Sovereignty and the crisis of democratic politics

Michael Ignatieff argues that a healthy future for democratic politics depends on reviving sovereignty, regaining the sense that we’re masters in our own house.

What is progressive politics? The phrase covers a multitude of sins; it’s easier to say than social democratic, socialist or liberal. We can all align ourselves behind the banner of ‘progressive’ because it conceals our differences and allows us all to stand against the reactionaries, whoever they are.

We use ‘progressive’ to hide our unease at the fact that the old labels don’t seem to work in our politics anymore. I was a member and leader of a liberal party. Who knows what liberalism is exactly? Labour is a social democratic party, what is that exactly? What do these forms of politics actually share?

As a first approximation I think a progressive politics is a politics that strengthens democracy, reduces inequality, increases opportunity, fosters sustainability, by which I mean, a politics that keeps the planet from disappearing on us. Economically, a progressive politics believes in free markets and would like to see real competition as opposed to the managed and coercive oligopoly that we see in contemporary capitalism.

I think a progressive politics is deeply connected to the idea of sovereignty. And by sovereignty I mean something very simple: the idea that the people should be masters of their own house. It’s very hard to have a viable democracy unless it is sovereign.
The sovereignty I care about is the belief that citizens ought to feel that they’re masters of the terms and conditions of their life, that they’re not flotsam tossed on the waves of global forces, that power is not elsewhere, that power is in their society, to be fought for, to be controlled, to be managed well.

Now the global challenge to progressive politics is pretty obvious. If democracy is meaningless without sovereignty, if power has to be in the house to be fought for and controlled by the people, we live in a world where power seems elsewhere. We feel that power lies somewhere in the ‘the global market’ and that we are its play-things. The survival of democratic politics depends on reviving sovereignty, regaining the sense that we’re masters in our own house.

You can’t have any kind of democratic politics at all unless the people feel that voting and public life actually matter, that consequential decisions are made in the political arena. Otherwise politics is nothing more than a Punch and Judy show.

Citizens want to have a sense that when they vote they’re engaged in a symbolic act that gives them control over the conditions of their existence. Voting should express their sovereignty as a people, and the sovereign authority of their country. Now immediately you will think ‘well, sovereignty, isn’t that a little old-fashioned? The word sounds a little reactionary and anyway, how much sovereignty can we have in a global economy?’

There used to be a socialist language that took this question seriously. When I first came to London, as a graduate student in the Seventies, there was a lot of talk about ‘socialism in one country’. I remember earnest talk to the effect from economists like Francis Cripps and Wynne Godley that the only way you could maintain economic sovereignty was to have an industrial policy, import substitution and protectionism. These were the economic preconditions for democracy, and in turn for socialism in one country.

Well, we’ve tried socialism in one country and discovered that it’s no more plausible than capitalism in one country. But that leaves open the question of how we do affirm and defend our political sovereignty in an age of global capitalism.
If globalisation was actually under the control of a small and sinister cabal of bankers, multi-national capitalists and their captive politicians, if global power was actually centralised in this way, we could all rise up together and wrest control from this malign group. The real political problem is that globalisation is *us*. Many of us are afloat on the tide of cheap credit that liberalisation of capital markets made possible; many of us benefit from cheap global transport, and our cities are alive with the benefits of global mass migration. We can’t forget these benefits as we struggle with the problems they create.

Politically speaking, we want it both ways: to have these benefits of globalisation without the feeling of powerlessness that so often accompanies our experience of a global world. For we know that global forces decisively shape the very conditions of our lives. The basic unemployment rate in our hometown will be set by demand in China or Brazil or by competition in South Korea. Important questions like whether our children will find a job once they graduate, and whether we will be able to hold onto ours, depend on forces far beyond the control of the political leaders who tell us they are in charge.

We have lived with this uneasy sense of powerlessness, of power being elsewhere, for quite a long time, and as long as our economies grew and opportunities multiplied, we could ignore the fact that our political systems were losing whatever control over the conditions of our lives that they once exercised.

