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# Taking Back Control over Markets: Jürgen Habermas on the Colonization of Politics by Economics

Political Studies

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[journals.sagepub.com/home/psx](https://journals.sagepub.com/home/psx)**Peter J Verovšek** 

## Abstract

Recent developments have highlighted the tension between democracy and late capitalist economics. In the wake of the Great Recession, international market forces have increasingly taken de facto control of politics. My basic thesis is that a modified version of Jürgen Habermas' colonization thesis, which opposes the takeover of social and political life by the forces of power (administration) and money (economics), productively conceptualizes these developments. I argue that this framework can help to both diagnose and combat the dangers associated with the overexpansion of functional systemic forces, as well as the broader instrumentalization that they promote. By drawing on his political writings on the future of the European Union after the crisis of the Eurozone, I oppose interpretations of Habermas as a pacified liberal by demonstrating that he shares Karl Marx's commitment to combatting naturalized views of economics and material reproduction as a force that lie outside of human control.

## Keywords

Jürgen Habermas, colonization, reification, marxism, capitalism

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## Introduction

Geopolitical events since the start of the twenty-first century have highlighted the growing tension between democratic decision-making and the systematic imperatives of late capitalism. In the aftermath of the Great Recession (2007–2012), economic interests have increasingly taken de facto control of politics, as global financial markets and institutions like the International Monetary Fund (IMF) have demonstrated the ability to dictate policy to formally sovereign political communities. Faced with the prospect of rising interest rates and default on public debt, states around the world have been forced to liberalize

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their economies, lower labor standards, bailout over-leveraged banks, and sell off public assets in order to placate global financial capital.

This has led to a “legitimation crisis” (Habermas, 1975) that has undermined the pre-suppositions of the neo-liberal economic paradigm, which is based on the idea all areas of life should be organized using free market principles (Honneth, 2017; Sandel, 2013). Responding to these developments, I argue that a modified version of Jürgen Habermas’s thesis regarding the “colonization of the lifeworld” (*Kolonialisierung der Lebenswelt*) by the forces of power and money provides the necessary conceptual tools to theorize political resistance to market fundamentalism. Despite the gains in socio-economic steering-capacity offered by administration (power) and markets (money), such “systemic” forces that operate with their own internal logics are increasingly able to override the discursive norms that form the basis of social, cultural, and political life. Habermas (1987 [1984]: II.283) therefore concludes that “the capitalist pattern of modernization is marked by a deformation, a reification of the symbolic structures of the lifeworld under the imperatives of subsystems differentiated out via money and power and rendered self-sufficient.”

In addition to these structural problems, Habermas observes that the occupation of other areas of life by these systems is problematic, as it encourages individuals to treat each other as means to predetermined ends, rather than as independent with actors with the ability to choose their own goals. The dominance of forms of thought that “bypass the conscious intentions of social agents entirely” thus lead individuals and institutionalized communities to “instrumentalize each other as a means for the success of their respective actions” (Cooke, 2006: 54). This insight allows Habermas to link his critique of functionalist reason (*funktionalistischen Vernunft*) to Horkheimer and Adorno’s earlier critiques of the spread of instrumental rationality (*Zweckrationalität*) in the 1940s and 1950s.

When Habermas first developed the colonization thesis in the 1970s and 1980s, it was a response to the growing encroachment of the legal system into the lifeworld of intimacy and the family through the administrative welfare state, which he feared could end up constraining the emancipatory potential of new political movements. Although the functional disempowerment of the Westphalian state since that time has allayed some of these domestic political concerns, Habermas’ insights have become more relevant in global affairs. By highlighting the potential of systemic forces to overwhelm the lifeworld (*Lebenswelt*) through processes of reification (*Verdinglichung* or *Vergegenständlichung*), in which social relations “take on the character of a thing” (*Ding* or *Gegenstand*), I argue that a revised version of colonization thesis can help to support the normative argument that international socio-cultural reproduction *should* be ruled collective political decision-making, not “autopoetic” systems operating with their own internal logics. Reflecting on the aftereffects of the Great Recession, which testify to the increasing colonization of the lifeworld by such forces, Habermas (2009: 186) therefore argues that the “whole program of subordinating the lifeworld to the imperatives of the market must be subjected to scrutiny.”

Despite its diagnostic and explanatory utility, Habermas’s colonization thesis has also generated substantial pushback. For example, many commentators fear that his definition of power and money as “spheres organized exclusively on the basis of instrumental rationality” (Kreide, 2015: 46), “cedes too much territory to systems theory” (McCarthy, 1991: 120). Still others worry that his approach comes “at the cost of relinquishing the ideal of a rational and transparent organization of social labor and material reproduction that is constitutive of the Marxist tradition” (Jütten, 2013: 588).

Responding to these critiques, I back Rahel Jaeggi's (2019: 37) contention that the colonization thesis presented in the "*Theory of Communicative Action* is one of the few conceptualizations that even attempts to defend the project of a social-theoretic critique of society" by applying it to the increasingly asymmetric relationship between politics and economics. While it is true that he often refers to the systemic forces of power and money in ways that sound essentialist, I push back against what I see as misguided "territorial readings" of Habermas by arguing that this bifurcation should be understood as a distinction between two fundamentally different *orientations* or *dispositions* that shape the expectations of individuals in different areas of life. These concepts thus operate as heuristic shortcuts that highlight the incentive structures that typically operate in these domains, not as rigid classifications of fully separate or autonomous domains.

In addition to this interpretive work, my argument also reconsiders Habermas' relationship to Karl Marx in light of the growing "threat to democracy of unchecked corporate power" (Staats, 2004). In contrast to interpretations that claim that Habermas "in effect removes the economic sphere from the realm of criticism" (Fraser and Jaeggi, 2018: 5), I argue that what I call Habermas's "chastened Marxism" allows him to highlight the dangers associated with the unreflective acceptance of market-based solutions as functionally or instrumentally necessary, while at the same time also acknowledging the advantages of markets insofar as their operation is effectively constrained by limits put in place through the operation of the lifeworld. In making this point, I reinterpret the colonization thesis as Habermas's attempt "to reach the goals intrinsic to Marx's thought through a paradigm shift . . . intended to do what historical materialism meant, but was unable to accomplish" (Rockmore, 1987: 212).

