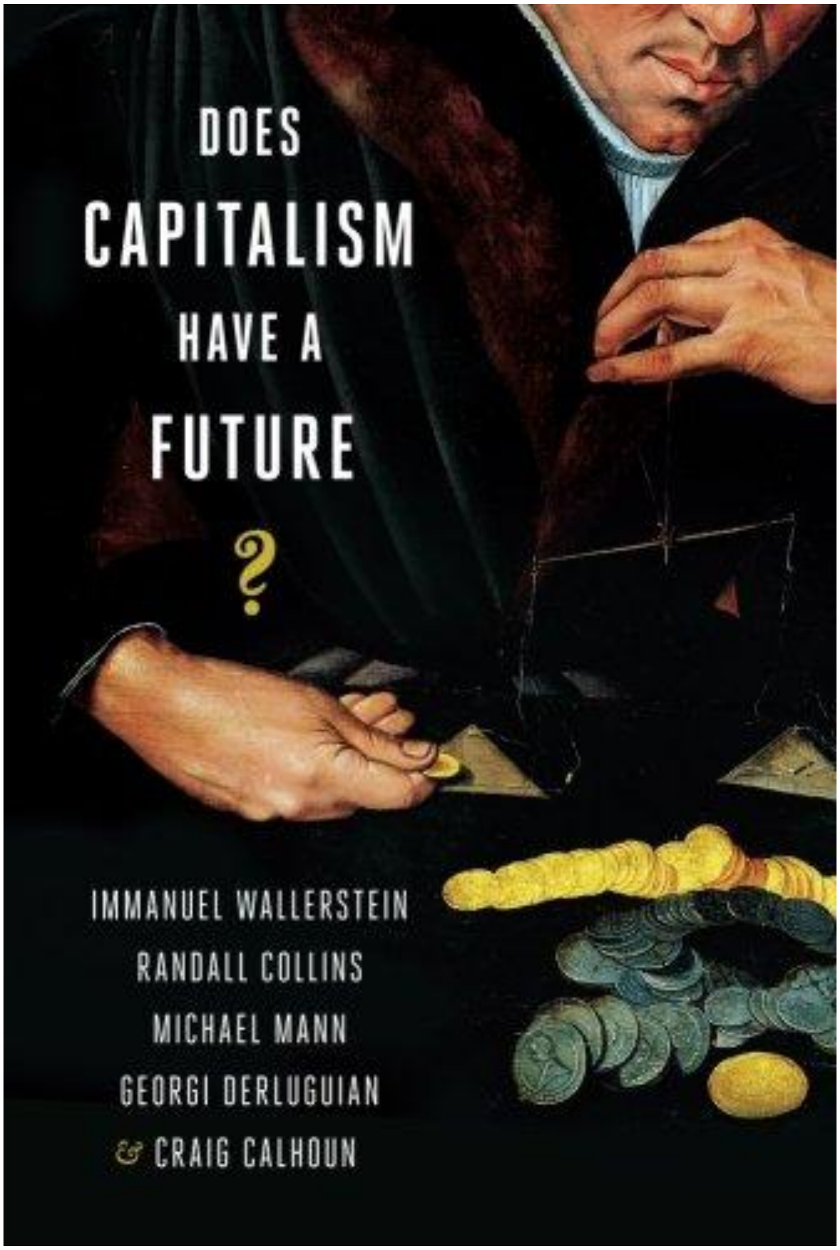
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WHAT THREATENS CAPITALISM NOW?

Craig Calhoun

Capitalism appears to be surviving the worst financial and economic crisis since the Great Depression. Though its lows were not as low, in the world's rich countries this has brought a longer period of depressed or absent growth than the Depression itself. Moreover, the current crisis comes on the heels of a damaging era of lopsided financialization, neoliberal weakening of social institutions, and intensified inequality. This exacerbates problems, undercuts capacity to deal with them, and reduces the buffers that protect ordinary people from the effects of economics upheaval. Investors are still making money; no states have completely collapsed. Yet the future looks precarious.

However, this and most talk of collapse reflects views from the old core countries of the capitalist world-system as they lose their privileged and profitable position. The views are different from many places in Asia, Africa, and Latin America. The current crisis both reveals and accelerates a shift of economic momentum away from long-standing core economies in Europe and North America toward newly developing regions. A key question for the future of capitalism is whether this momentum can be sustained. Capitalism is being transformed through this West to East and North to South shift, perhaps in ways that restore its vitality. But the rapidly growing economies also face challenges. And renewed capitalist growth in the old "core" economies also depends on transformation, particularly in the relationship of capitalism to political power and social institutions. Crucially, capitalism is vulnerable not just to market upheavals, excessive risk-taking, or poorly managed banks but also to wars, environmental degradation and climate change, and crises of social solidarity and welfare.

To think well about how capitalism may face decline, or be renewed, or be transformed, we need to recognize that it is not a perfectly self-contained system. One may abstract from more complex historical conditions to examine a putatively pure capitalist system. But the lived reality of capitalism always involves articulation with noncapitalist economic activity and with political, social, and cultural factors; it is a legal and institutional as well as an economic system. And many of the deepest threats capitalism faces come from its dependence on factors beyond the purely economic.

I will argue against the notion that capitalist collapse is imminent, and suggest that if capitalism were to lose its dominant place in global economic affairs this would more likely come about through protracted transformation and the rise of other kinds of economic organization alongside continuing capitalist activity. But this doesn't mean capitalism's long-term future is assured.

First, there remain issues of systemic risk and the balance of finance with other economic sectors. Second, capitalist profitability often depends on externalizing the costs of its activities—human and ecological as well as financial. Issues like pollution or unemployment in volatile markets demand the attention of governments or other social institutions. There is a deficit of institutions to do this work; social development has lagged behind economic growth where capitalist growth is newly rapid, and neoliberalism has weakened the institutional capacities of Western countries and even created challenges for political legitimacy. Third, capitalism is vulnerable not only to "intra-economic" or institutional factors, but also to external issues like climate change or war. There are questions about the extent to which capitalism—that historically unparalleled machine for producing economic growth—is up against environmental limits to growth and potential geopolitical conflicts exacerbated by unequal growth.

In each of these areas, dealing with the threats to capitalism may transform it, not cause its collapse. Together, they may bring about a world in which capitalism remains enormously important and potentially recovers some of its vitality, but is no longer able to organize and dominate a world-system to the degree it has through recent history.

Why Not Collapse?

The idea of capitalism simply collapsing—as, say, the Soviet Union collapsed—is a bit misleading. This implies suddenness, a transition over just a few years from existing to not existing. The Soviet Union could cease to exist almost overnight because it was a particular institutional structure—a state—and its legal form could be dissolved. But capitalism is not strictly analogous.

As a state, the U.S.S.R. was a kind of corporation, and it was in the first instance this corporation that dissolved. But of course the dissolution of this legal-political structure also brought wide-reaching changes in other relations of power and practical activity. Still, many institutions that had been knit together through the Soviet state continued to exist with varying degrees of change in its absence. The city of Moscow had a legal and institutional status in the Soviet Union and a not completely dissimilar one in the successor Russian federation and republic. Gazprom changed more. Its creation in 1989 restructured the legal status and operating organization of the preexisting Russian gas industry. After the dissolution of the U.S.S.R., Gazprom was privatized in 1992 and has since operated as a joint-stock company. It was subjected to asset-stripping in the 1990s, then partially reintegrated and brought under state control in the first decade of the 2000s. In similar fashion one could trace a long list of partial continuities and partial transformations.

Nonetheless, Derluguian's account of how the U.S.S.R. could be treated as stable and obviously enduring almost to the moment it reached its end is instructive. It is a mistake to view the future only in terms of linear projections without considering possible sharp discontinuities. Derluguian reminds us of how pressures can build up to make a system both hard to sustain and vulnerable to small actions and events that have large consequences because of the unstable integration of the whole. He reminds us also that even a large structure that has come to be taken for granted as providing the basic context and conditions for the rest of life can be much more mutable than its surface continuity suggests. But we should recognize that the Soviet Union was not equivalent to socialism and thereby somehow directly analogous to capitalism. It was something more particular and of a different order.

This is so whether we treat capitalism as a set of practices that can be undertaken by capitalists anywhere, or as an economic system that knits together enterprises, markets, investments, and labor throughout the world. Capitalism is a historical formation, grounded, as Michael Mann would say, in a set of power networks. It has existed for the last 400 years primarily in the form of the modern world-system that Immanuel Wallerstein has analyzed. This is a hierarchical and unequally integrated organization in which the primary units are nation-states and economic actors are crucially dependent on relations with and conditions provided by political power.

To be sure, the idea of a nation-state is in a sense aspirational; the suturing of sociocultural identity to governmental institutions is never perfect; economic integration can itself advance national integration and certainly economic actors also influence government. Yet even if partially a fiction, the nation-state is a crucial formal unit for participation in global affairs, reproduced in political isomorphism. Most international organizations are literally that—structured by nationally organized participation. And states organized in this way provide crucial underpinnings to capitalism. They provide the legal and monetary bases for both firms and markets. They manage, or provide settings for the management of interdependence among different firms, industries, and sectors. By organizing structures of cultural and social belonging, however imperfectly, and sometimes by regulating markets, they organize workforces, consumer markets, and trust. The term "nation-state" may be only shorthand for "efforts to organize politics and sociocultural belonging in terms of nation-states", but the era of capitalism and the era of nation-states have been one and the same. There is no "real" capitalism, no matter how global, that isn't conditioned by this political-economic and sociocultural organization. The import of this is that existing capitalist prosperity and sustainability depend on nation-states and institutional affordances they have provided. These must be renewed or replaced. Yet for forty years the OECD countries have turned away from this task. Instead they have hollowed out the "welfare state" institutions of the past, reducing costs and pursuing immediate competitiveness but neglecting the long-term well-being and security of their populations and the collective investment that enables future economic participation.

That said, most of the old capitalist countries of Europe or European settlement are not at the point of immediate collapse. Britain's National Health Service still works, though costs are rising and threaten national budgets. The United States has actually, very belatedly, improved health provision (particularly addressing the large number of people who do not get health benefits from their jobs). And so forth. There has been great erosion. National budgets are in deficit and do not allow for easy rebuilding. But it is not necessarily too late to get houses in order. A wakeup call comes from those European economies that face such dire fiscal crises that they can only cut support for their citizens—precisely at a moment when they need it urgently. Spain, Portugal, Ireland, Italy, Greece, and Cyprus have teetered on the brink and others may. But this threatens the European Union more than capitalism as such.

Capitalism could swing further and further out of equilibrium. This might represent the irreversible "bifurcation" of a quasi-natural system (as Wallerstein has it, following Prigogine); or the failures of regulation, corporate strategy and investor prudence in chaotic capital markets; or indeed simply weak institutional coordination among dispersed and differently interested actors. It could represent a failure to distribute wealth widely enough to create demand for enhanced productivity, one possible consequence of the decline in job creation Collins envisages (though the political consequences of unemployment may be more immediate). Whatever the underlying dynamics, loss of a stable equilibrium increases the costs of trying to hold capitalism together, heightens political strains, and produces social tensions. This kind of disequilibrium is one way of interpreting what crises mean, and the greater the disequilibrium the more difficult and expensive the action required to restore equilibrium.

Nonetheless, I think capitalism is not likely to collapse. It may lose some of its grip on the course of social change. It may organize less of social, economic, and political life. But the image of collapse is misleading. To say the Roman Empire collapsed is meaningful, but it is worth noting that it took over 200 years, not just a single crisis. To say feudalism collapsed and in the process gave birth to modern capitalism—the schema offered in *The Communist Manifesto*—is less realistic. First, feudalism was not "systemic" in quite the sense modern capitalism is. But second, there was no moment of the collapse of feudal relations or related institutions. The long decline in feudal relations came in an era of state-building and war, of agricultural innovation and growing global commerce, of religious revitalization and Reformation—and it lasted at least 300 years. It was not simply a collapse. The Catholic Church was deeply transformed during the era when feudalism declined, and never played the same role afterward, but it survived. Many monarchies disappeared, though not all; some managed transformations enough to remain—and sometimes remain significant—in an era that could hardly be called feudal.

The end of the capitalist era, if and when it comes, is likely to be comparably rough, uneven, and hard to discern in midprocess. There will be institutions that survive it, including quite possibly many business corporations, which needn't stop trading, manufacturing, or speculating just because capitalism stops being the driving force of the age. The effort to buy cheap and sell dear long predated capitalism and likely will last long after.

Capitalism in General and Finance-Dominated Capitalism in Particular

Capitalism creates a variety of problems for itself, for human society, and for nature. But for the most part these problems don't drive capitalism into potentially fatal tailspins. Extreme financialization does produce such vulnerability.

Finance is of course a basic part of capitalism, providing it with dynamism, capacity for rapid expansion, and tools for managing costs over time. It has been crucial to technological revolutions. More generally, it is central to the basic, definitive ability to move capital from one investment to another based on anticipated greater profits.

As its name suggests, capitalism is centrally a way of organizing economic activity through the fluid deployment of wealth—capital—by means of investments in different kinds of profit-making enterprises. Capital is invested or investable wealth. Finance—including straightforward debt but also a range of tradable securities—is an important part of this, crucial to the liquidity and mobility of capital as well as to expansion and spreading costs over time. Entrepreneurial dynamism depends on financial backing. But lopsided financialization can be distorting in a variety of ways. It has brought dramatic increases in domestic income inequality in all the major capitalist economies; it has channeled funds away from investment in productive enterprises. It fueled a long "megabubble" in asset prices, including the more specific bubble in mortgage-backed housing prices that helped precipitate the 2008–2009 crisis. It encouraged speculation.

During the years before the 2008–2009 market crisis, trading in equities and debt overtook employment-generating and profit-sharing industries in the old core of the capitalist world-system. Where financial instruments accounted for only a quarter of invested assets in the 1970s, by 2008 financialization had brought the total to 75%. Globally, financial assets accounted for some four times the value of all equities and ten times total global GDP.

This was a global phenomenon, shaped by a range of factors largely dating from the 1970s and accelerating toward the end of the 20th century. Because of its unpopularity, the United States financed the last years of the Vietnam War largely on credit. Seeking to manage economic difficulties in the 1970s, the United States and other core capitalist countries brought the Bretton Woods monetary system to an end, replacing the stabilization of backing by precious metals with floating, infinitely tradable fiat currencies. After the 1973 Arab-Israeli war OPEC oil producers restricted supply, vastly multiplying their returns from a world deeply dependent on petroleum, and then channeled much of the money into sovereign wealth funds. But financialization was at its most extreme in the world's long-standing core capitalist economies (and weaker economies yoked to them, for example by membership in the European Union or asymmetrical commodity trade). And while it was led by big capital it also drew in ordinary citizens who saw their incomes stagnate but continued high levels of spending by relying on credit. A better balance between productive industrial enterprise and finance is in fact one of the advantages of today's higher-growth economies like China or India as they move from semiperiphery to core in global capitalism.

