Socio-Economic Review, 2016, Vol. 14, No. 1, 163–183
doi: 10.1093/ser/mwv037
Discussion Forum

Discussion Forum

Does capitalism have a future?

Wolfgang Streeck, Craig Calhoun, Polly Toynbee, and Amitai Etzioni

Abstract

This discussion forum is based on the roundtable discussion at the 27th Annual Conference of the Society for Advancement of Socio-Economics (SASE) hosted at the London School of Economics. The discussion presents recent work on capitalism as an evolving historical formation by Wolfgang Streeck and Craig Calhoun, together with contributions by British journalist Polly Toynbee and SASE founder Amitai Etzioni. Streeck opens with a reflection on major trends of capitalism that now pose ungovernable contradictions and thus point to an end of capitalism as a viable historical formation. Despite these contradictions, Calhoun sees capitalism as unlikely to undergo a rapid breakdown, but likely to generat continued challenges related to financial risks, limited international cooperation, negative externalities and growth of illicit forms of capitalism. Toynbee focuses on how these themes relate to the contemporary situation in the UK, outlining the growth in social inequalities and the weakness of social solidarity needed to generate political constraints on these trends. Finally, Etzioni reflects on the prospects for a post-capitalism, where work and consumption are no longer the central social identity around which social institutions are constructed. Together, the panelists present a bleak picture of the future for capitalism, which is likely to be a period of lasting disorder, where new moral foundations of a post-capitalism remain as elusive as they are necessary.

Key words: capitalism, inequality, political economy

JEL classification: P1, capitalist systems, N10, general, international, or comparative economic history, D63, equity, justice, inequality and other normative criteria and measurement

On the dismal future of capitalism

Wolfgang Streeck*

Max-Planck-Institute for the Study of Societies, Cologne, Germany

**Correspondence*: *streeck@mpifg.de*

The writing is on the wall, and has been for some time; we must only learn to read it. The message is: capitalism is a historical social formation; it has not just a beginning but also an end.[1] Three trends have run in parallel since the 1970s, throughout the family of rich capitalist democracies: declining growth, rising inequality of income and wealth and rising debt—public, private and total. Today the three seem to have become mutually reinforcing: low growth contributes to inequality by intensifying distributional conflict; inequality dampens growth by curbing effective demand; high levels of existing debt clog credit markets and increase the risk of financial crises; an overgrown financial sector both results from and adds to economic inequality etc. Already the last growth cycle before 2008 was more fake than real[2] and post-2008 recovery remains anaemic at best, also because Keynesian stimulus, monetary or fiscal, fails to work in the face of unprecedented amounts of accumulated debt. Note that we are talking about long-term trends, not just a momentary unfortunate coincidence, and indeed about global trends, affecting the capitalist system as a whole and as such. Nothing is in sight that seems only nearly powerful enough to break the three trends, deeply engrained and densely intertwined as they have become.

Moreover, looking back we see a sequence of political-economic crises that began with inflation in the 1970s, followed by an explosion of public debt in the 1980s and by rapidly rising private debt in the subsequent decade, resulting in the collapse of financial markets in 2008. This sequence, again, was by and large the same for all major capitalist countries, whose economies have never really been in equilibrium since the end of postwar growth. All three crises began and ended in the same way: inflation, public debt and private debt initially served as expedient political solutions to distributional conflicts between capital and labour (and sometimes third parties such as raw material producers), until they became problems themselves: inflation in the early 1980s, public debt in a first consolidation phase in the 1990s, and private

1 The following is a condensed and updated version of a longer essay published in 2014 (Streeck, 2014). See also my forthcoming book, *How Will Capitalism End*?, London and New York: Verso, September 2016.