Methodologically, I not only draw on Habermas's philosophical research, but also on his understudied political interventions, where he seeks to put his abstract ideas into practice "as an engaged public intellectual in the very same 'political public sphere' that he theorized as a philosopher" (Pensky, 2013: 31). I thus push back against what I see as overly narrow readings of Habermas that confine his social and political theory to the "interaction between democratic publics and economic structures to communication through the legal medium" (Klein, 2020: 19–20). By focusing on the "philosopher as engaged citizen" (Verovšek, 2021), I argue that Habermas performatively demonstrates the crucial role that non-legal forms of communication that emerge from within the public sphere—including naming and shaming, legal regulation in response to popular demands, worker activism as well as shareholder pressure—have to play in reigning in the power of economic institutions and global markets.

Finally, my attention to his "short political writings" (*Kleine politische Schriften*) seeks to redeem Habermas' (1992a: 469) view of himself as "the last Marxist." Despite the differences in historical context—as well some fundamental philosophical disagreements—I demonstrate that both Marx and Habermas oppose the economic thinking of their time by arguing out that "the questions at stake aren't just technical; they are moral and political" (Robin, 2019). In the mid-nineteenth century, Marx deployed his social theory against physiocrats and laissez-faire classical liberal economists, who equated economic regularities with natural laws that could be understood and accepted by science, but not changed, challenged, or opposed (Gehrke and Kurz, 1995).

Similarly, over the course of his career, Habermas has devoted many of his public interventions to opposing the market fundamentalism of the Freiburg and Bocconi Schools (Dullien and Guérot, 2012: 2). Much like the physiocrats and laissez-faire classical liberal economists, thinkers associated with these twentieth-century traditions also

“oppose intervention into the normal course of the economy” and inculcate a “deep distrust of the state” (Blyth, 2013: 167) by presenting economic regularities as natural laws. By pushing back against such economic ideologies, Habermas not only reveals certain affinities between his philosophy and that of Marx; his frequent participation in public debates also refutes the accusation that he “abandons the aim at fundamental social change” (Rockmore, 1989: 166).

The argument proceeds as follows. I start by briefly outlining why Habermas can be considered a Marxist despite his many disagreements and departures from Marx. The second section then describes Habermas’s mediation of system and lifeworld. Using his political writings, I then show how he uses the Great Recession and the crisis of the Eurozone to argue that politics needs to develop at the supranational level in order to push back against international financialized capitalism. In the final section, I argue that Habermas’s desire to fight alienation (*Entfremdung*) by combatting the domination of human life by the external, “quasi-natural” forces of the market validates his view of himself as a Marxist.

### *Thinking with Marx against Marx*

The contention that Habermas is a Marxist may seem strange given his many disagreements with key aspects of Marx’s philosophy and his repeated criticisms of the Marxist tradition. For example, speaking of his relationship to Marxism Habermas admits, “I was never convinced by the centrepiece of political economy, the theory of surplus value, in view of the intervention of the welfare state in the economy” (in Foessel, 2015). By arguing that bureaucratic management and untethered markets distort the structures of intersubjectivity, he separates the basic pathologies of late capitalism from the issue of class, locating these problems at the systemic level of distorted communication and the lifeworld instead.

Although he (Habermas, 1970: 101) argues that “a critical theory of society can no longer be constituted in the exclusive form of a critique of political economy,” my attempt to redeem Habermas self-image of himself as a Marxist builds on the theoretical orientation that he has retained from this tradition. This legacy is particularly visible in the fact that Habermas focuses his diagnosis of the problems of contemporary society on the broader social, political, and cultural effects of “an economic system that regulates itself by obeying exclusively the logic of a profit-orientated self-utilization of capital,” which Marx identified as “the real engine of societal modernization” (quoted in Foessel, 2015). Although Habermas is more accepting of markets than Marx, this is true of many non-orthodox Marxist critics of capital as well. For example, despite his disagreements with Habermas, Axel Honneth (2017: 47) has also called on contemporary socialist movements to overcome their “self-imposed theoretical handicap” by opening themselves up to greater experimentation with regulated forms of market-based exchange, as the traditional Marxist conviction that “the market could only be replaced by a planned economy . . . [has] left no room for institutional mediation or a reassessment of priorities.”

From this perspective, Habermas’s departure from a narrow focus on political economy does not signal a move away from Marx, but rather is a response to the fact that over the past century “the object of critique itself necessitated the transcendence of the critique of political economy in the form of the critique of technoscientific social hegemony” (Dorahy, 2020: 2). While Habermas is not an orthodox Marxist, his social and political theory still fits within this broader tradition, in the same way that other adherents of critical, revisionist, humanist, Hegelian, or Western Marxism are part of this movement.

Habermas (1992b: 81) makes this point by noting that what drew him to the work of Horkheimer and Adorno in the 1950s was that

they weren't engaged in a reception of Marx . . . they were utilizing him. [. . .] [T]hey were working out a theory of the dialectical development of present-day society, and in doing so they were proceeding from a tradition of Marxist thought.

As I show in the next section, Habermas shares this basic orientation to both Marx with his predecessors in the first generation of the Frankfurt School.

