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## RESEARCH ARTICLE

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### Reacting to the Politics and Economy Relation. The Reasons for Contemporary Populism

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#### ABSTRACT

*This paper attempts to interpret the contemporary forms of populism, in the light of the political and economic debate about the function of the state and the market as relevant modern institutions. Considering different economic perspectives and analysing them from an historical point of view, the paper describes the evolution of contemporary society, and the changing relevance of the political and the economic systems. Against the theoretical background of Niklas Luhmann's social systems theory (1984), a critical assessment of different economic approaches is proposed: it is argued that none of them has been able to tackle the generalized increase of social, economic, and individual problems, and the growing social exclusion. In contemporary modernity, social systems are becoming more and more intransparent to one another, and apparently unable to solve the problems for which they functionally evolved. The paper proposes that populism may be intended as a reactive adaptation of the political system to its inability to solve social and economic questions and suggests the necessity of a new paradigm to understand the growing complexity and mutual intransparency of social systems.*

KEYWORDS: Populism; Dichotomy State/Market; Intransparency; Social Systems

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The current political-economic context and the paradigmatic changes of contemporary modernity generates complex relationships of interdependence that cannot be treated based on simple causal processes. These issues are various and controversial. Financial crises, economic recession, public deficit, unemployment, relativity of social rights, loss of constitutional freedoms and depoliticization are the phenomenological outcome of complex interactions that characterises the contemporary political-economic context.

The interpretative focus, therefore, relies on systemic interdependencies and not on challenging the functioning of the market institutions that have enabled - albeit in a controversial way - a unique relationship between production and consumption that, in the pure form of capitalism theorised by von Hayek, describes the market's tendency to regulate itself, to guarantee competition and to keep the economy in equilibrium (Hayek 1944).

Similarly, the interpretation of systemic interactions allows to overcome analyses focused on the failure of state institutions (welfare state), which represent the most important achievement of the twentieth century: the state intervention here is justified as it supports the adoption of programmatic action plans aimed at ensuring the existence of the basic criteria of the social order, but also of direct and indirect intervention mechanisms on the whole system of social relations within the state and between states. Keynesian economic theory is the most representative expression of utilizing forms of public intervention (particularly in periods of crisis like the current one) as a necessary solution to increase global demand even in conditions of public deficit (Keynes 1920; 1936). In such period, social space itself enters into market relations through mechanisms that, in the conceptual synthesis of welfare (health, education, work, etc.), function in terms of balancing social needs and the allocation of scarce resources. The Keynesian perspective describes a system of social expectations as a transfer of decision-making responsibility (in terms of risk) from the economy to politics. Although, the system of the economy is based/aims ensuring peace and security conditions of and politics binding decisions for the future (Luhmann 1983).

In contrast to the Keynesian perspective, liberalist thinking asserts that if something in the market does not perform (e.g. inflation rises, growth falls, etc.), the only plausible explanation is that the market is not free enough. The proposed solution consists of strengthening the principle of economic freedom and eliminate all forms of state interference in economic matters as a universally valid rule for development. Thus, the pursuit of economic freedom becomes a project based on the liberalisation and deregulation of economic transaction.

The relationship between the political system and the economic system represents the extent of the dichotomous space in which the relationship between the state and the market is situated. It is a problematic coexistence of limits and potentialities, where the categories authority-freedom, rights-security, individual-society gravitate and alternate between supporting the reduction of state control and the containment of the role of the market. Moreover, globalisation of the economic system, liberalisation of capital movement, the presence of political and monetary super-institutions create questions about the relationship between state and market where paradoxes emerge concerning the representativeness of democracy (Arrow 1951).

Stiglitz (2011) describes the first decade of the twenty-first century as characterised by an asymmetrical movement that, from many points of view, represents a major social and economic failure. In similar terms, Krugman speaks of ‘damage’ on the human level, caused by the ‘comfortable ideological and political prejudices of the system’ (Krugman 2012, p. 31), that failed to consider the lessons of history.

The systemic complexity, typical of modern society, on one hand reinforces the role of social systems such as the economy and politics, on the other one generates ‘functional intrasparency’ (Luhmann 2005, pp. 341–342), that is substantiated by the overlapping of codes and languages - decision/consensus, demand/supply - making it difficult to separate the economic system from the political system. This is analysed from the idea of the ‘invisible hand’ of Smithian liberalism to the forms of macroeconomic public intervention proposed by Keynesian models.