The recent financial crisis reveals the main internal vulnerability of capitalism. This is systemic risk—that is, risks embedded in the complex web of internal connections that make up the modern financial system. It is important to be clear about this and about the nature of the crisis. This was not a "classic" capitalist crisis of overproduction and underconsumption. While it had a wide range of impacts in the "real" economy of manufacturing and consumption, it was first and foremost a financial crisis. Its impact was multiplied by the enormous growth in global finance during the decades preceding, and especially the extent to which financial assets came to dominate, especially in advanced Western economies. It was this that made overleveraging, excessive risk-taking, poor or absent regulation, and the heavy use and abuse of a range of new financial technologies so dangerous and ultimately so damaging. Not only did financialization increase the scale of financial assets, thus increasing the impact of a financial crisis. In addition, and more basically, it increased the interconnection of capitalist institutions joined not only in more or less transparent market transactions but also in a host of complicated and often opaque financial relationships. This was particularly true of the financial industry. When major banks were described in 2008–2009 as "too big to fail" it might have been more accurate to say: "too connected to fail." But financialization did not only affect firms in the financial sector; it became a basic part of all large-scale global capitalism. Car companies became auto-finance companies. Mining companies were tied centrally to exchange-rate arbitrage.

Financialization enhances the dynamism of capitalism. It facilitates the "creative destruction" of existing structures of capital (e.g., specific modes of industrial production) and spurs the development of new technologies, products, production processes, and sites of production. When extreme, though, it drives investments toward ever more short-term profits and undercuts long-term and deeper growth. It also produces speculative bubbles and busts. It increases market pressure on firms bringing less than median returns to capital, driving disinvestment from still-profitable older businesses and thus driving down wages and reducing the tendency of industrial capitalism to share profits through rising wages. It intensifies inequality.

Financialization leads to returns on invested wealth that far outstrip returns on employment. It rewards traders more than material producers (and despite celebrated exceptions, far more than most entrepreneurs). It makes all other sorts of businesses pay more for financial services. The 2010 bonus pool for securities industry employees in New York City alone was $20.8 billion; the top twenty-five hedge fund managers earned $22.7 billion. And this was after the market meltdown revealed the damage financialization was doing to the larger economy.

While technological obsolescence and spatial reorganization are both general features of capitalist growth, they are accelerated by financialization. Financialization increases the rate at which investments move from old to new industries and old to new locations. The result of this is not only technological and economic change, but also human displacement. Rapid urbanization in developing countries and decaying industrial cities in older core countries are two sides of the same process. With declining profits in manufacturing, European and American companies in a range of industries responded by demanding that workers take cuts in compensation, introducing new technologies, insisting that governments provide tax breaks or outright subsidies, and/or relocating manufacturing to other countries. Sometimes relocation came even after corporations benefited from subsidies and wage cuts, in defiance of commitments to stay put. Neoliberal governments aided corporations in breaking the power of unions to resist these changes. This helped bring about the loss of good jobs that Collins sees as a long-term threat, but it is important to see that the reasons were not all technological. Financial capital enabled the rapid relocation of industrial production.

Fluid financial resources also fuel asset price bubbles. The long, international real estate boom of the late 20th century is an example. This brought dramatic housing price increases, especially in cities and tourist areas. This often added to economic imbalance and produced other distortions, but crucially it knit real estate and construction, the personal savings of homeowners and the once-prudent operations of local banks into a gigantic international system. It was this linkage that generated the systemic risk that led to crisis in 2008–2009.

This systemic risk was enhanced by new techniques in financial engineering and investment. Hedge funds and derivatives took on central economic roles, aided by failures of regulation. Basically this meant developing a host of new financial instruments, many of them knitting different economic actors together in a web of mutual obligations like debt and insurance, and attracting unprecedented amounts of money to those new sorts of investments while deploying this money in trades largely hidden from public view. A host of seemingly stable local assets—like home mortgages—were bundled into securities traded globally by investors unable to assess their underlying quality. Even though many of the new instruments were designed to reduce risk and make capitalism more predictable, they became objects of largely speculative trading. Risk became more concentrated and dangerous. It became harder for specific firms to know how much they were exposed and to whom.

Derivatives—essentially securities based on bets about the eventual price of an underlying asset—were used as insurance to offset other risky investments. They also became high-risk but potentially high-payoff investments, not least by hedge funds. By the 1990s, capital in such "alternative" investments had passed $50 trillion and it reached about $600 trillion by the 2008 crisis. This may have encouraged fund managers and other investors to believe risk had been tamed, but recurrent failures of hedging suggest otherwise. Sudden liquidity shortages and political actions could trigger massive failures. As Raghuran Rajan, former IMF chief economist, remarked in light of the Russian government debt default in 1998: "A hedged position can become unhedged at the worst time, inflicting substantial losses on those who mistakenly believe they are protected."

Completely eliminating these problems would end capitalism as we know it. We would no longer have capitalism if capital could not be moved among investments seeking greater return, and absent the demand for reinvestment in pursuit of greater productivity that drives innovation and accumulation. Regulation that attempted this would undercut dynamism and wealth creation. On the other hand, some level of regulation combined with well-organized government spending may be crucial to recovery and resilience. And economies with more widespread entrepreneurship may fare better than those that remain dominated by finance capital. In any case, it is sobering to consider that regulatory improvements since the financial crisis began have been minimal. Almost nothing has been done to reduce the potential for systemic risk.

Thinking from the Crisis

In March 2008 stock markets plummeted; retirement savings were wiped out. Major banks failed, especially in Britain and the United States. Other banks were judged "too big to fail" (in a process we now know to be partly a matter of insider-dealing between corporate executives and government officials). They were bailed out on a massive scale, turning public revenues not only into a compensation for excessive private risk-taking but also a direct source of private wealth. Some industrial companies were also kept alive by bailouts but by far the largest subsidies went to the finance industry where they were turned directly into capital without passing through the circuits of job creation or relief for homeowners struggling against foreclosure. Had governments not provided this support it is possible capitalist financial markets would have spiraled much further down, still more deeply damaging global capitalism.

The United States made enormous countercyclical investments both in infrastructure and in direct subsidies to the financial industry (yet possibly not as large as were required). Britain chose a program of fiscal austerity by imposing even more cutbacks on itself than credit markets demanded. And Europe's North—especially Germany—imposed austerity on its South, bringing the European Union near to a breaking point.

Continental Europeans thought their institutions had weathered the crisis better than those of Anglophones until the public finances of several EU member states began to collapse under strain. Banking bailouts, especially in southern Europe, turned the crisis of the private for-profit financial industry into a fiscal crisis of states. Greece, Ireland, Portugal and Spain all teetered on the brink of bankruptcy even after severe austerity programs had been imposed. Financial crisis exposed weaknesses in the very constitution of the EU and the eurozone—which were, in large part, products of the era of financialization. Intensified global competition seemed to call for a larger Europe to compete effectively with China and the United States—a logic not dissimilar to that which led Citigroup and the Royal Bank of Scotland in their rushes to expansion. The desire for a common currency—attractive to financial and business leaders in Europe—had led to its introduction without mechanisms for effective common financial governance or in general the political institutions to back it up. The European Central Bank was governed by a board representing different national governments with competing interests. Different countries pursued different fiscal policies and practices. And as the EU expanded beyond its original core states, European integration linked very disparate economies. Commitments to redistribution that were tacitly tolerated in years of growth became points of contention in the midst of crisis.

The futures of the Euro and the eurozone remain uncertain. Spain and Portugal have gained minimal stability only for Italy to wobble and Cypus enter a tailspin. No one knows how far the European crisis will spread: perhaps to old member Belgium or new member Slovenia, perhaps to the EU itself, endangering the very common currency agreement. Meanwhile, austerity programs seek macroeconomic rectitude by rolling back state provision of services and security. In varying combinations cutbacks were nationally self-imposed responses to market pressures, and the result of external imposition not unlike the structural adjustment policies the IMF demanded of debt-ridden Third World countries in the 1980s. States were harnessed to save investors from losses and global markets from deep depression. Though it was investors and the transnational financial industry that reaped the huge profits of the bubble era and most directly benefited from bailouts and government-provided liquidity, the crisis and remedial actions are discussed in terms of nation-states. Of course, trying to grasp all this as a matter of profligate Greeks and prudent Germans obscures the central role of financialization itself (and of course the construction of the financial crisis narrative in overwhelmingly national terms reinforces other aspects of nationalist ideology, including increasingly widespread xenophobia and especially Islamophobia). Profits made by financial institutions encouraged the European Union to expand and to turn a blind eye to fiscal problems in member states. Now the citizens of EU countries with stronger banks and balance sheets complain about having to bail out other nations, straining the European Union itself, and forgetting the extent to which the benefits of bailout went to the financial industry and those with large capital assets.

Even after massive infusions of taxpayers' money, European and American financial institutions remain shaky. Some had to take a "haircut" on loans made in high-risk markets; only intergovernmental finance has held off collapse. Almost all face a continuing effort to strengthen their balance sheets after ill-considered expansion during the bubble. But stock markets have regained their buoyancy, most recovering what they lost and some soaring to new highs. Initial public offerings are again producing profits (and again for a mixture of firms with serious products and profitability and those with little more than hopes and image). Investment banks and other firms have resumed paying big bonuses, thus renewing one of the incentives to excessive risk-taking (though more now pay bonuses in corporate stock and ban its immediate sale in order to tie employees' interests to the firm's well-being). But some are also laying off employees in recognition of "excess capacity"; fears of return to recession are serious. Regulatory reform has been minimal, leaving derivatives markets far from transparent and allowing massive leverage against modest assets. Banking is even more concentrated in a few giant firms than before the crisis. Housing prices remain low, and while rising in some places are falling again in others after seeming to stabilize. Credit remains tight; interest rates remain low and expected rises are feared.

The "real economy" remains depressed—if not quite "in depression." Growth in GDP is low; unemployment remains high; new job creation recurrently fails to meet analysts' expectations. Yet anxieties about inflation and government debt lead some to argue that the pursuit of growth must be foregone in favor of fiscal austerity. The long-term fiscal position of many US states is almost as bleak as that of Greece or Spain (despite short-term recovery in some), and though the federal government has fiscal tools states lack, it faces massive deficits without an agreement on a budget to cut or finance them in any combination. Economic discontent is a primary factor in widespread and deep political discontent. Populist anger at corrupt, self-serving, or incompetent government is linked to both more conventionally right-wing and left-wing ideologies. Weakened political legitimacy is a challenge to the continuity of capitalism.

But the developing European path seems to be neither collapse nor revolution but rather stagnation. Europe lacks growth, but still enjoys a relatively high standard of living and basically functional economic systems. There are goods in the shops (though more and more shops close). Most governments pay their bills (though they continue to cut expenditures). The dominant policy response has been austerity, the attempt to overcome deficits in state accounts. As this has had little positive effect, however prudent in the abstract and long term, politicians look more and more for growth but so far find few palatable mechanisms to produce it.

Having failed to address its financial problems as a Union, Europe faces a series of nationally structured financial crises. Yet there remain enough economic strength and political will in the EU to bail out banks and financial markets in each case. There is widespread popular discontent but so far no large-scale social movements challenging existing political parties or processes. Huge rallies and sometimes occupations in public squares signal the unhappiness but so far haven't found a way to turn this to new political programs rather than only objections to old. Right-wing populists have seized the moment with anti-immigrant and other reactionary programs, but even though they have seen ominous growth so far they remain fringe movements, their biggest effect being to pull mainstream conservative parties to the right. Europe's Left is barely visible unless one counts basically self-interested strikes and statist manifestoes in France. What has instead emerged is rather a series of essentially "antipolitical" movements, exemplified by Italy's Five Star movement under Beppe Grillo but echoed in other countries where citizens vote not for more effective government but against government and especially politicians. Popular response to economic crisis and weak government legitimacy has often included right wing and xenophobic agitations.

The United States tried more pro-growth stimulus and is being rewarded with modest economic improvement: perhaps 2% growth—vastly better than Europe's 0% to 1% but nothing to cheer about. United States prospects are improved at least temporarily by new energy resources and longer term by a more entrepreneurial economy. But the country's dynamism is undercut by a deadlocked political process. While the Tea Party is now organized electorally mainly as a wing of the Republican Party, its roots are much more antipolitical—not unlike Italy's Five Star movement. Its legacy pulls the Republican Right not toward different solutions so much as a resistance to compromises and thus to all available political options. The Obama administration is mainly technocratic centrist, though making its major policy innovations on a handful of liberal issues. But it has been unable to bring about a major reorientation in the wake of the crisis. In finance the same organizations remain dominant and pursue agendas largely similar to before the crisis. Some of the biggest threats to the US economy lie in deficit-ridden state and municipal governments. Cost cutting at these levels reduces the impact of federal stimulus spending, but more basically state and local governments face long-term obligations that could spell fiscal collapse unless a combination of growth and inflation reduces the burden.

Though the roots of the 2008 crisis were centered in the United States and the European Union, its effects have been worldwide. The dense interconnections and rapid flows of global capitalism and global media made it seem immediately obvious that the crisis was simply global. This was half fact and half illusion, or perhaps a distortion based on perspective. The roiling of capital markets did have far-flung effects. Plunging asset prices damaged sovereign wealth funds in Abu Dhabi and nearly bankrupted its neighboring emirate, Dubai. Exacerbated unemployment—especially among youth—may have helped to spark the so-called Arab Spring (though clearly the economic crisis can be no more than part of a more complex story). Stock markets in Shanghai, Tokyo, and Johannesburg sank with those in New York and London, though they regained ground much faster. Factory workers in China and Vietnam were laid off with sagging global demand, though after faltering briefly the Chinese and Vietnamese economies kept growing. Prices for energy and other natural resources became extremely volatile. After first falling dramatically, they recovered on demand from still growing economies like China, then in some cases sagged again as the Chinese economy did the same.