## Lifeworld and System in Habermas

Habermas's colonization thesis is deeply indebted to György Lukács' combination of Marx's analysis of commodification and Max Weber's theory of rationalization. Following Marx, Lukács argues that capitalism forces individuals to see their labor power (*Arbeitskraft*) in a commodified manner, that is, as an object to be bought and sold on the market. As a result, material reproduction becomes a separate subsystem of life which the "process of production has the mastery over man, instead of being controlled by him" (Marx, 1978: 321). Lukács supplements this Marxist conclusion with Weber's insight that in modernity such systems have been subjected to "the methodological rationalization of life," which leads to the "discharge of business according to *calculable rules* and 'without regard for persons'" (Weber, 1985: 128). Fusing these two perspectives, Lukács (1972: 86) argues that individuals living in modern, capitalist, industrialized societies increasingly come to experience power and money as part of a reified (thing-like or "object"-ive) "second nature."

While Habermas (1987 [1984]: I.357) endorses the basic thrust of Lukács' analysis and his desire for "rational life relations," he argues that his predecessor's desire to reunify these differing aspects of life goes too far. Instead, following Weber, he contends that the rationalization of the spheres of money and power is irrevocable as a historical development. In this way, Habermas (1991b: 37) takes advantage of this "fertile combination of Marx and Max Weber."

In addition to the irreversibility of the separation of these spheres of life, Habermas also claims that reincorporating money and power into the lifeworld is undesirable, as the functional separation of these systems has led to unprecedented advances in economic well-being. Given the increasing complexity of modern society, he argues that it is unclear whether the mechanisms of the lifeworld are even still capable of organizing material reproduction. Rather than calling for a return to a precapitalist past (as Lukács does), Habermas (1987 [1984]: II.181) instead contends that power and money act as a "relief mechanism" that allow the lifeworld to focus on symbolic and cultural reproduction.

In order to work out how this relationship should work, in the *Theory of Communicative Action*, Habermas (1987 [1984]: I.363) "take[s] up the problematic of reification again." However, this time, he reformulates, "it in terms of communicative action, on the one hand, and of the formations of subsystems via steering media, on the other" (Habermas 1987 [1984]: I.399). He thus builds on the advantages in efficiency and productivity resulting from the functional separation of power and money from other areas of life, while also ensuring that these systems serve human needs and interests.

Habermas develops these ideas in his debate with Niklas Luhmann. In contrast to Habermas's desire to preserve discursive control over the forms of technical or instrumental rationality (*Zweckrationalität*), Luhmann (1990: 3) argues that such "autopoietic"

(self-perpetuating) systems not only “produce and change their own *structures*,” but are also closed to interference by social agents due to the fact that “everything that is used as a unit by the system is produced by the system itself.” Although they do not “create a world of their own” externally, he contends that each system “operat[es] within a world of its own” internally.

Summarizing his argument, Luhmann (1982: 78) insists,

The basic reality of society can no longer be said to lie in its capacity to generate and sustain interaction system. [. . .] In view of this, moralistic demands for more “personal participation” in social processes are hopelessly out of touch with social reality.

By contrast, Habermas (in Habermas and Henrich, 1974: 60) notes that if Luhmann is right, then

individuals henceforth belong only to the environment of their social systems. In relation to them society takes on an objectivity that can no longer be brought into the intersubjective context of life, for it is no longer related to subjectivity.

Given that this situation represents an untenable “dehumanization of society,” Habermas seeks to separate the lifeworld from the operation of functional systems, as well as from the ideology of instrumentalization to which it is linked.

Just as he resists Lukács’ call for a total rejection of the functional separation of power and money, Habermas also pushes back against Luhmann’s attempt to integrate systems theory into all areas of life. Thomas McCarthy (1985: 28) notes that Habermas’s “strategy is to enter into a pact of sorts with social systems theory: certain areas are marked out within which it may move about quite freely, on the condition that it keep entirely away from others.” Unlike Luhmann, Habermas argues that human control governed by discursive agreement must preserve both the right and the ability to subject such systems to regulation when they produce undesirable outcomes and/or colonize areas of life which debates in the lifeworld have determined should not be open to systemic control. The key point is that the mechanisms of opinion- and will-formation in the lifeworld retain the ability to not only regulate the autonomous systems of power and money, but also to determine the scope and reach of these systems.

This desire to empower social groups to communicatively determine the role of systemic forces in their collective life is at the heart of his analysis of colonization, as well as his rejection of technocracy. For Habermas, the democratic resources of the lifeworld are the key to regulating both power and money:

We are faced with the problem of how capabilities for self-organization can be developed to such an extent within autonomous public spheres that radical democratic process of will-formation can come to have a decisive impact on the regulatory mechanisms and marginal conditions of media-steered subsystems in a lifeworld oriented toward use values, toward ends in general. This task involves holding the systemic imperatives of an interventionist state apparatus and those of an economic system in check, and is formulated in defensive terms. Yet, this defensive resteeering will not be able to succeed without a radical and broadly effective democratization (Habermas, 1991a: 261).

The basic contours of Habermas’s reply to Luhmann, as well as his desire to construct a “two-level concept of society’ that integrates the lifeworld and system paradigms”

(McCarthy, 1985: 27) is crucial to understanding his views on the proper place of markets in modern democratic life.<sup>1</sup>

A number of commentators worry about the implications of Habermas's (1987 [1984]: II.150) claim that "the market is the most important example of a norm-free regulation of cooperative contexts." At first blush, this statement does indeed seem to deny that economic interactions can be regulated by the lifeworld. As a result, Habermas (1991a: 256) has subsequently admitted that this phrase "has led to misunderstandings."

While it may have been badly put, such as reading is also misinterpretation. As Timo Jütten (2013: 589) points out, "When Habermas characterizes a sphere of social action as norm-free, the intended contrast is with spheres of social action whose integration is governed by the norms of communicative action oriented towards mutual understanding." Habermas's assertion that the market operates as a form of "norm-free sociality" is merely meant to emphasize the fact that the unregulated market is a systemic force with its own inner logic, which operates autopoetically without regard for the cooperative norms of communicative action that govern the uncolonized lifeworld.