The area of intrasparency represents the dimension of a double contingency which is difficult to resolve. There are expectations that are fulfilled and others that are disappointed; social needs that are protected and others that are not; levels of welfare that are guaranteed and others that are deteriorated. In other words, there is a space where the conditions between inclusion and exclusion are generated. Taken that, new questions rise about the possibility that current forms of populism could offset the pressure of expectations of social inclusion values. In this perspective, the focus of the article is on the nature of the ‘concentrations’ of those political movements that, through unprecedented forms of populism, channel and polarise the consensus of the ‘people’ who distance themselves from the dichotomous effects deriving from the superimposition of the economy on politics, towards new ‘networks’ of social inclusion.

### **1. Balancing the State and Market: at the roots of a dichotomy**

In Modern Age, politics and economy interact, clash, and confront each other in a new social ‘arena’: capital. Capitalism assumes the value of a process capable of guaranteeing economic development thanks to a series of closely interconnected factors, such as the use of production techniques, the exploitation of natural resources, the division of labour, exchange value (represented by money as a symbolically generalised medium), places for exchange (markets), and systems for the numerical measurement of value (accounting management). From the shape capitalism takes, its accelerations, setbacks, periodic crises and innumerable contradictions can be observed.

The Marxian analysis of capitalism represents a critique of the instrumental conception of capital, used as a form of power and exercise of class differentiation and not of its nature (Marx 2011). The use of capital for productive purposes became the cornerstone of economic life thanks to Smith, who opened the historical debate on the dichotomy between politics and economy (between public and private) and consequently on the role of the state in the market, a factor that conventionally marks the birth of modern political economy. The publication of *An Inquiry into the Nature*

and Causes of the Wealth of Nations marks a turning point (Smith 1776). He observes a social context characterised by the distinction between modern ‘mercantile cities’ and those still based on the model of the *Ancien régime*.

Smith asserts that in cities, where the system of economic relations is based on the exchange between capital and labour, the socio-economic dynamics, that develop around the population, produce an increase in material wealth. Workers are ‘in general industrious, sober and prosperous’ (Smith 1922, p. 330) and more prone to processes of emancipation. By breaking down traditional forms of subordination and through work, they learn a new way of living in freedom and become actors in their own social destiny (ivi, p. 340). Everyone, therefore, by pursuing his or her own self-interest, contributes to the collective interest (and therefore well-being). The structural asymmetries that characterise the new socio-economic system - meaning the relationship between capitalists and workers - are not ignored but take on an ethically sustainable connotation, since they produce results considered advantageous for the social organisation (ivi, pp. 67, 78).

Through Smith’s words, the physiocratic orientation of Enlightenment thinking emerges. The distinctive features of the new socio-economic order are to be found in a number of fundamental elements: the active role of individuals who have now emerged from the ‘state of minority’ (Kant 1995, p. 162); the struggle against the cultural vision of the old social order (Condorcet 1974, p. 185; Turgot 1978); the actions to counteract a slow and inadequate policy and consequently the ineffectiveness of the political institutions inherited from the past (Rousseau 1972, p. 319). It is, however, a historical moment that highlights a jarring relationship between socio-economic evolution and political-institutional adjustments: the intolerance towards a political system that produces cumbersome and intransparent bureaucratic apparatuses. These that end up performing a repressive function, that produce generalised slowdowns of any innovative process and that support production dynamics that are now incompatible with the market economy becomes evident (Landes 1978, p. 179–180). Smith clearly states in ‘Wealth’ that the appropriateness of individual behaviour

