

**SOVEREIGNTY OVER THE MARKET, OR SOVEREIGNTY OF THE MARKET?
PERSPECTIVES ON POLITICAL AUTHORITY AND THE ECONOMY**

Workshop proposal for the 2013 Conference on “Political Legitimacy and the Paradox of Regulation”

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Summary: This workshop explores the hypothesis that the financial breakdown and the Euro-crisis raise a question of political legitimacy. The dependence of states on market actors, as well as supra-national regimes, challenges the idea of state sovereignty, which is central to theories of political legitimacy and authority. Perhaps regulatory regimes are not so much instruments of state intervention in the economy, but part of a political-economic constellation of power. Here, the question of political legitimacy – articulated most vocally by the “Occupy” movement – arises with respect to the political order as such. We do not just need to think about the *intervention* of the state *in* the economy, but we need to rethink the relation between state and economy at the most fundamental level. This workshop focuses on three core issues: 1) What is the nature of the interrelation between state and economy? How should the state-economy nexus be conceptualized? 2) What challenges does the paradox of regulation pose to some of the most fundamental concepts of political theory: i.e. those of sovereignty, legitimacy, and authority? 3) What are the institutional implications of the paradox of regulation? How should democracy be reconceived in relation to pressures from the economy? What forms of political agency are available? And how can state regulation of markets be legitimate?

1. Outline of the Topic

The neoliberal revolution that has swept most western countries since the 1980s has radically transformed the relation between state and economy. Privatization, marketization and deregulation have become the standard political repertoire of states and have been encouraged by important international economic agencies such as the World Bank and the IMF. These trends have thoroughly influenced public sector services (security, health care, education, social benefits) as well as the commercial sector itself. Since the 2007-8 financial breakdown, which was widely perceived as – at least partly – caused by deregulation of the financial sector, these neoliberal recipes are questioned again.

At a more fundamental level, however, the current crises urge us to think not just about the state’s role in the economy, but the very nature of the state. This becomes clear in view of what we will call the *paradox of regulation*: who regulates whom? Can the state get a grip on the market, or does the market have the state in its grip? On the one hand, governments and other agencies are called upon to develop regulatory regimes that constrain and incentivize market actors. At the same time, however, states increasingly come under the influence of market actors, and even become market actors themselves. Governments face imperatives from financial markets (potential creditors and rating agencies) and externally imposed budgetary constraints (EU, IMF), and some have even have come perilously close to bankruptcy. Formally, regulation comes from the ‘outside’; it is imposed on

the economy by a sovereign state, and legitimated democratically. But informally, regulation links are tight between business and government. State and economic order appear intertwined and mutually dependent. Moreover, new forms of international and supranational governance in turn raise the complexity of the relation between state and economy. We also need to investigate to what extent international forms of public authority are governing and being governed by the economy, and what this means for the role of the nation state.

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This workshop focuses on three core issues:

- * What is the nature of the interrelation between state and economy? How should the state-economy nexus be conceptualized?
- * What challenges does the paradox of regulation pose to some of the most fundamental concepts of political theory: i.e. those of sovereignty, legitimacy, and authority?
- * What are the institutional implications of the paradox of regulation? How should democracy be reconceived in relation to pressures from the economy? What forms of political agency are available? And how can state regulation of markets be legitimate?

2. Relation to the Conference Theme and Existing Work

This workshop goes to the heart of the conference theme by exploring the implications of the paradox of regulation for political legitimacy. We interpret the paradox of regulation as a question of the relation between state and economy, which we can phrase as follows: “sovereignty *over* the market, or sovereignty *of* the market?”

It is commonly acknowledged that globalization puts pressure on the state, which can no longer function as the sole locus of political decision-making. Political theorists have recently paid much attention to the implications of supra-national governance for political legitimacy and authority. So far, however, much less attention has been paid to the challenges to sovereignty that arise from the increasing interdependency of state and economy. Traditional theories of political legitimacy face a particularly daunting challenge in this light, as they tend to presuppose that ‘state’ and ‘economy’ are separate domains, where one is sovereign over the other. Normative theories of legitimacy tend to remain wedded to the idea of sovereign political institutions regulated by democratic procedures,

whether at the national or supra-national levels. Viewed in this light, the paradox of regulation poses urgent questions that go to the heart of contemporary theories of political legitimacy.

3. Interdisciplinary Approach

This workshop is likely to appeal to researchers from all of the contributing disciplines in the profile area. At its core is an interest in political-theoretical (re-)conceptualizations of the problems diagnosed above. Political theorists and philosophers can contribute by comparing and defending new theories of the state-economy nexus, and key concepts such as sovereignty, legitimacy and authority. They may also show how models of market regulation fit in the long-standing debates over the legitimacy of the state and its role in guaranteeing social justice. Political scientists may contribute, for instance, by showing how political systems have dealt with pressures to liberate and to control markets respectively, and how these pressures affect the future prospects of democratic governance. Legal scholars may analyze how the law aims to guarantee public interests in market contexts and what legal options can be used to achieve this effect. Public administration scholars may show what can be learned from the mistakes that have been made in the legal architecture of deregulation and privatization over the last decades. Historians may show how the relations between the state and its responsibility for markets have been historically conceived and point to analogies and differences with our present-day predicaments. [we are building a provisional list of names to send this invitation to; if necessary we can send it to you].

4. Type of Papers

This workshop aims to attract both theoretical and empirical papers. Its main focus is with political-theoretical and conceptual questions. But answering these questions also requires empirical investigation. We therefore welcome empirical studies that contribute to our understanding of the state-economy nexus, such as legal analyses, comparative studies, discourse analyses, and historical accounts of the state-economy nexus and its consequences for politics/democracy.

5. Biographical Note

Rutger Claassen is assistant professor of political philosophy at the Institute of Political Science of Leiden University. He holds a PhD in philosophy for a dissertation (2008) on the moral limits of markets, parts of which have been published in a series of journal articles. Currently he is working on a 3-year NWO-funded project on the justifications for regulating markets, and how these are embedded in wider political theories about the scope and nature of the state.

Thomas Fossen is postdoctoral fellow in political philosophy at the Institute of Philosophy of Leiden University. He holds a PhD in philosophy from Utrecht University for a dissertation (2011) entitled *Political Legitimacy and the Pragmatic Turn*. Currently he is working on the NWO-funded project 'Between Deliberation and Agonism: Rethinking conflict and its relation to law in political philosophy'.