For a time, even as the United States struggled to escape a double-dip recession and Europe struggled with the sovereign debt of several member states, China, India and several other developing countries maintained rapid growth. Indeed, Chinese policymakers' biggest concern through 2011 was not an economic downturn per se but rather "overheating," in which economic growth outstripped supplies of raw materials, labor, and other inputs and brought hard-to-harness inflation. Since China had become one of the biggest creditors of the United States, it (like other foreign investors) had to worry about the value of its dollar-denominated assets as well as about markets for its export goods. At writing, Chinese growth continues at a rate that would thrill Europeans, but growth has slowed rapidly, proving China is not immune from the global downturn. The overheated financial markets pose one challenge. Thousands of apartments sit empty in Beijing and Shanghai, bought by speculators hoping to sell them again quickly. If growth doesn't pick up soon, or worse, falls much below 5%, this real estate bubble could burst, bringing a downward spiral as overleveraged owners unload their holdings. This is a relatively local and contained example of systemic risk, but there are others on a much larger scale where highly leveraged financial markets are highly interconnected with each other. This is also one factor making China's leaders fear domestic discord.

In India, capitalism is comparably vital, more entrepreneurial, and less tied to central government. The last is a blessing, because central government is considerably less effective. India has more endemic poverty and a less developed infrastructure. Inefficiency is debilitating. But its growth has been substantial and it seems to face less threat from speculative bubbles. Like China, though, its economic and political efficiency is weakened by widespread corruption. And like China it faces widespread ecological-environmental problems (though not yet anything like China's air pollution disaster). More open to autonomous institutions, India has a more substantial range of philanthropic efforts to mitigate risk and alleviate poverty. But it faces massive inequality, and rapid urbanization presents this in newly challenging forms. State institutions to support those without the resources for market solutions remain modest.

Happily growth has also continued in much of Africa and in some of the emerging markets of Asia and Latin America. After years of being snubbed by the EU, Turkey now has a growth rate the envy of Europe though this doesn't eliminate public discontent. But many economies throughout the world are, at best, unsettled and global capitalist expansion is close to stalled. This exposes as illusion the notion that the BRICs and other emerging markets would simply carry on capitalist expansion without interruption—or in other words, that the crisis was entirely local to the world's richer economies. It was a global crisis and it is embedded in the globalization capitalism has helped to produce. That said, of course it did not have the same implications everywhere. The crisis speeded up the transfer of global economic power to China (and in varying degrees other "emerging" economies) that had begun as a dimension of the financialization of the world's richer industrial economies. Ironically, this closed the gap between rich and poor countries more than the prodevelopment policies and assistance of the earlier decades of industrial boom. Long-term growth has not made China immune to the global downturn, and other BRICs have seen much greater volatility (like Russia) or sharper slowdowns (like Brazil).

Still, the bottom line is that capitalism is not likely to end as a result of any economic crisis alone. It is the intersection of economic with political crises that threatens it most, or the erosion of the implicit bargain in which people accept damages to society or environment in the pursuit of growth. Europe raises the specter of no growth capitalism—almost a contradiction in terms—and it's not clear how it will cope. Asia seems still to offer growth, but in combination with volatile and vulnerable politics. And political unrest is recurrent, both where faltering growth brings disappointment to those with rising expectations and where elected leaders seek to diminish public freedoms and quash dissent.

Though the capitalist era has been shaped by the notion that an imagined pure economy could be sharply differentiated from state and civil society, capitalism itself has always been and must be produced in practices and organizations that cross those boundaries. The relationship between states and economic activity is constitutive, not incidental. Capitalism depends not only on the organization of markets as "objective" systemic phenomena but also on social and cultural constructions like the corporation—not just as a legal entity but as an organization of work. The expansion of capitalism has not only depended on states and societies, but on the exploitation of nature. In each of these three cases, capitalism is destructive of conditions on which capitalism depends—and extreme financialization and neoliberalism exacerbate this tendency. The future survival of capitalism depends on whether ways can be found to limit or reverse this destruction without eliminating capitalism.

Institutional Deficits

One can feel transformation and renewal underway in much of Asia and parts of Africa and Latin America. High growth rates make for widespread optimism about a capitalist future and even encourage governments to join activists in declaring commitments to "green growth" and the building of better social support systems. The contrast with austerity-plagued Europe and the politically deadlocked and only slightly faster growing United States is palpable. Yet there is a crucial similarity despite differences of mood and trajectory.

Capitalist growth has imposed enormous costs in pollution, social upheaval, and inequality. The appropriation of disproportionate wealth by a capitalist elite is manifest, even flaunted, though so far enough others have shared in development to mute protest. Corruption adds a further challenge on top of inequality. At the same time, huge investments in infrastructure and resources are demanded, both for industry itself and to house rapidly urbanizing populations. These costs are largely externalized, while the new wealth is appropriated by those able to own, command salaries from, or tax capitalist profits. That is, the environmental and social costs are not borne by charges on corporate balance sheets; moreover, governments pick up much of the bill for needed infrastructural investments.

So is it over with capitalism? It depends on an "externalization regime" that enables its enterprises to rely on states, nonprofit organizations, and indeed families and ordinary people generally to bear the costs of both enabling conditions like infrastructure and damages inflicted as byproducts of capitalist growth. Indeed, much of capitalism's profitability and growth depends on externalizing costs. Firms seldom pay in full for public investments from which they benefit—like health care, educating workers or building needed infrastructure. They produce pollution and waste but do not shoulder the financial, human, or natural costs of the damage. Capitalism generates terrific wealth, in other words, but it does it always with the byproduct of severe "illth" (to use the term coined by John Ruskin in polluted and poverty-stricken nineteenth-century England). It can continue to generate the wealth only as long as the illth is tolerated. States try to manage the tradeoff, but taxing capitalism adequately to pay for its own costs undercuts their international competitiveness and potentially eliminates capitalism's very wealth-generating dynamism.

Capitalist enterprises also derive a number of other benefits from states, ranging from defense of their property claims to opportunities to harness for private commercialization the products of government-funded research. States provide needed inputs from currencies to roads and security in such matters as contract law. Capitalism also depends on social solidarity and a range of institutions from schools to health care. These often provide opportunities to profit, even when they are partially organized on public or nonprofit bases. But more basically, they provide services that enterprises would otherwise need to internalize and a stable context for business.

Indeed, even business corporations are not altogether contained within or controlled by capitalism as an economic system; they are legally structured, enmeshed in politics, and do work for their members beyond the profits for their owners. Corporate employment has been a major source of welfare benefits including pensions and health care insurance, though this has been in decline during the era of extreme financialization, as companies subject to disinvestment or takeover bids lost ability to plan for the long term and pared expenses to make their profitability more immediate to please fickle financial markets. Even more important in mitigating life's risks—including those produced or intensified by capitalism—are governmental institutions from health to education to care for the aged and support for the unemployed. Many of these have been subjected to debilitating pressures during the era of financialization. At the same time, older institutions like family, community, and religious organizations are able to pick up only some of the additional burden. There are newly created nonprofit organizations founded both for self-help and as charities. For those with money to pay there are other approaches to managing risk, from insurance to savings. But as an economic system that inescapably produces risk and volatility capitalism depends on some structure of supporting institutions to help ordinary people cope. There has already been sharp erosion in socially organized mitigation of risks in long-standing capitalist economies and relatively slow development of new institutions for this purpose in emerging capitalist economies. This in turn raises questions about whether capitalism, and governments that support it, can sustain political legitimacy.

Capitalism has flourished, and secured widespread legitimacy, on the basis of institutions and social relations that have been damaged in recent decades; its renewal will depend on their renewal. This is partly a matter of providing for legitimacy, social solidarity, and social support. It is also a matter of dealing with the fact that capitalist growth is at the same time a matter of urbanization, resource demands, environmental degradation, migration, and a host of other issues—not simply investment, production and profit. The capacity to deal with these comes not just from markets but governments and indeed a wide range of social institutions. As Karl Polanyi argued in the midst of twentieth-century depression and war, looking back at the nineteenth century as well as forward, unbridled capitalist development always undermines the social conditions of its own survival as well as the greater good; efforts to build new institutional supports can both stabilize the capitalist system and underpin more effective sharing of the benefits of capitalist growth.

An implicit social contract underwrites the legitimacy not just of capitalist enterprise but also of the states that provide for its continuity: citizens tolerate inequality and the externalization of long-term costs in return for growth. Today's high-growth countries in Asia, Latin America, and Africa all face serious challenges producing balance enough in their growth patterns to maintain national cohesion and investment in the conditions of future growth. They will not obviously be able to sustain recent growth rates, especially in a low-growth global economy, and absent such growth they will face both bursting speculative bubbles and citizen discontent.

Europe and the United States face the same challenges without the benefit of optimism or growth. Anxiety about the long absence of economic growth and manifest political weakness dealing with this is palpable, but so far has not produced a social movement response capable of truly shaping the likely outcomes. Popular response to economic crisis and weak government legitimacy has come largely in right-wing and often xenophobic agitations. Government response in Europe is a debilitating effort to restore state fiscal balances by austerity programs while preserving the capital of those who were the primary beneficiaries of financialization and the precipitators of crisis. The United States has done more to stimulate renewed growth, but suffers from political deadlocks as well as the same determination that costs should be borne by taxpayers at large more than by financial institutions or their investors.

During eras of sustained and substantial growth, especially following the Second World War, capitalism generated employment and improving pay. At the same time, economic growth underwrote expansions in health care, education, transportation, and other benefits in which citizens widely shared on the basis of progressive taxation and government investments. Now citizens doubt their children will enjoy greater prosperity or opportunity than they do. The desire of citizens in rich countries to get richer is confronted by their countries' need to remain internationally competitive (not just for trade, but to command the allegiance of elites and corporations that may flee high tax regimes). There are good reasons to expect growth rates in the old rich capitalist core countries to lag global growth so that even if they remain rich, improvements will be reduced absent major structural reform. At the same time, institutional structures that long ensured the overall legitimacy of capitalism have been eroded since the 1970s and more sharply in the context of financial and fiscal crisis.

The term "neoliberalism" is used to refer to a package of policies that sought simultaneously to reduce government costs and active participation in economic activity and to reduce government regulation of capitalist markets. This post-1970s liberalism owed much to nineteenth-century liberalism. A central difference is that the later version sought to unravel a host of social protections and economic arrangements put in place as part of mature capitalism. Its major targets were institutional arrangements put in place in response to the Great Depression and in the long postwar boom. But the link to nineteenth-century liberalism is instructive, for it reminds us to recognize that the tension between pursuit of "unfettered" capitalism and the effort to compensate for capitalism's limits and excesses is an old one. In the nineteenth century, liberals often sought to dismantle traditional institutions that got in the way of capitalist profits as well as to limit new ones. And this is an issue throughout the developing world today.

In China, for example, the development of highly dynamic capitalism is in tension with long-standing local community structures as well as alternative institutions put in place during the communist era—like the *danwei*, which made a "work unit" the central provider of housing, health care, and employment (with certain similarities to paternalistic company towns in an earlier phase of Western capitalist development). Workers taking new jobs, especially those migrating to new jobs in fast-growing urban regions, are stripped of both older forms of social capital in their communities of origin and the institutional provisions once offered by the *danwei*. They make new ways of life in cities, doing well to the extent that they have money to purchase market substitutes for the older forms of provision and struggling more when they don't. Sometimes they create new social institutions for themselves, much as migrants to cities such as Shanghai a generation ago created native place and clanship associations. Often they live somewhat marginal existences, trying to save money either to send home or to bring families. The government attempts to regulate this process, for example using the *houkou* system to restrict unauthorized migrants' access to urban institutions like schools. The very existence of the restriction is evidence of the institutional deficit as much as a tool of social control.

As China develops further in a capitalist direction, however, it needs stronger institutions. The government is indeed expanding education and restructuring health care, not least through introducing a new system of primary care. There are anxieties about what institutions will provide care for the elderly in a rapidly aging society (with family provision undercut not just by changing attitudes but by labor migration and the one-child family policy). One may only speculate on what may develop to provide unemployment protection or social services. The new institutions could be charitable undertakings or mutual benefit societies, though so far the government has been reluctant to allow either much autonomy. It seems clearly to be following a capitalist path but it is unclear how much this will involve a replication of Western institutions, an emulation of the Western neoliberalism that tries to minimize such institutions, or some variety of state capitalism ("with Chinese characteristics").

State capitalism has been an exception during the last 450 years, but one possible transformation of capitalism would be for it to grow more common. Arguably Soviet communism already involved something like state capitalism. Certainly fascism did. Where governments today use reactionary nationalism to shore up their legitimacy, state capitalism seems more likely. The key point is that future capitalism need not be an extension of the "liberal capitalism" dominant in the last two centuries of Western history. The widely remarked link between capitalism and liberal democracy may turn out to have been only one way of relating capitalism to politics, shaped by particular historical conditions and struggles.

Of course domestic neoliberalism was closely related to the international promotion of "free trade." Reduction of tariffs and other trade regulation is in a sense similar to reducing restrictions on internal mobility and government efforts to shape markets. Providing military security (or advantage) and delivering social security converge with the perceived advantages of state-dominated capital investment and buffers against global markets to make it a plausible model. This is particularly likely in countries with little experience of liberal democracy. Of course, Western states have also run business ventures—especially in transportation, communication, and power industries—but these have seldom been organized for purposes of capital accumulation as distinct from compensating for market failures. It was a hallmark of neoliberalism to demand their privatization, and this has been extensive—not only in old core economies like Britain but in a number of developing countries, notably in Latin America. In any case, it remains an open question whether the characteristic institutional structure for capitalism moving forward will distinguish government, business institutions, and civil society from each other as sharply as has been the case in the West.

Scarce Resources and Degraded Nature

Continued capital accumulation is limited not only by capitalism's internal economic difficulties and problems in the reproduction of its social and political support systems, but also by destruction of its "natural" environment. Capitalism depends on raw materials, on the sustenance of a human population, and on the willingness of humans organized in different societies to tolerate the externalization of the costs of environmental degradation from corporate accounts to public ones—either in the form of government payments or socially distributed human suffering.

Addressing ecological and climate challenges is made harder by the ways in which "nature" has come to be understood. It has long been seen, especially but not only in the West, as the other to human society, often an obstacle to be overcome—thus obscuring the extent to which we too are natural beings and live only as a part of nature. More specific to the rise and flourishing of capitalism has been the construction of "nature" as *resources*. For capitalism, nature has existed to be used, exploited. Examples are familiar, from forests to water. Taking just the latter, global freshwater use tripled during the second half of the twentieth century (while population doubled). Technological advances let farmers and other water users pump groundwater from greater depths, potentially draining aquifers and lowering water tables. Building more and larger dams generated electrical power and sometimes controlled flooding, but it also displaced people, flooded farms, and killed fish. Rivers are literally running dry and lakes disappearing. Attempting to manage by price calculations almost always radically underestimates the costs contemporary use imposes on future generations.