cannot be separated from the rules of behaviour established and socially shared within a state. He does not consider the political system to be separated from the economic one, his new capitalist order is not a world without a state, but an order whose economic-social novelty elements cannot be traced back to the state (Gioia 2016, p. 214). In this new world, the state must exercise very precise functions - institutional duties - such as social security (internal and external), the administration of justice, the realization of public works and infrastructures, i.e. functions that cannot be carried out by an individual or a group of individuals, also because the profits obtained could never compensate - in terms of remuneration - the expenses incurred to achieve these 'institutional' objectives (Salvucci 1966, p. 39). In other words, Smith, while reflecting on the limits of the political system compared to the transformations taking place, does not observe the society of his time in the light of the general opposition between state and socio-economic organisation, but outlines a geometry of the political space, that is much more complex than the instrumentalised descriptions of many of his interpreters (Kemp 2013, p. 122). It is no coincidence that he highlights both the theme of overcoming the old state model and the need of a sovereign state 'capable of solving the problems determined by the dynamics of the market and the structural asymmetry of positions between classes and individuals' (Gioia 2016, p. 212); an industrial society needs a framework of public services if it is to function without social distress (Ashton 1948, p. 147). Smith's legacy is clearly oriented towards maintaining stable (Luhmann would say 'functionally specified') codes and language of the system to which it belongs (1984), thus, an economic system has functional codes operate based on market mechanisms: demand and supply, in symbiosis with a political system whose functional codes operate, instead, on the basis of mechanisms of (institutional) power: consensus and decision. The need to affirm an alignment between the new economic-social fabric and the political-institutional adjustments underlies a strong tendency towards ideologization of economic doctrine, aimed at preserving the characteristics of fundamentalism, through which the processes of legitimising economic liberalism are constructed. The meaning of this tendency lies in the principle that if something in the market does not work, the only possible explanation is

that the market is not free enough. This is an extreme approach resulting from a conditioning interpretation of the principles of economic freedom, which advocates the elimination of any form of state interference in the economy as a universally valid prescription for development (Preite 2017) and that although inspired by the idea of the ‘invisible hand’, nevertheless does not correspond to the theoretical-conceptual approach of Smithian liberalism.

From Smith onward, whose key principles of political economy are: (a) the theory of distribution based on marginal productivity, which depicts competitive capitalism as a system capable of ensuring distributive justice; (b) the theory of the ‘invisible hand’, which guarantees the system rationality and efficiency in the allocation of resources and, specifically, the full employment of productive factors, including labour; (c) the belief in the market’s capacity for self-regulation, from which the *laissez-faire* policy which implies that the state must limit itself to managing order and guaranteeing only the respect of property rights, draws scientific and methodological legitimacy.

All these elements conditioned public policies until the beginning of the twentieth century (Cozzi & Zamagni 1992, p. 57). Unless Marshall, one of the most influential economists of his time, extended and refined Smith’s thought, hypothesising the need for a public economic policy in the form of credit control by the monetary authorities, offering the continental economic tradition and the neoclassical paradigm an alternative perspective of economic investigation, aimed at the explanatory value of the theory rather than the logical coherence of economic analysis (Marshall 1920). In other words, he rejected the thesis of free market economists that the only way to improve the conditions of the poor is to favour and increase the interests of capitalists and the wealthy. Therefore, he is the initiator (within the neoclassical strand) of that tendency that mitigates the extreme *laissez-faire* with a policy of reforms. the result of an inextricable intertwining of the political (and socio-cultural) and economic dimensions, a strong connection between the facts of the material sphere and those of the moral sphere, have important consequences on the way of

conceiving interventions in the economy by the state (Cozzi & Zamagni 1992). Ultimately, Marshall, in the depth and scientific rigour of his economic analysis, never isolated the field of economics from the other domains of the social sciences.

Marshall's theoretical and methodological premises contribute to the enrichment of a process that sees the welfare state as a governmental device for balancing politics and economy, but also as a political project for the construction of a qualitatively superior form of democracy capable of realising ideals of equity and social justice, guaranteeing at the same time stability and economic growth.

## **2. The primacy of the State: the enhancement of welfare policies**

The debate on the role of the state continued throughout the Twenty century with theories aimed at investigating the material, environmental and economic conditions that characterise processes of political centralisation. Moreover, political theory offers new impulses that aspire to the creation of a new form of state organisation through welfare interventions. The concept of state coincides with political order and, therefore, with social organisation of a given community. This restores the idea of the state as an institution and as the guarantor of a political project in which legitimacy and sovereignty must be pursued and constantly reaffirmed through legal and bureaucratic apparatuses. The state is the only institution capable of maintaining peace and public security, guaranteeing individual, collective, and social rights, while outside it, there is only anarchy and potential disorder. This 'tendency' facilitates the affirmation of opposing schools of thought and ideologies, which are also alternative political ways of organising modernised mass societies, that lead to the dissolution of political rationality, generating anti-bourgeois and anti-liberal impulses and sentiments that find fulfilment in the transition from nationalism to totalitarianism.

