008; Bourguignon, 2012; Piketty, 2013) is marked by the post – Second World War Keynesian consent’s gradual decline, combined with accelerating social inequality, political power asymmetry between the social classes and the global predominance of the financial capital as well as by the shift of the manufacturing process towards China.

The historical decline of the Keynesian socioeconomic paradigm came by the end of the 1970s after the collapse of the Bretton Woods agreement in 1971/1973, in part due to the cost of the war in Vietnam (Lowenstein, 2011:74-78). This agreement of 1944 stabilized the international capitalist system and so the western political system after the Second World War through the design of a new post-war monetary system (Bretton Woods Agreement Act of 1945) of fixed exchange rates and the dollar (pegging the dollar to gold at 35 dollar an ounce) as the international reserve currency, what made the welfare state a feasible reality for Western industrial societies on the national level (Helleiner, 2013; Lamoreaux & Shapiro, 2019).

The first political step towards the new paradigm of the extreme version of the self-regulated market took place in Chile in 1973 with the Pinochet coup against the government of Salvador Allende, and the imposition of the rawest form of neoliberal politics through the so called Chicago – boys – economics (Milton Friedman’s students/apostles from the University of Chicago).

In the western metropolitan world, this new paradigm is introduced by Margaret Thatcher’s election in the United Kingdom in 1979 and by Ronald Reagan in the United States in 1980 (Ferguson et al., 2010).

The neoliberal core idea focuses on the “lesser state”, floating exchange rates (meaning also the possibility of manipulation of currencies) and “deregulation” concepts. The regression of market’s regulatory mechanisms have marked, since the end of the 1970s but even more effectively after the fall of the real existing socialism - communism in 1989/1991, the global neoliberal transition. The latter was inevitable as the end of the Cold War brought about the capitalist system as the one and only economic system on the planet (Milanovic, 2019). After the collapse of the Soviet Union capitalism became not any more the dominant, but the sole socio-economic system in the world. With Deng-Xiao-Ping’s economic strategy after 1978 (in fact already under his predecessor Hua Guofeng) and China’s membership in the World Trade Organization (WTO) in 2001, China’s accession to the globalized capitalist system – without constraining the state’s, meaning the communist party’s

control over the Chinese economy (also over the “private sector” of the economy)<sup>1</sup> - completed the new paradigm’s global imposition.

Without delving much into examining the historical process to the deregulation phenomenon, I will underline three basic components which have dramatically influenced this paradigm shift:

A. The first (as a reaction to the Yom-Kippur war 1973) and the second oil crisis (in the wake of the Iranian revolution 1979) made the volume of the global circulation of capital (the “petro dollars”) and the international equity market go sky high, leading to a permanent inflation in the stock market, a latent risk of a bubble-burst. This process, combined with the cost of the Vietnam- war, high inflation, the first trade deficit of the US since 1893 (Hudson, 2017:324-436) and the downturn of the economy led to the end of the stable global currencies system as the major pillar for international stability that the Bretton Woods agreement had achieved. The end of the fixed exchange rates between the national currencies and the dollar was paving the way for the speculation-oriented investments in the financial sector and the deepening of the hegemony of the American financial capital and dollar’s international dominance, its “exorbitant privilege” (Hudson, 2017; Eichengreen, 2011) in line with the so-called “Washington consensus”. A consensus about deregulation (e.g. in the US the end of the Glass-Steagall Act which since the 1930s had prevented banks from trading in securities), privatization, supply-side economics and the implementation of the “trickle-down-theory” and the tax cuts-Laffer Curve (Canto et al., 1983) of the “trickle-down-economics” of the 1980s and 1990s.

An also very crucial consequence of the oil crises and the skyrocketing of the price of energy, apart from the “Reislamization” of the Arab world and the revival of the Shia – Sunni violent confrontation (Saudi Arabia vs. Iran, as the main leading state powers of this confrontation) and the beginning of the end of the Sykes-Picot agreement of 1916<sup>2</sup>, was the massive investment in technology, research and innovation which finally led to the rising of renewable energy resources as well as to the digital revolution in the 1980s and the 1990s.

B. The emergence of non western global competitive economies that took place in the mid and late 1960s and particularly in the 1970s as opposed to the classical industrial Western societies.

<sup>1</sup> Deng as well ordered the crush of the democratic protest in the Tiananmen Square on the 4<sup>th</sup> of June 1989. This fact and e.g. the detention/“political reeducation” camps in Xinjiang, where more than a million people from the Uighur community and other Muslim minorities are being held without trial, shows a great deal how progress was and is interpreted by the Communist Party of China.

<sup>2</sup> On the revival of the Shia-Sunni confrontation and the destabilization of the post I World War and the post Decolonization era after the II World War, beginning with the Grand Mosque seizure in Mecca 1979 and the Islamic Revolution in Iran 1978/1979 see among others Nasr (2006), Rogan (2018) and Kepel (2019).

The first case was Japan, then the southeastern Asian “tigers”, and later the BRIC emerging economies (Brazil, Russia, India and China, with Brazil as the most vulnerable economy) and especially China. These new competitive economies disposed a decisive comparative advantage in terms of cost of production, apart from cheap labor, given that the welfare state in these countries was and is something more or less unknown.

C. The emergence of the stagflation phenomenon<sup>3</sup> which led to a shift of the western central banks financial policy through the anti-inflationary money supply control and interest rates rise (first by the FED under chairman Paul Volcker 1979-1987) shrinking of salaries, pensions and the social state and opening the way for deregulation and the liberation of capital from the regulatory terms of the “domestication” - as Habermas argues - of market’s violence, who have been institutionalized in the era of the “Trente Glorieuses” years (Piketty, 2013). In the era of the thirty “glorious” years of the high growth and full employment in the postwar boom period between the 1950s and the end of the 1970s. This deregulation process opens the way for the new post-1980 globalization era and the revival of the old asymmetry of the social relations.

There was also the relocation of production in countries where no negotiation incurs between capital and labor force as long as a) employment as a fact in itself ensures an improvement of the living standards compared to a widespread poverty in the recent past, and b) any dissenting voice from the part of the working class is muted by the totalitarian violence, which is the case particularly in China where preserving the communist regime goes hand in hand with a very specific integration into the world capitalist system. That is

<sup>3</sup> Shrinking investment and production by steady increase of social cost and salaries and rising commodity prices, such as oil (1973/1979) leads the central banks to expand the money supply and so to inflation. This simultaneous situation of low or zero growth and high inflation led then to high unemployment and finally to the destabilization of the Keynesian paradigm and led to the neoliberal turn. Today after 40 years of market radicalism the opposite is the case. As recently “The Economist” (2019:3-12) in a special report on the world economy noticed “Low inflation is striking over both the long term and the short term. In the long term it is the culmination of a decades-long trend...For nearly two decades economists have talked of an era of global disinflation”. This disinflation phenomenon and even a deflation process under conditions of high employment (a record proportion of 15-64-year-olds have jobs in the rich world, but also in the most of the emerging economies, in two-thirds of the OECD countries) is mainly the result of low wages and the descent of the social state and because of that of lower consumption that, despite the commodity price boom and despite the Quantitative Easing (QE) policy of the FED and later also the QE policy of the ECB, kept prices rising at a very low clip. In addition to that the crash of oil prices after 2014 and the fact that high sovereign debt is not the result of broad public investment, but of very high tax cuts for the wealthy (mainly in the US but also e.g. in the UK, Italy and France) the disinflation or even the deflation process characterizes today’s neoliberal era. Thus deflation, which was the main reason for the Great Depression of the 1930s, and disinflation leads to lower investment and lower growth as an additional consequence of inequality and social power asymmetry.

the reason why Stein Ringen called this regime of social, economic and political control “the perfect dictatorship” (Ringen, 2019).<sup>4</sup>

The relocation process did not stop there. China’s position in the global division of labor leads after forty years of growth to a gradual increase of wages, the relocation of Chinese enterprises and the imposition of political control through trade and overseas lending (financial flows as “hidden debt”) mainly in Africa and Central America (Horn et al., 2019), as well as to the replacement of human labor by robots to sustain a low-cost comparative advantage and to deal with the ageing population. At the same time, China increases its industrial competitiveness mainly by the use of digital technology and artificial intelligence. China as a non democratic one party totalitarian state can gather an unbelievable amount of Mega Data on personal information about the Chinese citizens, through facial recognition etc., something that a democratic state is not able to do. One exception is perhaps the United Kingdom where the concentration of the installed observation cameras in the public areas are second to China and the facial recognition procedure is effectively around the corner.

China’s state is not affected by the Rule of Law, by privacy laws and the respect and protection of personal fundamental rights and it can control all the economic/financial assets of the country regardless of property rights, or private capital interests.

It is throughout these trends that one can see not only the beginning of the end of the western dominance, but also the overturn of the fundamental logic of the capitalist system as a system of an antagonistic – negotiating relationship between the two opposite poles of capitalism, the pole of the working class and the pole of the capitalist class. This antagonistic relation leads through the clash of the opposite interests to a next level of reshaping the antagonistic – negotiating relationship in the form of a new consensus until the next clash of interests that forms the new antagonistic level of negotiations and so on<sup>5</sup>.

But heavy industry became industrial history and because of that the classical industrial working class is in a rapid descend and so the fordist era of capitalism. A typical example are the United Kingdom’s coal miners, who used to be about a million in the 1950s and today they don’t play any role in the labor force anymore. One could argue, also in symbolic terms, that trade unions’ defeat under Scargill’s lead in 1984 – 1985, after their ultimate historical clash with the Thatcher government, marked the end of the working class as a negotiating power within the bipolar structure - distinction of capital and labor, as Marx analyses the social aspect of the industrial revolution in his first volume of “Das Kapital”, in the chapter about the working day, when he describes the core of the sociological aspect of the industrial capitalism (Marx, 1969/1867, also Thomson, 1980; Hobsbawm,

<sup>4</sup> About the Chinese perspective of the rise of China as a world hegemonic power and the (positive) outcome of this procedure see Xu et al. (2019).

<sup>5</sup> This is the process of the Hegelian and Marxian «Aufhebung» within the capitalist relation

1975; Dobb, 1970). That means, that the “classes dangereuses” of the industrial revolution became more and more “classes irrelevantes”, first through the relocation of production and then finally through the economic and social consequences of the digital industrialization - artificial intelligence, robotics etc. - , in the age of industrialization 4.0.

Capital now imposes, in a more efficient way, its own terms through the unipolar nature of decision-making, while the state policies (whether conservative, or social democratic) go in hand with the logic of the new power asymmetry. Needless to say this unipolar decision making structure meant the deregulation and the dismantling process for the institutions responsible for the domestication of the market violence. This was the momentum of the release of capital from the institutional framework in which it was more or less integrated.

This process of capital liberation from the regulatory, constraining terms introduced the process of globalization since it was only through deregulation that capital could function unrestrictedly and beyond national regulations within an (unregulated) international environment. In this context, and within twenty years (1980-2000), the restructuring of the global division of labor led to the hegemony of the financial capital and to the shift of the world industrial production from the West towards the East and especially towards China, changing the power asymmetry in the world.

## **2. DEREGULATION AND DOMINANCE OF THE FINANCIAL CAPITAL**

The deregulation process allowed a new investment flexibility, and activated two investment strategies: a) the orientation of investment to economies with minimum social costs, a trend that goes hand in hand with new technologies allowing the liberation of the production process from space-time limits and b) the orientation of investment to huge speculative investments not in the production process but in the financial sector (Foroohar, 2016).

Investing in industrial production is time-consuming and not so profitable. The long-term production process is being abandoned or relocated. The derivatives, “innovative” products of the financial capital that prevailed during the late 20<sup>th</sup> and early 21<sup>st</sup> century, are the outcome of deregulation of the labor market and the financial capital and also the result of the declining of the social relations accomplished by the New Deal in the U.S. and during the first thirty-year postwar period all over the western industrial world.