And then the crisis of 2008 was upon us, and suddenly powerlessness reared up in the form of ‘systemic risk’, the discovery that pension values had collapsed; that unemployment was rocketing; that credit had dried up, all because of bad bets made on American sub-prime mortgages thousands of miles away, in another country. Suddenly the terms and conditions of economic life brutally changed. And our political systems seemed helpless to stop it.

That’s when globalisation suddenly took on a malign and frightening aspect. Since then the debate in all western societies has been dominated by the twin politics of blame and fear. First, who was to blame for the crisis of 2008 and who should pay? And how do we protect citizens from systemic risk in the future? The deeper question that still remains open and has not been answered definitively was whether our democracies actually still have the authority and coercive power to apportion responsibility and protect the people in the storms ahead. That’s the sovereignty issue that lurks just behind contemporary political debate.

From 1945 to the early 1970s we lived in a Bretton Woods world in which sovereigns exerted control over the movement of capital; beginning in the Seventies and Eighties we dismantled that regulatory structure. We did more than that: we created an ideological dogma that government was invariably the problem and markets invariably the solution. Slowly, painfully, we do seem to be shaking ourselves awake, rediscovering what Adam Smith told us all along, that markets are public institutions that only function efficiently when regulated in the public interest. Sovereign regulation has to return because the alternative is recurrent global crisis and ever more domineering monopoly.

We are also uneasily aware, however, that there is no purely national, purely sovereign regulatory response that stands a chance against the mobility, agility and cunning of modern capitalist enterprise. Sovereigns need to combine their authority to defeat the enterprises whose accountants are experts in regulatory arbitrage, in moving capital to those sovereigns with the least regulation and the lowest tax burden.

We need sovereign co-operation more than ever because no single power, not even the United States, is in control of globalisation anymore. All previous episodes of global trade and commerce, stretching back to the 16th century, were imperial: the flag followed trade, imposing order, often violently, on the territories from which resources were extracted. The globalisation that followed the collapse of the Soviet empire and the deregulation of domestic markets in the 1990’s was the first globalisation for a post-imperial world, for a world of multiple, competing sources of authority—the rising BRICS, the declining US—a world in which some sovereigns had more power than others, but none was firmly in charge.

In a world in which no one is firmly in charge, it became astonishingly easy for failing banks, insurance companies and the Big Three automobile manufacturers to hold sovereigns to ransom, one by one, in the autumn of 2008, with the threat that if they did not receive sovereign guarantees and taxpayers’ funds to refloat their enterprises, the entire global capitalist order would come apart.

The same corporate and financial sector which had campaigned steadily for 25 years to shake off the shackles of state regulation and reduce their tax liabilities by any stratagem, legal or illegal, now turned up,
one after another, at the state’s door, demanding taxpayer’s money to save our skins.

This was a pathological and deeply dangerous development in which capitalism sought to privatise its profits while socialising its losses and did so through the brazen use of political blackmail. The companies to blame were both ‘too big to fail’ and ‘too big to manage’, so afflicted with greedy giantism that their own top executives had no idea of what risks their desk managers were running at the casino of global capitalism and so arrogant that they believed captive politicians would never fail to bail them out.

This is the toxic state of affairs from which we are still trying to recover in most western democracies. Corporations who lobbied for de-regulation and shed their tax liabilities wherever they could, then foisted the catastrophic consequences of their risk-taking on the very sovereigns their behavior had weakened.

So at a moment when we need strong sovereigns to re-regulate the market, we are in a downward spiral of weakening sovereignty, besieged by falling revenue made worse by corporate tax avoidance running into the trillions of dollars. Sovereigns like Ireland make the problem worse by cutting corporation tax and driving other sovereigns into a competitive race to the bottom.

This is the context in which to understand the destructive politics of austerity. Sovereigns who borrowed cheaply during the flood-tide of easy global credit are now ever more dependent on the revenue resources of an aging and shrinking demographic base of working citizens. These citizens watch as corporations dodge their responsibility for the funding of public goods and load the entire burden on their shoulders, while also demanding sovereign guarantees against their reckless risk-taking.