On the economic front, the great crisis of 1929 (and its dramatic consequences on the American and European economies) definitively revealed the limits of laissez-faire and the precariousness of the schemes of ideological cover elaborated so far, calling into question the myth of the market that regulates itself by distributing



resources in the most advantageous way for the whole of society. Mass unemployment, stagnation, the inadequacy of the traditional instruments to fight the crisis represents the turning point towards a definitive rethinking of neoclassical theories, directing the debate on the role of the state in the economy and in social policies.

After Marshall, the reality that Keynes observes, simultaneously and in an unquestionable way, overturns all the cardinal principles of the laissez-faire theorists, he affirms that: it is not deducible from the principles of economics that self-interest, however enlightened, always operates in the public interest and it is not conceivable from the experience that individuals, acting in community, are always of less acute view than when acting separately (Keynes 2004). Keynes agrees with Marx's thesis that crisis is the normal condition of the capitalist economy. For both Keynes and Marx, capitalism aims at the profit of a few people and not at the welfare of all. People think to live in an exchange economy but instead they operate in a monetary economy. Keynes' definitive attack on classical economics is represented by the reversal of 'Say's Law, or the law of market': supply creates its own demand. For Keynes, however, demand creates supply and for this reason that, if demand is too weak, efforts must be made to increase it, in order to deal with depressed situations. This is viable by increasing state expenditure, especially on public works that serve both to employ the unemployed (allowing the increase in demand of new workers, who receive an income and can therefore spend it, at least in part), and to create the convenience of companies to employ other unemployed people, who will spend more and create more job opportunities for other people. In this perspective, there is no need for the state to immediately appropriate, through new taxes, the resources necessary to increase its spending.

Under conditions of depression, the state can spend in deficit and once unemployment has been reabsorbed, public expenditure can be reduced and a rational and equitable increase in tax revenues can be envisaged, because it depends on the level of production and income. Consequently, the public deficit can be reabsorbed

in the medium term. The main task of the state is to use the mechanisms and instruments of public expenditure and revenue to avoid the occurrence of depression and widespread unemployment in the economic system (Cozzi & Zamagni 1992, p. 60).

Because of the Great Depression of 1929, the economic theses of Keynes were used in England, including the implementation of deficit spending as an input to economic growth and the extension of social security policies aimed at containing unemployment. In the United States, the Roosevelt administration experimented the new approach of public policies (New Deal), that represents the structural plan of economic and social reforms aimed at lifting the country out of the Great Depression. In 1933, the creation of the Federal Emergency Relief Administration, inspired by Keynesian theories, was the first step towards a major modernisation of the US welfare and social security system.

Before the Keynesian challenge, the respect of a balanced budget was considered a real limit to political activity, not for economic reasons but for the principles of transparency and responsibility of public management (Martino 2005, p. 46). In contrast to this tradition, Keynesian theory manages to convince governments and the public of the irrelevance of ‘the ancient religion of taxation’, presenting the achievement of prosperity in the national economy as the primary objective of economic policy considered a modest price to pay for high employment (Buchanan & Wagner 1977). Thus, the ‘budget balance’ becomes an instrument of economic policy.

In short, Keynes elaborated a conceptual scheme able to explain the instability of capitalism, to provide indications to intervene on the generalized crisis, that had hit the capitalist economies to bring a renewal of the economic language for the correct interpretation of concepts and terms to make them more adherent to the discussion of practical problems and to statistically measure them (Caffè 1990, p. 136). Therefore, Keynes’ theoretical interest in the functioning of the economic system translates into attention to the aggregate quantities of the economy: overall income and output, overall consumption, overall investment, and overall saving (Mazotta 2012, p. 30). The Keynesian general theory of employment represents the basis of a new theoretical-conceptual revolution, but it is also the framework within which

the democratic welfare state develops after World War II. The free world looked confidently to the future and was about to experience a phase of great economic development, that laid the foundations for the development of welfare policies. The welfare state was born in the spirit of anti-capitalism, representing the most politically opportune attempt to introduce a certain amount of socialism, as an ethical system, according to the formula 'From each according to his ability, to each according to his needs' (Marx 1976).

### **3. The primacy of the Market: the reaction of neoliberalism**

Starting from the 1970s Keynesian solutions began to lose consensus due to a delicate situation caused by high levels of inflation and production stagnation with rising unemployment. The expansion rate of the welfare state, accompanied by fiscal pressure, budget deficits and public debt, became incompatible with an economic context deeply marked by the new recession (Pennacchi 2011).