Because nature-as-resources always appears limited and capitalism is organized as a system of perpetual expansion, capitalism also nurtures efforts to transcend the limits of nature. The combination of modern science with business and government backing has been remarkably productive of new technologies. These include engineered resources to augment natural ones, such as improvements in agriculture, new materials, and new ways of extracting energy. Capitalism thus has been basic to increased capacity to support human life, complementing "natural" potential with intensified agriculture based on fertilizers, mechanization, drainage and irrigation, and new crops produced on the basis of research. It has also brought science-based medicine with its own range of new technologies from pharmaceuticals to equipment-intensive hospitals. These have extended "natural" human life and also enabled more people to live full lifespans. New technologies also include production processes and equipment that vastly alter and largely reduce the role of living labor in creating new commodities. They include transportation and communication technologies that overcome obstacles of distance and geography, and other infrastructural technologies that make possible urban life on an unprecedented scale. Along with enormous infrastructural investments, these have allowed for dramatic expansion in human population, massive urbanization, and a huge increase in geographic mobility.

But the new organization of social life has also multiplied demands for energy, met especially by carbon sources from coal to petroleum but also by nuclear and other forms of power. New technologies have increased demand for a range of minerals. And not only does the great expansion in the scale of human life depend on scarce inputs, it comes with the cost of large-scale environmental damage, including potentially catastrophic climate change. The very intensification of agriculture that boosts food production commonly leads to soil erosion and other damage. Newly engineered materials are often less biodegradable. Carbon-based energy sources pollute. And a wide range of activities that expand with capitalist growth bring global warming. This is, indeed, one of the central reasons why from Rio to Kyoto to Doha it has proved so hard to find an international consensus supporting serious action on climate change.

More generally, in an era of financialization, efforts to tackle environmental degradation themselves become objects of trading. Proposals to manage polluting carbon emissions by carbon trading offer a prime example. Such “cap and trade” schemes mean setting a limit on emissions but letting those who don’t pollute as much as that notional limit sell their alleged “savings” to polluters to allow them to pollute more. That such schemes gained traction owed more to the fact that rights to pollute could be profitably bundled into securities and traded by investment bankers than to their actual efficacy in reducing emissions.

The extent to which nature is used up or irretrievably damaged is a problem for the future of capitalism (as well as life generally). It is a problem that exceeds the categories of economic analysis. This is partly because natural resources are extremely hard to price appropriately (especially with attention to long-term sustainability). It is also because thinking of nature only as resources severely limits understanding of the true character of human participation in nature and dependence on the rest of nature.

Understood as essentially limited resources, nature is also an object of competitive appropriation among capitalist organizations and the states on which they depend. The politics and economics of petroleum have been the standout example of this for a hundred years, and especially since the 1970s. But a host of new competitions for scarce resources will shape the near future and pose challenges to capital as well as to states and human societies. Energy is basic. Minerals are needed for modern technologies. Water is in short and unpredictable supply and often polluted. Even agricultural farmland is an object of competition as arid Arabia and crowded China fight to acquire rights to fertile Africa.

Struggles over resources are also important among the potential provocations to geopolitical conflict. They are already basic to a range of mostly small-scale armed conflicts that straddle the boundaries of civil wars, interstate wars, and criminal activity. Meanwhile securing natural resources—both oil and a range of minerals—is centrally important to China as it grows. And securing these resources entangles China in relations with a far-flung range of countries including volatile but significant ones like the newly partitioned two Sudans, which sell most of their oil to China. Selling natural resources is crucial to Russia and some other parts of the former Soviet Union. Europe is a major importer from Russia, and has already been involved in conflicts over supplies on which it depends. Iran is an unpredictable power in the Middle East and in its wider influence on Muslim populations. The Gulf States are major international investors as significant players in the security of the region. If they become increasingly unstable, the repercussions will be major. Nigeria, long a prime example of the "resource curse," appears to have begun a more successful but still fraught path to development. Several Latin American countries are significant oil exporters and some, like Brazil, are also emerging powers. The United States has reduced its dependence on international energy sources partly by investments during the financial crisis, including new hydraulic fracturing technologies. New capacity to extract oil and gas from shale is perhaps the clearest example of a possible technological fix to one of the major threats to the future of capital accumulation (more so than "greener" technologies that so far have proved harder to scale up proportionately to energy demand). But the technological fix brings new environmental concerns. And capitalism remains deeply entangled in global energy and resource politics. The list of powerful countries so entangled could be extended. Energy joins with ideological commitments to sovereignty in disputes over islands in East Asia as in the politics of central Asia and even Britain's postcolonial feud with Argentina.

Energy resources are perhaps the most prominent factors making violent conflict more likely but not the only ones. Water and arable land are perhaps as scarce. And beyond resources there are tensions over religion, migration, borders, and quasi-imperial desires to expand territories—not to mention tensions simply over evidence that neighbors are stockpiling weapons or acquiring nuclear capacity. A variety of dictators and nonstate actors are additional sources of instability and potential sparks to ignite conflict. And actual conflicts of the last decade—especially the invasion of Iraq and lingering war in Afghanistan—have both exacerbated tensions and reduced the capacity of the United States to complement its hegemonic power by effective policing. All this makes war more likely in the future, and makes it more likely that small-scale or regional conflicts will become drawn into larger-scale geopolitical conflicts. In many ways the forty-five years of the Cold War appear as an interlude in a longer history of geopolitical conflict and restructuring.

The Informal Sector and Illicit Capitalism

Together financialization and neoliberalism weakened a variety of institutions crucial to stabilizing capitalism in the relatively rich Western countries. These included not only state regulatory institutions but also trade unions and even corporations. Business corporations that had seemed to be stable frameworks for individual careers ceased to provide health care, pensions, and long-term job security; in many cases they ceased to exist as their assets were traded in capital markets, stripped of any obligations to employees, communities, or business counterparts. Communities were undermined by disruption of economic bases and population movements. Formal organizations provided less and less of a safety net to ordinary citizens, and indeed fewer opportunities as well. The transition was not as sharp a shock as the crisis of institutions attendant on the fall of the U.S.S.R. but it moved in the same direction. Religious organizations stepped in not just with charity but also with a range of institutional services from employment to counseling. And throughout the OECD countries, local networks emerged to organize partially noncash economies of mutual exchange.

Weak formal institutions are associated with growth in the informal sector. The term derives from the efforts (notably by Arthur Lewis and Keith Hart) to describe Third World settings where formal institutions had not developed on a national scale and as a result the formally recorded, monetary economy contained only a fraction of total economic activity. The rest, crucial to the actual survival of much of the population, involved in varying combinations reliance on "traditional" social relations repurposed to provide support in new circumstances, development of new alternatives for formal market relations such as barter, and networks of face-to-face relationships in which transactions could be conducted without regard to law or taxation. Some of the informal sector activities would be classed as criminal, others not. But though the concept originated in studies of the Third World, it is clear that an informal sector has always accompanied capitalism and the efforts of nation-states to organize legal frameworks to support and cope with it.

The informal sector has expanded dramatically during the last forty years. It is an important dimension of economic life in rich countries as well as poor, an important part of how people have coped with poor performance of public institutions (as in the latter years of communism and formally planned economies), and central to how people have dealt with declining provision of public goods (not least in posttransition formerly communist countries but also in capitalist countries imposing regimes of neoliberalism and austerity). Much of this is organized on a community level: small-scale barter, cooperative associations, cash trade that evades both taxes and the financial industry. The informal sector is not simply a site of social problems. It is also a setting for creativity. The garage-based inventors and entrepreneurs who form something of a Silicon Valley myth often organized their nascent businesses informally (at least in periods when venture capital was hard to come by). So do similar entrepreneurs in India and Nigeria today. And so do filmmakers and artists. The informal sector can appear sometimes as bohemian, sometimes surprisingly middle class. Its dynamic, attractive businesses may or may not pay taxes, however, and their workers may or may not have pensions or health insurance.

The informal sector is not just local community networks and other face-to-face alternatives to formal markets and formal institutions. It also has a large-scale dimension of transnational capitalist structures that operate at least partially outside state institutions and laws. The latter include money-laundering, banking, and investments backed up by force as well as contracts. They include tax-evasion, trafficking, and a range of illicit flows—from minerals (blood diamonds or coltan), to weapons (small arms mostly, but also tanks, aircraft, and missiles), to drugs, to people. This often illicit capitalism is often more formally organized than the name "informal sector" suggests, and it has revenues and investments running into many trillions of dollars (though not surprisingly hard to calculate precisely).

The already substantial industry of tax evasion and illicit investment flows was dramatically heightened by the manner in which communism was replaced by capitalism in Russia. To a very large extent this involved the theft of state assets by former state agents and their transformation into a mixture of capitalist enterprise with organized crime. This helped to give rise to massive illicit trade and poured huge new amounts of money into an already thriving global network of illicit markets. Perhaps a trillion dollars worth of unrecorded capital flowed quickly from countries like Russia to tax-shelters like Cyprus and the Cayman Islands, and then in turn was invested in legal as well as illegal businesses back in Russia and around the world.

The importance of both relatively local informal sector activity and large-scale illicit capitalism reveal weaknesses in formally recorded capitalist growth. In the first place, this growth is unable to accomplish distribution necessary to sustain social life and reproduction. Formal capitalism actually depends on the informal sector to maintain the basic conditions of life in many societies—and thus the social peace necessary for prosperity of the parts of societies based on legitimate markets. This is particularly true in the parts of capitalist societies most affected by formal market failures—in slums, for example, where residents must rely largely on each other and very small-scale entrepreneurship to survive because both large-scale capitalism and the state are ineffective. But it is also true sometimes on larger scales, where corruption testifies not just to individual greed but also to institutional underdevelopment. Secondly, the large amounts of capital drawn into illicit global trade both implicitly tax or siphon funds from the formal sector and make markets and risks less predictable. Of course, capital from the illicit sector may also find its way into legitimate capital markets and into direct investment in legitimate businesses (where it may or may not be accompanied by illegitimate management tactics—like bribery or threats of violence). Informalization and corruption undercut needed state regulation and integrate legitimate businesses directly or indirectly with illegitimate ones like drug or sex trafficking.

Much of the global political economy is organized in ways that exceed the "official" world-system of nation-states and capitalism. Collusion between states and corporations, organized crime on various scales, the political power of warlords and cartels that hold no political office, and the economic power of semiautonomous parts of states including militaries all reveal a more complicated world—and one threatening to capitalism as we know it. So do cybersecurity challenges from Wikileaks to hacking, malware, spear-phishing, and other tactics deployed sometimes with state backing and sometimes by freelancers, sometimes against states and sometimes against corporations. This is part of the transformation of capitalism, not all without historical precedent, but with an unclear future.

Conclusion

Though capitalism seems unlikely to collapse next week, it is also unlikely to last forever. It remains unwise to imagine the future only in terms of linear projections from the present.

Capitalism could be felled by internal contradictions, including its general propensity to crises and the specific intensification of risk that has accompanied lopsided financialization in much of the world. Indeed, surprisingly little has been done after the 2008–2009 market meltdown to improve regulation or market structures; the same firms and people remain largely in charge. The same risks are therefore still with us.

Equally important, though, are potentials for external disruption, whether from environmental catastrophes, diseases, wars, or rebellions. Infrastructural systems on which capitalism depends, like communications networks or energy supplies, could also be disrupted, possibly by political actors. For all these reasons, what has been a process of ever-tighter global integration may be partially reversed. Coping with disruptions may depend on more loosely coupled systems with different bases for resilience.

Capitalism could decline without collapsing, simply organizing less of economic activity as alternative systems organize more. Growth could slow. This could happen globally or, more likely, unevenly by country and region. The ever-tighter integration of global markets that capitalism has driven might be slowed or reversed, with differently organized systems in different settings. Capitalism might be more central to some of these, more hemmed in or marginal in others. Business firms, operating in close relationship to governments, could manage economic relations more, leaving less to "free" markets. They could be organized with more attention to goals other than capital accumulation. Social and political institutions might provide stronger or weaker counterbalances to capitalism; illicit capitalism could loom larger or smaller. Capitalism could thus remain a vital part of global political economy, but be less dominant. Or a radically new economic structure could develop.

The current crisis is not the first time that capitalism has survived only because states were willing to intervene and assume enormous costs created by capitalist "excesses." Of course, the citizens to whom these externalized costs are distributed are often unhappy. But if states aid capitalism by absorbing costs firms externalize, they also aid citizens by managing risks from unemployment to illness. So far there is little sign of social movements potentially able to topple states that impose austerity in order to defend capitalist financial institutions. This does remind us, though, that at least as important as capitalist vulnerability to crises is the likelihood that capitalism will be undermined by destruction of the political, social and environmental conditions on which it depends.

Meeting institutional deficits is a basic challenge. Of course the challenge can be met by nonstate institutions as well as states, particularly by nonprofit organizations but also sometimes by capitalist firms where they are stable enough to work as social institutions supporting their employees. Contemporary global capitalism is also buffered for many people by an informal sector that sustains populations poorly served by existing institutions but that also extends into large-scale corruption. A massive illicit sector mingles tax evasion with criminal enterprises. Both informal and illicit sectors are interdependent with more formal and legitimate capitalism. Yet they undermine institutions on which it depends, including states.

Whether states are able to continue providing operating conditions for capitalist growth is a serious question, as much in parts of Europe as in less developed countries more commonly associated with the phrase "fragile states." Fiscal crises complement security challenges. Infrastructural and other growth-oriented investments have been hard to deliver effectively. Regulating global finance and meeting environmental challenges call for effective large-scale, transnational governance structures, but efforts to create these are relatively weak. Holding together a global world-system depends on the hegemony and disproportionate contributions of some members. The United States' willingness to carry these burdens unilaterally is declining but neither a replacement nor a multilateral alternative has emerged. One possibility is that the world-system will lose cohesion in favor of competing regional structures—and capitalism may matter more in some than others.

Capitalism itself contributes to some of the "external" disruptions that may challenge its future growth—notably environmental degradation and climate change. There may be possibilities for "green growth" that will sustain capitalism and deal with the environmental challenge. Or there may be limits to growth that make capitalism itself problematic and unsustainable, simply because it is in the end a growth machine.

With regard to each sort of threat, there are actions to be taken that could counterbalance the damage and mitigate the risks of one-sided capitalist development. These could come from for-profit and nonprofit entrepreneurs as well as governments. They could be pursued by social movements—though so far none have risen to the scale of the global challenges. In any case, capitalism cannot thrive if institutions are not reshaped, employment restored, and environmental, public health, and other challenges addressed.