2 Lawrence 'Larry' Summers, chief mechanic of the American capital accumulation machine, at the IMF Economic Forum in November, 2013: 'If you go back and study the economy prior to the crisis, there is something a little bit odd. Many people believe that monetary policy was too easy. Everybody agrees that there was a vast amount of imprudent lending going on. Almost everybody agrees that wealth, as it was experienced by households, was in excess of its reality. Too easy money, too much borrowing, too much wealth. Was there a great boom? Capacity utilization wasn't under any great pressure; unemployment wasn't under any remarkably low level; inflation was entirely quiescent, so somehow even a great bubble wasn't enough to produce any excess in aggregate demand'. Available at https://m.facebook.com/notes/randy-fellmy/transcript-of-larry-summers-speech-at-the-imf-economic-forum-nov-8-2013/585630634864563, last accessed August 12, 2015.

debt after 2008.[3] Today's political fix is called 'quantitative easing': essentially the printing of money by treasuries and central banks to keep interest rates down and accumulated debt sustainable, as well as prevent a stagnant economy from sliding into deflation, at the price of more inequality and of new bubbles in asset markets building and, eventually, collapsing.

The fundamental nature of the crisis is reflected in the extent to which the captains of capitalism have lost orientation and find themselves reduced to devising ever new provisional stopgaps until the next unpleasant surprise catches up with them. The wizards have become clueless. How long can quantitative easing go on? Is deflation the problem or inflation? How does one know a bubble before it blows up? Is growth restored through spending or through cutting back on spending? Is stricter financial regulation conducive or harmful to growth?[4] Until the mid-1970s, growth was to result from redistribution from the top to the bottom; then, when Keynesianism was succeeded by Hayekianism, the opposite was true and markets were to be set free to redistribute from the bottom to the top. Now, seven years after the disaster of 2008, there is still no new growth formula and confusion rules the day. State-administered capitalism has failed—that is, was rejected by the owners of capital as too costly for them, to be replaced with free-market capitalism, which has also failed. For the time being, central banks act as regents waiting for a new ruler. But who would this be, and what would be his recipe for holding the capitalist enterprise together?

I suggest that after more than 200 years, capitalism has become unsustainable as a result of having become ungovernable. Behind this is what has come to be summarily called 'globalization': the expansion of capitalist market relations beyond the reach of government, uniting capitalism while leaving collective political action fragmented. Although this may look like

3 Since then, total debt has further increased: see McKinsey Global Institute (2015). Much Keynesian rhetoric is deployed to talk down the risks inherent in this, although the debt is non-Keynesian in that it has been cumulative for decades.

4 An interesting case is that of Paul Krugman, the favourite ideologue of the 'Keynesian' centre-left. Responding in the New York Times (November 16, 2013) to Summers' 'secular stagnation' *pronunciamiento* (see Footnote 2), he begins by paraphrasing Keynes as having said, 'spending is good, and while productive spending is best, unproductive spending is better than nothing'—from which he derives the claim that 'private spending that is wholly or partially wasteful' could be 'a good thing'. For illustration, Krugman continues, 'suppose that U.S. corporations, which are currently sitting on a huge hoard of cash, were somehow to become convinced that it would be a great idea to fit out all their employees as cyborgs, with Google Glass and smart wristwatches everywhere. And suppose that three years later they realized that there wasn't really much payoff to all that spending. Nonetheless, the resulting investment boom would have given us several years of much higher employment, with no real waste, since the resources employed would otherwise have been idle'. Concerning bubbles, 'we now know that the economic expansion of 2003–2007 was driven by a bubble. You can say the same about the latter part of the 90s expansion; and you can in fact say the same about the later years of the Reagan expansion, which was driven at that point by runaway thrift institutions and a large bubble in commercial real estate . . .'. This, according to Krugman, has 'some radical implications', among them, following Summers, that 'most of what would be done under the aegis of preventing a future crisis would be counterproductive' under the new circumstances. Another implication would be that 'even improved financial regulation is not necessarily a good thing' as it 'may discourage irresponsible lending and borrowing at a time when more spending of any kind is good for the economy'. Moreover, it might be advisable 'to reconstruct our whole monetary system – say, eliminate paper money and pay negative interest rates on deposits' etc. http://krugman.blogs.nytimes.com/2013/11/16/secular-stagnation-coalmines-bubbles-and-larry-summers/?_r=0, last accessed August 4, 2015.

the final victory of capitalism, which to an extent it is, it also and at the same time foreshadows its demise. Unlike what Mandeville promised in his 'Fable of the Bees' (1988 [1714]), and what Adam Smith suggested with his less provocative metaphor of the 'invisible hand' (1993 [1776]), the capitalist conversion of private vices into public virtues underwriting a stable society worked only in the presence of strong formal and informal institutions restraining the market's 'order of egoism' (Dunn, 2005) and subjecting it to social discipline. By outgrowing the collective capacities to govern it, that is to say, capitalism has won a Pyrrhic victory. That there is today no alternative to it, no globally united anti-capitalist force, is as much a predicament for capitalism as it is a blessing. Note that in crucial moments in capitalism's history, it was its opposition that stabilized it as a society: regional, national or religious movements preserving social cohesion and thereby enabling cooperation and exchange in good faith, or trade unions and social-democratic welfare states securing sufficient demand and social reproduction through political intervention.