As the banks’ classical role in the production process recedes and direct bank investment in financial products of speculative nature becomes the high-performing transformation of the banking system, financial capital prevails. (For example, the carrying amount of the derivatives is 12 times higher than the sum of the value of all assets and commodities



of today's world). These changes in the financial system, have been leading the banks, the hedge funds and the whole financial system to disengage from the real economy and the obligations of the equity markets and so to a speculative hysteria what lead to the 2007/2008 crisis as the consequence of an endless greed.

At the same time, China's integration in the global capitalist economy doesn't mean that there is no more threat for military conflict between China as emerging superpower and the U.S. On the contrary, the financial, technological and geopolitical antagonism and the emergence of nationalism and new expansionism mainly under Xi Jinping in China (new silk road, control of the South China Sea, China's penetration in Africa, Europe, the Balkans, Central America etc.) is leading to the so-called 'Thucydides Trap', the one that historically led Athens and Sparta to the Peloponnesian war (Allison, 2017; Rachman, 2018; Arrighi, 2007; Jacques, 2009). After all we must not forget that before 1914 there was also a single dominant economic system in the world and that has not prevented the "sleepwalkers" (Clark, 2012) of the leading European nations to go to war, but also the fact, that China's extreme authoritarian state capitalism is in his logic and in his practice a new form of – extreme authoritarian - capitalism and that leads to new forms of system antagonisms and a new Cold War-like power game.<sup>6</sup>

These trends mean that the financial assets of globalization in the western industrial world are distributed and redistributed increasingly unequal, while in the new industrial world of the emerging economies the terms of distribution and redistribution are defined politically through authoritarian forms of privileged acceptance or rejection of private economic interests (oligarchs) in the context of a special mixture of crony capitalism and Bonapartism based on the structural state corruption and control of the economy. Putin's Russia is not the only but the best example (Åslund, 2019) and China the most successful.

The consequences of the ongoing deregulation lead to the economic crisis. The social power asymmetry, which is the key element of the neoliberal turn, was what also shaped the reaction to this crisis. It was the crisis that marked the largest resource redistribution the capitalist system had ever known after the war, coming from the middle and lower classes towards the wealthy few. The state, that is the taxpayers, rescued the banking system as the private sector's weight of bankruptcy is transferred towards the public one. This is how the state, that is society (tax payers, austerity victims etc.), took over the burden of the colossal public debt created to rescue the banks. So society became vulnerable and a target for speculative activities, since over-indebtedness transferred the creditworthiness of states in the heart of speculation, and as a result the burden of paying the public debt, through austerity and taxing imposed by the power asymmetry on the middle and

<sup>6</sup> About the new nationalism, the extreme authoritarian structures and the state control over the economy in Xi's contemporary China, see Blanchette (2019).

lower classes. As a consequence of the resilience of the inequality turn and its reconsolidation after the crisis austerity tenet and austerity politics are deemed to be again the social and political “normality”.<sup>7</sup>

### **3. OLD AND NEW THREATS AGAINST LIBERAL DEMOCRACY AND THE RULE OF LAW IN EUROPE AND IN THE US**

The implementation of this principle of profit privatization and cost socialization leads to the conception of the private interest as the imperative of social coherence and economic growth and thus to the inevitable process of the privatization of public goods. The arbitrarily determined public debt to a 60% of the GDP, and the budget deficit to a 3% of the GDP as core of the Maastricht Treaty and the rules of the EMU-membership, show the institutional consolidation effort of anti-Keynesian policies and the deeply ideological character of banishing the Keynesian social-democratic contract. After all, to demand the consolidation of this neoliberal logic as a central element of the E.U.-Treaty is the unique phenomenon of an institutional consolidation of austerity and lesser - state politics, especially along with the demand of Germany and the European northern countries for a constitutional status of the balanced budget.<sup>8</sup>

<sup>7</sup> About today's “normality” of inequality, austerity, hyperconcentration of wealth and a social behavior conform to this weird world Aldred (2019).

<sup>8</sup> The balanced budget, as the Maastricht Treaty demands, is already integrated into the German Constitution. Germany insists that the so called “Schuldenbremse” (debt brake), which is already a transnational convention for 17 EMU member states and 8 EU member states, has to be integrated in the Constitution of every member state in the E.U. The logic of a balanced budget, that the Maastricht's Treaty demands, applies absolutely to the logic of the German Ordoliberalismus. Ordoliberalismus, the theory of the free market within a strictly organized institutional framework is a theoretical construct founded by Walter Eugen, Mueller-Armack and others, which, after the Second World War, served as the Holy Grail of the German economic science and fiscal policy as an answer to the Nazi- and Communist- models of state administrated economy, but also as an answer to extreme forms of economic liberalism. According to Ordoliberalismus the state ensures the framework for market's function without intervening in the strictly economic procedure itself. This “economic Constitution” primarily ensures the conditions of monetary stability (political independence of the European Central Bank on the base of the Bundesbank-Model in the EMU level, but also the national state responsibility on the base of the no bail-out clause) and secondly the conditions for the – supposed - prevention of overconcentration of economic and social power, either on the side of the trade unions, or on the side of capital, respectively. After all, this is why this model was called “social market economy” (“Soziale Marktwirtschaft”). Ordoliberalismus fully satisfied the Keynesian approach during the period of the Willy Brandt and Helmut Schmidt social democratic governments (paritaetische “Mitbestimmung”/Paritarisme-Princip and Karl Schiller's concept of the “Konzertierte Aktion”) and even under Helmut Kohl. While, during the Merkel Administration after 2005 and mainly after Schaeuble became Finance Minister (2009-2017), the ordoliberal logic is fully integrated into the extreme-market paradigm. State intervention will take place, without consequences for the structure of inequality, only if the German industry needs more help from the German state.

The results of such policies were gigantic fiscal costs, public debt and government budget deficits. Costs that societies are meant to deal with at all levels: taxation increases for the middle social classes (meaning all those unable to evade taxes), soaring unemployment and/or part-time jobs, long-term austerity policies, budget and pension cuts, social benefit cuts, privatization of main parts of the public sector, abolishment of labor and wages agreements between unions and employers, impoverishment of a great part of the population, reduction of public investments, etc. Only a small part of society remained untouched and drew economic advantages, the wealthiest one.

The impact of these consequences depends on each country's position in the context of the global economic asymmetry of the international division of labor (in Europe a very good example of opposite ends are Germany and Greece), but over-concentration of wealth is a constant phenomenon everywhere. This asymmetry shapes the current dependency structure. Debt dependency is now becoming the primary form of dependency and the primary strategy for securing the hierarchy between the EMU-member states.

In the United Kingdom, but also in Germany and the others northern EU countries, after the Thatcherite "revolution" shock, social resistance schemes have been gradually and systematically marginalized. This process of marginalization of the social reaction was introduced during the Tony Blair and Gerhard Schroeder social democratic governments due to the imposition of the politics of inequality as an "objective" need for social readjustment, imposed by the international economic competition, capital mobility, and competition in order to attract investments and foreign capital. However, at least for now and when it comes to the wealthiest countries in the Union, with Germany playing a prominent role: a) the industrial base of the Western societies has not been abandoned yet, and b) the safety net of the social state still has his own – step by step diminishing - resilience.

In the US, after the Lehman shock and then the government's and the FED's intervention, under the leadership of Ben Bernanke, to save the banking system, came Obama presidency's attempt to return to the New Deal logic. Initially the late months of the Bush presidency, along with the Obama presidency that followed, were a critical moment for the salvation of the American, the European (Britain's Central Bank and the ECB) and the Japanese banking system, which was the consequence of the American capitalism's international role and the United States lead in the globalized financial system. Surely, that was a real Keynesian type intervention, but its exclusive target was to save the global financial system, (a very original approach to the logic of the Keynesian consensus!). It is very interesting, that until today this specific active role of the FED is not really mentioned by the European and German crisis narrative.<sup>9</sup>

<sup>9</sup> For a detailed explanation of this argument see Tooze (2018).

Though, even beyond the banks rescue, the moderate Keynesian reaction of the Obama administration against the crisis and the inequality policies formulate the dilemma for American politics since Reagan presidency: distributive justice vs. inequality policies. The efforts of the Obama Administration (but also the color of the President's skin) led to the Right's fierce reaction, being led and sponsored by the most active lobbies of capitalist interests such as the Oil, the Pharmaceutical and the Tobacco industry, the National Rifle Association (NRA), that of the brothers David and Charles Koch (Mayer, 2016) etc..<sup>10</sup> This reaction was gradually escalated from the tea-parties movement to the Trump election. Although the roots of this process are in the Ku Klux Klan (KKK) movement, the anticommunist paranoia of the Senator Joseph McCarthy era, the Barry Goldwater candidature for the Presidency and the efforts to undermine the Rule of Law by the Nixon Administration, the direct connection is with the Newt Gingrich conservative "revolution" against the Clinton Administration and especially against the liberal content of Democracy, meaning against the liberal institutional consolidation (e.g. the principle of separation of powers and the institutional mechanisms of checks and balances etc.) of the American Democracy and especially the efforts for the ultra-conservative control of the courts and as the principal goal the control of the Supreme Court (Kornacki, 2018; Hofstadter, 2008; Phillips, 2006; Brocker, 2005; Reich, 2010; Vaisse, 2010).<sup>11</sup>

Trump's main objective was and is to cancel all efforts made by the eight-year Obama presidency, but also to reconstruct and finally to cancel, through a new ridiculously incompetent, incoherent and unbalanced form of foreign policy (which main goal is his reelection 2020), the structure of the world system, as it had been established in the postwar period under US lead (Packer, 2019). A total foreign policy fiasco in North Korea, Irak, Syria and the betrayal of the Kurds, Afghanistan, Erdogan's Turkey, Putin's Russia, Venezuela, the growth of the hegemonic influence of Iran in Irak, Syria and Libanon (surely in the cases of Irak and Iran the decisions of the George W. Bush Administration bear the main responsibility), characterizes the first three years of Trump's foreign "policy" and if Trump wins the next presidential elections then the next fiasco will be the revival of the IS/Daesh, the loss of control of the South China Sea and Taiwan and the destruction of NATO.

The imposition of the extreme version of the market has the same impact everywhere. It only varies in the degree of intensity. The middle class is shrinking in general. The wealth accumulation and concentration is gigantic, and if it wasn't for the welfare safety net, and the entirely different progressive levels of taxation (progressive tax scale), the situation would be no different than in the pre-1914 period (Alvadero et al., 2018; Scheve & Stasavage, 2016; Saez & Zucman, 2019). The weaker strata are rapidly growing leading great

<sup>10</sup>About the efforts of the Obama Administration see Alter (2010), Skocpol (2012), Wolffe (2010) and Rhodes (2018).

<sup>11</sup> Especially about the Washington lobbies and the pro-plutocracy politics see Hacker & Pierson (2010).

parts of the population on the margins of society and towards poverty and irreversible social exclusion.

In the historical course of the industrialization and the democratization process and especially after the Second World War the middle class became more and more extended giving to society the shape, the form of an egg, or of a pear, depended from the asymmetric structure of inequality. An egg as a form in which the two opposite sides (the rich and the poor) corresponded to the smallest area of this shape while the middle part (the middle classes) was in a steady growing process. Nowadays, the evolution of social inequality leads to a reshaping of society from the egg-form to an hourglass-form due to the vast descend of the middle class, the overconcentration of wealth on top and the rapid growth of the economically weak, the precariat, at the bottom.<sup>12</sup>

#### **4. THE COMMON DENOMINATOR OF POPULISM IN EUROPE AND IN THE US. THE SO CALLED WAR AGAINST THE “ESTABLISHMENT”.**

##### *4.1. Trump's effort to disdain American Democracy: “real Americans” vs. “costal elites”*

According to the American right-wing anti-New Deal dogmatic ideological obsession with the personal interest, any sort of taxes and a progressive structure of taxation aiming to protect and avoid the impoverishment of the lower classes is a felony against personal freedom. The impoverished person himself is responsible for his own impoverishment, while solidarity is a negative and counterproductive phenomenon because it drains out, via taxation, the resources for private investment and it prevents the personal (economic) freedom and so the pursuit of happiness, while at the same time the “natural” inclination of the lower classes towards laziness became deeper and so social solidarity emerges as moral hazard.