Building on this point, I argue that it is best to think of Habermas's treatment of the system—and his placement of power and money into this category—in terms of Weberian ideal types (*Idealtypi*). His argument is not that economic and administrative interactions are never mediated in communicative ways; it is merely that these spheres of life *tend* to be governed by instrumental or strategic considerations. In a reply to his critics, Habermas (1991a: 257) thus notes that "my thesis amounts merely to the assertion that the integration of these action systems is *in the final instance* not based on the potential for social integration of communicative actions and the lifeworld background thereof." From Habermas' perspective, the distinctive feature of the system is its functionalist character. While this incentivizes individuals to act in strategic ways, it does not rule out communicative interactions. It does, however, mean that when operating within these functional spheres of life individuals can "act communicatively only *with reservation* . . . [as] there is no *necessity* for achieving consensus by communicative means" (Habermas, 1987 [1984]: II.310–311).

Up to this point, my discussion has proceeded theoretically. While important, this perspective says little about how these insights can be applied in practice. Fortunately, Habermas has also produced a large number of political writings in which he seeks to apply his theoretical insights to real world developments. In order to reach their potential, he (Habermas, 1996: 302) argues that the principles of abstract political order have to meet events "halfway" (*Entgegenkommen*; see Verovšek, 2012). Since 2008, Habermas has devoted the vast majority of these political writings to the Great Recession and its effects within the EU, thus performatively refuting the idea that his philosophy has nothing to say about actual political developments (see Verovšek, 2021). In addressing these pathologies, Habermas (2009: 186) concludes, "My hope is that the neoliberal agenda will no longer be accepted at face value."

## Fighting Colonization at the Supranational Level

In response to Great Recession of 2008, Habermas devoted much of his energy to opposing technocratic solutions to the financial crisis that engulfed the member-states of the EU that share its common currency, the euro. Although the contagion started as a subprime mortgage crisis that threatened the balance sheets of the American banking sector, it soon migrated across the Atlantic. European banks, particularly those in the rich member-states

of northern Europe that had invested heavily in the repackaged debt instruments created in the US, were forced to confront the prospect of default. This, in turn, threatened business in the poorer member-states of the EU's south and east. Since they were unable to unilaterally devalue a currency, they shared with the other members of the Eurozone, they faced higher interest rates on existing debt in the middle of the greatest economic crisis since the Great Depression (this analysis builds on Verovšek, 2017).

In order to deal with these problems, governments across the EU—particularly those with over-leveraged financial sectors—were forced to rescue their banks with increased public borrowing in order to prevent a collapse of their financial sectors. This policy response was dictated by the *ordo-* and *neo-liberal* views of the German Freiburg and Italian Bocconi Schools, whose respective adherents come together to dominate both the IMF and the European Central Bank (ECB). These economic ideologies are both based on a deep-seated insistence “on the rationality of leaving market mechanisms to their own devices” (Habermas quoted in Foessel, 2015) and an abiding “distrust of the state and its management of public debt” (Blyth, 2013: 167).

However, while these policy responses are logical from within the parameters of these ideological paradigms, the translation of private borrowing into sovereign debt effectively impoverished the population of Europe, as member-states were forced to respond by cutting public services in order to retain the confidence of global markets. These developments demonstrate how the operation of semi-autonomous, autopoietic systems can run off the rails when they are not subjected to sufficient political regulation, in which formal institutions of will-formation respond to the steering mechanisms of opinion-formation within the lifeworld. As a result, the need “to tame [markets] has re-emerged as a moral and political question with new urgency” (Jütten, 2013: 588).

Despite popular demands for the fundamental reform of banking and finance, the EU was unable to intervene due to the ideological constraints imposed by *ordo-* and *neo-liberal* thinking. In fact, the most decisive instances of crisis management came from technocratic actors operating in Luhmannian ways. Thus, while agents within what John Kenneth Galbraith (2007) called the “technostructure” were able to push on the internal levers of the European currency system—the decision by Mario Draghi, the President of the ECB, to expand the monetary base of the Eurozone by purchasing bad debt and placing it on the balance sheets of the ECB is a good example of this phenomenon—governments across the Eurozone “had made no policy and the finance ministers had made no decisions” (Galbraith, 2016: 99). Regina Kreide (2015: 42) points out that when “politics is reduced to technical planning” in this way, “Governance becomes a willful tool for market-conforming regulation and, by this, a substitute for democracy.”

While this approach is due in part to disagreements between European leaders regarding the EU's Economic and Monetary Union (EMU), it also reflects the *ordo-* and *neo-liberal* conviction that political interference in the operation of the complex economic system should be kept to a minimum. These economic theories, which define the basic architecture of the EMU, hold that “markets always operate smoothly” and interpret attempts at political interference “as undermining the principle of monetary stability and creating a moral hazard” (Dullien and Guérot, 2012: 3, 2). Although this *laissez-faire* approach presents itself as neutral, it is driven by a class structure that favors the member-states of Europe's north and west, as well as the wealthy citizens therein, who supposedly took risks in lending to the poorer citizens and member-states of the south and east. Far from being purely technocratic, this support for austerity is actually the results of “an odd

mixture of political positions and ideological priors” (Blyth, 2013: 59) that favor the interests of lenders over debtors.

Habermas’s recent political writings build on his diagnosis of the situation at the start of the twenty-first century. In his interventions in the emerging transnational European public sphere, he has called on the peoples of Europe to encourage their political representatives to support the greater regulation of markets as a way to push back against the colonization of the lifeworld. I use Habermas’s political writings on the future of Europe (many of which have been collected in Habermas, 2009, 2012, see Verovšek, 2012) to make the following two important points: (1) his work as a public intellectual reveals a deep and abiding concern with capitalism and its effects on the everyday lives of individuals and (2) his political engagement serves as evidence that he believes collective democratic action, informed through public intellectual activity, can assert control over systemic forces.