The simultaneous disappearance of government and opposition in contemporary capitalism makes for a cumulative breakdown of system integration which, in turn, is driving an accelerating transformation of social integration (Lockwood, 1964). Global ungovernability has caused a deep erosion of social regimes on the frontlines between capitalist markets and what Karl Polanyi has called the three 'fictitious commodities', labour, land and money. While capitalist development, according to Polanyi, must ultimately aim to commodify everything, it can proceed only as long as it is prevented by society from forcing under its logic what it can fully commodify only at its own detriment. Protecting labour, land and money from the dynamics of capitalist development requires government; 'governance' is not enough (Offe, 2008) to keep capitalism from going too far and thereby undermining itself.

Today regime erosion is blatant with respect to nature, where the fragmented politics of global capitalism has proved unable to contain the consumption and destruction of the natural environment. Similarly, the competitive production of money by governments, central banks and financial firms has become a potent source of uncertainty and a permanent threat to systemic stability. As to labour, traditional postwar employment regimes designed to protect workers and their families from excessive market pressures are disappearing in leading capitalist countries, giving way to precarious employment, zero hours jobs, freelancing and standby work in global firms like Uber that function almost entirely without regular employees.[5] Employment risks are being privatized and individualized, while life and work become indistinguishably fused. Unions are becoming irrelevant, or never come into existence in new industries and countries. Thus there is nothing to soften the impact of technological change proceeding faster than ever to reorganize work, or disorganize it, like artificial intelligence rendering a broad band of middle-class occupations redundant and thereby destroying the middle-class way of life (see Randall Collins, 'The End of Middle-Class Work: No More Escapes', pp. 37–69 in Wallerstein *et al.*, 2013).

In a previous article (Streeck, 2014), I have identified *five disorders* of contemporary capitalism that I consider beyond repair, each of them standing for a different aspect of system

5 On Uber as an example of evolving employment conditions, see 'Rising Economic Insecurity Tied to Decades-Long Trend in Employment Practices', *The New York Times*, July 12, 2015, http://www.nytimes.com/2015/07/13/business/rising-economic-insecurity-tied-to-decades-long-trend-in-employment-practices.html?smid=li-share&_r=0, last accessed on August 4, 2015. According to the report, more than 160 000 people in the USA alone depend on Uber for their livelihood, only 4000 of which are regular employees.

disintegration: *secular stagnation,* which is the culmination of the long decline in growth rates[6]; *oligarchic neo-feudalism,* merging political and economic power not just in Russia, Ukraine and China but also in the West, particularly in the USA,[7] and de-coupling the fate of the rich from that of the poor; *the plundering of the public economy*, which had once been both an indispensable counterweight and a supportive infrastructure to capitalism, through fiscal consolidation and the privatization of public services (Bowman *et al.*, 2014); *systemic de-moralization*; and *international anarchy*. For reasons of space, I will briefly elaborate on the latter two points only.[8]

First, de-moralization. Unlike in the Mandevillian *Fable*, under financialized capitalism private vices have become public vices as well, depriving capitalism of its last—consequentialist—moral justification. Stylizing owners and managers of capital as trustees of society is not even tried any more, their much publicized exercises in philanthropy notwithstanding. A pervasive cynicism is now deeply engrained in the collective common sense, which as a matter of course regards capitalism as an opportunity structure for the well-connected superrich to become even richer. Cheating in pursuit of profit is assumed to be normal and fails to excite moral outrage. This holds true especially in finance where the highest profits are made by circumventing or outright violating legal rules, on insider trading, mortgage lending, rate fixing or whatever.[9] In the USA alone, banks had, by June 2015, agreed to pay about 100 billion dollars in out-of-court settlement fees for legal infractions in connection with the 2008 financial crisis