The large-scale, more or less simultaneous collapse of capitalist markets would be catastrophic, not only bringing economic upheaval but also upending political and social institutions. It could be precipitated by systemic crises or more likely brought about by ecological change or violence. The risk is heightened by capitalist externalization of costs and damage both to the environment and to potentially stabilizing social institutions. But discontinuous changes are not always sudden or catastrophic.

As I began by suggesting, it is at least as likely that capitalism will be transformed over generations, possibly beyond recognition. Arguably stronger states, better agricultural productivity, and renewal of religious faith were all solutions to problems in feudal Europe. They also transformed it and in the long run brought a new era. The rise of both state risk management and economic facilitation and capitalist corporations offered solutions to problems in mid-20th century capitalism. These were transformative, though contained in a still-capitalist order.

That capitalist order is a very large-scale, highly complex system. The events of the last forty years have deeply disrupted the institutions that kept capitalism relatively well organized through the postwar period. Efforts to repair or replace these will change the system, just as new technologies and new business or financial practices may. Even a successful renewal of capitalism will transform it and the modern world-system within which it has driven growth for 400 years. If nothing else, capitalism will be transformed by the extent to which growth is led from outside its long-standing Western core regions and this will integrate it with different histories, cultures, and social institutions.

The question is whether change will be adequate to manage systemic risks and fend off external threats. And if not, will there be widespread devastation before a new order emerges?

GETTING REAL The Concluding Collective Chapter

Immanuel Wallerstein, Randall Collins, Michael Mann, Georgi Derluguian, and Craig Calhoun

In the end, where do we agree or disagree? We share in common the assessment of our present world situation—including its intellectual and political climate—where we identify the blind spots and therefore the dangers of screwing up in the future. These agreements make up the main body of our concluding statement. But we are not hiding our theoretical differences regarding the ways in which we construe the world and its future prospects. In getting together to write this book, the immediate hope was that our unity as well as our differences would provide for a panoramic vision and a productive debate. The greater hope was that, if we succeeded in getting the attention of sufficiently many readers, we could also make a difference.

We agree that the world has entered a stormy and murky historical period which will last several decades. Big historical structures take time to shift or unravel. The recent Great Recession forces us all to think deeply about world prospects. The central question is not just the prospects for continued American economic dominance and geopolitical hegemony, nor where on the globe such dominance will pass to next, but whether major structural transformation is likely to happen. Although we disagree on some points of the prognosis, there is considerable commonality in our sociological vision. All of us are arguing on the basis of the accumulated scholarship in the realm of macrohistorical sociology—the comparative study of past and present broadly informed by Marxian and Weberian traditions focusing on the structures of social power and conflicts. We are sensitive to multiple dimensions of causality, and tend to agree on many features of how capitalism, state politics, military geopolitics, and ideology operate. Our disagreements are largely about the intersections of different orders of causality: on whether a particular dynamic sector can become so powerful as to overwhelm the other causal spheres, or whether the multicausal world always generates a high degree of unpredictability; and on whether an overarching perspective can display a higher-order system bringing together all the causal sectors into a larger historical pattern.

In this concluding chapter we will first outline the macrosociological way of describing current globalization, its origins and possible futures. The latter part of our conclusion is about social science in its mostly deadlocked present state and its potential for becoming more useful in the immediate future. In other words, we are going to sketch here what we all consider a more realistic picture of the world and the ways of arguing about it.

THE MAKING OF OUR PRESENT

The (so far) Western Great Recession marks the end of the medium-run historical phase that began some forty years earlier, in the crisis of the 1970s. This recent period was confusing enough, as evidenced by a multiplication of misnomers: neoliberal, postindustrial, post-Fordist, post-Cold War, postmodern, postconsumerist, etc. Since the late 1980s, globalization has become the most fashionable generic description of the current world situation. All these names seem to us problematic. Globalization is presented as the grand historical cause of what really were the geoeconomic consequences of the 1970s crisis and subsequent shifts in the world allocation of production processes, or simply what came to be called outsourcing. These labeling dilemmas, however, relate to the fact that the current phase in the long historical trajectory of capitalism has lacked coherence or true novelty. Even the arrival of the Internet, as Randall Collins argues, has revived the old dilemmas of machines displacing human labor and livelihoods. The major condition of the period from the 1970s to the 2000s period was not the emergence of any new structuring forces but rather the undoing of former ones. We mean primarily the exhaustion or extinction of all three Old Left currents: the social democrat and liberal reformism in the "First World" of core Western states; the communist revolutionary dictatorships of rapid industrial development in the "Second World"; and the national populist movements in the Third World.

The past triumphs of the Old Left had flowed directly from the geopolitical upheavals of the twentieth century: not from the abstract march of progress or even the growth of class consciousness per se but directly from the dire experiences of world wars and mobilizations on the homefront that gave opportunity to the peoples, both White and non-White, men and women. In this book Immanuel Wallerstein and Michael Mann, in their own ways, sketch the general lines of this transformation within capitalism, while Georgi Derluguian shows in greater detail what enabled the rise of the communist states and what processes and forces produced their divergent outcomes. The two world wars enormously boosted the long-running trend toward more extensive and invasive modern states. After 1917, in many countries leftist forces suddenly found themselves in a position to capture the wartime state machinery and redeploy its capacities for industrial growth and social redistribution. The intervening Great Depression in the 1930s opened to leftists—but also to fascists—windows of political opportunity by severely discrediting and bankrupting the residual aristocratic monarchies, the oligarchic liberal regimes and their colonial empires of nineteenth-century vintage. The Cold War after 1945 stabilized the results of this epochal transformation for several more decades. The Cold War (another misnomer, actually meaning the "cold peace" of multiple truces and implied diplomatic understandings) institutionalized the internal reformist compromise and welfare provision in the Western democracies, thus containing the specter of revolution long haunting the West. The same Cold War ensured peaceful coexistence with the Soviet bloc, thus containing the old Western specter of war. And by extending international political patronage and economic aid to the former colonies, the Cold War world order channeled the specter of anti-White revolt of colonial peoples into the optimistic and cooperative expectations of universal modernization. Those were the good times of generous payoffs for the trials and sacrifices of wartime decades.

The good times suddenly crashed in the 1970s. Craig Calhoun reminds us that the sequence of another political transition did not start from the resurgent Right. Rather, it was the youthful New Left that first challenged Cold War compromises by demanding still better times minus the official hypocrisies and sclerotic bureaucratism. True, contemporary establishments everywhere—West, East, and South—were showing many signs of bureaucratic pathology and despotism disguised with hypocrisy. Importantly, however, those detested establishments by the 1970s represented later stages of the various political regimes originating in the modernizing, socially reformist, anticolonial, or revolutionary takeovers of the earlier heroic epoch. For all the loudly proclaimed ideological differences, the wartime generation of states held in common their reliance on what the Americans called the triad of Big Government, Big Unions, and Big Business, or their functional equivalents in the Soviet industrial ministries and national republics. All these political and economic structures drew their power and legitimacy from the mass provision of modern education, housing, health and welfare services; typically lifelong industrial employment; and, not least of all, comfortable middle-class careers in the bureaucratic, military, and professional hierarchies.

Certainly many powerless social groups and peoples in different countries felt excluded from this bureaucratically organized prosperity. Typically, these were the racial, religious, immigrant, and gender minorities in the developed countries; the non-Russians and subproletarians in the Soviet republics; and the masses of recent rural arrivals in the sprawling shantytowns of the Third World. But such marginalized groups could rarely raise a political voice. Things would change, however, in the 1960s with the arrival of energetic student activists and dissidents in the intelligentsia spreading organizational techniques along with the ideologies and singable slogans of rebellion against "the System."

The antisystemic movements of the New Left gained traction wherever they could tap (often without fully realizing it) into latent social tensions generated by conjunctures of many factors: industrial recessions, demographic transitions, the changing social geography of urban neighborhoods, repressed ethnic memories, even the sectarian religious fervors or the regional elite factionalisms previously marginalized by modernistic planners of new towns, industries, and states. Profoundly changing the historical pattern of revolutions, these anti-authority rebellions were diffuse, nonviolent in their preferred tactics, and centered on the demands for greater autonomy from bureaucratic regimentation and recognition for the many and greatly varied status groups that were now called identity politics. This meant a departure from the Marxian categories of economic classes as the basis of social struggle. What gave a semblance of common purpose to the disparate protests of the sixties was the universal presence of bureaucratic establishments, oftentimes presided over by the paternalistic and patronizing Big Bosses. For a short while, such situations were conducive to the sharply polarized confrontations of "us against them" performed in public spaces and on spectacularly massive scales. Recall the events of 1968 in the West, the tremendous anti-Shah marches in Iran during 1978–1979, the 1980 strikes in Poland and the 1989 rallies across the whole Soviet bloc, or, for that matter, the 2011 uprising against the Big Boss in Egypt.

The participants, commentators, and sympathetic researchers of these exuberant events focused overwhelmingly on the contentious side where all the energy and hope could be found. Contemporary analyses from the insurgent side typically ignored or took for granted what the embattled rulers were doing or actually not doing. In the majority of instances, bureaucratic establishments seemed oddly reluctant to unleash an all-out terroristic repression. This should seem quite startling because both "capitalist pigs" and "communist apparatchiks" certainly possessed the means and personnel for launching massive violence against unruly civilians in the manner of the interwar totalitarian decades. Grim exceptions still abounded in the stormy aftermath of 1968. We must not forget the brief throwbacks to European fascism that continued in Spain, Greece, and Turkey; Latin American dictatorships; the apartheid-era South Africa; coups and "emergencies" in Arab countries; and internal violence in the East Asian states of both communist and anticommunist persuasion, like Maoist China and South Korea under military rule. The immediate reasons for unleashing state terror in response to student-led activism were local and peculiar to each instance. Yet repression commonly occurred across the outlier world regions and semi-peripheral countries where states were inherently weaker and often newly established.

This contrast in the state reactions to protest points toward an important theory. In the West and in the Soviet bloc—but not in Latin America, Middle East, or East Asia—the political establishments by the 1970s had indeed become thoroughly bureaucratic. Their institutions and ruling personnel were forged in the enormous wartime mobilizations of the twentieth century and disciplined by the precarious balance of the Cold War. Their senior members still collectively remembered the run-away affair with fascist paramilitaries during the interwar period in Europe, or Stalinist purges, or the racial and labor conflict violence recurrently flaring up in twentieth-century America. Perhaps it was the overwhelmingly peaceful and civic tactics of New Left, in contrast to the revolutionary militias of Old Left, that denied the state security organs clear targets for violent confrontation. Perhaps the bureaucrats and politicians ensconced in highly institutionalized environments developed cautious dispositions that were conductive to avoidance of overt conflicts. Instead such "post-Machiavellian" rulers reckoned on the default bureaucratic tactic of muddling through. And this suggests an important and even hopeful insight. Leaping ahead, we should say that studying the conditions for violent action and its avoidance in modern bureaucratic states must be a priority for social science in the anticipation of bigger crises and possible revolutions.

In the seventies and eighties, establishmentarian politics of muddling through and evasion delivered a fix that has lasted until yesterday. The New Left movements flared up and burned out as fast as fireworks. But the damage was considerable, especially when viewed in the longer-run perspective. The discredited and momentarily disoriented rulers began shedding their erstwhile commitments to industrial modernization, full employment, and welfare. In the West political systems had enough strength and resources to do this in a controlled manner, all the while calling it a new age of postindustrialism, flexibility, and globalization. In the Soviet bloc the process got out of hand, causing panic in the political and industrial elites.

The result was state fragmentation and colossal pillage. The dissident New Left had its Pyrrhic victory in the extinction of communism. But, unlike the Old Left which was an organized (more precisely, a bureaucratically organized) force, the insurgent energies of this new generation failed to translate into institutions and policies adequate to the tasks of seizing the power that was dropped on the floor. Moreover, the ensuing deindustrialization, and severe budget cuts in higher education, cultural institutions, and general welfare rapidly undid the bases of popular confidence and thus the bases of support for this new generation of antisystemic insurgents.

In the meantime a different kind of popular movement began emerging from the Right. The New Right snatched many of its tactics and even former activists from the dispirited New Left. This turn to the right marked the end of the long period dominated by class politics with its familiar symbols, tactics, and well-rehearsed rituals of bargaining. The political reaction flew the colors of identity, which introduced into politics a nastily passionate charge because matters of identity tend to be uncompromising and nonnegotiable.

The New Right came in two varieties, though often meshing in practice: ethnopatriotic or religious-patriotic fundamentalism and libertarian market fundamentalism. Both called for the militant defense of fundamental matters of faith—or whatever was claimed to be the founding identities in their societies. Notice that both fundamentalisms directed their ire at state bureaucracies, blaming them for being too secular, removed, devious and taxing. It tells us something important about Christian, Muslim, Jewish, Buddhist, Hindu and other contemporary fundamentalisms that their suspicions and phobias virtually everywhere went hand-in-hand with extolling the virtues of small business, small town life, and the patriarchal family.

The Left was precipitously declining across the board, leaving its place in the popular imagination to be filled with either apathy or fundamentalist anger. This reversal in mass politics opened the window of opportunity for conservative factions among the Western capitalist elites. Neoliberalism, yet another misnomer, in fact grows from the old ideological belief of modern capitalists that everyone would eventually benefit from letting them do whatever they deem necessary in the pursuit and disposal of profits. World progress, the purported laws of human nature, and supreme rationality are but the nineteenth-century intellectual supports to this faith. The fundamentalist character of the neoliberal movement is revealed in its adamant refusal to recognize as capitalism anything except the purest unregulated markets—just as religious fundamentalists recognize only their own radical brand of faith as true religion. History, however, shows that the ideal type of free markets cannot be observed in any empirical situation; it is an ideological fantasy. Following in the footsteps of Fernand Braudel and Joseph Schumpeter, we argue that sustained profits always require a degree of state protection and market monopoly. Hegemonic monopoly is what in fact propelled the renewed surge of American power and finance at the turn of the twenty-first century. At the time Michael Mann and Immanuel Wallerstein publicly opposed the project for an American world empire, and both presented analytical arguments questioning its viability.[1] There is now enough hard evidence to see how these predictions squared with reality.

The forty-year period now ending falls into roughly equal parts. The decades of the 1970s and the 1980s were marked by the crisis and collapse of the twentieth-century Left projects along with the political and economic structures of state-led national developmentalism. In the following twenty years, bracketed by the symbolic dates of 1989 and 2008, the American power found itself freed from the external pressures of the Cold War and the internal constraints of social compromises. The booming enterprise of neoconservative commentaries propagated a bullish belief in the return to capitalist normalcy while presenting it as the new, endless epoch of globalization. The post-1989 triumphalism referred in fact to the kind of normalcy experienced before the year 1914 (not the 1950s, which, although often conservative, were shaped by increasingly strong states). Back in the epoch of fledgling leftist movements and conquered non-Western peoples, capitalists could pursue their goals largely unconstrained by the demands of national governments, the considerations of social policy, and, for the first time, in a truly global arena that was unified by new transportation technologies and secured by military and political structures of colonial domination.