The spectre of crisis and the occurrence of these particularly burdensome events legitimised the entry onto the international scene of the neo-liberal school of thought, which states that the main cause is to be found in the enormous expansion of public spending (Harvey 2005), which creates both price increases, through an increase in global demand, that is excessive compared to what the system can cope with by increasing production, and the excessive appropriation of resources by the state to the detriment of private initiative, which is no longer able to invest and promote the development of the economic system (due to a lack of means and incentives (Cozzi & Zamagni 1992, p. 61).

Within the neo-liberal movement there are two distinct schools of thought, which in many ways converge: (a) the School of Rational Expectations with Lucas, Sargent and Wallace, according to which public debt consists of the sum of the budget deficit of the current period, plus the interest that is being paid on bonds issued in previous periods in order to finance previous budget deficits; (b) Monetarism with Friedman and Phelps, according to which in the long run the economic system moves

towards the natural rate of unemployment regardless of the rate of change in wages and prices (Preite 2011, pp. 108–109). These two lines of thought agree on the failure of many of the objectives assumed as priorities by welfare policies, interpreting the public ‘balanced budget’ as an essential condition for an effective fight against inflation.

Friedman is not only the main exponent of monetarist economic theory, but also one of the main advocates of laissez-faire capitalism. In his work *Capitalism and Freedom* (1962), he argues that market forces, and certainly not state intervention, can ensure growth without inflation. Friedman’s studies are scientifically aimed at refuting the Keynesian theses, through the empirical demonstration that the crisis is caused by the excessive expansion of money in circulation, most often driven by the need to finance public deficits. Mainly for this reason, Friedman advocated a strictly restrictive monetary policy, regardless of the economic situation.

This theme soon became the priority objective of US and British public policies around which, from the mid-1970s, practices such as ‘privatisation’ and ‘deregulation’ were consolidated within the government programmes of Thatcher (1979) and Reagan (1980) (Galli et al 2011, p. 226).

At the same time, Hayek published a work entitled ‘*Constitution of Liberty*’ (1960), where the cardinal principles of neo-liberalism emerged as a response to the presumed failure of Keynesian models. Hayek’s philosophical-political thought is entirely based on the ideal that freedom is a condition that concerns the person as an individual. It is a notion of the individual endowed with a private sphere (around him) that is resistant to the interference of others and external coercion.

Hayek states that humanity is reduced to a state of slavery when it is forced to follow goals and objectives imposed from outside the private sphere and not from its own free intellectual exercise. In this perspective, Hayek points out that even if a man lives in comfort and prosperity, and even if he actively participates in the choices of his own government, this does not make him free (Hayek 1960). From this reflection, the concept of freedom presented by Hayek is understood as the absence of external constraint.

In the logic of Smith's 'invisible hand', he is increasingly oriented towards conceiving society as a 'free game' of personal relationships that physiologically create the conditions for their own equilibrium. The society rules itself in a market regulated by free competition and endowed with a dynamic and virtuous knowledge system, where information is exchanged and circulates among the actors involved, generating a natural and spontaneous system of general rules that are widely shared without the need for the interference of a directing and planning centre. Hence, his hostility is moved towards invasive and resource-dispersing state interventionism, especially when it implements corrective market manoeuvres in the name of a policy of social justice and equality that intervenes in the economic and social position of individuals (Preite 2011, pp. 111–112).

Hayek is more in tune with the eighteenth-century English liberal tradition with its Lockean matrix than with the continental European tradition based on Kant's system of thought. What interests Hayek most, therefore, is freedom conceived as protection by law against any form of arbitrary coercion and not as the claim of everyone's right to participate in the determination of the form of government. In this approach, the discourse on the secondary role of the state gains new relevance: the state should intervene as little as possible in the sphere of individual autonomy and guarantee, through positive law, the full unfolding of individual freedoms so as to defend the private sphere (including property) (Pancaldi, Trombino & Villani 2006, p. 231).