In line with his rejection of the strict separation of systemic forces from social and political intrusion, Habermas also insists on the necessity of subjecting the forces of the market to political regulation generated by discursive opinion- and will-formation. In contrast to ordo- and neo-liberal economists, who contend that the crisis will resolve itself through the internal operation of the economic system, Habermas’ (2001: 84) basic thesis is that “politics has to catch up with globalized markets, and has to do so in institutional forms that do not regress below the legitimacy conditions for democratic self-determination.” Colonization in the current globalized geoeconomic context, therefore, occurs when the mismatch between the powerful systemic forces of international markets and the relatively weak development of global political institutions, which can defend the lifeworlds of individuals in an increasingly globalized multicultural world, becomes too great.

The crisis of the Eurozone has only increased Habermas’ fears about the colonization of politics by economics. Writing in the influential German weekly *Die Zeit*, he (Habermas, 2010) argues the necessity of political bailouts for the economic system constitutes a “paradigm shift” that “changes the foundational principles of the European Union.” The basic problem is that the EU’s economic integration through the Common Market (CM) has not been matched by the creation of political institutions of will-formation capable of overseeing one of the world’s most industrialized and developed regions. Although the EU was supposed to make up for the inability of the nation-state to regulate economic relations in an increasingly globalized world, Habermas (2006: 84) notes, “Today, the European Union constitutes a broad continental region which is spanned by a dense network of markets in the horizontal dimension, but is subject to relatively weak political regulation by indirectly legitimated authorities in the vertical dimension.”

More specifically, he points out that the need for bailouts is proof that the ordo-liberal ideology of non-interference is bunk, since the development of the crisis shows that markets cannot function without taxpayer support and public bailouts. The Great Recession, therefore, presents an opportunity to deepen political integration, since it proves that more political control of the economy is necessary to maintain the economic system as it stands. In addition, given that individual states found themselves unable to respond to the financial crisis—which was driven in part by a regulatory race to the bottom—these events demonstrate the need for supranational political control of economic, financial, and banking policy. In a public essay on the “crisis of the European Union,” Habermas (2012: 10) argues that

it is only through such new transnational steering capabilities that the *social* forces of nature that have been unleashed at the transnational level—i.e. the systemic constraints that operate without hindrance across national borders, today especially those of the global banking sector—can also be tamed.

Habermas's (2013b: 378) analysis of the necessity of protecting against the colonization of the lifeworld at the supranational level builds on the realization "that the era of nation-states is coming to an end and that the creation of institutions of a global domestic policy must be opened up for discussion." Although states have indeed lost a significant amount of their steering-capacity vis-à-vis global markets in recent decades, this conclusion is hardly uncontroversial. In fact, the onset of the Great Recession has actually led a number of thinkers—particularly on the political left—to argue that subjecting global market forces to political control requires a withdrawal from international institutions and a return to a more Westphalian form of state sovereignty.

One of the most visible public intellectual arguing for such a "return to the nation-state" is Wolfgang Streeck. His analysis builds on the lessons of the *Wirtschaftswunder* ("economic miracle") or *trente glorieuses* ("glorious thirty"), which represents the heyday of the welfare state and the political taming of markets. A historical analysis of the period from 1945 to 1975 leads Streeck (2014) to conclude that monetary policy must be given back to the nation-states that enabled Europe's postwar prosperity in the first place, since the sovereign state was the only institution in history that has succeeded in regulating markets. While both Streeck (2013) and Habermas (2013a) share a common diagnosis of the problems of the Eurozone, they disagree about whether the pathologies revealed in the course of the Great Recession and the crisis of the Eurozone require pulling back or pushing forward with further integration (for more on this debate, see Shoikhetbrod, 2021).

In contrast to Habermas, Streeck argues that it is possible to return to the policies that created the postwar economic boom, where the nation-state was able to use its sovereign powers to influence global market forces. Although Habermas recognizes the coherence of this position, he argues that Streeck's argument is based on assumptions that are no longer valid. Developments since the end of the Cold War show that the power of the state to control events within its borders—a key component of the traditional doctrine of sovereignty—is in decline, especially as regards the regulation of economic activity. As Matti Koskeniemi (2011: 63) points out, "The pattern of influence and decision-making that rules the world has an increasingly marginal connection with sovereignty." This is particularly true in Europe, where the creation of the EU as a supranational entity with independent decision-making powers has rendered "the nation-state hollow and its institutions meaningless" (Weiler, 1999: 98).

Habermas's argument about the necessity of fighting the "colonization of the lifeworld" by moving toward what he calls a "postnational constellation" is also supported by evidence showing that the EU's efforts to tame the global economic forces at the supranational level have succeeded, at least in part. This is visible in the emergence of two differing models of globalization in the post-Cold War world. The American path is driven by bilateral agreements, limited planning, and the idea that the power of multinational corporations and other economic interests should predominate. This ad hoc approach to globalization ignores "the need to legitimate the processes of cross-border

market integration” and brings about “liberalization without organizing or even supervising, markets” (Abdelal and Meunier, 2010: 350–351).

While the US has used its hegemonic position in global politics to support its vision of globalization based on *laissez-faire*, market liberalization, Europe has developed an alternative approach of “managed globalization.” This second track shares the goal of market liberalization, but seeks to embed economic policy within multi-lateral agreements that allow for social planning by managers, politicians, and bureaucrats based on codified rules as well as an awareness of the economic consequences of market liberalization:

In contrast to the American neoliberal theories that profits are ultimately good for everyone because prosperity will trickle down, the European approach is rooted in a more egalitarian theory of justice . . . [that] make it compatible with a more just social democratic model of society (Reich and Lebow, 2014: 61, 64).

The European model of managed globalization is neither perfect nor uncontested. On the contrary, this predominantly French approach is strongly opposed by *ordo-* and *neo-*liberal economists based Germany and Italy. In practice, the events of the Great Recession demonstrate that when push comes to shove, the latter tend to win out over the former, as *dirigiste* management was not allowed to regulate the systemic forces operating within the Eurozone, but instead had to bow to the supposedly neutral power of the market. However, there is some hope that the former can be developed further by allowing supra-national political actors like the EU to oversee international markets.