The prospects of twenty-first century globalization appeared to its advocates even brighter. American hegemony now kept firmly in check the imperialist rivalries of the kind that had finished off the previous globalization in 1914. The outsourcing of labor-intensive production from the core of the world economy to cheaper "emergent" locales in the periphery subverted national labor and environmental regulations and pressed governments and their citizenries to become "globally competitive." The dismantling of government regulations allowed the leading capitalist groups to focus on reaping superprofits from the devilishly complex games of global finance. Even popular revolutions, in a paradoxical return to nineteenth-century liberalism, turned from the nemesis of capitalism into its democratic promoters in previously closed countries. The capitalist-compliant democratizations were facilitated by a spate of nongovernmental organizations enthusiastically assuming the role of latter-day global missionaries. The politically and financially cumbersome colonialism of yesteryear was replaced in the newest era of globalization by the indirect controls of powerful institutions of debt and the global network of American military bases, as well as the softer power of international advising, global mass media, and shared norms inculcated in the younger peripheral elites by acquiring prestigious diplomas in business and government administration from American universities. To this list of novel disciplining institutions, we should add illicit opportunities for money laundering through the global archipelago of microjurisdictions functioning as tax havens. The few remaining noncompliant and intransigent "rogue states" could be relegated to the Axis of Evil and serve a useful ideological function as the atrocious other.

These splendid designs ran into the structural realities of the world-system that had been profoundly transformed during the twentieth century. There could be no return to the pre-1914 imperial normalcy. Even the unprecedented concentration of military force in a single superpower in the modern age could not deliver on its geopolitical goals. In our own day the cruel coercive practices of past empires were bound to backfire. Perhaps the American jailers at the Abu Ghraib prison in Iraq stayed short of the methods of the Gestapo or, for that matter, Saddam's own torturers. Nevertheless, these shameful images when publicized produced a storm of nationalist indignation across the Middle East and revulsion in the West. Such episodes, along with the post-1968 aversion of Western societies to casualties among their own military, put political constraints on the use of violence. Add here the sheer material costs of logistical overstretch that have not declined in the era of military high technology but have even increased; in effect, American campaigns of foreign policing became exceedingly costly and politically impossible to win.

Immanuel Wallerstein identified a different kind of constraint to American hegemony and its neoconservative globalization. Despite the persistent rhetoric of tax cuts and downsizing the government, the actual levels of taxation have remained roughly at the same historically high levels virtually everywhere. But wait, what about the stories of budget crises, cuts in public employment, shrinking pensions, and woefully underfunded education and social services? Behind this paradox we discover the reality of the continued redistribution of surpluses through state channels, official or not. Redistribution was now running in the upward direction, to people located in more powerful states and overwhelmingly to elites making political and financial decisions. The result was a huge accumulation of wealth in the hands of those who effectively became the oligarchs of our times. It is fairly simple to see how they did it. The cuts in social redistribution (in a broad sense, including policies of industrial growth and employment) freed the money still flowing through the gigantic state machineries and channeled it to the financial oligarchies. This could take the scandalous form of bailouts extended to corporations ostensibly too big to fail, yet in the main it was the endless generation of credit which in recent decades had been extensively used to cover the budget shortfalls of states and individual families.

Here comes the rub. The reason why governments and families had to be provided with ample credits is both nefarious (yes, greed and debt bondage) and clearly vital to capitalism. In the more distant past, capitalism was an elite operation catering to the fabulous consumption of higher classes and the expensive wars waged by states. In twentieth century capitalism, for the sake of large-scale market demand as well as political legitimacy, came to rely on popular mass consumption. Moreover, the twentieth-century experience of popular involvement in politics and reliance on the state set limits to how deep human misery could go without producing a disruptive backlash. This proved to be what is called the "ratchet effect" in the historical tendencies of the growing state functions in modern society.

Democratization has been a real, if not inexorable trend over the past two hundred years. This means that a great many people, including those most loyal to the existing order, came to expect three things in the course of their lives. The first is long years of education, the second is stable and reasonably rewarding employment, and, finally, pensions in older age. Housing could be added to this list of expectations, and efforts to provide housing have also been expensive. The widespread privatizations of housing in recent decades shifted financial burdens to the individual homeowners while transforming them into small capitalists who voted accordingly. But this shift inevitably led to ballooning mortgages while denying the prospect of home ownership to younger generations. The 2008 crash in the housing markets of many countries rendered this contradiction untenable.

States, on their side, needed skilled and reasonably healthy citizenry as workers, compliant taxpayers, and patriotic military recruits. In time, these historical trends would inescapably put pressure on private profits. Western capitalists responded to pressure with their own rebellion. The renewed market conservatism became its ideological platform and market globalization its main strategy. The political-economic ideology of New Right demanded that capitalists, through deregulation and government austerity, should be left to deal by their preferred means with the economic upheavals that began in the 1970s and never really abated. Globalization, first and foremost, meant the flight of large capital beyond the regulated confines of national states. Capital flight and pressures on tax revenues left the majority of governments with three unappetizing choices: printing money, going into debt, or unleashing repression by direct police brutality and slower economic suffocation. Each of the choices was fraught with its own dilemmas. Even repressing the poor, marginal, and rebellious required a lot of money to keep the loyalty of those morally consenting to repression and especially those actually doing it. But where would the governments get the money when so much of their financial flows were already committed to oligarchic interests?

Such were the main political and economic parameters of recent decades. If anything, the same dilemmas are bound to get worse in the short to medium run. Wallerstein's theory of self-limiting capitalist aggrandizement thus parallels Mann's argument on the present-day limits to geopolitical aggrandizement. In the absence of organized and effective opposition, the accumulation of financial resources at one pole can reach exorbitant proportions. But just as the military monopoly of the United States could not be exploited anywhere near its full potential in order to reach its imperial objectives, so the financial monopoly inevitably had to falter at some point like a house of cards. The accumulated sums of nominal money could not be used productively and thus were proven fictitious.

This big picture relates mostly to the West and former Soviet bloc. Would it change substantially if we bring in the rest? Of course, the miracle of China looms here very large. Some of us, however, are old enough to remember the times when the experts in economic development were generally dismissive of East Asia's prospects. Their rising stars were rather the Philippines, the Shah's Iran, or Nigeria and Senegal with their Western-modeled institutions, modern infrastructure, sizable domestic markets, educated technocrats, and middle classes. By contrast, the embattled "garrison states" of South Korea and Taiwan or the relic *porto franco* colonies of Singapore and Hong Kong were found lacking in almost everything: national sovereignty, middle classes, natural resources, and modern education. The East Asian states seemed to contemporary experts weighed down by overpopulation, destitute refugees, endemic cronyism and corruption, and other such allegedly immobile Asian traditions. Communist China, with its mad Maoist experiments and fanatical guerrilla cadres, was dismissed outright, virtually like North Korea now. Ironically, the same factors would be later cited as standard explanations for East Asia's success: its abundant cheap labor, the shallow domestic markets suggesting openness to export opportunities, the fortuitous absence of a "resource curse" like oil, and moreover the same Asian values of discipline, hard work, support networks, and obedience to authority. Even these regimes' authoritarianism somehow turned out to be stabilizing, or adaptable and even visionary, rather than cronyist and corrupt.

Randall Collins in his earlier research pointed to the indigenous medieval origins of East Asian capitalism growing from the organizational economies of Buddhist monasticism.[2] It is now firmly established that East Asia for a thousand years or more has been a world region or world-system of its own, boasting some of the most extensive and dynamic markets of the epoch. The inherited skills, assets, and social networks of East Asia reemerged during the twentieth century in a variety of contingent and often violent pathways. It was the expansion of Japanese imperialism prior to 1945, and later the American wars to contain communism, that fostered in their wake a series of developmentalist dictatorships. Georgi Derluguian shows that the ultimate joining of continental China into this export-oriented capitalist dynamic was occasioned essentially by the conjuncture of international and domestic political accidents, albeit the sort of accidents that were structurally waiting to happen.

Free-market ideologists seek to enlist recent East Asian examples as their major proof of unfettered markets eliciting a wonderful burst of entrepreneurship. Such claims lack historical analysis and empirical evidence. East Asia has long been the prime example of regulated corporatist states. If the policies of neoliberal deregulation had anything to do with the reemergence of East Asia, it was by draining even more productive activities from the West and sending them into locales with cheaper labor. However, this does not mean that labor was not regulated at the new investment destinations. There are many other countries with large impoverished populations willing to accept, as a start, working long hours for low wages. But labor first had to be organized and disciplined in order to be put to work. The ambitions and greed of local elites had to be organized and disciplined as well. This is where the coherence of formal state institutions and less formal infrastructural capacities to regulate the social realm through accepted practices and networks could make a crucial difference. Corruption scandals reveal a central element in corporatist state compacts. The kickbacks from businesses in such states form a major part of officials' remuneration. Yet, as the old-time New York politician George Washington Plunkett famously put it, there is "honest graft, and there is dishonest graft." State capacity in this case largely turns on its ability to select officials on the merits of performance, including loyalty to the hierarchy and paternalistic sharing via "honest" graft. This provides a predictable sort of institutional environment that capitalists find attractive.

The cultural and economic legacies of East Asian history, however peculiar they might be, are not entirely unique in their kind. As the global flows of capital continue shifting in the search for new production locales, we can expect more miraculous economic renaissances.

India and Turkey already remind us that the past economic geography of Asia was never limited to China. A whole different sector of possibilities seems now emerging from the leftist turn in Latin America where Brazil is laying the tracks. Whatever the ideological rhetoric and tactics of the civic, socialist, nationalist, or indigenous popular movements, in effect they are disestablishing the traditional Latin American politics of oligarchic and military factionalism predicated on foreign dependence. The highly contentious and uneven process spanning the whole continent is now forging, for all its contradictions, genuinely national states. When the leaders of social movements reach state power, they can prevail only by curbing the local powers of provincial notables along with their paramilitary forces, including the drug cartels. One way of doing this is through the imposition of democratic civilian supervision over the armies and police. Another and related way for the consolidation of new democracies is through integrating their citizenry in the centrally sponsored institutions providing for the defense of human rights, social welfare, land tenure, and jobs. Perhaps this is not socialism. It is rather a new and decidedly better variety of capitalism. In the twenty-first century Latin America could at last catch up with social democratic and corporatist state transformations resembling earlier Western patterns, thus also laying foundations for a new wave of industrial development.

A lasting recession in the West, Japan, and the former Soviet bloc, unless things get truly disastrous, might yet boost the industrial ascendance of the former Third World zone. In the past the peripheral and semiperipheral countries often benefited from turmoil in the core because such crisis helped to lower the costs of importing advanced technologies, loosened political controls over world markets, and opened profitable niches to producers with lower labor costs. It is not incidental that the earlier wave of the import-substitution industrializations along the perimeter of the European continent and in Latin America took off in the 1930s–1940s; the export-oriented industrialization of East Asia after the 1970s was fed by outsourcing from the deindustrializing core, and the export markets and drain of resources from the former Soviet republics ought to play a role in the economic expansion of China and especially Turkey.

All five of us consider the narrowing of global inequality gaps a desirable and realistic prospect. In Wallerstein's words, this would minimize pain in the shorter run and maximize the potential for a better world transformation in the medium to longer run. Michael Mann finds here a major source of continued market vitality or even the foundations for a more egalitarian and prosperous world capitalist order modeled on the post-1945 social democratic recovery in Europe. This looks like a good prospect, but can it be compatible with the political economy of capitalism as measured by the rationale of private profit? Neither Wallerstein nor Collins considers the "rise of the rest" as contradicting their hypotheses regarding the future demise of capitalism. To the contrary, the proliferation of new capitalist players in the world markets or the mobile and globally competing educated middle classes would aggravate the dilemmas of capitalism.

So far we remain in the mode of extrapolating the near-past into the near-future. What about major structural shifts, either within high-tech capitalism, in the global world-system, or in the ecology of the planet?

Systemic Limits *versus* Endless Intensification

Michael Mann advances an optimistic view of the survival of capitalism, but a rather pessimistic view of environmental crisis. The "rise of the rest" opens virtually limitless new frontiers for capitalism, at least in the foreseeable future. World demographics, and therefore much of the world politics and economy now profoundly affected by the massive growth in the poorer countries and the resulting global migrations into towns, will eventually stabilize. Mann is skeptical of the existence of pansystemic structures and cycles. Instead, he suggests a kaleidoscopic recombination of the four non-congruent and distinctly shaped networks of social power: ideological, economic, military, and political. Leaving his prognosis underdetermined as a matter of principle, Mann refrains from making specific predictions except that capitalism will continue to be resilient, especially if it is steered by more pragmatic liberal-labor politics.

Nevertheless, Mann theorizes from a structured viewpoint elaborating on Max Weber. Wielding his four-dimensional template of power, Mann shows that events become turning points when leading power sources intersect. In the early twentieth century it was the combination of world war with capitalist crisis exacerbated by ideology and politics. In the twenty-first century the combination of rampant capitalist growth with the stalemate of pluralist politics and national self-centeredness points toward ecological crisis. Degrees of contingency exist, but within the structural tendencies laid down by historical development of the four sources of power. It is chiefly because there are multiple causes that unpredictable intersections occur. Here Mann disagrees with Collins and Wallerstein on the importance of crisis in the economic institutions of capitalism. Instead he emphasizes that environmental strains will rise to catastrophe, unless political mobilization prevails to do something about it. Thus Mann's big contingency is in the intersection of the environmental (economic in the largest sense) and the political spheres.

Craig Calhoun agrees with Mann about the centrality of external, especially environmental threats to capitalism. Like all of us, Calhoun argues that the future is not fully determined and therefore it is open to political action. He argues, though, both that internal system risks are more challenging to capitalism than Mann suggests, and that for capitalism to survive there must be a renewal of social institutions that on the one hand enable and facilitate capitalism and on the other hand compensate for the costs and damages it now externalizes as burdens for society at large. The question then is, in the thinking of Wallerstein and Collins, whether such globally escalating costs could be at all sustained by capitalism. The question is not rhetorical. Social scientists should be watching and measuring the dynamic capacities of capitalism to see whether the costs are being met by the generation of new wealth along with the growth or decline in political mechanisms for spreading benefits across the globally connected social structures.