6 A frequently applied rhetorical device to downplay the magnitude of the growth crisis, in particular in the aftermath of the 2008 financial collapse, has been to designate the so-called BRICS countries—Brazil, Russia, India, China and South Africa—as the future growth centers of global capitalism. One might remember, however, that the label, BRICS, was invented by a Goldman Sachs commercial paper salesman in the early 2000s, as a brand for a new investment fund. In the meantime the five countries have not just failed to contribute to the global coordination of the capitalist economy, by beginning to take over the responsibilities of the increasingly irresponsible declining hegemon, the USA. They also have now been in crisis themselves, even China with its falling growth rates and share prices, rapidly growing debt and systemic corruption.

7 Where, according to the *New York Times* of August 1, 2015, it was 'fewer than four hundred families' that were 'responsible for almost half the money raised in the 2016 presidential campaign, a concentration of political donors that is unprecedented in the modern era'. By late July of the pre-election year of 2015, total campaign contributions already amounted to 388 million dollars. 'Small Pool of Rich Donors Dominates Election Giving', The New York Times, http://www.nytimes.com/2015/08/02/us/small-pool-of-rich-donors-dominates-election-giving.html?_r=0, last accessed August 12, 2015.

8 Although stagnation is at least as severe a disorder as the others. Politically it means that the growing surplus population in the rich capitalist countries, including the second- and third-generation immigrants, will have no chance to catch up with the—shrinking—core of the still well-to-do. The same applies to the lost generation in the Mediterranean and the aspiring middle classes in the expanding territories governed, or not governed, by failed states. If capitalism is based on anything, however, then on hopes for a better life in the future. This it has in common with Christianity. In addition to 'never-ending growth', other promises on which faith in capitalism and its financial system depends include 'inconsequential externalities, universal abilities, perpetual productivity increases, inexhaustible demand, unquenchable consumption . . . and the sustainability of mountains of debt. None of these are true in the real world . . . ' (http://uklife.org/2015/01/15/promises/, last accessed on August 12, 2015).

9 On management salaries, see Neckel (2014). Also consider professional athletics, which has become a huge global industry in recent decades, financed mostly by advertisement for consumer goods. In major disciplines, including swimming and track and field, not to mention cycling, one can safely

(*Frankfurter Allgemeine Zeitung*, June 29, 2015). None of these cases ever went to trial and nobody had to go to prison, testifying to the deep empathy of the legal system with the need for financial institutions to break the law in order to make a profit.[10] Add the lawyers' fees to the settlement fees to get a sense of the fines that would have been due after conviction in a regular trial—and take into account that very likely, a goodly share of both will for tax purposes legally be declared as business expenses.[11]

Second, historically capitalism has required a stable international order maintained by a hegemonic power, that role having moved from Florence via the Netherlands to Britain and, in the postwar era, the USA. When the position of hegemon was contested or vacant, like in the first half the twentieth century, conflict was rampant, accompanied by severe economic disruption. Since the 1970s, the USA have been increasingly less able and willing to provide for the collective goods a capitalist hegemon is expected to deliver; instead, they have become parasitic on the global economy. A cooperative solution of the problem of international order, for example through power-sharing between the USA and China, is not in sight. On the periphery of the capitalist world system, the USA have lost several wars in succession, and democratic-capitalist development, or 'nation-building', has failed in large parts of the world. Instead of the postwar project of a comprehensive system of sovereign states covering the entire globe, large and growing territories have become stateless. In many of them, fundamentalist religious movements have taken control, rejecting modernism and international law, and seeking an alternative to the consumerism of contemporary capitalism that they can no longer hope to bestow its blessings on their countries. Increasingly, they find allies in the global North, in particular immigrants from the South, who respond to their social and economic exclusion by carrying the wars of the periphery into the centre.

How can capitalism end without a new society waiting to take its place? To understand this, we must abandon the idea of an orderly succession of social formations: the historical-materialist expectation that a society dies by giving birth to a new, more advanced one, including the Bolshevist fallacy of a social order ending only by a different social order being put in place by the central committee of a victorious revolutionary party. At the same time, we must also beware of falling victim to a contemporary equivalent of what might be called the *Ravenna illusion*: the deep conviction of the ruling classes of the fifth century Western Roman Empire in the preordained immortality of their civilization, unshakeable even after their territory had been reduced

assume that top competitors routinely use the services of specialists providing them with illegal, performance-enhancing treatment.