With the corporate tax base shrinking and the working population bearing a heavier tax burden, our sovereigns face an ongoing ‘fiscal crisis of the state’. Socially necessary expenditure on health and education consistently falls short of the revenue necessary to pay for it. The reactionary right rejoices at austerity without end, because it enables them to continue with the project of rolling back the state, but for the rest of us, the working majority who depend on public goods for the quality of their life and their security as well, we need a state with the competence and the capacity to protect us. Without it, we feel powerless.

Most citizens don’t love the state or identify with it, and thank goodness they look to their families, their neighborhoods, and traditions for the belonging and loyalties that give life meaning. But they also know that they need a sovereign with the power to compel competing sources of power in society to serve the public good. People don’t want big government but they do want protection. They’re perfectly willing to take responsibility for the risks they take themselves, but they want some public authority to protect them from the systemic risks imposed on them by the powerful. They refuse to see why large corporations should privatise their gains, but socialise their losses. They want to have a competent sovereign, and what goes with this, they want to feel that they are sovereign.

Democratic politics exists—only has purpose—when it serves this sentiment of empowerment. The rationale of democracy, the willingness of people to take part in elections, to stand for office, to care about public life at all, can be drained away by the kind of sustained experience of powerlessness that so many citizens have lived through in the unemployment and insecurity of the last seven years.

This crisis of democratic sovereignty is being felt with special sharpness in Greece, Italy, Spain and Ireland, countries where citizens have had to endure externally imposed ‘internal devaluations’, austerity programs that have scythed through the public goods they had taken for granted and which they thought were their birthright.

The same crisis of sovereignty is being felt in Britain. Here it has a three-fold dimension: first, the failure of the British state as a whole to protect the economy from the catastrophic risk-taking in the banking and financial sector; second, the growing detachment of Scotland from the British state; and third, the increasing resistance to European erosion of UK sovereignty.

I can’t possibly disentangle all these strands of the contemporary crisis of British sovereignty, but one single point seems clear. The chief threat to British sovereign democracy actually comes from uncontrolled and de-regulated global capitalism. If that’s the case, the cure may actually require more Europe, not less: more sovereign co-operation between European states to use the leverage afforded by Europe’s huge internal market to require corporations to pay their fair share of public goods and to obey the regulations necessary to protect citizens from systemic risk. More Europe can't mean a United States of Europe or the further erosion
of British parliamentary sovereignty, but it has to mean sovereign co-operation to define and enforce the basic rules for a capitalism that is prepared to obey democracy.

What would those rules look like? Progressive politics has to redefine the relation between market and state for the world that modern globalisation has created. A progressive politics that has thought almost exclusively about the redistribution of capitalist growth simply has to lay down new rules for the accumulation of capitalist wealth. We will have nothing to redistribute and no state to redistribute it with, if we don’t.

The sovereign has to be the one entity in a political system that is too big to fail. Everyone else in a market system can and should be allowed to fail, and if their failure puts innocent third parties at risk, then it is the sovereign’s business to insist on resolution regimes for these big corporations that allow them to be wound up without cost or risk to the taxpayer. We can’t have market actors holding the state to ransom. The blackmail has to stop. The whole function of regulation should be to compel risk-takers to assume the full direct cost of the risks they take, instead of being able to pass these costs onto citizens. If they go to the casino, they should be prepared to risk their shirts, not ours.

If market entities grow to a size where their domination of the market rises to monopoly, the state should break them up into entities that do not threaten the whole. Competition policy needs to return to the heart of progressive politics, as it once was in the American Progressive era. That was the era that saw the break-up of Standard Oil and the creation of the Sherman Anti-Trust Act. If as Adam Smith warned us two hundred years ago, monopoly is the inherent tendency of all market relations, it is the function of the state to fight monopoly and guarantee the conditions of free competition for all.

We need to return to Smith’s insight that markets are public institutions: transactions should be public, transparent, prices should be known to all. We need to put an end to the dark pools, ‘under the table’ trading and non-public markets that brought so much instability to global capital. Financial products deliberately designed so that no one actually understands their risk potential should be banned from markets altogether. There is no fatality to globalisation, no reason why global markets cannot be compelled to obey these simple, basic rules of the public good.