To date, the European model of managed globalization has operated primarily through top-down agenda-setting within international organizations and bottom-up initiatives delineating acceptable corporate behavior (Reich and Lebow, 2014: 63). However, even if the French model of managed globalization does win this ideational battle, the basic problem is that the EU’s market integration has not been matched by a similar degree of political integration, as the EMU was established under the influence of the *laissez-faire* ideology of the Bocconi and Freiburg Schools. This victory is a historical artifact, as the creation of an apolitical, non-interventionist central bank with the sole mandate of maintaining the stability of prices by fighting inflation on the model of the German Central Bank (the *Bundesbank*) was the price the French had to pay to convince the Federal Republic to give up the *D-Mark* (Van Middelaar, 2013: 183–192; Verovšek, 2014: 241, 245, 2020: 93–94). However, in the wake of the Great Recession, it has become clear that this model does not work when applied to the diverse economies of the Eurozone.

Despite his German background, Habermas breaks with Teutonic economic orthodoxy by arguing that the time has come for politics to stop “holding its breath and dodging the key issues at the threshold leading from the economic to the political unification of Europe.” He (Habermas, 2012: 7, 10) notes that

it is only through such new transnational steering capabilities that the *social* forces of nature that have been unleashed at the transnational level—i.e. the systemic constraints that operate without hindrance across national borders, today especially those of the global banking sector—can also be tamed.

It is this call for the renewed empowerment of the social and political forces of the life-world to be deployed against the seemingly natural “laws” governing the operation of global economics and international markets that testifies to Habermas’s residual Marxism.

## Habermas as the “Last Marxist”

Although he is associated with the Western Marxism of the Frankfurt School, Habermas has a complex relationship to Marx. While he admires Marx’s analysis of the alienation that accompanies the commodification of labor power under capitalism, Habermas rejects Marx’s materialistic analytical framework and his revolutionary calls for a “dictatorship of the proletariat.” Following Weber, he is also deeply skeptical of Marx’s desire to reunify the different value spheres that have separated over the course of the last 200 years, as he sees this development an irrevocable aspect of modernization that has important benefits in terms of societal efficiency and material reproduction.

I cannot provide a full accounting of Marxist interpretation or of Habermas’s relationship to Marx.<sup>2</sup> My goal is more modest. Although his claim to be “the last Marxist” is overstated, I argue that Habermas *is* a Marxist in the sense that he also seeks to ensure that the process of production serves human needs, not vice versa. More precisely, I highlight how both Marx and Habermas oppose economic theories that interpret the operation of markets as subject to quasi-natural laws that cannot or should not be subject to outside interference. In addition, they also seek to fulfill what Habermas refers to as philosophy’s commitment “to advocacy” (Holton, 1987: 516)—that is, to “changing the world” as Marx famously puts it in his 11th thesis on Feuerbach—by encouraging political communities to take active control over market forces.

This interpretation of the core of Marx’s project comes from his immanent critique of classical economics, where he opposes the laissez-faire views of the English classical economics and the French physiocrats (Gehrke and Kurz, 1995). Perhaps the most famous example of the former is Adam Smith. Although it is true, as John Maynard Keynes (2004: 24) points out, that Smith and the other English classical economists never use the term laissez-faire, Smith’s belief in the idea that “the private interests and passions of men” produce that “which is most agreeable to the interest of the whole of society,” certainly implies that most government “regulations may, no doubt, be considered a violation of natural liberty” (Smith quoted in Naggar, 1977: 35, 36). Thus, while Smith “was not a doctrinaire advocate of laissez faire” (Viner, 1927: 231), his understanding of selfishness and of the “happy consequences” (Smith, 1976: IV.ix) of natural liberty both incline Smith toward a minimalist doctrine of state power. Even in cases where he concludes that the government must intervene to ensure the defense of the realm and the provision of certain limited public goods, Smith brings the state back in reluctantly, arguing that this should be accomplished with minimal taxation so as not to disrupt the economic system of natural liberty.

While Smith’s views regarding the benefits of government non-intervention are part of the canon of political economy, the theories of the *économiste*, such as A.R.J. Turgot, the Marquis de Condorcet, Francois Quesnay, and Louis Paul Abeille, are somewhat more obscure despite their stature at the time when Marx was writing in the nineteenth century. Much like Smith, these thinkers also sought to understand the origins of the wealth of nations. However, in contrast to Smith’s focus on the division of labor, Marx (1978: 240) notes that the physiocrats posit “a certain kind of labour—agriculture—as the creator of wealth.”

Despite this divergence, it is the commonalities between these strands of thought that are important for Marx. In particular, like Smith, the physiocrats also argue that a “natural order” of unchanging laws governs economic processes. For example, Quesnay, who was trained as a physician, sought to apply the principles of the physical science of medicine

to the study of economic wealth. His famous *Tableau économique* (Quesnay, 1758) laid the foundation for his opposition to government intervention based on the argument that such interference is deleterious and counterproductive in the long run. Much like Smith's (1776) *Wealth of Nations*, "Physiocrat economics was premised on laissez-faire, and advocated a free labour market against the mercantilism of Colbert and the feudal world of the guilds on which it was grafted" (Van der Pijl, 2002: 133).

Perhaps the most (in)famous example of this argument against government action in the economy comes from Abeille. Writing about the grain trade in the eighteenth century, he argues that government intervention to lower grain prices during a famine so that the people could afford to buy it was self-defeating, as subsidizing prices would incentivize farmers to produce less grain while also lowering their profits. Since they would have less money to invest the following year, production would be even lower. The end result, according to Abeille, is that government intervention becomes a self-fulfilling prophecy, which only makes the famine worse by disrupting the efficient working of the market (see Foucault, 2009: 43–45). This explains why Jacob Viner (1960: 45) classifies the physiocrats and Smith as "the pioneer systematic exponents of [*laissez-faire*]" and "the limitation of government activity."