In the complex work 'Law, Legislation and Liberty' published during the 1970s in three volumes: 'Rules and Order' (1973), 'The Mirage of Social Justice' (1976) and 'The Political Order of a Free People' (1979), Hayek strengthens his idea of private property by equating it with the right to life and liberty. The state can legitimately intervene in the lives of its citizens only to enforce general rules, i.e., those that serve to protect the life, liberty, and property of individuals. The action of the state becomes coercive to the extent that it interferes with the freedom of individuals to pursue their own goals and realise their own expectations of life and quality of life. This would

explain why Hayek considers social policy interventions and social justice legislation as one of the most widespread forms of state interference: the anomaly of the system that leads to modify its social-economic order (Hayek 1979).

#### **4. The response of populism within the social systems theory approach**

The final phase of neo-liberal capitalism is characterised by high social complexity from which many instances (needs) emerge. In order to respond to these social instances, the systems (the political, the legal, the economic, etc.), have to differentiate themselves functionally, in the other words, they have to function autonomously, otherwise social complexity could not be managed.

In modern society, each system is to be intended as autonomous, as it works by adopting a specific code and specific systemic operations. To clarify this statement, I will start from the consideration that communication represents the specific operation at the base of social systems. Each fact, event or social phenomenon exists because it is possible to communicate. Therefore, Society exists because there is social communication. Each system, as a social construction, differs from other systems at the communicative level thanks to its own operating code, which Luhmann calls 'symbolically generalized medium' (for example: for politics, the symbolically generalized medium is power; for economics, money; for religion, faith; etc.) (Luhmann & De Giorgi 1993).

In communication, there is production of information but also production of meaning and understanding that represent the premises for a new communication. In the theory of social systems, communication is therefore an improbable event, without duration, always different and its continuous production creates new contents of meaning. In social systems theory, levels of improbability are addressed through: a) language (probability of understanding); b) means of dissemination (probability of reaching interlocutors); c) symbolic generalized means of communication (probability of acceptance) (Baraldi et al 1997, pp. 72–73).

This consideration allows to understand why systems are functionally specified, but it also means that social systems are mutually intransparent, so that one can

also speak of a ‘functional intransparency’ (Luhmann 2005, pp. 341–342). Topics (for example the social wellbeing or economic growth or individual rights) may be dealt with from different perspectives, for example, the political, legal, or economic perspective. However, each system may deal with issues dealt with by other systems, provided that it adopts its own specific code (Luhmann 1965), thus without ‘contaminating’ its specific operations.

It is difficult to perceive a clear distinction for the different treatment that each system deserves to the same topic. One could praise or blame a single system (usually the political one) as being responsible for achievements or failures that may have been produced elsewhere. The concept of double contingency may be here adapted as a possible explanation (Parsons 1951a; Longo 2005b, p. 71). Double contingency is used in the system theory as to explain the mutual intransparency of individual actions and intentions: we never know exactly what another actor is thinking, planning or aiming at, as it is impossible to probe into his/her psyche. Nonetheless, we keep on interacting, due to the fact that social systems provide us with a series of clues (normative or cognitive expectations) which gives stability to social interaction. Expectations may always be disappointed, yet they provide us with a series of hypothesis on how our fellow-people may react to our selected behaviour.

In an increasingly complex society, social systems are also contingent to each other: it is impossible to predict, from the point of view of the political system, what effects a political decision may have on the economic system, or how a legal decision may affect political decision-making. Even though social systems in modern society are not hierarchically differentiated (they have an autonomous and specific function), yet the political system is generally perceived as the structure where politically binding decisions are made. However, neo-liberalism as an economic practice has stripped the political system as much as its ability to produce effects on the economy, for instance through effective economic policies. What we have been observing is a kind of economic control of political decision-making. A paradoxical situation emerges: citizens continue to address their claims to the political system, which in a situation

of high complexity may produce an over-exemplification of issues, questions and problems, claiming to find solutions but instead producing only a populist discourse.

This situation could be traced back to the mid-1970s, with the 'Report on the Crisis of Democracy' by Crozier, Huntington and Watanuki for the Trilateral Commission. In this important report, the authors state that the excess of demand has created favourable conditions for the hierarchization of decisions, the strengthening of the executive, the establishment of a more equitable relationship between state authority and popular control, and the concentration of decision-making powers in the hands of economic and financial elites (Crozier, Huntington & Watanuki 1975). At the same time, however, there is also an extension of bureaucratic organisation. This is a development in terms of 'intrasystemic expertise' in which the major decisions of states are technical rather than political in nature (Preite 2017). The persistent use of technocratic practice to resolve political and socio-economic issues has resulted in a strengthening of bureaucratic power and in a technocratic drift in which the major decisions of a state, or several states, are of a technical and non-political nature (Longo & Magnolo 2007) that facilitates a sudden change in the evolutionary trajectory on the relationship between politics and economy.