Mann and Calhoun both suggest that a deep environmental crisis could come soon and challenge a still economically viable capitalism. Collins and Wallerstein see the environmental risk as longer term and capitalist crisis more imminent. Collins reads the scientific consensus of environmental projections as pointing to major crisis around the year 2100. Mann argues that severe ecological damage will threaten some countries' survival already by 2030–50. Yet Collins and Wallerstein project full-scale capitalist crisis in the decades around 2040. They thus suggest that we will confront capitalist crisis before environmental limits become terminal. If one holds the Collins/Wallerstein view, it is tempting to speculate that a socialist resolution to a capitalist crisis would change political structures to such a degree that the ecological crisis could be reasonably handled, as it might well not be if capitalism continues as usual. Mann has a different take on this. Any major capitalist crisis would considerably lower GDP levels, thus easing the environmental crisis (provided warming had not already gone too far). He sees three villains producing climate change: not just capitalism, but also the nation-state and the ordinary mass-consuming citizen. A solution to the crisis would involve reining in and reforming all three. Whether capitalism or socialism (or anything else) emerges viably from the crisis, they would have to be in radically new forms.

Second, both Mann and Calhoun place more emphasis on capitalist dynamism outside the West. Indeed, for Mann, it is not the end of capitalism, but rather the ecological crisis that is global. Hence it cannot be argued that while capitalism and geopolitical hegemony will decline for the United States and Europe, world leadership will pass to other triumphant regions of the globe such as East Asia or a coalition now going under names like the BRICS. However, environmental scientists hold at present that the worst environmental catastrophes will begin in China, South Asia, and Africa. This projection questions the prospect for emergent global leadership providing an alternative to the West. The ecological crisis, according to Mann, could be the end of everybody. Less rhetorically, we have to consider not two alternatives but three: terminal crisis of capitalism as a world-system; decline of the older capitalist hegemons and their replacement by new ones; and global-scale ecological shock, with resulting transformations yet to be envisioned. Collins and Wallerstein argue for the first of these; Mann for the third.

Immanuel Wallerstein and Randall Collins read the picture in different yet mutually compatible ways. They see capitalism as a global system or, if you wish, a hierarchical ecology of economic food chains and market niches. Like any complex system, it has its interrelated structures, dynamic trends, and therefore it must have its ultimate limits. Even if the systemic limits could be expanded thanks to new geographies and technologies of production, they cannot be altogether abolished. Nobody can now specify the institutions and parameters of the world coming after capitalism. Here Craig Calhoun interjects by reminding us how much in such world transitions depends on the contested political choices. Nevertheless Collins and Wallerstein insist that capitalism is nearing its limits, and they make one big prediction: there will be a world transition. They both clearly specify what structural processes are pushing toward the predicted transition, thus opening their hypotheses to critical scrutiny and the possibility of empirical testing. Georgi Derluguian presents the Soviet example as a theoretical and empirical test of what has worked or did not work in the past predictions of Collins and Wallerstein. The trajectory of the Soviet bloc shows how a large systemic unit reaches the limits of its own success and perishes from a combination of structural weights and purely contingent factors.

The differences between the predictions (or future-approximations) of Mann on one hand and those of Collins and Wallerstein on the other correspond to the two sides of the dynamic model of human societies developed by evolutionary anthropologists. In technical terms, it is the "bearing capacity" of a human ecology versus its "productive intensification." According to this model, all hitherto existent human societies tended eventually to fill their environments to saturation, or their bearing capacity. Such limiting crises left three dramatically different possibilities. The first was simply death. A recurrent catastrophe over the entire span of history has been a partial or even total extermination of human groups through famines, epidemics, and genocidal warfare. It is the tragic cycle of Malthusian demographic adjustments in the numbers of humans to be fed. The phases of declining population created conditions for resuming the productive activities on an unchanged basis until the environment was once again filled to bearing capacity, thus provoking another phase of hard times. The second possibility is diversification. It led our ancestors to the discovery and adaptive colonization of new geographic frontiers in the northern tundra and tropical islands, in the steppes, deserts, mountains, and forests—until the human race filled up the planet. Finally, the third possibility is what is usually called progress (i.e., qualitative intensification in the entire technological toolkit), enabling humans to gain ever more from their resources. The latter escape has been the main driving force of evolutionary innovation in human societies.

The complex class societies and first states rose in the productive locales that were too good to abandon, such as the fertile river valleys flanked by the deserts and mountains. The celebrated expression "caging effect" was in fact invented by Michael Mann in his earlier study of ancient empires, markets, and religions.[3] It means that moving away became impossible. Historically, such situations forced some human groups into the qualitatively new, more extensive and elaborate forms of social organization (i.e., new civilizations) that could increase the extraction and exchange of surpluses from the long-occupied locales. The verb "forced into" is intended to stress that many humans would rather not have become slaves, serf peasants, and tribute payers—but they were "caged" by the lack of escape and active coercion from the warrior and priestly elites. In the past, the intensification of productive techniques never came alone but in conjunction with major political and ideological reorganization. These transformative processes were always fraught with considerable conflicts.

In the present book, Michael Mann takes the position that capitalism remains resilient. Once again, Calhoun mostly agrees, though with greater stress on the ways capitalism must change to renew itself. Calhoun also stresses the difference between capitalism in general and the disproportionately financial capitalism that has lately exacerbated systemic risks. Capitalism, according to Mann, has virtually inexhaustible capacities for self-intensification through productive innovations as well as the globalization and deepening of consumer markets. If anything can ever finish capitalism, it will be an outbreak of warfare reaching its destructive limits in the nuclear age, or the planetary crisis of the natural environment. The former operates through causal chains largely independent of the dynamics of capitalism, and thus is contingent (i.e., unpredictable from the standpoint of an internal analysis of capitalism). In the main, this is what separates the positions of Mann and Calhoun from the projections advanced by Wallerstein and Collins. Environmental crisis, however, is one consequence of capitalist development, intersecting with political and cultural factors. Thus in a roundabout way, capitalism may generate its own downfall, even if, by virtue of intersecting causalities, it doesn't have to be that way.

Randall Collins and Immanuel Wallerstein argue that capitalism is nearing its structural limits. Both acknowledge the extraordinary capacity of capitalism to expand and intensify its own political economy. Capitalism has created the first true world-system encompassing the entire planet with all its populations and productive resources. The displacement of agricultural and industrial jobs by machinery during the nineteenth century did not result in pauperization and revolution in the West, as predicted by Karl Marx in his age, because the development of modern managerial, professional and clerical occupations within private and government bureaucracies created a comfortable cushion of modern middle classes. Nevertheless, in the twenty-first century these spatial and internal reserves will finally be exhausted. If the model focusing on the effects of oligarchic overaccumulation and the distress of the middle classes has relevance across different historical epochs, the terminal crisis of capitalism would actually be a succession of various crises within a protracted period of decline.

Ultimately, however, we all agree that Michael Mann forces us to consider three imponderables: climate change, pandemics, and nuclear warfare. They are not imponderables in the dangers they pose for all of humanity. They are imponderables in terms of the timing of disasters. Our knowledge about each of these is extensive but there are enough uncertainties and differences of views among those who have studied these issues that we cannot be sure what exactly will happen. Climate change seems an unquestionable reality, except for those who reject this reality for political or ideological reasons. Furthermore, everything that has been causing climate change is actually accelerating rather than slowing down. The political differences between wealthier and poorer states as to what should be done about climate change make an accord that would mitigate the risks appear unattainable, at least for now.

However, the earth's ecological complexity is so great, and these changes so extensive, that we do not know what kinds of readjustments will occur. It seems clear that water levels will rise and are already rising, and that this threatens the drowning of vast land areas. It also seems clear that the average temperatures in various parts of the world will change and are already changing. But this can result in shifting the location of agricultural production and energy sources to different zones in ways that might compensate for the acute damage to other zones.

The same thing seems to be true of pandemics. The enormous advances of world medicine in the last hundred or so years that have seemed to bring so many diseases under control have simultaneously created a situation in which humanity's ancient enemy, the germ, has had to find new ways to be resistant. Once again, our knowledge seemed great but, when all is said and done, it turns out to be pitifully small. In this race against time, how fast will we learn? And how much must we unlearn in order to survive?

There remains the specter of extermination from nuclear weapons. Ever since the end of the Cold War and the hubristic attempt to impose an American unipolarity, nuclear proliferation has become virtually unavoidable. There might not be imminent danger in terms of interstate warfare. Indeed it is almost the contrary. Nuclear weapons are essentially defensive weapons and therefore reduce, not increase, the likelihood of interstate wars. Nevertheless, there remain several imponderables. The motivations of nonstate actors are not necessarily the same as those of responsible officials. No doubt there are some who would like to get their hands on nuclear weapons (as well as on chemical and biological weapons) and use them. The limited ability of many states to protect such weapons from seizure or purchase may facilitate their acquisition by nonstate actors. And the possibility of a rogue state agent, the Dr. Strangelove of fiction, is never to be ruled out.

It is quite possible that the world will weather the global transition without any of these catastrophes occurring. But it is also possible that it will not. A lot will depend on what will be the new political structures and how soon they can emerge. Conceivably such new structures will take the kinds of measures that can reduce, even eliminate, the likelihood of global disasters. Let us be clear, these are not just natural disasters. Famine, pestilence, nuclear terrorism are decidedly political challenges to humanity. That is why we call them imponderables. The search for effective counter-measures means making political choices. One major way in which many people react to these dangers is to pull inward in a heavily protectionist and xenophobic way. We see this tendency already almost everywhere. It means that those who seek a system that is relatively democratic and relatively egalitarian have to work harder at developing political strategies that will counter this trend.

TRANSITIONS

One big thing we all agree on is that in coming decades the familiar configurations of global political economy are bound to change in significant and not immediately evident ways. Politicians, social movements, and media commentators will be at a loss trying to steer through the coming years on the old conventional wisdom. Governments and once dominant business corporations are going to find their levers of power weakened, their well-practiced moves in the political and ideological repertoires useless or presenting ever new problems down the road. The protesters might feel as outraged as ever. But they will be much less sure against whom to protest, what to demand, how to organize, and with whom to ally themselves. Our theoretical knowledge of the past historical transitions will prove only an imperfect adviser. In the years ahead our theories will require considerable corrections and additions. (But isn't this the nature of scientific knowledge?) In part, this is because many problems and prospects appear unprecedented in human history. In the main, however, we know that major historical transitions occur simultaneously at several different levels. Business as usual becomes impossible in times of transition. American imperial hegemony is visibly faltering, as geopolitical theory has long predicted. Its biggest reserves in the productivity, finances, and political compliance of China and the European Union are running out. A big question is how precipitous or gradual will be the coming decline of the West. Our best hope perhaps is a negotiated (i.e., nondestructive) equalization in the shares of power and wealth between the historical West and the rising rest of the world.

The key point of agreement, to stress it again, is that the future is not preordained in any great detail. Open-ended political struggles will play a crucial role in selecting the routes and collective destinations. Moreover, social science can make a difference in the coming years. Macrohistorical theories warn against disastrous future possibilities. A middle-ground possibility is fragmentation and involution (i.e., continuing along essentially the same lines only in a lessened, crippled, and worse off shape). Here the recent fate of the Soviet Union serves as the nearest example. Still another nasty possibility is a fascist-like dictatorship supported by social movements of aggrieved nationals and reliant on a militaristic and highly invasive police state. Unfortunately, the record of twentieth-century fascism shows that it could produce, at least for a few decades, viable political economies where large groups of people benefit from oppressing other large groups of people. The exceptionally vicious and megalomaniac Nazi regime in Germany perished from the external war, not from internal political transformation or revolution.

Yet the same theories point to a strong possibility of more hopeful pathways through the chaotic years ahead of us. Our hopes derive from the theoretically grounded observation that human responses to the big structural crises in the past tended to build up qualitatively new and more extensive collective powers. This trend developed through periodic collapses and bursts of human inventiveness (though far from always peaceful) that would eventually pave the way for new periods of stabilization and prosperity.

The human race is now facing another such sequence, and this time it is the entire humanity populating the planet. Our late friend and colleague Giovanni Arrighi used to say that systemic problems call for systemic solutions. In his analytical model, the trajectory of historical capitalism went through several cresting waves of spatial expansions and restructurings.[4] European capitalists had originally secured themselves and their enterprise by acquiring their own national states—with the armies, navies, and the taxation machinery that support them—amid the formative chaos of the sixteenth century. In more analytical terms, capitalism obtained its historical breakthrough in the internalization of protection costs. The next wave brought the deepening of capitalism and its tremendous colonial expansion based on the internalization of production costs, or what is commonly known as the British-led industrial revolution of the 1780s–1840s. But that epoch also ushered in multiple crises flowing from the effects of the business cycle, the institutionalization of revolutionary and reform movements, and the competitive geopolitics of industrial imperialism that in 1914 nearly killed capitalism. The American hegemony of the twentieth century helped to tame these crises by adding another layer of complexity: the internalization of transaction costs. The acute need to stabilize the capitalist system against multiple dangers is what after 1945 determined the elaborate and imposing architecture of modern governments, economic corporations, and international organizations.

Logically then, the epochal accomplishment remaining for the twenty-first century is the internalization of the costs of social and environmental reproduction to be achieved at a truly planetary level. Consider a fact that seems too big to enter the usual policy debates. During the last ten thousand years or so the majority of humankind lived in villages. The invention (rather, the repeated inventions) of village community marked a major reorganization in collective human capabilities. It made possible what archeologists call the Neolithic revolution, and thus agrarian societies. The pattern of village life permitted midsized groups of nonrelatives to organize their common affairs in a robust and comprehensive manner. It took care of everything that mattered for social reproduction: division of labor, the traditional regulation of resources, daily life tensions and conflicts, the transmission of culture and skills, the ideological (or even cosmological) rituals of group solidarity, from the highly mystical to the mundane village dance. In sum, village community organized the functional and emotional aspects of the human life cycle from birth to death. And self-organizing villages served as tributary bases for all the subsequent complex societies, from tribal chiefdoms to city-states and empires.

Capitalism originally emerged into what was still a world of villages. The market and geopolitical dynamism of capitalism soon began undermining village communities because the villagers were needed elsewhere as labor, colonists, and soldiers. On their side, the villagers themselves often found it impossible to stay in their poor and constraining rural locales. The causes of village extinction go by many different names such as modernization, urbanization, industrialization, agrarian overpopulation, the spread of literacy, or imperialism and military revolution. The net effect eventually would be the same everywhere—first in the West, next in Japan, the Soviet bloc, and now all over—draining the countryside of its once numerous inhabitants and moving them into the cities or, even more commonly, into the slums.