10 The American Attorney General of the time, Eric Holder, had during his tenure (from 2008 to 2014) been on leave from a law firm representing Wall Street firms. Before joining the Cabinet he had made about 2.5 million dollars a year. In 2015 he reassumed his partnership. See 'Eric Holder, Wall Street Double Agent, Comes in from the Cold', *Rolling Stone*, July 8, 2015. http://www.rollingstone.com/politics/news/eric-holder-wall-street-double-agent-comes-in-from-the-cold-20150708, last accessed August 12, 2015. Of course, President Obama, who appointed Holder, drew one-third to one-half of his campaign contributions from the financial industry.

11 To understand the order of magnitude, remember the legal action taken by American prosecutors with enormous publicity in early 2015 against the Swiss-based international football association, FIFA, for unspecified charged of corruption. FIFA's entire revenue in the 6 years in question had been around 5 billion dollars, of which perhaps 1 billion was used illegally (although exact amounts have as yet not been specified). This would be 1% of the settlement fees by which US banks bought themselves free from prosecution.

to the tiny city of Ravenna on the Adriatic coast whose surrounding swamps granted them a final reprieve while the Germanic hordes were busy sacking Rome and the empire's Western provinces. Convinced that life could not but eventually return to what it had always been, Rome's ruling families in their Ravenna refuge occupied themselves with elaborate intrigues over the imperial succession.[12] Learning from their example that optimism may sometimes result from no more than a lack of imagination, we may consider the possibility that a social order may issue, not in another order, but in lasting disorder—in a historical epoch of uncertain duration when, in the words of Antonio Gramsci, 'the old is dying but the new cannot yet be born'.[13]

What may life be like in a time like this? According to Gramsci, the breakdown of a social order in the absence of a successor may give rise to 'an interregnum in which pathological phenomena of the most diverse sort come into existence'[14]—in other words, to a society devoid of coherent institutions capable of normalizing the lives of its members and protecting them from accidents and monstrosities of all sorts. Life in an interregnum is characterized by a lack of structural determinacy,[15] making it unpredictable. Its society fails to provide its members with reliable templates around which they may organize themselves: instead it demands constant improvisation, making individuals substitute strategy for structure—offering rich opportunities to oligarchs and warlords of all sorts while forcing the majority to live in insecurity, uncertainty and anomy, much like the long interregnum that began in the fifth century and is now called the dark age.

System integration in contemporary capitalism has given way to unstable change that has yet to crystallize in a new, stable order. Turbulence and immobility, dynamics and stagnation have become close correlates. The social character bred by this sort of social structure (Gerth and Mills, 1953) is that of a de-socialized, intendedly self-sufficient, *individualistic individual*, relying on self-policed neoliberal *governmentality* (Foucault, 2008) to compensate for the absence of *government* and the weakness of *governance*. Social structure in an indeterminate social world emerges from, or better: is replaced with, the improvisations of self-interested individuals surrounding themselves with self-made networks of opportunistic relationships—an *Ersatz* society of users rather than members, constructed from below, that appears to have grown out of a libertarian wealth of alternatives and is sold ideologically as a large adventure playground while in fact reflecting a destructive absence of social order.

The broken society of the post-capitalist interregnum is one devoid of normative legitimacy—one that has turned responsibility for itself over to the individually rational choices of its members, leaving them uninstructed in making such choices. While this may be and is presented as liberation, in the reality of post-capitalism the place of social norms and institutions is taken by *greed and fear* as the ultimate mechanisms of social control. Together they power the *self-economization* and *self-marketization* of individuals adapting to unpredictably changing circumstances, among other things by relentless competitive investment in their 'flexibility' and 'human capital', so as to maximize their fitness for the imagined meritocracy of a 'free' market in a world of exploding inequality. Self-reliance becomes the order of the day, even though and precisely because some have much more self to rely on than others.

12 See Gibbon (1993 [1776]), Volume 3, pp. 218 ff.

13 From the Prison Notebooks: 'La crisi consiste nel fatto che il vecchio muore e il nuovo non può nascere . . .'.

14 '. . . in questo interregno si verificano i fenomeni morbosi più svariati'.