The intrinsic relation between freedom and equality, which designates Modernity, liberal Democracy and the democratization process of the last 300 years, at least since 1789's *liberté, égalité, fraternité*, is reversed and interpreted as the decisive contradiction that founds market economy, freedom and economic growth.

On the base of this supposed contradiction the paradoxon begins. In the name of freedom American right wing populism rejects the “establishment” and denounces: a) the very status of citizenship, b) the core elements of the formation of the Political in the tradition of the enlightenment and c) the constitution of the democratic society.

Liberal Democracy is under attack. Populism demonises the free press and denounces the institutions of the on the Rule of Law anchored society and mainly the separation of

<sup>12</sup> For this analogy see also Muenkler (2010, 2011).

powers (Trump's main goal), for which Washington D.C. is the eminent symbol. Populism in the US denounces the federal authority, the system of checks and balances and the very existence of the liberal democratic state as the institutional organization of the social coherence of free and equal citizens. The populist narrative, as the quintessence of the ideology of abuse of power, describes the democratic state as the totalitarian Leviathan who imposes itself on the private economic interest and in the same time deprives the elected leader from his own - supposedly through the will of the people - legitimated power. The leader who is elected by the people and claim to have a direct mandate from the people is therefore uniquely legitimized as a modern tribune. Thus, according to this authoritarian approach, the Rule of Law as the foundation of the democratic liberal system is an act of the intent to thwart the will of the people.<sup>13</sup>

This is a peculiar anti-liberal or illiberal anti-democratic fascism like, or even fascist, American populism, which at least on a certain level,<sup>14</sup> and mainly outside the US is not yet recognized as such, because unlike the European historical experience it does not seek to impose a totalitarian one party-state. On the contrary, state and totalitarianism seems for the American populist movement very close notions. It refers, of course, to state's regulatory, personal and civic rights-oriented and social functions and not, for instance, to the state's military power. In the name of personal freedom, the "lesser state" is turning into a

<sup>13</sup> But "elected by the people", meaning elected by the majority of the people, is in fact a "fake". 2016 Hillary Clinton beat Trump in the popular vote by nearly 3 million ballots (Clinton 65.853.514 and 48,2%, Trump 62.984.828 and 46,1%) yet lost the Electoral College by 304 votes to 227, it is a mismatch between the Electoral College and the national popular vote, what is not so unusual. In the years 1876, 1888, 2000, and 2016 this mismatch was the result of the voting system and all four favored Republicans. In the Senate it is even worse. One Senator of California represents nearly 20 million peoples and a Senator in Wyoming represents 290.000. Besides these "paradoxa" of the Electoral College-System American elections are a history of voting fraud and discriminatory voter suppression in state, county and district level mainly in the South, against Afro-Americans and Americans of Latin origin, which give disproportionable weight to rural areas. Those policies deprived the voters of rights guaranteed under the First, Fourteenth and Fifteenth Amendments and the 1964 Civil Rights Act. Those policies are policies of registration, disenfranchising voters, limited numbers of polling stations so that voters have to wait in lines for hours to vote, constant redrew of district lines, registration databases open to hacking, voting machines with any kind of problems etc., which are constant strategies of the Republican Party. The Brennan Center for Justice reported on August 2019 that seventeen million Americans had been purged from the voter poles between 2016 and 2018. The Shelby County v. Holder case of the US Supreme Court 2013 was a landmark in the efforts to restrict voting rights. The ruling of the Court signified the erosion of the Voting Rights Act of 1965. See Anderson (2018), Cobb (2019), Lichtman (2018) and Felchner (2008).

<sup>14</sup> To the Trump phenomenon in the context of America's right-wing political tradition Madeleine Albright ("Donald Trump is the first anti-democratic President in the modern history of the U.S.A.") offers a particularly interesting study in Albright (2018). On the tea-parties phenomenon and the irrational elements in American politics see also Charalambis (2012), especially p.165. See also Vaisse (2010).

medium of Darwinist disdain of any “Other”, or the so called “losers”, through the extreme version of the market and the refusal of any form of regulation.<sup>15</sup>

For the tea-parties movement and for the Trump’s cheerleaders in the Republican Party and his narrow-minded and intolerant supporters of today the citizen is an active person, who votes, takes part in demonstrations, mobs, is fan of a communitarian, direct-democracy conception of individual atavistic ethnic/ tribal identities (tribal politics) with the goal to shrink the institutions of the Rule of Law. The basic idea is the conception of a state that has to free itself from all checks and balances, from the commitment for environmental protection, from the rules imposed by the FED etc., from all democratic institutions. This politically self-contradictory but active voter denounces the public interest, the common good and the institutional pattern of its implications, demanding only the absolute imposition of individual freedom, and that of private interest and the privatization of the public sector.

In effect this schizophrenic insanity of a movement of citizens turned in principle against the very status of the citizen, turned against the very exclusive competence of the citizen (the Kompetenz-Kompetenz), has one main outcome : It imposes in the center of the political aim the interests of the plutocratic elite, and those of the speculative goals of big enterprises, who have been the sponsors of the tea-party-movement and are the sponsors of the reactionary “anti-establishment” movements everywhere.

It is particularly interesting that the movement against the Washington “establishment” and the “costal elites”, in accordance with the “classical” fascist ideology, is also, supposedly, against the “globalist” big capital, because of the relocation of production and the investment abroad, mainly in China and Mexico, the international trade agreements (e.g. NAFTA and TTIP), the global and not national attitude of big companies and so on. Washington is the main target, but also New York City is this movement’s enemy because the one cumulated the federal democratic authority while the other cumulated the economic

<sup>15</sup> As to the argument that the extreme market model is closer to Darwin’s theory rather than Adam Smith’s, see Frank (2011). Social Darwinism has a long tradition in the politics of laissez-faire and concentrated unchecked private power: “In politics, Social Darwinists embraced laissez-faire, opposing any interventions that might be thought to stop the strong from displacing the weak. Spencer opposed “poor laws” in Britain, believing the impoverished should be left to live or die on their own, so as “to clear the world of them, and make room for better”. To be fair, he and other Social Darwinists did lend support in one form of state intervention: eugenics campaigns meant to cull the physically and mentally disabled, and thereby help speed up the coming of the new age. John D. Rockefeller,Jr., would personally fund an initiative to sterilize some 15 million Americans, for, as Spencer put it, “The forces which are working out the great scheme of perfect happiness... exterminate such sections of mankind as stand in their way, with the same sternness that they exterminate beasts of prey and herds of useless ruminants”... For what was underway was a kind of industrial eugenics campaign that exterminated the weak and the unfit to make room for firms great and powerful”, Wu (2018: 27-28). On the influence of the American eugenics “science” and racism on the Nazi racial theory and laws, Whitman(2018).

one, but mainly because New York is the symbol of the tolerant society which is the opposite of this fascist ideology. Neither the fact that the main objective of the leadership who is supported by this mob is the abolishment of taxation for the rich and the abolishment of any regulation of entrepreneurial, especially financial and speculative activity, nor the fact that the movement's economic donors are among the country's top billionaires are perceived as contradictory with the movement's anti-establishment ideology. This combination of stupidity, dogmatic fixation, resentment, malice, opportunism, incompetence, bigotry, conspiracy paranoia and private interests designates all right or left populist movements and surely fascism and Nazism.

Rejecting the conception of modernity of the society of the free and equal persons, this genuine American populism leads, in the name of individual freedom, to social Darwinism and imposes in reality only the freedom of the more powerful and privileged. Guided through the electronic media (Fox News), but also through the Press, cable TV and mainly the social media, those tea-parties partisans and status quo "opponents" and now Trump followers are nothing but the political instrument of major economic interests who through this populist not-any-more so - krypto – racist movements are trying to become free from the cost of preserving social cohesion, free from the cost of the civilization of liberal Democracy and the Rule of Law, free from the cost of the civilization of modernity.<sup>16</sup>

We are facing demagoguery and the threat of a new Bonapartism aiming through social Darwinism the firm rejection of the "Other" and through it the disdain and the rejection of the modern liberal and democratic society in the name of an irrational white tribal Gemeinschaft. The hostile politics of the American (and the European) Right do not lead, at least not yet, towards the racially defined and murderous rejection of life in accordance with the anti-Semitic and criminal racist post-Weimar interwar paradigm ("wertloses Leben" – worthless life), even though racism is the basic ingredient of the "anti-establishment" movement. But, nevertheless, they lead to the economically imposed disdain of life and human dignity.

Trump's language is hardly a matter of thoughtless improvisation. As a real demagogue his goal is to provoke the reenactment of the traditional white American racist nativism and bigotry. That was his strategy 2016 and it is again his strategy for claiming the second

<sup>16</sup> As to the peculiar simultaneous existence of freedom of expression and surveillance, the historically unique accumulation of control on the internet, irrationalism's extreme presence on the internet and the intrinsic relation between neoliberal turn, digital revolution and the post-democratic turn in irrationalism, see Rigou (2014), Morozov (2013), Augstein (2017), especially the articles by Morozov (2017) and Hoffman-Riem (2017). See also Lanier (2014, 2018), Frey (2019), Bluehdorn (2013), Woolley & Howard (2019). For the exploitation of behavioral predictions derived from the surveillance of the citizens (users/consumers) as the latest stage of capitalism, see: Zuboff (2018) and Russell (2019).



term. It is nothing else then demagoguery about white identity politics. His obsession with his predecessor is almost paranoid and the result of the awareness of his intellectual inferiority.

The decisions by the conservative majority of the U.S. Supreme Court are indicative (conservative majority achieved by the judges appointed by Ronald Reagan and George H.W. Bush, completed by the choices made by Trump), on the basis of the textualistic and originalistic interpretation of the Constitution (according to the ultra-conservative Federalist Society and the late Supreme Court Judge Antonin Scalia) and the doctrine that freedom and equality are absolutely opposed and conflicting notions, and that freedom of expression legitimizes the abolition of any regulatory policy, according to the critical observation made by Justice Elena Kagan in her dissent in the case *Janus v. AFSCME* (TIME, 2018; Dworkin, 2010c; Lewis, 2011)<sup>17</sup>.

The most indicative neoliberal decision of the Supreme Court is the one about the PACs (Political Action Committees). This decision makes no distinction between the natural and the legal person as politically active entities (!), preparing the ground for the direct economic intervention of the big enterprises, without imposing a threshold for the economic support in electoral campaigns, backed by non-profit public companies, the PACs. This decision has completed the abolishing of the sponsorship limitation for natural persons already with the decision in the case *Buckley v. Valeo* in the year 1976 (Lessig, 2019).

These PACs buy air time in the TV, prepare the TV ads, support all possible types of propaganda against their contenders, design the social media so that it promotes the candidates of their likes, organizes filter bubbles, are in charge of internet bots etc..<sup>18</sup> But it is also true that the main part of the donations for the candidates comes still from individuals connected with corporations (the Koch brothers (tea-parties sponsors and sponsors behind the spread of climate-change skepticism), Robert Mercer (main Trump supporter) and many others).

<sup>17</sup> TIME July 30, 2018 p. 6 and in detail about the crucial court decision of 2010: *Citizens United v. Federal Election Commission*, 558 U.S.310 see Dworkin (2011). And also the *Buckley v. Valeo* 424 U.S.1 1976 case. The main view of conservative judges is that any reference to equality and any legal regulation attempting to ensure either a relative equality of candidates' access to their electoral basis, or regulation of any form of entrepreneurial activity ends up as opposed to the First Amendment (Freedom of Speech). In their so called originalistic (according to the spirit of 1787) interpretation of the Constitution equality as a demand of equal implementation of the fundamental rights for all citizens is per se contrary to the freedom of speech. As Antony Lewis (2011) underlines: "Today's Conservatives act again and again on behalf of a narrow, powerful interest: the rich. The apotheosis was the *Citizens United* case, overruling a hundred years of constitutional law to give corporations unlimited power to contribute to election Campaigns".