Dani Rodrik, a colleague of mine at Harvard, coined the phrase ‘policy space’ to describe what we need. Every country has to have policy space, by which he means political space. We’ve got too much macroeconomic policy which assumes that one size fits all; one size does not fit all. We need policies that are appropriate to the sovereign conditions and histories of the countries that we live in. And so progressive politics must defend and expand the capacity of sovereign democracies to create the ‘policy space’ they need, instead of swallowing austerity medicine concocted by doctors who know nothing of their patient’s specific needs.

Lest you think this is impossible, simply remember the creation of Britain’s National Health Service after the war. Despite destruction, deficit, post-imperial decline and indebtedness to the United States, the Attlee government created one of the defining institutions of a sovereign people. That government understood that ‘policy space’ is a creation of patriotism, pride and political will.

That’s what I mean by policy space. It’s the belief that your sovereign political system can create the ideas that redeem and save your politics.

To make this work we will have to enhance all the opportunities—through the G8 and the G20—to increase regulatory co-operation among sovereigns to eliminate tax havens and the regulatory arbitrage that drags sovereigns into a race to the bottom. As far as Britain is concerned, it requires citizens to think a complicated thought about Europe: preserving UK independence on the one hand in order to preserve UK democracy, while being willing to co-operate ever more closely with other European states to erect a modern regulatory regime that gets global capitalism to play by new rules.

I don’t suppose that market regulation is the sum and substance of a progressive politics. There is so much more that a progressive politics stands for: egalitarianism, the rule of law rather than the rule of men, generosity, social compassion, love and respect for learning and innovation. But none of these values can be realised without an economics that resets the relation between market and state.

What then does a progressive politics mean? It’s a politics of patriotism. We’re all in this together. It’s a
politics of equality: everybody pays their fair share. The anger that a progressive politics needs to tap into is the widespread feeling among citizens that they pay their fair share and the most powerful, the most global the most agile do not. This is not a politics of envy; it’s a politics of equity.

Righteous anger is a positive rather than envious emotion. It should be unapologetic about sovereignty. In this place, in this country, it should say, you play by our rules. You don't game the rules; you play by the rules.

Patriotism, equality, fairness – what does this mean in internationalist terms? A good world in my view is not a world of global governance run by people with advanced degrees from globally significant universities. It’s a world of responsible sovereigns in which power and authority are accountable to the people who choose them. In which sovereigns accept a responsibility to those they serve on the basis of the inclusive rather than extractive rule.

We are a long way from this world. Right now, we've only got about 40 responsible sovereigns in a world composed of 193 often tyrannical, arbitrary or downright incompetent states. My good world is a world in which slowly, incrementally, all the work we do in international assistance is to help the citizens of other countries to fight more effectively to be masters in their own house, sovereigns who are competent and responsible. I mean very basic attributes of sovereignty: a monopoly over the legitimate means of force in its own territory, the capacity to deliver minimum services and the capacity to create a political system that genuinely responds in some way or the other to the wishes of the people who compose it. That’s my utopia of a good world. But if it is our utopia, then we need to begin here, in our own troubled democracies.

To a degree we haven’t realised, our sovereignty has been emptied out and because it has, our democracy has been draining away. Sovereignty and democracy are linked. We must feel we are masters in our own house, if our politics is to have any meaning for us. Democracy is not a procedure, an instrument or a technique. It is a way of living a set of values of patriotism, equality and fairness, and it creates a sentiment: the blessed feeling that you live in a place where you are not adrift, you are not a prisoner of fate, where you join with citizens to shape your world. This is the value—the sense of mastery—that a progressive politics can and should deliver to its citizens. If it does, we have nothing to fear and much to hope for.

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most recent book is *Fire and Ashes: Success and Failure in Politics*. This essay is based on his Demos Twentieth Birthday Lecture, delivered in London on 5 June 2013.