15 Similarly, see Calhoun in the excellent book of Wallerstein *et al.* (2013).

Under post-capitalism, private profit-making continues, even though in the shadow of uncertainty in an anomic society with decaying institutions, declining coherence, successive crises, and ongoing local and more-than-local conflicts and contestations. Mass cooperation with capital accumulation is driven by a culture of competitive consumption that, apart perhaps from large parts of Asia where it seems to be based in collective conformism, must be vigilantly protected against being subverted by post-materialist value change, if not by shrinking spending power. The life of individuals in the post-capitalist *sauve qui peut* interregnum follows the behavioural prescriptions of neoliberal doctrine (Dardot and Laval, 2013), which means that it is bound to burn to the ground the foundations of a successful society and economy. Social life cannot be reduced to economic life, and economic life is not possible outside of a society. Proposition 12 of Etzioni's *Moral Dimension* (1988, 257) applies: 'The more people accept the neoclassical paradigm as a guide for their behaviour, the more their ability to sustain a market economy is undermined'. The future of capitalism is bleak.

References

Bowman, A., Erturk, I., Froud, J., Johal, S., Law, J., Leaver, A., Moran, M. and Williams, K. (2014) *The End of the Experiment*, Manchester, Manchester University Press.

Dardot, P. and Laval, C. (2013) *The New Way of the World: On Neo-Liberal Society*, London, NY, Verso.

Dunn, J. (2005) *Setting the People Free: The Story of Democracy*, London, Atlantik Books.

Etzioni, A. (1988) *The Moral Dimension: Toward a New Economics*, New York, The Free Press.

Foucault, M. (2008) *The Birth of Biopolitics: Lectures at the College de France, 1978–1979*, London, Palgrave Macmillan.

Gerth, H. and Mills, C. W. (1953) *Character and Social Structure: the Psychology of Social Institutions*, New York, Harcourt, Brace.

Gibbon, E. (1993 [1776]) *The Decline and Fall of the Roman Empire. Three Volumes*, New York, Alfred A. Knopf.

Lockwood, D. (1964) 'Social Integration and System Integration'. In Zollschan, G. K. and Hirsch, W. (eds) *Explorations in Social Change*, London, Houghton Mifflin, pp. 244–257.

Mandeville, B. (1988 [1714]) *The Fable of The Bees: or, Private Vices, Publick Benefits*, Indianapolis, IN, Liberty Fund.

McKinsey Global Institute. (2015) *Debt and (Not Much) Deleveraging*, London, San Francisco, Shanghai, McKinsey & Company.

Neckel, S. (2014) 'Oligarchische Ungleichheit. Winner-take-all-Positionen in der (obersten) Oberschicht. WestEnd', *Neue Zeitschrift für Sozialforschung*, **20**, 51–63.

Offe, C. (2008) 'Governance: "Empty Signifier" oder sozialwissenschaftliches Forschungsprogramm?' In Schuppert, G. F. and Zürn, M. (eds) Governance in einer sich wandelnden Welt. Politische Vierteljahresschrift, Sonderheft, Bd. 41, pp. 61–76.

Smith, A. (1993 [1776]) *An Inquiry Into the Nature and Causes of the Wealth of Nations*, Oxford and New York, Oxford University Press.

Streeck, W. (2014) 'How Will Capitalism End?', *New Left Review*, **87**, 35–64.

Wallerstein, I., Collins, R., Mann, M., Drerluguian, G. and Calhoun, C. (2013) *Does Capitalism Have a Future?*, Oxford, Oxford University Press.

The future of capitalism

Craig Calhoun*

London School of Economics, London, UK

**Correspondence: c.calhoun@lse.ac.uk*

Does capitalism have a future? Of course, it does. But it is not necessarily pretty. Wealth can be generated in evermore extensive and intensive ways even in a world full of crises and challenges. And because capitalism is the dominant economic system in the world, it could continue to contribute to climate change, conflict, inequality and instability. But this does not mean it will collapse. The USSR collapsed as a state following a long period of stagnant growth and expensive arms race. This was bracing, perhaps a warning to other states, but not necessarily a model for the end of capitalism.