On the political front, the context within which the social welfare model operates is undergoing complex transformations due to structural factors such as growing competition from emerging countries, the reorganisation of production processes on a global basis, the rapidity of innovation, the increasing fragmentation of employment paths, the prospective decline in the labour force and the ageing of the population (Draghi 2012). As a result, the configuration of risks also appears to be profoundly modified (globalised), compared to the Keynes era; it is ultimately a matter of a functional interdependence between social actors, economic and political events that has no precedent in history (Zolo 2004, p. 4; Mazzotta 2013, pp. 40).

On the economic front, confidence in the market's capacity for self-regulation is beginning to show its limits in terms of sharing and connecting with politics, which is in fact reduced to a system dominated by the interests of the financial-cor-



porate oligarchy. In other words, the logic of laissez-faire begins to falter as the removal of all obstacles that limit the free market is also at the basis of the formation of financial hegemonies without rules (Otte 2011; Fusaro 2018), whose harmful effects on the real economy and the social fabric are now self-evident.

The intervention of states to support the very growth of domestic demand is dangerously thwarted under the pressure of globalised finance. Even when there is room for regulatory processes, they are incentives for capital and not policies to support public spending. Some would say that the system grows, but so does the disparity of income and wealth, which translates into social inequality and drastically undermines citizens' trust in traditional institutions (Norris 1999; Pharr & Putnam 2000). If politics does not provide stability of expectations but rather helps to divert them in other directions, there is the real problem of how the resulting uncertainty can be absorbed. Today, in the Western world, there are paradoxes of democracy that do not depend on the absence of legal systems and democratic political structures, but rather on the disappointment of cognitive expectations that generate forms of selectivity (or discrimination), exclusion, but also new populist orientations (Preite 2018) that can be described as forms of political resentment. Indeed, the resentment to which every form of populism gives voice is nothing more than the product of an inability to represent the people and to give answers to social unease which, left to its own devices by 'rational' political forces, finds a hearing only in the prophets of resentment (Petrucciani 2014). A phenomenon that feeds the distance between power and society, generates exclusion and produces, therefore, social peripheries because they progressively distance themselves from the centre of power and interests (Preite 2018).

## **5. Conclusion**

The dynamics of the relationship between inclusion and exclusion are made more complex by the disappointment of cognitive expectations. Disappointment demarcates the forms of selectivity (inside/outside) and makes possible the formation of inclusion networks (as happens, for example, in various protest movements) that

can also be identified as ‘last generation’ populisms. In fact, inclusion networks (of whatever form and at whatever level) structure expectations and channel them because they represent the boundaries within which code and political language are ‘clear’, security is guaranteed, feelings of belonging are generated, and hopes are nurtured.

The best-known story on populism over the past decade has been the rise of populism in Western democracies, including the establishment of the Alternative for Germany AfD in Germany, the Brexit in Great Britain, the Lega and the Five Stars Movement in Italy and Trump’s election in the U.S. The general rise of populists can be blamed on the superimposition of the economic system on the political system. This systemic overlap has led to growing support for populist movements even outside of Western countries (Meyer 2021, p. 8). One of the best-known examples, Jair Bolsonaro, was able to introduce the new populist language in Latin America, focusing primarily on a critical assessment of the role of the economic system on political decision-making. After a partial loss of political support, he is regaining popularity, regardless of the clumsy handling of the pandemic crisis by Covid-19.

In line with this reflection, a strong component of the contemporary debate is oriented towards making the communication of economic and political discourse transparent (in terms of functional specification). In this perspective, the importance of recovering the lessons of the past and classical theories in the analysis of economic policy manoeuvres and welfare state interventions emerges. Indeed, the current crisis can represent an opportunity for social innovation (Longo, Preite, Bevilacqua Lorubbio 2020) like the one generated by the Keynesian model during the Great Depression. In other words, rethinking the relationship between politics and the economy means reviewing the terms and conditions of the relationship between the state and the market through a mix capable of reducing disappointed expectations and redesigning strategies of inclusion and participation in political and social life.

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