<sup>18</sup> See particularly: Dworkin (2010a, 2010b). See also: Bollinger & Stone (2019) and about institutionalized corruption in America: Teachout (2014). For a more general approach to the phenomenon of institutional corruption: Cagé (2018).

4.2. *The renaissance of nationalism in Europe. The European Union at the crossroads. Has Germany shifted from the “special path” case (“der deutsche Sonderweg”) into the role model for Europe?*

The Northern European reaction against Keynesian policies of social inclusion, social consent and solidarity is founded on the economic dogma of the balanced budget and the zero-sovereign debt-policy, Wolfgang Schäuble’s “schwarze Null”<sup>19</sup>. Even though the continental European (Rhein-Kapitalismus) neoliberal reaction appears to be milder than in the US and the UK, due to the resilience of the social welfare state, which is widely acclaimed, historically established and because of that difficult to abandon, even in the UK, the results, as the common denominator, are the same: austerity, inequality and the descent of the middle classes.

In the EU the descent of the Political has not become extreme yet. The reason is the historical experience of the two wars and of the interwar period, but also the logic and the practices of the welfare state as the main social integration mechanism for the legitimization of the market economy and the political system after the Second World War. But it is also true that the crisis of social democracy on a pan-European level has triggered trends which are already putting into question and might even destroy this special consensual socio-democratic political element in continental Europe.

At the same time, European integration is a road full of obstacles, leading even to deadlocks, due to the ethnocentric tradition of the European states on the base of the imagined homogeneity (common origin) of the national community and the difficulty to overcome this traditionalistic cultural and not political identity interpretation. On top of this, an asymmetry between European economies, between European North and PIGS’s (Portugal, Italy, Greece and Spain) European South, with Greece as an extremely problematic example, turns EMU’s single currency from the main medium for the European integration – supposedly the key decision for the EMU creation - into something that threatens to dissolve the Union, or to turn it into a hierarchical dependency construction of the member states.

As Ashoka Mody noted, in the consequence of the old warning of Nicholas Kaldor, that a single currency would amplify economic divergence, “Europe ended up someplace else”.<sup>20</sup>

<sup>19</sup> On that “schwarze Null” dogma see Haffert (2015).

<sup>20</sup> See: Mody (2018). As Nicholas Kaldor notices “...But it is a dangerous error to believe that monetary and economic union can proceed as a political union or that it will act (in the words of the “Werner report”) as a haven for the evolution of a political union which in the long run will in any case be unable to do without. For the creation of a monetary union’s community control over national budgets generates pressures which lead to a breakdown of the whole system it will prevent the development of a political union, not promote it.” (Kaldor, 1978:187-220). The Pierre Werner (Prime Minister of Luxembourg) Report in the year 1971 for the full economic and monetary union (EMU) was the first systematic analysis for a European common currency project, after the collapse of the Bretton Woods system and after the first pro-

Without political and fiscal consolidation the future of the E.U. is at risk. Though, what is needed is not consolidation in terms of full acceptance of the German “ordoliberal” logic, because this would make stronger the German hegemony, which is the goal and objective of Schaeuble’s very specific ‘Europeanism’. On the contrary, German hegemony’s ordoliberal logic stubbornness and the moral punitive attitude to the European South and against those who do not accept the German austerity model is a process that further strengthens the populist anti-European integration centrifugal forces and also the spontaneous unrest like the gilets-jaunes-movement in France.

The awareness of this reality was what led Emmanuel Macron to some suggestions for the deepening of the European integration, which are effectively non-acceptable by Germany’s Merkel government and other Northern European governments. These suggestions are limited to an attempt to save time, without offering a true alternative, goal-oriented and long-term strategy. The ECB’s outlook with Mario Draghi in charge is relatively an exception to the general acceptance of the German conditions. Draghi looks into implementing some common economic policies despite Germany’s objections and that is his crucial heritage to Christine Lagarde. The German objection is obvious if we see the decisions of the Federal Constitutional Court in Karlsruhe (first on the Lisbon-Treaty, later the application to the European Court of Justice (ECJ) on the Quantitative Easing policy of the ECB but also its hidden dispute with the ECJ in general)<sup>21</sup>, or the strong opposition to Draghi’s Quantitative Easing (QE) strategy from the Bundesbank under Jens Weidmann’s leadership, who is an eminently zealous supporter of the neoliberal version of the Ordoliberalismus dogma.<sup>22</sup> The leadership of the Bundesbank believes that the ECB has strayed from its monetarist role, and that due to its initiatives (buying bonds on a massive scale and ensuring liquidity in the banking system via Quantitative Easing) it implements policies similar to the FED’s, negating indirectly Maastricht’s no-bail-out clause. This no-bail-out clause is the foundation of the rejection of the European solidarity idea in institutional terms. It is for these reasons after all, that the “rescue” packages were put into effect through bilateral agreements, outside the European treaties framework, while the same applies to why the intergovernmental structured ESM, as a new institutional instrument of the EMU, is governed by the Eurogroup’s non transparent decisions based on the

posals for a common currency, even earlier, in the year 1968, see also Offe (2016).

<sup>21</sup> On the decision of the Federal Constitutional Court concerning the Lisbon Treaty Urteil des Zweiten Senats vom 30 Juni 2009: [http://www.bundesverfassungsgericht.de/entscheidungen/es20090630\\_2bve\\_000208.html](http://www.bundesverfassungsgericht.de/entscheidungen/es20090630_2bve_000208.html), 09/07/2009.

<sup>22</sup> About the notorious national state oriented euroscepticism of the German Constitutional Court in Karlsruhe and its hidden controversy to the European Court of Justice (Strasbourg) see also: Moellers (2011) and Jestaedt (2011).

technocratic and “objective” work of the EuropeWorkingGroup, as an alibi for political intergovernmental decisions.

The European integration deviations put decisive centrifugal forces into action, which do not react to the negative consequences of the inequality paradigm of the radical concept of the market on the base of a democratic Keynesian approach. On the contrary the only reaction to the predominance of the neoliberal paradigm is the revival of the nationalist and racist ideology against the liberal-democratic social coherence and the European integration. In this context, the crisis having made its appearance since 2008 - 2010 is nothing else then what brings the major dilemma to the surface: consolidation of the European integration, or rather dissolution and/or quasi authoritarian transformation of Europe?

One should underline the fact that the German economy, for whose sake the common European market functioned in the best way possible, has also embraced the logic of the social inequality. Despite the costly readjustment in the ten-year period within Eastern Germany became integrated to Western Germany, through wage stagnation (wage damping) and after the decreasing of the welfare state (Agenda 2010) Germany became the dominant economic power in the internal European market, constituting once again the productivity model in and for Europe (the second German “Wirtschaftswunder” – economic miracle after the Second World War).

Nevertheless in the post Agenda 2010 years, inequality and unprecedented wealth accumulation and concentration take place as well in Germany, while unequal distribution is covered up by the successful tackling of the crisis (even though German banks have many huge hidden “black holes” within and their role was crucial in the 2007/2008 US subprime mortgage crisis, mainly that of the Deutsche Bank) as the result of high productivity rates, low wage costs and negative interest rates. Because of these various and multiple factors Germany obtained an astonishing export dynamic and became the internationally first export power. The only problem for Germany’s leading role as an export power are the threats of Trump’s trade war against China but also against the E.U and as it appears lately the lost ground in electromobility.

The fracturing of the global trading system destabilizes the central position of Germany’s industry in the international trade. So Germany’s dominant position in the international trade of industrial goods is in the same time its power momentum but also its vulnerability.

Germany’s comparative advantage was and still is that it has maintained its industrial base (unlike the USA, and especially the UK) and also the medium-sized businesses (the so called *Mittelstand*), while preserving its leadership in the machine and car production and in the chemical industry. The reason for this is the successful implementation of the Agenda 2010, which thanks to high profits for the industry, maintained the domestic in-

dustrial production, constraining to a certain extent the capital flows from being directed towards speculative financial investment, or towards industrial investment abroad.

At the same time, Germany's great asset is its high quality but low cost (wages dampening) industrial production, and especially its car industry as the main industrial sector. German cars are, without exaggeration, consumers' dream all over the world, and surely the highest proof for wealth and social status for the nouveau rich of the emerging economies.<sup>23</sup>

Within the German society, and mainly within the conservative and center-right business leadership the political reflection of this economic success is resumed by the impression that Germany, in a new alliance especially with China (but also with Russia when the Ukrainian crisis will be over), and due to the gradual decline of the US as the global economic – political regulatory power would finally take over as global economic force. But the fear of the Chinese expansionism through the new Silk Road, the Chinese mega-investment in the military machinery and the threat of the imposition of Chinese digital technology (as an example the Huawei G-5 case) are also a part of the new German Angst.

The idea spreading in the right wing political leadership but also across larger social strata is that economic success is what makes Germany a different case within Europe. This interpretation of today's situation in Europe into the idea that the only long-term possibility for the European Union to exist is "Germanification". That means that the European societies have to accept and internalize the German ordoliberal model of fiscal administration, production and reduction of the labor cost. This doctrine focuses on the logic of the supply-side economy and is based on the German competitive economic strategy since the state's founding in 1871 (Barrington Moore, 1969), put together with the post war <sup>theory</sup> of Ordoliberalism. According to this, any country unable to follow this standard undermines the European integration and should, therefore, exit the Union. It is a logic that was almost adopted in the case of Wolfgang Schaeuble's Grexit threats.

In practice, German conservative politics is something in-between provincialism, fear of the very ethnocentric ideas it has set free and which ideas have underpinned the far-right "anti-establishment" Germans of the crypto-Nazi AfD and economic superpower fallacies. However, there is still strong common sense approaches in the German political elit acknowledging that : a) if the process towards European integration and EMU fails, the (second) German "economic miracle" will collapse due to its own success (a dramatic revaluation of the old/ new national currency, and the following decline of the export assets), with unpredictable domestic political and social consequences, b) China is emerging as the major force in the restructuring of the global balance of power (while also buying up the

<sup>23</sup> As to inequality in Germany in detail, mainly after Agenda 2010 and its implementation by the Merkel government as the strict consequence of the Schroeder - Hartz - project, see: Wehler (2013), Meinzer (2016) and Goffart (2019), Berger (2014), Doerfer (2014), Roth (2014).

German industry's know-how) and c) a country of major importance on a global scale, which will assume an international leading role needs real political confidence and massive military force, a role which Germany, due to its historical past, could not accept to play easily and also because the cost of a massive military international presence would decrease the assets of a competitive supply-side economy and of a balanced budget.

After the 2017 German national elections, the threats of a recession due to the new trade war between America and China and Trump's sanctions against Iran and Russia scratches the certainty of the German political class on the exceptionalism of the German model and led paradoxically to a lack of actions and initiatives. In practice the only real political initiative of the Merkel era after 2005 was the chancellor's decision to allow about one million refugees entering the country after the Budapest central rail station refugee scandal. This decision of the year 2015 which was not supported mostly by the Eastern European member states induced a relative loss for the German hegemony in Europe and has proved its limits within the Union. This limitation of the German hegemony arises as the result of the political inability to take risks, or even long term political initiatives. German European politics are primarily domestic oriented now constrained by the conservative turn that the governmental coalition itself had promoted following the choices made by the Agenda 2010. A turn which abruptly stopped the emancipation trends following May 1968 and of the social-democratic governments of Willy Brandt and Helmut Schmidt (1969-1974/1974-1982).<sup>24</sup>

The ordoliberal model is still dominant, and Angela Merkel's "market-oriented Democracy" ("die marktkonforme Demokratie") continues to be considered - not only by the German Center-Right - as the only sustainable form of liberal Democracy, without any possible and viable alternative. Thatcher's initial suggestion that "There Is No Alternative" (TINA) to the neoliberal paradigm is still the dominant idea in the capitalist world.