Much critical engagement with capitalism has focused on its internal contradictions and potential collapse. Contradictions are real and collapse is possible, but the language is misleading. We speak of the collapse of the Roman Empire, but this took 300 years of decline, instability and conflict. We speak of the collapse of feudalism, but it would again be more accurate to see a long process of transformation as feudal structures were less able to organize social, economic and even military life, and less able to reproduce key elements of their power structure while gradually states and what we now call capitalism grew.

Capitalism has already proved that although it is prone to generating crises, it is not merely a short episode between feudalism and socialism, as the Communist Manifesto implied. It has endured much longer than Marx and Engels thought, and along with the nation-state system dominated global geopolitics and economics for some 400 years. It may well last much longer—but this continued existence could be marked by both growing systemic difficulties internal to capitalism and upheavals beyond capitalism that are exacerbated by it and pose challenges to it.

Capitalism is more than just markets or economics in general. It is a system of production based on ever more intensive deployment of capital and pursuit of productivity (and profit)—and hence a driver of both expansion and technological and organizational innovation. It is a system of relations between states and other economic actors in which states guarantee forms of property, security of contract and regimes of accumulation. Together these make it a system that drives not only expansion, but also accumulation and concentration of capital.

But capitalism is not always the same. In the first place, it always exists in social and political contexts, not in a ‘pure’, abstract form. In the real world, capitalism is always shaped by state support, regulation and mediation of conflicts; states may carry the costs of capitalism’s negative externalities. In addition, capitalism’s internal character varies. Of most immediate importance, since the 1970s, capitalism has seen a dramatic ascendancy of both finance and service work. Industry has not disappeared any more than land lost all value during the industrial revolution. But where perhaps a quarter of capital was held in the form of financial assets 40 years ago, the figure now is about three-quarters. There has been similar proportionate growth in service employment. There may yet be a productivity revolution in service work—though in what proportion that will bring freedom and opportunity (probably only for an elite) or only low wages and unemployment (for the rest of us) remains to be seen. The claim that we are moving into a 'sharing economy' points to some new developments, but fails to address basic structural dimensions of capitalism.

To be sure, there is also variation in the forms of enterprise. The development, expansion and international spread of corporations have been remarkable innovations. Corporations may be organized through legal fictions—as artificial persons 'without a soul to damn or body to kick'—but also as basic social institutions. Firms are almost as important as states. So ubiquitous are corporations (even though legal regimes vary) that it is now hard to recall capitalism before corporate capitalism. More recently, however, corporations have themselves have become commodities bought and sold. From IPOs to mergers and acquisitions, this has enriched financial institutions. It has also made both capital markets and labour markets less stable. And it has brought a real cost in social solidarity. This is shaped by a decline in long-term employment, undermining of ties between firms and their localities, and financial pressures—ever more intensive and short-term—against the provision of health care, pension and other benefits to employees.

Likewise, capitalism in any one time or place may be shaped more or less by entrepreneurs and the formation of new enterprises. Entrepreneurs were crucial to the rise of merchant capitalism and in the industrial revolution. They were important in the 'gilded age', not just among the robber barons but also in launching a host of family businesses. And entrepreneurs played a central role in the rise of new industries in the last 40 years. There should be appreciation for the creative, enterprising spirit of entrepreneurs. But we should not be blinded by either the hagiography of individuals or the celebration of entrepreneurship in general to think that entrepreneurial successes are quite as individualistic as the ideology suggests. Entrepreneurs depend on social networks and whole ecologies of support from universities to venture capitalists. Much of the achievement of technology firms in the last 40 years has been grounded in commercializing scientific advances that were funded by governments during the cold war—and then, quite remarkably, made publicly available with no claim to property rights by the government on behalf of citizens.