In his critiques of political economy, Marx opposes such naturalized views of economic laws. He argues that the economy, while subject to certain internal analytic regularities, is still a human creation that can and should be subjected to social control. Marx (1978: 321), therefore, contends that classical economic theory "belong[s] to a state of society, in which the process of production has the mastery over man, instead of being controlled by him." He argues that the real issue is ideological, as economic orthodoxy leads individuals living under capitalism come to see economic laws as immutable. In Marx's (1978: 327) words, the fundamental problem is that "such formulae appear to the bourgeois intellect to be as much a self-evident necessity imposed by Nature as productive labour itself." The fetishization of laissez-faire economic laws as the equivalent of the physical laws discovered by the natural sciences hides the fact that they are actually the products of social relations, which are therefore subject to change by definition.

The thinkers of the early Frankfurt School were quick to pick up on this connection. In his review of the "Economic and Philosophical Manuscripts" after they were published in full for the first time in 1932, Herbert Marcuse (1972: 12) identifies "the breakthrough from economic fact to human factors, from fact (*Tat'sache*) to act (*Tat'handlung*)" as "one of the crucial discoveries of Marx's theory" which is of "revolutionary significance." The key move is from "the comprehension of fixed 'situations' and their laws (which in their reified form are out of man's power)" to the idea that as social beings, individuals have the ability to exercise control over the operation of the economic system. Glossing Marx, Marcuse (1972: 36) concludes:

If the relations of production have become a "fetter" and an alien force determining man, then this is only because man has at some stage himself alienated himself from his power over the relations of production. This is also true if one sees the relations of production as being determined primarily by the given "natural" forces of production (e.g. climatic or geographical conditions, the condition of the land, the distribution of raw materials) and ignores the fact that all these physical data have always existed in a form historically handed down and have formed a part of particular human and social "forms of intercourse."

For Habermas's teachers in the first generation of the Frankfurt School, the realization that economic laws are not natural and immutable, but are instead social and controllable is the core of Marx's (1978: 84, 121) "fully-developed," "positive," or "real" humanism (Marcuse, 1972: 40). As an heir to this legacy, Habermas argues that exercising control over the economy through political regulation is the essence of socialism, particularly after the fall of communism in 1989. Marx's key insight is that any civilization that "blinds itself to anything, however important, that cannot be expressed as a price . . . bears the seeds of its own destruction" (Habermas, 1991b: 32). The embodiment of this danger in the contemporary world of late capitalism is no longer "a class that rules within national limits [as in Marx's day], but rather an anonymous, internationally operating economic system."

The essence of Habermas's "chastened Marxism" is thus to be found in his rejection of economic theories that treat markets as the embodiment of quasi-natural laws. His (Habermas, 1991b: 42) goal is to ensure that politics is "in a position to stake its claim against other social forces, money and administrative power, through a wide range of democratic forums and institutions." Although he recognizes that interventions within such functional subsystems of material reproduction may have unforeseen consequences, he does not believe that regulation is illegitimate as such. He therefore seeks to take advantage of the gains in efficiency and well-being brought about by the development of capitalism, while also ensuring that the lifeworld can push back against colonization by systemic forces by regulating the areas of life in which their operation is allowed to take hold.

This represents a radical departure from Marx, who foresaw the end of the market, the dissolution of private property ownership and of formally "free labor," which is often unfree in practice (see Rioux et al., 2020). While Habermas (1991b: 37) is sympathetic to these goals, he is skeptical of such "nostalgic images of the types of community—the family, the neighbourhood and the guild—to be found in the world of peasants and craftsmen." He argues instead is that historical developments since the nineteenth century show that "complex societies are unable to reproduce themselves if they do not leave the logic of an economy that regulates itself through the market intact." Given the conditions of late financialized capitalism, the goal is not to abandon or supersede the market, but to "switch from a market-led to a democratically controlled production process" (Habermas, 1991b: 40) that can take advantage of economic mechanisms while regulating their scope and reach in order to prevent the colonization of the lifeworld (see Honneth, 2017).

In addition to Habermas's acceptance of a role for the market and the systems of power and money, there are also other important differences between him and Marx. For example, in addition to some of the points I mentioned in the first section, Habermas does not believe that politics can be overcome within a communist order that rejects markets and the constitutional legal order of the *Rechtsstaat* completely. He (Habermas, 1991b: 34, 35), therefore, critiques Marx for his "restricted and functionalist analysis of constitutional democracy," which "is unable to imagine institutional forms beyond the dictatorship of the proletariat." By contrast, Habermas argues that political institutions will always be necessary to translate communicative opinion-formation in the public sphere into legitimate will-formation in the form of law.

My interpretation of the key tenets of Habermas' socialism—which builds on economic and historical developments since Marx's death, as well as on the insights of post-Marxist theory, especially the work of Lukács, Weber, and Luhmann—sets up an interesting parallel between Marx and Habermas in terms of their interventions in the

public sphere and their shared philosophical commitment to political activism. This similarity has to do with their positioning within the predominant debates over political economy in their respective historical moments. Whereas Marx resisted the physiocrats in arguing that markets were not natural and should be subjected to social control, Habermas opposes the ordo-liberals of the Freiburg and Bocconi Schools by arguing that markets both can and should be more heavily regulated to ensure that they serve the citizens of Europe, not the other way around.

Although there are many differences between the Freiburg and Bocconi Schools compared to the physiocrats and the classical liberal economists of the nineteenth century, there are some telling parallels as well. Most important for my purposes is their shared opposition to government intervention in markets and the ideological function of this position in favoring the class interests of the rich money-lenders compared to poorer borrowers of capital. Thus, just as Abeille argued against grain subsidies to support the poor even though it meant that they might die, so the ordo- and neo-liberals of the Freiburg and Bocconi Schools have forced governments in the crisis-ridden European south to intervene less in the economy during the course of the Great Recession and the crisis of the Eurozone, despite the tragic human consequences this has had on individuals living in Greece and the other crisis-ridden Eurozone members from eastern and southern Europe.