The neoliberal paradigm's resilience deepens the social strata asymmetries and inequality became worse. However, the origin and consequences of this paradigm are not enough to explain its great resilience since this resilience is still there even after 2007, after the greatest financial crisis the developed world has known in the post - Second World War period.

The main problem is not really about the first part of the liberal – democratic diptych, that is economic freedom, but mainly the second, that is equality, as this refers to private individuals' self-committed obligation as citizens. As a matter of fact, the balance between the two faces of the Janus – the status of the modern individual as bourgeois and citizen - has been disrupted.

<sup>24</sup> See also Fratzscher (2014).

Economic freedom, that is the free-market dimension, is proclaimed as the highest good, and the self-regulated market is celebrated as the real quintessence, the real topos of Kant's pure reason (die reine Vernunft) in the tradition and logic of Friedrich Hayek's spontaneous order of the free price system. The market is the real "Gerichtshof der Vernunft" (Kant, 1967/A1781, B1787: A751, B779/686-687), the real "internal court" of reason.

At the same time political regulatory intervention as market-extern information is identified with irrationalism. In this market oriented understanding of social coherence only changing prices, also market-intern information, consist and communicate information. This approach doesn't realize that this very view is nothing more than irrationalism's comeback. This "spontaneous order" of the market as the real rational topos of society abolish every distinction between the individual/instrumental rationalities (Handlungs-rationalitaet/Zweckrationalitaet of the volonté particulière) and the universal/social coherent reason, la volonté générale, what refers to the fundamental, the specific Wertrationalitaet – the social contract of the free and equal individuals bearers of unalienable rights - of modern society's constitution, the *diferentia specifica* of Modernity.<sup>25</sup>

The "spontaneous order" ("the catallaxy of the game" according to Hayek) of the individual rationalities of the homo economicus, of the liberal and neoliberal economic theory's center of gravity, has nothing to do with a normative theory of the social contract and the Kantian and Lockean rational tradition of the normative liberal conception of the social contract of e.g. John Stuart Mill, John Rawls, Ronald Dworkin.<sup>26</sup>

Finally according to this entirely market oriented approach and this market depended conception of Democracy the rationality of social coherence is nothing else then an accidental result and so the ad random coincidence of a post modern ambiguity.

In the same time this myth of the autonomy of the market denounces the intrinsic relation between state and economy which made capitalism possible from the time of the initial accumulation until today's establishment of the neoliberal dogmatic approach to market's "spontaneous order".<sup>27</sup>

<sup>25</sup> See also Apel & Kettner (1996) and Vogl (2010, 2015).

<sup>26</sup> On the constitution of modernity, the secular normative philosophy, the ethical content of the social contract, the theoretical foundation of the democratic revolutions in the 18<sup>th</sup> century but also the failures of the democratization procedure, see among others: Israel (2011, 2019), Grayling (2007), Andress (2008).

<sup>27</sup> See among others: Sassoon (2019), Krippner (2011) and Skidelsky (2018).

## 5. IRRATIONALISM AS THE SYSTEMIC RATIONALIZATION OF INEQUALITY, OR THE NEW SEDUCTION OF UNREASON <sup>28</sup>

The first political reaction to the 2007 – 2008 financial turmoil, the election of Barak Obama for President, was in European terms a social democratic one, within the framework of the New Deal tradition. Nevertheless, the expectations were unrealistically high because of the underestimation of the fierce Republican reaction, and the power asymmetry in Congress between the New Deal – liberal tradition in the Democratic Party and the plutocratic influence in the Republican Party. The irrational populist turn came with the “reality show” of the annus horribilis of the 2016 US elections. During this period and until today the Left remains trapped in “identity politics” (tribal, ethnic, and civil identities), paradoxically resembling to the right-wing anti-establishmentarianism respective trends, while in fact the Left ignores, until recently, the dynamics of social inequality, the social consequences after the decline of the heavy industry etc.<sup>29</sup>

The disappointment from this social-democratic approach, despite its successes (The Patient Protection and Affordable Care Act, the so called Obamacare, carried out in the middle of the worst economic crisis after 1929/1930!, the unexpected decline of unemployment, economic growth, deficit reduction, control mechanisms for the investment banks, relatively increased taxation for the wealthy in the second term of Obama, disengagement from military interventions, etc.) brought about a low turnout of the democratic voters and the emergence of irrationalism as the alternative political choice, which has always been a latent characteristic of the American Right, with racist hysteria, xenophobia and anti-liberalism as its benchmark.

In fact, under the conditions of the universal suffrage and when extreme inequality is spreading out (4.3 million households lost their homes during the 2007-2008 subprime crisis), an electorate has to choose between two possible choices : a) either a rational – democratic choice, and therefore the choice of Keynesian social democratic strategies, consisting of redistributive justice and integrative policies through the limitation of social inequality, or b) an irrational, anti - liberal choice, that misinterprets inequality, conceal its true reasons and character and proclaims fake assumptions as true, based on fiction, conspiracy theories (“the white genocide theory”, the “white replacement theory”, the threats to “white supremacy”, “white genocide” conspiracy etc.) hostility, xenophobia (“tidal

<sup>28</sup> “The seduction of unreason” is the title of one of the best analysis of the historical and philosophical roots of the antidemocratic and anti-liberal irrationalism and its relation to the interwar murderous racist devaluation of human life and the postmodern conception of reality which is in a way the background for the notion of “alternative truth”. See Wolin (2006).

<sup>29</sup> See also Lilla (2017), and the older analysis of this phenomenon by Rorty (1998) (cultural left vs. progressive left) even though Rorty himself had contributed decisively into its shaping. Also Chua (2018) and Fukuyama (2018).



waves” of immigration, “replacement” of white Europeans via demographics etc.), victimization, homophobia, misogyny, hate and misinterpretation of reality of any kind.

The main problem is the identification of growing poverty, austerity, the decline of the middle strata of society and the hyperconcentration of wealth with the principles of liberal Democracy. This identification is the main goal and result, as well the crucial fraud of the plutocratic politics, a fraud that the irrational conception of society and reality in general is not able to recognize (Charalambis, 2017; Koppetsch, 2019).

For Trump’s supporters, and not only for them, misinterpreting, suppressing and denying reality has taken such a clear shape that, through the tweets and the public comments of the President, “Fake News” or “Alternative Truth” is pronounced as truth, while reality is deemed fictional and fake. Freedom of expression bound to rational norms and ethics in print, electronic and digital media as the rational base of public discourse and analysis is denounced by this sociopathic Moussolini-like President and his fanatic supporters as a lie, or as fake news. Very simple, this is the reactionary and irrational post – modern descent of freedom of expression.

In fact, the neoliberal politics of inequality under today’s hyper-concentrated capitalism brings back forms of social relations resembling to the primitive accumulation of capital. This economic and political submission under the plutocratic elite can - under universal suffrage - be acceptable by the voters only through the dominance of various forms of irrationalism. The situation is worsened by the culture of the continual networking in the on-line simulation of reality through social media and by propaganda strategies implemented through traditional and new media. Internet emerges as the eminent domain of irrationalism’s expression and at the same time as the domain where the new forms of surveillance and control are constituted and reconstituted.

If we accept that Democracy cannot be only formal, but also has to be substantial, otherwise sooner or later it would cease to be even formal, as in fact happened during the interwar period, then the overconcentration of wealth and the destruction of competition in the market through centralization of private power because of oligopolized and monopolized structures in communication, industry, services and finance invalidates or marginalizes social coherence and the material base of the constitution of society, while at the same time it leads to the dismantling of the democratic institutions. Therefore inequality and overconcentration of wealth negates rationality because in political terms and under universal suffrage, it can only be imposed and accepted on the base of irrationalism. As François Furet (1995:696,855,915) once noted, universal suffrage made totalitarianism possible, but, one must underline, only under the condition of irrationalism’s predominance.

If recognition of the other as a free and equal human being, which is the core of the democratization process of society (“We hold these truths to be self-evident, that all men

are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are life, liberty and the pursuit of happiness” – Declaration of Independence, 4<sup>th</sup> of July of 1776, “All human beings are born free and equal in dignity and rights” – General Declaration of human rights of the UN, 10<sup>th</sup> of December 1948), is not anymore possible in a democratic society, then we have a fundamental crisis of Democracy. If the lack of the socioeconomic grounds of Democracy, meaning the lack of the necessary material means for the participation in society and the avoidance of social exclusion, became more and more the social reality though austerity, exorbitant inequality and other forms of direct or indirect social marginalization, social recognition as the fundamental principle of the democratization process is not anymore possible and people will try to find recognition outside the rational liberal/democratic conception of society. Tribal, nationalistic, racist, religious, xenophobic etc. identities are the irrational, phobic and aggressive forms of the struggle for recognition. If the politics of inequality leads to the identification of liberalism with plutocracy and social exclusion (material, cultural etc.), then the erosion of Democracy is obvious.

The notion of recognition is the elementary notion of Democracy. The origin of recognition as an essential philosophical and social notion is in the core of modern philosophy from Hegel's to Habermas's (1996) philosophical thought. In Hegel's master-servant-relation (Herr-Knecht-Verhaeltnis) recognition is the source of social identity (Hegel, 1830/2016; Huelsmann, 1985).<sup>30</sup>

Recognition is in the core of Democracy and the quintessence of the democratization's procedure. This means something very simple and very crucial: The recognition of the other, the recognition of every human being, independent of gender, color, origin, wealth, sexual orientation, religion, biography etc. as equal bearer of rights and freedoms is the core of democratization and means the emergence of human dignity as the main content, the core and so the *differentia specifica* of mature Modernity and of liberal Democracy (Habermas, 2011).<sup>31</sup>

The establishment of universal suffrage and therefore the realization of formal Democracy marked the emergence of the modern notion of the human being as a concept of real abstraction, what defines the theoretical and practical topos of Modernity (Charalambis, 1998).<sup>32</sup> The post-First World War formal Democracy was transformed into substantial Democracy after the Second World War, as already mentioned, with a *sine qua non* material content through the Keynesian social contract and consensus and the realization of different forms of distributive justice and fairer levels of taxation. So the struggle for recognition got the essential dimension of the social participation through distributive justice

<sup>30</sup> Hegel (1830/2016: Vol.10, pp 219-228). See also Huelsmann (1985).

<sup>31</sup> About the notion of dignity see a.a.: Habermas (2011:13-38).

<sup>32</sup> On the notion of realabstraction as the *differentia specifica* of Modernity see: (Charalambis, 1998).

what was the central element for the consolidation of Democracy after 1945, at least in the industrial societies of the West.<sup>33</sup>

The neoliberal turn at the end of the 1970s and more effective after 1989/1991 stops and reverses this process. Exorbitant inequality and social exclusion of greater segments of society and the descent of the middle classes, who are the main tax payers in the western societies, means that recognition is retreating. But we are still in a democratic system, meaning that the universal suffrage cannot be ignored, as already mentioned.

Recognition as the crucial element of the political legitimacy process needs a new topos. To the famous question “who am I?”, “who are we?” is provided an answer not any more through the rational coherence of the modern, democratic society, but through the irrational narrative of segregation, xenophobia, nationalism and racism. This is the topos of the emergence of tribal identities, of social and racial segregation and the renaissance of the imagined national (origin) and racial (blood) homogenous communities through forms of ethnic cleansing as the key catalyst of the far right mass violence. Exorbitant inequality leads to social and economic refusal of social recognition and to the reactionary transformation of the liberal – democratic character of society through imagined pro-, anti-, or para-modern identities. So the aggressive refusal of the “Other”, the refusal of recognition became a cultural and even a racial - aesthetical phenomenon. But the real topos of its emergence is the economic and social inequality and therefore the *declassé* social and the political devaluation first of the lower and then of the middle classes.