The transition from village to town as the main organizing locus of human life appears irreversible. Its implications help explain why the crisis of capitalism is so hard to solve. Something must step in to resume the comprehensive provision of normative order, social regulation, daily security and welfare in the new agglomerations of humanity. Moreover, these tasks must be now performed not only on a vastly larger scale but also better than the villages used to do. Lest we forget, villages provided intimate coziness and shelter that meant, by extension, intrusive supervision and the social caging of individuals. The protective inertia of traditions, the inequalities of age and sex inscribed in the patriarchal households, the denigrating and violently vengeful attitudes toward strangers and outsiders were part and parcel of village life, too.

The modern history of mass migrations, demographic transitions, and the creation of new political communities brought enormous costs and traumas. The overseas emigration of European settlers helped to improve the ratio of demographics to resources at the cost of the displacement, enslavement, and downright extermination of the indigenous peoples in the colonies who lacked guns and immunity to the germs brought by the invaders. The emergence of modern nations often implied the oppression and expulsion of the "non-national" minorities. After 1914 the radical mutation of nationalism into militarist and virulently populist strains of fascism escalated the same historical vectors into the Holocaust. In a different kind of radical escalation, the Soviet collectivization of agriculture sacrificed human lives by the millions for the sake of achieving industrialization and modern life for the children of survivors. Only after 1945 were the former peasants and working classes of the West and Soviet bloc factored into social security and prosperity by their national states. In total, this amounted to several hundred millions of people. But are there now the resources, let alone political will, to factor in several billion people from the global South?

Enthusiasts of globalization hail our moving into a global village. This sanguine claim should be evaluated soberly. Cosmopolitanism is a longstanding project that has had its liberal and socialist versions.[5] But it means something different as a complement to a world of stable states. And there exist other, more conservative projects for directing globalization that derive their energies from imperialist ambitions, nationalisms, anti-immigrant rejections, religious fundamentalism, and their combinations. The very possibility of an arena of global governance and a common human identity may well become the main focus of political contention in the coming decades. The outcome is too early to predict. Systemic crisis at a world scale will sow havoc, panic, and nasty reactions. But it will also elicit collective coping strategies going in the direction of a more democratically accountable, organizationally flexible, and capable global governance. Humanity can still escape a catastrophic backslide in the complexity and extent of its collective organization. Perhaps enough lessons of twentieth-century revolutionary and socially reformist movements have withstood the neoconservative ravages of recent decades. Or it could be something profoundly changing in the complex and contradictory institutional architecture of the modern states themselves. At the very least, here is yet another topic for fruitful investigation by social scientists.

We are reluctant to call the "state," let alone "global state," the political structure of a better future. This is in fact the biggest unknown. Let us make just a couple of observations regarding the pattern of politics in a more hopeful future. Most of us doubt that existing international organizations add up to the prototype of such structures. The United Nations, the European Union, the IMF, Davos, G-8, G-20 and other such clubs belong to the epoch of capitalist integration and American hegemony. At present these institutions are weakened or compromised by political manipulation and technocratic aloofness. Some of us, however, see the only solution to environmental crisis in a much stronger network of relations between states—a Super United Nations. Others of us doubt that this political integration can be achieved fast enough, and it is not without its own worries. Still, the post-1945 epoch of relative world peace and prosperity set an important precedent that may prove more lasting than its political institutions.

The changing structures and directions of future politics will surely deliver big surprises. The majority of people regard extension of prior experience as most plausible. The inexorable growth of national states has been indeed a major reality during the entire modern period. But what if the novel recombination of seemingly familiar factors at a planetary level turns out differently? After all, this is exactly what Randall Collins argues regarding the newest technological displacement. Although none of us considers anarchism a very realistic strategy, we must admit that the antiestablishment spirit of 1968 proved one of its most enduring legacies, both on the left and on the right. Perhaps this calls for taking more seriously the values and organizational alternatives represented by the nonstatist movements tenaciously surviving in the margins. The major transformative mobilizations of state powers and peoples in modern times have been associated with wars and violent revolutions. Anarchist or libertarian calls could not be politically effective in such situations. But what if the future delivers a major nonmilitary emergency, be it frightening extinctions of biological species or middle-class jobs? Let us seriously consider what makes us believe that states or interstate alliances will prove up to the task of organizing billions of people for the altruistic enterprise of planting trees and developing new technologies or educating the children, caring for the elderly, and overall sustaining life? A self-organizing dynamic might become rather the order of the day. Who knows? This might even open common grounds for bridging the hostility between the popular movements now raging on the right and left. Here we may identify another moving front of social science inquiry into the dynamics of contemporary ideology and popular politics.

Social Science in a Transformative Future

Are political hopes blurring our theoretical visions? Our answer is this: Reflexively admitting a connection between our hopes and our hypotheses is a necessary component of theoretical honesty in social science, especially when dealing with our own times. Social theory is often likened to lenses of various cuts that enable us to discern patterns in human action. When the lenses are cut solely to confirm one's faith and denounce whatever opposes it, the resulting vision is strictly ideological. Such lenses, commonly worn in politics and public debating, function more like blinders. Theory is different because it has to be testable. What constitutes tests in social science has been a matter of controversy. We are methodological pluralists insofar as we doubt attempts to legislate the one right way of doing social science. Yet we are not complete relativists. Different kinds of problems and scales of analysis leave researchers the choice of investigative techniques. Experiments and statistical correlations have an important place in the toolkit of social science but their role cannot be universal. Disciplined ethnographic observation is often more revealing in studying localized social environments. At the macrohistorical level, which is where we work, the main method might be likened to connecting the dots in a big puzzle. Another test for macrohistorical theory are counterfactuals, the alternative roads that seemed possible at one historical juncture but were not taken. In other words, we must show both how we get from one historical situation to another and what are the actual range of structural possibilities and the factors on which events turn. This is perhaps as close we can get to an experiment in our kind of research.

Historical social science from the outset has dealt with conflict, transitions, and mutations. Hence the main question of this book: What if the future is fraught with major crises? Social landscapes are fluid and often turbulent, perhaps more like weather maps. Local events are inherently contingent even if in retrospect we can explain them by pinpointing which structures had shifted or broken down, and what human action, emerging from specific positions, ended up taking the emergent opportunities. Predicting events in the longer run is futile, but predicting structural configurations is not. Take the weather analogy. It would be irresponsible to predict that next year, say, on the 13th of January it will snow in Chicago. This is the "short" time of contingent events. But it would seem trivial to predict that it will snow in Chicago next January. This statement belongs to the longer-run time of structures. However, what about several decades into the future when Chicago climate might come to resemble hurricane-prone Florida or, alternatively, frozen Siberian tundra?

Readers seeking exact future scenarios in this book may feel frustrated. Their frustration is unwarranted. Lack of precision in social forecasting means that collectively we face a certain freedom of action on a spate of structurally available options. The options are rather limited in normal times although even then there exists political choice between somewhat better and somewhat worse outcomes. But the options become vastly magnified in periods of crisis when the usual mechanisms of status quo are breaking down. Such times call for a conscious strategy of systemic transformation. Humans do make their futures, in conflict and association with other humans, even if not in the circumstances of their own choosing. Social science should clarify what are the circumstances and emerging possibilities, especially when the possibilities may be opening and closing rapidly.

On this score we are critical of contemporary social science for its willful abstraction from structural possibilities of historical change. Our charges equally apply to two very different mainstream currents—postmodernism and neoclassical economics—that have come to dominate academic social sciences since the 1980s. Both, in their own ways, reflect the nameless period following the crisis decade of the 1970s, the decline of leftist movements, and the relaunching of American hegemonic ambitions in the project of neoconservative globalization.

Various intellectual currents, stronger in the humanities and summarily grouped under the rubric of postmodernism, became extremely skeptical of any big theories or what they called "master-narratives." Instead they celebrated doubt, irony, lived experience, deconstruction of beliefs, and the minute interpretations of cultural practices. This intellectual movement grew directly from the revolts of 1968 and the demographic shifts in the composition of academia with the advent of women and minorities. The shift of attention to the ways in which humans imagine themselves and envision their social universes helped to instill a new critical awareness of the matters of faith that had hitherto remained unspoken and unexamined. The postmodernist movement stirred many stagnant waters, but it left them muddied.

On the opposite side, the field of social science fell under the domination of neoclassical economics and its formalistic emulators in other disciplines. The structures underpinning this situation are not too different from the erstwhile influence of astrology. A healthy dose of Swiftean parody may be in order here. Astrology before modern times, like economics today, was established expertise. It enjoyed the ears of the rulers in virtually all civilizations, East and West. It brought generous remuneration because the highest remuneration is commanded by the experts in the areas of highest human uncertainty and anxiety. In the imperial and feudal political structures based on the familial control of rent, the greatest elite anxieties were associated with dynastic succession and rapidly turning luck in warfare. In much the same way, capitalist anxieties derive from uncertain investment choices, market volatility, and the popular opposition that their operations occasionally generate. Astrology, like neoclassical economics, both functioned as ideological disciplines conforming to the common sense of the contemporary dominant classes. Astrology at its heyday, however, was more than merely a reflection of elite ideology. At its best, astrology was a highly mathematized discipline based on centuries-long accumulation of empirical observations which became the foundation of modern astronomy. Since things turned out as predicted only about half of the time, practical forecasting was subtly corrected by intuition and political acumen. A successful astrologer had to master the demeanor of an astute courtier. Much the same applies to practicing business advisers and government economists in our day.

In times of crisis and resulting political polarization economists and political scientists will find plenty of opportunities to do something new. There will be whole new fronts of pathbreaking research, for instance, in the alternative organization of markets. The dismissal of market possibilities was a major theoretical and practical mistake of twentieth-century leftist movements. We treat with great respect the intellectual legacy of Joseph Schumpeter. But what will be the future uses of his theory of entrepreneurial dynamism? Who or what could play the role of entrepreneurs in the future, even beyond the crisis of capitalism? Is it possible to harness entrepreneurial energies toward more market creativity and less destruction?

No less seriously we take Karl Polanyi's idea of 'fictitious commodities', like land, money, and human life, that cannot be traded. In the twenty-first century "land" broadly means the environment, "money" is global finance, and "human life" stands for the internationalization of the costs of social reproduction through the public support of decent and affordable healthcare, education, housing, pensions, and not least, physical security of our cities. Can a postcapitalist world economy be structured into sectors operating on different principles: the priority of social reproduction in the sector of broadly construed public utilities and the priority of market effectiveness in the sector of consumer goods and services? Moreover, the postcapitalist economic systems may themselves not be static. Periodic reversion to market economies with private property, in some degree or another, may well occur in the future. The world may see yet more swings between capitalist and noncapitalist arrangements of the economy. This too will have to be managed.

No less politically harmful than the aversion to markets is the aversion to the directing power of states. Far from coincidentally, the neoconservative restoration during the last decades of the twentieth century in the wake of collapses on the political left, relentlessly challenged state powers through deregulation and globalization. Capitalists grew suspicious of "Big Government" for the quite real reason that modern states potentially could be captured by the non-elite citizens—in democratic elections, street insurrections, or both—and used for the noncapitalist purposes of market regulation and social redistribution. Big welfare state had to be tolerated, to a degree, immediately after 1945 for the sake of resumed peace. But by the 1970s many capitalists, especially in America, had become emboldened by the opportunity to defeat the left and roll back postwar compromises. Now a major question for theorizing is whether the modern bureaucratic state can play a good role, bad role, or no role at all in steering our collective affairs through times of crisis and the looming systemic transformation. This big question falls into many subordinate questions, practical issues, and theoretical paradoxes that remain to be explored. Social scientists will have plenty of intellectual work of crucial importance in rising to these challenges.

Coda

This quintet of authors gathered to sketch the range of destinations where the world may be headed. We have summarized and refocused on the future many arguments from our previously written volumes. Intentionally, this is not a single-tune quintet. The hope was to achieve counterpoint and provoke each other into pursuing the implications of our individual themes. We have included the complexities, caveats, and dissents. We have not avoided the dramatic, even thunderous notes. Such tonalities seemed warranted by the enormity and gravity of the main themes. The coming decades will be anything but usual: that is, usual in the perspective of the last 500 years. The collective trajectory of humanity is taking a big turn, but not necessarily for the worse.

A rising note of optimism emerges in the finale. A big crisis and transformation, whatever its scenario, does not mean the world is coming to an end. There is no reason to believe, on the basis of the accumulated understandings of sociology, that history will ever end, as long as there are human beings connected in social organization. The direst scenarios involving a world nuclear war or environmental collapse, fortunately, seem avoidable precisely because collective extinction has been widely regarded as a real danger for some decades now. The end of capitalism is not a catastrophe of that sort. A crisis in the bearing structures of the modern world's political economy is far from a doomsday prediction. Ultimately, the end of capitalism is a hopeful vision. Yes, it comes with its own dangers. We must remember how early twentieth-century attempts to foster anticapitalist alternatives in response to crisis developed totalitarian tendencies and ended in bureaucratic inertia. Nor should we forget how directly these anticapitalist projects arose from the state machineries and personnel constructed in the world wars. The crucial political vectors in the coming decades will have to be curbing militarism and institutionalizing democratic human rights around the planet. An impasse in the political economy of capitalism brings us to historical junctures where what has been long regarded utopian may yet acquire technically feasible foundations in a new kind of political economy. It may yet help us to deal better with threats to our planet's biosphere, and many other tasks that humanity will be facing later in this century.

Those who worry about postcapitalism ushering in a period of deadly stagnation are surely wrong. Those who hope that postcapitalism will deliver a lasting paradise without its own crises are likely wrong, too. After the crisis—and, some of us predict, the postcapitalist transition of the mid-21st century—there will be a great deal happening. Hopefully, much of it will be good. We shall see, and soon enough.

Notes

1 Michael Mann, *Incoherent Empire*. (London: Verso, 2003); Immanuel Wallerstein, *The Decline of American Power*. (New York: New Press, 2003).

2 Randall Collins, *Macro-History: Essays in Sociology of the Long Run*. (Stanford): Stanford University Press, 1999, CA.

3 Michael Mann, *The Sources of Social Power*. Vol. I: *A History of Power from the Beginning to A.D. 1760*. New York: (Cambridge University Press, 1986). Also see the synthesizing essay of Randall Collins "Market Dynamics as the Engine of Historical Change," *Sociological Theory* 8 (1990): 111–35.

4 Giovanni Arrighi, *The Long Twentieth Century: Money, Power and the Origins of Our Times*. (Updated edition). (London: Verso, 2010).

5 More in Craig Calhoun, *Nations Matter: Culture, History and the Cosmopolitan Dream*. New York: Routledge, 2007.