Similarly, much as Marx opposed the laissez-faire theories of the physiocrats apathy toward the plight of individuals living within the economic system, so Habermas opposes the non-interventionist stance of ordo-liberalism. Instead, he (Habermas, 2014: 12) calls on Europeans to “push for further political integration in order to extend their control over quasi-natural economic forces [to] recover a democratic balance between politics and the market.” Given the conditions of the late modern, globalized, multicultural world, Habermas is convinced that such a rebalancing between markets and peoples must occur beyond the nation-state. Following the transformations of 1989, he (Habermas, 1991b: 41) argues that “the basic issue around which the argument today revolves” regards the “international formula into which the social democratic aims of the social curbing of capitalism [is] bound to be generalized.” Building on this insight, he concludes that the peoples of Europe must further their “experiment with new forms of governance outside the nation-state” (Sissenich, 2008: 143) in order to confront international markets that have been able to dictate policy to sovereign states.

## Concluding Remarks

By updating and reinterpreting Habermas’s thesis regarding the “colonization of the life-world” by the systemic forces of power and money, I have sought to demonstrate the continuing relevance of his ideas to the relationship between markets and peoples. Drawing on his political writings on the future of Europe, I have also shown that his philosophy has a clear practical and political intent, which is visible in his argument that politics must develop further at the supranational level if it is to reassert itself over and against the growing power of international markets to dictate domestic policy to formally sovereign states. By demonstrating the crucial role that Habermas’s interventions in the public sphere play in his broader philosophical and political project, I have also pushed back against “the peculiar imbalance on the side of theory that has characterized Habermas’s reception in English-speaking countries” (Pensky, 1995: 67–68).

Finally, I have argued that Habermas’s desire to assert control over markets by attacking mainstream neo-liberal economics connects his project to Marx and justifies his

self-image of himself as a Marxist, if not “the last Marxist.” Just as Marx opposed the laissez-faire ideology of the classical economists and the physiocrats, who sought to preserve the economic system as a sphere that operated through “quasi-natural” laws, so Habermas has argued against the ordo- and neo-liberal ideology that supports austerity as the proper response to the crisis of the Eurozone, despite its tragic effects on the lives of individuals throughout the EU. Despite Habermas’s critiques of Marx, these two theorists can therefore be brought together because they are both scholar-activists whose engagement with the role of economics in social and political life seeks to make “the philosopher’s influential relationship with his or her own times the centre, rather than the by-product, of the activity of philosophy itself” (Pensky, 2013: 15).

The issue of the relationship between markets and peoples, between economics and politics, and between the forces of the system and the power of the lifeworld, are crucial for understanding both Marx and Habermas. Interestingly, these issues remain just as salient at the start of the twenty-first century as they were in the mid-nineteenth century. Reflecting on the Great Recession 10 years after the fact, Henry Paulson, the US Secretary of the Treasury who helped to push through the government bailout of many major US financial institutions, noted, “When politics and the markets go head to head, the markets win” (quoted in Ryssdal, 2018). While this is true as a statement of fact in the present, it is normatively disquieting as it implies that the lifeworld of democratic politics cannot fight back against the systemic forces of late capitalism.

When Marx was writing in the nineteenth century, the dominant economic theories held that the operation of the market should be treated much like the operation of nature, that is, as something to be studied and understood, but interfered with or influenced. In the aftermath of Europe’s age of total war (1914–1945) and the total mobilization of society necessary to fight these wars, state interference in the economy has been normalized to a surprising degree (Polanyi, 2001). This is a development that Marx would welcome, as today governments feel a little compunction about intervening to blunt steep economic downturns with fiscal stimulus.

However, despite these changes, this issue is still very much on the table. Although counter-cyclical Keynesian intervention in the market became standard operating procedure during the postwar period, many conservative economists, including the ordo- and neo-liberals of the Freiburg and Bocconi Schools, have successfully pushed back against these ideas, arguing that fiscal stimulus was a moral hazard that promoted bad economic policies in the long run. The tragic consequences of these new laissez-faire ideologies has become visible over the course of the Great Recession and its aftermath, as international markets have been able to force states to implement austerity regimes despite the human suffering this caused.

The inability of individual states to stand up to the imperatives of these systemic forces testifies to the importance of continuing Marx’s fight against naturalized views of economics, where humans serve the interests of the markets, not vice versa. Although he is often accused of not being radical enough, Habermas has continued Marx’s fight by arguing that politics needs to catch up to global markets if the lifeworld is to have a chance to regulate and control these systemic forces. Writing immediately after the fall of communism in 1989, Habermas (1991b: 45) argues:

The challenges of the twenty-first century will be of an order and magnitude that demand answers . . . which cannot be arrived at, nor put into practice, without a radical-democratic universalization of interests through institutions for the formation of public opinion and political will. The socialist Left still has a place and a political role to play in this arena.

I read Habermas's reference to the "radical-democratic universalization of interests" as a call for postnational political solutions to the growing power of international market forces. If this plea was necessary in 1990, it is even more urgent in the wake of the Great Recession and the human suffering, the dominance of market forces brought about during this global economic crisis. Although it may still be true that markets win when they go head-to-head with politics, a revised and updated version of Habermas's colonization thesis, supported by his political writings, provides a powerful argument for why this does not have to be—and why it also should not be—the case.

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### Notes

1. Although the "power" of modern administration is also important, I set it aside due to constraints of space and as it is not central to this argument.
2. For more on Habermas' relationship to Marxism, see, for example, Flood (1977: 448–464), Rockmore (1979, 1989: 195–206), Heller (1982), Jay (1984: 462–509), Anievas (2010), Holmwood (2009: 148–151), and Yos (2019).

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