Liberal Democracy and the Rule of Law are exactly the opposite of political irrationalism. The dismantling of this particular liberal structure of democratic institutions is what Steve Bannon’s “revolution”, who was Trump’s alter ego (as Dominic Cummings is for Boris Johnson), in the tradition of Ginrich’s “revolution”, aimed for.

The oxymoron of inequality’s political acceptance, under universal suffrage, stems on the simple reduction of Democracy in the procedure of the majority decision. It is not the notion of Democracy as the institutional framework of the separation of powers and the guarantee of protection and respect of the “inalienable” individual rights and liberties, as the precondition for the process of shaping and realizing free political choice. On the contrary the political foundation of the acceptance of inequality legitimated in the majority decision operates as a plebeian and illiberal attestation of the leader and his narrative and will. It is the contemporary, manipulated version of the Tocquevillian tyranny of the majority and the modern form of a very old political phenomenon, that of demagoguery.

This is a typical phenomenon of authoritarian populism. It is the construction of an imagined and supposed homogenous subject, an imagined “we” in a segregation society. That is the construction of the “true” and homogeneous people (the interwar “Volk” and

<sup>33</sup> See among others: Lowe (2012), Buruma (2013), Woloch (2019) and Ther (2014).

the interwar culture “des Voelkischen”) , the nation, or the white majority, facing the construction of an existentially hostile and dangerous – insidious “Other”. The latter could be the Jews, the nationally, ethnically or racial others, the establishment. This is based on the anti-modernity ground of the notion of the Political as the concept of φίλος – πολέμιος, the Freund(friend) – Feind(enemy) – relation( the enemy/Feind as “πολέμιος», in Greek in the original text, meaning not only the enemy, but the enemy at war) of Carl Schmitt’s reactionary political philosophy (Schmitt, 1963/1932). While at the same time populism is based on the favorite or central status of the democratic principle (universal suffrage) and the refusal – denouncement of the liberal principle, in the – supposed - favor of the social principle: the “illiberal Democracy” as a typical case of contradiction in terms.

The main objective of populism is the denouncing of the institutional and organizational content of liberal Democracy, the end of the separation of powers and the dismantling of the checks and balances principle. The next, or the parallel step is the refusal of scientific knowledge as a fraud of the “establishment” or/and of foreign powers. Best example is the rejection of the scientific evidence of the devastating climate change, of the destabilization of the climate, of the greenhouse gas emissions and of the immediate need for the protection of the environment.

In fact irrationality denounces the democratic civilization of Modernity itself. Modernity, representative Democracy, liberal principle and Rule of Law are incriminated as guilty of marginalizing the (ethnic/racial) “true” people, though marginalizing the will of the “true” people and the “true” people is the pillar of the “real” national identity.

So we confront a clear case of an irrational turn. We have a paranoid denouncement: Not the denouncement of the social violence of the inequality of the neoliberal paradigm, but the popular support of the denouncement of the institutional efforts for the domestication of the social violence of the neoliberal paradigm. The paradox of this denouncement is obvious. It is the fact that the terms of inequality’s acceptance are shaped by those who are the victims of its socio-economic violence, or at least by those who accept the demagogical fraud as the expression of their will.

The real power hidden behind Trump is plutocracy, and its representatives in the Senate, and in the House of Representatives. This is true even if some of the representatives such as Paul Ryan isolated themselves due to Trump’s interference with Russia and due to the Mueller investigation, the felonies and scandals, the economic (trade wars against China but also against Europe and particular Germany) and the geopolitical risks of Trump’s deep incompetence and contradictory initiatives (Foreign policy as a reality show), which nevertheless contribute to irrationalism’s consolidation. But plutocracy’s support does not exclude under any circumstances the possibility of an autonomous development of political irrationalism, as we know it from the European interwar period, and Trump’s

nationalistic efforts for the fracturing of the global trade system seems to support at least aspects of this scenario.

There are only a few republicans or members of the power elite, who are disturbed by the ridiculous absurdity of everyday politics making a fool of America's international image, degrading it and accelerating America's decline as world's leading power. As long as the tax reductions and the levels of taxation continues to work in favor of big enterprises and societies' richest elite, or as long as Obama's bank regulation efforts (Dodd-Frank-Act) are fading away, Trump's political hysteria is acceptable. Same applies for the Affordable Care Act (Obamacare) and - at least at the federal level - for the marginalization of the environmental protection legislation. After all, the increasing transformation of the Great Old Party (GOP) into a Trump Party is more and more an everyday routine, which is more than obvious through the voting discipline of the Republican Party during the Impeachment inquiry against Trump.

Consequently, one would assume that religion, nationalism, and racism have always been ideological constructions of reactionary social aggregation, because they produce or/and bring up some paranoid fearful idols of the "Other" and so at the same time they shape pathogenic narcissistic identities and power relations become legitimate by means of religious, national, and even eugenic myths of racial segregation and imaginary identification.

When the goal is electoral victory under universal suffrage conditions the declaration of inequality, publicly and bluntly, as a political strategy is impossible. Inequality has to become legitimate and accepted by its own victims. That is possible only through irrational connotations and misinterpretations of reality, as something other than what it really is, or simply as something positive for the "people" and contrary to the "insidious threats" from everyone that each "we" identify as different. At the same time racism and segregation policies are the classical platform for the dismantling of every form of consolidation of common interests between the lower strata of society.

The threats against Democracy are huge. Irrationalism's menacing shadow in a multipolar world where Democracy and the Rule of Law are constantly under threat, while totalitarian systems, such as that of China and Putin's Russia are broadcasted as alternative havens of economic efficiency, describes almost exactly today's situation.<sup>34</sup>

As a matter of fact, with the Trump Presidency, we are dealing with the birth of a truly postmodern version of politics: that of "everything goes". The post modern philosophy of the 1960s, 1970s and even 1980s meets in Trump's alternative truths its unexpected political implementation. For Trump his entourage and his supporters every alternate version of

<sup>34</sup> For populist attacks against liberal Democracy, and their respective threats, see: Mounk (2018), Brown (2015, 2019), Levitsky & Ziblatt (2018), Eichengreen (2018), Heitmeyer (2018), Traverso (2019), Mudde & Kaltwasser (2017), Manow (2018), Mueller (2016), Eatwell & Goodwin (2018), Stanley (2018).

truth has an equal demand of legitimacy since there is no validity criteria for truth. The only criterion is the retention of power. Fictional events and alternative truths substitute reality, while marking the most sharp, irrational and violent emergence of post-democracy in terms of post-truth. This is the disappointing aftermath of the American world hegemony.

It is the decline of a world hegemony that began with Woodrow Wilson's victorious intervention during the last (1917) phase of the "Great War" and after the Versailles Treaty with the Dawes-Young Plan for post-war Germany (the Stresemann-years).<sup>35</sup> The zenith of the US dominance as the leading power in the post-Cold-War unipolar world began with the collapse of the Berlin Wall 1989 and the beginning of the end of this period was the second war in Iraq 2003.

Since the Georg W. Bush Presidency began the self – destruction of American power in the historical moment of China's persisted raise and Russia's revanchism (Zakaria, 2019, 2008; Gordon, 2016; Madrik, 2011).<sup>36</sup> A hegemony that today is shrinking after the disastrous consequences of the second Iraq war and the ridiculous reality show of the isolationistic and nationalistic "America first" fake promise and the "take our country back" ridiculous narrative, what hollowed US foreign policy and international reputation even further. The real background of Trump's "world leadership" and "fantastic deals" is that he never delivered something. His foreign policy is an absolute failure. Iran, North Korea and lately Turkey, as typical examples of his failure, learned to "read" his hollow and incompetent show and they use America's resign as leading power for their own power game and the consolidation of their status as regional powers. Nevertheless the real game is between China and the US and Xi's China reads very clear the incompetence of Trump and his administration.

The same irrationality, the same fake news and the same alternative truths and lies have been also the ideological edifice for the Brexit vote and the role of a (in the Brexit case very loosely tied to the British economy) plutocracy behind Johnson and Farage. Deep social division and polarization are the common denominator for Trump's, Johnson's and Farage's populism<sup>37</sup>. It is not only the incompetence, the institutional and personal cor-

<sup>35</sup> For a systematic study of the crisis of the American hegemony and the postwar consolidation of the idea of the West, see: Winkler (2017). About America's entry in to the global affairs as the leading power see Knock (2019) and in particular Adam Tooze's doorstopper (Tooze, 2015).

<sup>36</sup> For a short but very accurate analysis : Zakaria (2019) and Zakaria (2008), for the internal social-economic conditions of that decline: Gordon (2016) and Madrick (2011).

<sup>37</sup> After the loss of the empire between 1947 (India) and 1962 (Jamaica) and the debacle of Suez (1956) "Great Britain has lost an empire and has not yet found a role", as Dean Acheson remarked in 1962. In this atmosphere of deep uncertainty about the future emerges Enoch Powell's xenophobic English nationalism in the late 1960's. So the contradictory topos of Farage's and Johnson's propaganda has to be placed in the tradition of Enoch Powell's narrow nationalistic Englishness and hidden rejection of Britishness but also in the

ruption, the lies, but also the fact, that this kind of politics shows a ridicule form of Democracy and of democratic politics, what is even worst.

But it is not only Donald Trump, Boris Johnson, Nigel Farage, Brazil's Jair Bolsonaro, Turkey's Recep Tayyip Erdogan, Venezuela's Nicolas Maduro or Philippines's Rodrigo Duterte. In continental Europe, the irrationalism dynamics have a name too: Marine Le Pen, Geert Wilders, Jaroslaw Kuczynski, Alexander Gauland, Alice Weidel, Beatrix von Storch, Norbert Hofer, Heinz-Christian Strache, Victor Orban, Matteo Salvini, Beppe Grillo, or FPO, SVP, Lega Nord, Movimento 5 Stelle, Perussuomalaiset-PeruS (the Real Finns), Sverigedemokraterna (the Democrats of Sweden)), Fremskrittspartiet (the Norwegian Progress Party), the Vlaams Block, PVV, the Dansk Folkeparti, the Rassemblement National, AfD, PiS, Fidesz, AKP etc.<sup>38</sup> Their first and main objective, along with the abolition of the separation of powers and the main elements of liberal Democracy and the Rule of Law, is to destroy the European integration procedure and to destroy the European Union with the help of Putin's Russia and Xi's China.

Britain's decision and the Brexit mess could be the first move towards the European disintegration, but it could have also the opposite effect, at least if Germany's inertia comes to an end. The game is not over yet in Britain, even in this moment of chaos. Populism has not yet dominated on rationality. The form of Britain's exit from the E.U. is still unsure and a "Brextension" time is a possible perspective. Even after the victory of Johnson in the last elections a long period of negotiations with the EU is the most realistic assumption.<sup>39</sup>

In the EU, as we already noticed, the reaction against the German hegemony, and Europe's arrangement within the framework of the German socioeconomic hegemonic or-doliberal logic and the in this logic intrinsic ethnocentric idea has come only from the irrational and historically well-known reactionary ideology. That is, from the nationalist and racist revival as reaction to the migration flows. In my opinion one of the main reasons of this nationalistic and racist revival is the shortsighted Schaeuble-Merkel European eco-

imperial nationalistic nostalgia combined with fears of German Domination (O'Toole 2019).

<sup>38</sup> A analysis of the radical irrationalism of the anti-european and the neo-fascist movement in Leggewie (2016) and Guerot (2017). Also: Norris & Inglehart (2019), Snyder (2018). About the roots and the organization of the neo-fascist phenomenon in Western Europe see also Ignazi (2003) and Milza (2002).

<sup>39</sup> In the case of the UK in particular the paranoid fear of the loss of national sovereignty and the nostalgia of the "glorious" past have played a significant role to support the populist refusal against Brussels from the part of the "true" British who think that they are the "true owners" of their country. They forget that Brexit can have as last consequence the disintegration of the United Kingdom, bringing the island back to the pre 1707 era... Big Business and Cambridge Analytica were active in the US and Britain and it is also the role of Putin's Russia in the Trump and in the Brexit case to consider and also all the alternative truths, the fake news, the filter bubbles etc., all this irrational and demagogic framework in both cases.

conomic policy, which proved incapable of getting over the German political provincialism through a leadership on the base of the design of a true long-term European policy.<sup>40</sup>

## **6. THE TWO CRUCIAL HISTORICAL MOMENTS AND THE TWO ANTAGONISTIC PARADIGMATA**

The predominant paradigm of market radicalism, this extreme-free-market-ideology means more or less the gradual imposition of the phenomenon of post-Democracy. In fact, post-Democracy refers to the crisis of liberal Democracy, and particularly to the threats posed against Democracy, as well as the downfall of its value system and its institutional constitution.

The threat posed against Democracy is caused by the fact that there are today no preconditions as those that led, after the World War II to the global order of stable currencies and the relative predictability of capital flows as an impact of the Bretton Woods agreement which led, at the national level of the western industrial societies, to the Keynesian consent and the social/social-democratic contracts on the base of distributive justice and new integrative forms of decision making.

The historical moment of the end of the war, and the beginning of the “trente glorieuses”, the thirty-year period that followed was a special historical momentum. The experience of the conditions which led to the devastating depression of 1929 - 1930, the consequences for Germany and for Europe after the Treaty of Versailles, the political and the social crisis of the interwar period, the collapse of Democracy, fascism, Nazism, the Shoah, as the unique form of industrialized murder and the millions of casualties of the war, were all “lessons” that history “taught” us. The main lesson was the necessity to reorganize social relations and the process of decision making through the substantial deepening of formal Democracy, to understand the preconditions for social cohesion, to constrain inequality, to diminish social power asymmetry, and surely to begin with the European integration process as the only way out of the old nationalistic bellum omnium contra omnes between the European nations.

The real task after the end of the II World War was to accept this time Keynes’s warning after the Versailles Treaty and not repeat the post I World War mistakes with its catastrophic consequences for Germany, Europe and the whole world. Even the Chinese Communist Party traces its origins to the mass protests after the “peacemakers” in Versailles decided to hand Shandong province to Japan rather than China.<sup>41</sup>

<sup>40</sup> For a well researched study of the shortsighted, short-term and dependent upon the domestic (Laender) and federal elections politics of the German government, see Bibow & Flassbeck (2018), Bierling (2014), Fratzscher (2014) and Beck (2012).



Nevertheless, these terrible experiences after the 1929/1930 economic crisis, the great Depression and the social and political crisis of the interwar period, and the war itself were not the only reasons for the acceptance of the Keynesian paradigm of the expansionistic economic policy and state intervention in the economy. State intervention which, needless to say, during and due to this six years war had the decisive role in the economy.

Also a crucial element in this post-war historical moment was the absolute need for a political strategy to constrain (“containment”- strategy) the influence and the geographical spreading of the second-greatest winner of the World War II, the Soviet Union. For a great part of the western societies and around the world, the totalitarian character of the soviet conception of the political system and of the soviet Marxist-Leninist ideology was still not recognized, as it was under the cover of the communist parties’ propaganda, and especially under the aura of the glory of the soviet victory against Nazi-Germany. After all, for the lower classes in the capitalist world, the conception of freedom, linked primarily to economic freedom, had been identified with the Great Depression of the 1930s and its disastrous consequences. It was the idea of the absolute social and economic equality and the radical refusal of the social violence of economic freedom (private property/individual ownership) what was threatening the western capitalist paradigm and the liberal Democracy in Western Europe, in which West Germany, abandoning the idea of “Mitteleuropa”, became totally integrated after the war (Winkler, 2010; Kluge, 2014).

The threat of the soviet influence or even control over Western Europe was avoided due to the North Atlantic Alliance. Meaning through the shaping of the Western World based on the U.S. military, economic and political power and dominance, as well as through the social integrationist aspect of the colossal investments and employment prospects indispensable to Europe’s reconstruction in the context of the international economic stability that the Bretton Woods agreement guaranteed, at least for the capitalist industrial metropolitan countries. And, above all, it was due to the Keynesian limitation of the pre-war social inequality and power asymmetry, which defined the Western democratic nation-state societies and its economic and also political success (Fordism).

In fact, the past experience of the so called new thirty years war (1914 – 1945) in Europe, or the thirty years European civil war and the threat of the soviet expansionism in the late 1940s and in the following Cold War-era were the crucial preconditions for the relative re-articulation and re-shaping of the social stratification of society through social mobility and the firm anchoring of social relations in democratic institutions. This rendered the Keynesian – social-democratic paradigm the only suitable socioeconomic perspective for a democratic society but also for a consensual and social integrating reproduction of

<sup>41</sup> Keynes (2014), see also: Conze (2018), Leonhard (2018), Gerwarth (2017), Strautmann (2019). For a different and more or less iconoclastic interpretation of the Versailles Treaty for Germany see MacMillan (2001).

capitalism, and, as Ralf Dahrendorf (1990) successfully stressed, for the class struggle's institutionalization.

Today the situation is entirely different, but not only because the political leadership's competence is significantly inferior compared to that of the political leaders of the war and postwar period, or the fact that politics today seems to be combined with the absolute absence of any sort of plan, design or vision for the future. The 1929/1930 crisis and its social – political consequences for the Interwar period, fascism, Nazism, the Shoah and the war are now too far away to influence everyday politics and political behavior. The generations who had a direct or nearly direct experience of the second European thirty-year war are not the ones to determine political reality, political design and political practice anymore. Institutional memory is surely still there, but too weak to decisively influence political outcomes, and impel an effective reaction to irrationalism.

The Soviet Union has collapsed along with the end of the results of World War II, among which Germany's reunification has been the major real and symbolic factor, as well as the reestablishment of the national sovereignty of the Eastern European countries. The breakdown of the Soviet Union and the Soviet Empire is naturally the second fundamental positive event in the history of the 20<sup>th</sup> century because this is how the second form of totalitarianism in Europe that stigmatized the 20<sup>th</sup> century came to its end.

The end of the Soviet totalitarianism meant that the capitalist-democratic system is the winner of the social, political and economic antagonism of the Cold War and has no actual alternative option, no matter what this could be. It is true that there is no real viable alternative to capitalism production and distribution system any more. The past that taught us lessons has now faded away and the overwhelming fear of a socioeconomic alternative has vanished, while the present appears as absolute and unilateral as it defines the future in terms of a tomorrow's present. The neoliberal paradigm as the "end of history" demands its total acceptance, even in places where Modernity has to deal with its own rejection as in the theocratic Muslim world.

That is the reason for the phenomenal optimism of the 1990s and for the first seven years of the 2000s. That is also the reason for the enthusiastic optimism of the post-Maastricht European Union and for the optimism about the future of the common currency. The market economy, as the winner of the Cold War system-conflict seems to be the only possible mode of production and distribution and also unbeatable and invincible. The Nobel Prize laureates are indicative of the dominant discourse of that time since the prizes were given to econometric studies which argued that a possibility of a crisis of the market economy belongs to the past and that a crisis is impossible. In the economic theory the dominance of the Black and Sholes partial differential equation (the Black-Scholes formula or the Black-Scholes-Merton (BSM)-model) for derivatives, time, interest rates, and prices,

that supposed to prove the impossibility of crisis in mathematical terms, is a perfect example of the dominant argument.

In the practice of the economy the best example for the faith in the self-regulation of the market is the lesser-state attitude of the FED under Alan Greenspan. The self-made, self-indicative and self-regulated spontaneous order of the market is perceived as the absolute-pure reason, as already mentioned: The market as the ideal example of Luhmann's system's "autopoiesis"...

According to this radical market oriented perception, or rather ideological faith about market's function, irrationalism is always the outcome of the state regulation in the economy, what naturally includes taxation. According to this approach the end of any form of socialism and especially the end of the Keynesian paradigm is a landmark and a point of no return for any prospect of political regulation effort, for any economic intervention of the state.<sup>42</sup> After all the idea of the collapsing of any alternative perception to the market economy is the reason why an economic crisis seems not possible. According to this extreme free market ideology the neoliberal socioeconomic paradigm, no matter the problem it dealt with, was and is impossible to be replaced by anything else, because anything else, any alternative to the market economy, does not exist anymore in the real world.

Finally, this conception of the spontaneous self regulating order of the market, which is accepted in the same moment as the regulating order of society, the rational behavior of the financial capital and the shrinking role of politics, having accepted as a natural phenomenon the asymmetrical relation between the market and the state, or the market and the political sphere, led to the subprime crisis in the US, the deepest crisis of the American and the international banking system and then to the sovereign debt crisis, mainly in the European South. But the crisis did not reverse the system's dominant logic since its catastrophic results did not prove capable to lead to an alternative perspective, to a change of the socioeconomic paradigm.

Maybe this is where one could trace an explanation or an answer for Colin Crouch's (2011) question, why the neoliberal system is so resilient. It is because the historical moment of 1989/1991 changed the internal and external power relations, because it marks the end of any alternative to the capitalistic socioeconomic system.

It was a historical momentum that has deepening the transition from the Keynesian to the neoliberal paradigm due to production's relocation, the end of the classical heavy in-

<sup>42</sup> For an exceptional analysis of the neoliberal "pelerinian" conception of the market as the implementation of "pure reason" also according to the mathematics of the Black-Scholes formula : Vogl (2010), Fox (2009), McDonald & Robinson (2009) and also Blyth (2013). About the lack of political realism in the conception of today's economic theory see also: Colander & Freedmann (2019), Mirowski & Plehwe (2009), Slobodian (2018) and the classical neoliberal theory of the economy and society of Ludwig von Mises, Friedrich Hayek and Milton Friedman.

dustry, digital technology and the digitalization of the industrial production, the fragmented working class and the fragmented labor market, the rapid shrinking of trade unions, robotics, digital technology, the internet of things, artificial intelligence etc. Those changes transformed the bipolar antagonistic character of capitalism and led to a system where power asymmetry is inevitable and absolutely fierce because, in fact, the second pole, the working class, as the second determinant bargaining pole and the counterweight within the capitalist relation, does not exist anymore as an elementary system-relevant antagonistic factor. The second pole became an economically and politically irrelevant factor. We are witnessing the “Uber-transformation” of the working class and the transformation of the labor market to the so called gig-economy (Crouch, 2019).

This is obviously a new dimension of the conditions of social coherence that makes even prevention strategies for potential social turbulences unnecessary and useless. The preconditions of the 2007 – 2008 crisis-phenomena have already come back again to life after the brief “Keynesian” reaction of 2008 through the state and Central Banks intervention to save the financial system and the “too big to fail” banks.<sup>43</sup> The economical and political conditions and logics that had led to the subprime crisis of 2007-2008 are today still the same.

The prosperity of the Western industrial World accomplished during the first thirty, forty-year period after the war, that relied upon the distributive justice of the social state had led the parties in power, either conservative or social democratic, to the center (Center Right – Center Left politics), as social mobility continuously increased the social space of the middle classes. It is an indicative example that the two biggest parties in Germany, the Christian Democratic (CDU/ CSU) and the Social Democratic (SPD), gathered in the mid 1970’s almost 90% of the Parliament vote with a particularly low abstention during elections.

The gradual shrinking of the middle class (and the traditional working class) after the neoliberal turn in the late 1970s marked the beginning of the end of the postwar bipartisanship, or quasi bipartisanship and that of the stability of the party system in France, the U.K., Germany (mostly after the elections of 2017) and in the northern countries. The result, in combination with various versions of populism, is today’s party system’s fragmentation the low turnout in the elections and the difficulty to form government coalitions in a position to shape, design and realize medium-term and long-term political strategies in reliable ways. That is something that empowers more and more the economic interests while

<sup>43</sup> For the “Keynesian” pro financial capital intervention of the American government and the FED 2009-2010 see Charalambis (2017). For the broader analysis of the “rescue” of the western financial system through the FED and the Obama-government and its consequences: Tooze (2018), Bernanke (2015) and Bernanke et al. (2019).

it weakens decisive non pro market oriented political decisions (Charalambis, 2017; Tooze, 2018; Bernanke, 2015; Bernanke et al., 2019).

It is indicative that during the 2017 German elections the two main parties scored only a 53,4% of the votes, while at this moment, according to polls, the part of the electoral body that supports CDU/CSU and SPD is no higher than 38-40%, or even less and the SPD is the biggest loser of this Grand Coalition. According to polls SPD is becoming the third or even the forth party in the country behind the “Greens” (“Buendnis 90/die Grue-nen”) and in the same level with the AfD (Alternative fuer Deutschland), also around 12%. This trend, combined with the difficulty of forming a governmental coalition, a more than five month long procedure in Germany after the last elections, but with no impact on the established ordoliberal – neoliberal paradigm, reminds us of the political situation that has become a norm in almost every European country (with the exception of Portugal and also Greece after the elections of 2019!). After all, politics is not any more the design of strategies for the present and the future, but what is asked for is any possible governmental majority in order to ensure stability so that the neoliberal paradigm functions without unexpected experiments. In Germany, for instance, although a coalition consisting of CDU, the Liberals (FDP) and the “Greens”, the so called “Jamaica”-coalition (after the colors of the three parties which are the colors of the flag of Jamaica), is more likely to happen after the next federal elections, a coalition between Christian Democrats and Alternative Germans (AfD), or Christian Democrats and Left (“die Linke”) is now possible, even if this happens not (yet?) at a federal level, but within the framework of the country’s eastern Laender. In France the decline of the socialist party, the center and the conservative parties had made Emmanuel Macron’s “La Republique En Marche”- the leading political party in the country, but without a strategy, or a will of a political alternative to the neoliberal inequality paradigm. The opposite is the case. Nevertheless a coalition between the extreme Left and the extreme Right seems impossible. Only in Greece we had a government coalition of this type between 2015 and 2019, but post festum one realizes that it was only a strange but effective path for the implementation of the neoliberal paradigm in Greece.

A tragic question must be put forward: Was the period of the welfare state and of the Keynesian social-democratic contract eventually a historical break, a historical exception?

I am afraid that it is possible, if not obvious, after the experience and the developments of the last forty or so years, that the coming in power of the Keynesian consensual paradigm has been the historically hazardous result of an absolutely positive for the emergence of this socioeconomic paradigm historical momentum. I am afraid that this was the special moment of the historically unique coincidence of 1945 that is not and it will be not the case anymore.

Until 1914 exorbitant inequality had been the most important determinant of social relations. Why would one not suggest that inequality is coming back again as the dominant form of social stratification and social asymmetric relations after the end of this very particular historical period that made its appearance after 1945/1950 and gradually died out through deregulation after the late 1970s and more effectively after 1989/1991 until now despite universal suffrage and thanks to populism? <sup>44</sup>

The social reality of inequality's spread after the late 1970s - 1989/1991 turn is now so obvious, and its elements are so clear that even the IMF and Emmanuel Macron (in the G-7 August 2019 meeting) considers inequality, the overconcentration of capital, which leads to oligopolies, monopolies, the marginalization of the antitrust legislation and so to the lack of competition mainly but not only in the digital technology sector (Wu, 2018), and the overconcentration of wealth as the greatest social and economic dangers, both on national and on global scale. Also for the latest MacKinsey reports, that focus on the consequences of new technologies, inequality and social segregation as the results of innovation and the digital industrialization 4.0 are the biggest structural problem for the years to come (MacKinsey-Report, 2019). <sup>45</sup>

<sup>44</sup> Scheidel (2017) suggests that profound inequality is a permanent element for human coexistence since civilization's emergence to this day. He considers that inequality is an anthropological constant which is interrupted only because of disasters, or great violence, wars, revolutions, fall of entire states, famine, etc. That was the case in the period between 1914 and 1945, but not after 1945, and it was not the result of a political strategy, or of a political design, or the consequence of a new renegotiation of the two negotiators of the capital relation, capital owners and labor, as after 1945, but the result of the Great Depression (which was more or less the result of the success – under exorbitant inequality conditions - of the self regulated market and of the Gold Standard for more than 100 years before 1929), the fall of entire states, revolutions and the whole catastrophe of the two World Wars and the interwar crisis. This "interruption" of inequality between 1914 and 1945 was the result of the disasters of Scheidel's suggestion, but not after 1945. See also Piketty (2013), Polanyi (1978/2014), especially Erster Teil p.17-55 and Zweiter Teil p. 270-293, Hudson (2017:42-69), Eichengreen (2019), especially cap. 2 and 3 p. 5-85 and Ther (2019).

Contrary to Scheidel's anthropological view we should notice that the real perception of inequality as a problem of ethical philosophy and a problem of political, economic and social justice emerge only through the concept of the self-defined, autonomous individual person that consist Modernity's *differentia specifica* in history. After all, only the free and equal individual persons, as bearers of rights and freedoms, have a prospect to be emancipated from their predefined integration into the hierarchical clustering of divine will and orderliness, and they can really demand a society of freedom and equal rights while, at the same time, social equality is achieved through social mobility, which is also a original element of Modernity. This makes, in my opinion, Scheidel's suggestion relative and justifies the studies focused on the analysis of the new social stratification, meaning the modern social stratification, especially since the industrial revolution. See: Walter Scheidel (2017) and Robert Kuttner (2018). For forms of inequality in the pre-industrial and industrial era, and the era of globalization see Appleby (2011), Cohen (2009) and Losurdo (2011). The social and geographical segregation in the national and in the world level as a crucial result on inequality, mainly between "globalized" cities and the rural country is a procedure that Guilly (2018) called the "citadellisation de la classe bourgeoise". See also Mausfeld (2018/2019), Streeck (2013), Flassbeck & Steinhardt (2018).

<sup>45</sup> See also Kaletsky (2010).

It is obvious that there is a return to 1914 conditions of wealth inequality, while the resilience of social-welfare safety net, unknown in 1914, and the still much fairer than 1914 levels of taxation limits to a certain grade the income inequalities but not the hyper-concentration of wealth. Nevertheless at least a part of the people, as we see in the new movements in the Democratic Party in America, but even members of the political elite come to realize more widely than before that politics in the last forty years or so never really dealt with inequality and its consequences.<sup>46</sup>

Even under conditions of relative economic growth inequality is deepening due to the national GDP's unequal distribution. After all, the cumulative percentage of accumulated wealth (in the absence of politics against the violence of the market) is greater than that of the economic growth. Therefore, a redistribution of any kind, if only there is one, is under the neoliberal conditions always unequal (Piketty, 2013).<sup>47</sup> This realization of the spreading and deepening of inequality leads to the assumption that inequality and its continuous expansion is the distinctive nature of capitalism and this deepening of inequality as the core characteristic of capitalism was interrupted during the thirty or forty-year era after the Second World War only by the coincidence of the exceptional historical momentum of 1945.

Irrationalism is again the path for the acceptance of inequality by the social majority that has suffered inequality historically and suffers again. People accept the abolition of the liberal principle that under the conditions of austerity and power asymmetry they identify with the spreading of inequality and the hyper-concentration of wealth. This happens because this is the current shape of the extreme market dominance with no real alternative perspective. That is something that turns the democratic principle into an empty shell, threatening to transform modern democracy into an irrational delusion that allows any possible form of authoritarian rule. After all, a retreat of the liberal principle means the decline also of the democratic principle since the democratic principle of one man-one woman-one vote is founded on the principle of human dignity and human dignity is the quintessence of liberalism and the core of the democratization of society as a process of recognition.

In the context of irrationalism's predominance, people negate their very entity as *Demos*. Citizens in the trap of irrationalism reject the essential content and quality of citi-

<sup>46</sup> About inequality, european politics and the technocratic approach to the European integration see also Habermas (2013), about the difficulties of the measurement of inequality, poverty and the consequences of austerity on the world scale, see Atkinson (2019).

<sup>47</sup> For the analysis of the relation between growth and unequal distribution and the consequences of the neoliberal turn and the tax system and also the dynamics that drive the accumulation and distribution of capital and the long term evolution of inequality Piketty (2013).

zenship and this rejection is the emergence of populism. Citizens find themselves trapped in a political self-negation and self-rejection.

This is the greatest threat posed against Democracy. The threat that liberal Democracy, the Rule of Law and distributive justice as we experienced it in the post II World War era was after all only a exceptional intermezzo in history. The tragedy is that it looks as if we are again in the beginning of a history too well-known. A history we thought we were done with once and for all.<sup>48</sup>

Many questions remain open. Could the destabilization of the climate and the catastrophic perspectives of the greenhouse emissions lead to new forms of a universal reaction against the threats of the neoliberal paranoia despite the conclusions of our short analysis, also despite the crucial social and political power asymmetries in our societies and the ever more dominant autocratic and/or surveillance structures for the majority, if not for the whole of the world population form the today's living conditions? Is that possible in a time of brutal and irrational populism, in a time of a new fragmentation of the global economic and political system under the latent threat of an upcoming recession, in a time of a new nuclear arms race and perhaps of an emerging globalization 2.0 under the imperial hegemony of China, in a time when Washington and Beijing seems to start a new Cold War and Europe's descent from the world stage seems inevitable? Is the precariat the new dangerous class, as Guy Standing believes, or because of irrationalism is it dangerous only for the liberal content of Democracy but not for the neoliberal or the authoritarian capitalism (Standing, 2011)?<sup>49</sup> Is the idea of limitarianism (also the idea of a limit for personal wealth) a possible alternative to the hyper-concentration of wealth and is even possible to find a viable alternative beyond capitalism, but not beyond personal rights and freedom? I am afraid that it is very difficult to give a positive answer.

Nevertheless a remove from office or even better an electoral defeat of Trump 2020 will be a first defeat of irrationalism and that is of vital importance for the future of liberal Democracy and a strong reaction against the threat of the implosion of Democracy and US's isolationistic retirement from the world stage and the further destruction of its reputation and the humiliation of liberal Democracy.<sup>50</sup> But the crucial damage for the two oldest Democracies of our planet and not only for them, through Trump's and Johnson's authoritarian illiberal populism and irrationalism as the matrix of the social dichotomy and

<sup>48</sup> This subject is of wide range, with an endless literature. However for a comparative approach of the interwar and the contemporary phenomena of the crisis of liberal Democracy, see Hacke (2018), Judt (2005), Kershaw (2016, 2018), and on the economic aspects Gerber (2019).

<sup>49</sup> About the future of capitalism as the sole socioeconomic system in the world Milanovic (2019). For a very interesting approach to the future of capitalism, but not sufficient for our inquiry see Streeck (2016).

<sup>50</sup> On the threats and the perspectives of the 2020 American elections see Kuttner (2019).



polarization of an exorbitant unequal society, will last for a very long time (Diamond, 2019).

It is tragic but simple, because it is in the core of the recognition of the “Other” and so in the core of Democracy: If we don’t restore the social contract then everything is possible. History doesn’t repeat itself but the evil has many faces.<sup>51</sup>

<sup>51</sup> “We are four decades into a major political and economic experiment. What happens when the United States and other major nations weaken their laws meant to control the size of industrial giants? What is the impact of allowing unrestricted growth of concentrated private power, and abandoning most curbs on anticompetitive conduct? The answers, I think, are plain. We managed to recreate both the economics and politics of a century ago – the first Gilded Age – and remain in grave danger of repeating more of the signature errors of the twentieth century. As that era has taught us, extreme economic concentration yields gross inequality and material suffering, feeding an appetite for nationalistic and extremist leadership. Yet, as if blind to the greatest lessons of the last century, we are going down the same path. If we learned one thing from the Gilded Age, it should have been this: The road to fascism and dictatorship is paved with failures of economic policy to serve the needs of the general public”, Wu (2018: 14).

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