The term entrepreneur can be used so elastically as to encompass both those acquiring great fortunes by building companies in Silicon Valley and those working at a near subsistence level as contractors in new service economy businesses—like drivers organized through online booking agencies. Typically paid a fee for each service, these are entrepreneurs only in the same sense that 'independent' knitters and weavers were during the industrial revolution. As mechanization of spinning and expansion of markets drove up demand, knitters set up shop in their own homes, often enlisting family members as assistants. They provided their own equipment, sometimes bought on credit, including knitting frames (machines that were human-powered but able to produce much more than simple handwork). They sold their work to intermediaries who ran 'putting out' businesses, distributing thread to knitters and collecting finished cloth. As intermediaries, these were arguably the 18th and early 19th century counterparts to Uber and other firms organizing services through 'apps'. Framework knitting was initially a good occupation, requiring only modest skill though intense concentration and physical labour. But it was an easy business to enter and knitters were eventually driven to work longer and longer hours both to repay their capital costs and to support their families. The creators of self-exploiting tiny businesses, more stable small businesses and 'start-ups' that might grow with venture capital and successful public offerings are all important. However, lumping them under the single term 'entrepreneurs' can be misleading as can an overly rosy picture of the 'sharing economy'.

Not least of all, states may themselves pursue capitalist ends like expansion of markets and accumulation of capital. They may either own capitalist firms or actively try to manage capitalist enterprise and finance. Even countries in which liberal capitalist separation of state from market was celebrated have used such models. The US accomplished projects like rural electrification partly through state-owned enterprises and partly through preferential financing and state-guaranteed monopolies. Railroads that were initially private ventures were in many countries consolidated as public service companies. Only rarely was there clarity about whether to run them as for-profit firms (thus subsidized the state) or as services funded partly by the state. Still, they demanded investment and generally became more capital-intensive. More strikingly, the Soviet Union was arguably as much an example of state capitalism as of socialism. And today, China is arguably the model for a capitalist future in which the boundary between state and economy is not celebrated—as it has been in the ideology of liberal capitalism. State-related enterprises and direct state organization of finance may be as basic to the near-term future of capitalism as, say, entrepreneurs.

Still, capitalism works. Certainly it only works more or less, and not always as well or in the ways we might wish. But it works well enough that it need not reach an end at any specific point. It is a good bet that it will still dominate global economics tomorrow, next year, and when the next crisis comes. But, capitalism is not an order of nature. It is a humanly created historical system. So, it will change. It will likely end, change beyond recognition or continue to exist. It will almost certainly lose its capacity to dominate.

Capitalism is good at some things, not others, and actively bad at some. It is good at creating wealth and driving innovation, indeed extraordinarily good. Even Marx and Engels praised capitalism for this (though they thought it was important at some point to say 'we have enough, let's concentrate on how wealth is shared'). Capitalism's capacity to create wealth is why less developed countries are betting on it today. But by comparison, capitalism is bad at equitable distribution. It is not necessarily worse than all other systems: feudalism and slave societies are hardly models of equitable distribution of wealth. But arguably because capitalism depends on consumer markets it needs distribution of wealth to survive. It thus operates in an uneasy (or outright denied) collusion with trade unions and other mechanisms that increase returns to labour and with states that ensure some levels of distribution of wealth. High employment industries may make distribution of wealth (and thus funding of consumer markets) easier; the erosion of industrial employment makes this harder, at least temporarily.

Of course, capitalism's extraordinary ability to generate wealth is not counterbalanced only by problems of distribution. Capitalism also produces the opposite of wealth—which is not poverty but what John Ruskin called 'illth'. Illth is bad stuff: accumulation of waste, pollution of air and water and even climate change offer good examples. But so do erosions of social solidarity and mutual support systems. States often step in to deal with illth and other negative externalities of capitalism. This is what Karl Polanyi analysed as the 'double-movement' of capitalism that led to the rise of the welfare-state. There are also market-based solutions, however, like insurance companies. And philanthropy is also sometimes important, channelling privately accumulated capital to public purposes. But one way or another, illth and negative externalities demand attention.

So, what challenges capitalism now?

There is still risk—indeed high probability—of systemic financial crises. Addicted to finance and growth, the world continues to hope that the source of so much recent upheaval can become the source of salvation from it. The dominance of finance in contemporary capitalism ties every country into a global system that has risks built into its very architecture. Some apparent solutions—like the spreading of risk through markets for derivatives—create new and intensified risks. So far, 'financial engineering' has helped create great fortunes but it has not produced the equivalent of bridges that do not collapse. And when financial crises have come, the prevailing pattern of response is to turn private problems into public ones—for example by nationalizing the toxic assets of failing banks. And yet we do not know what to do except invest.

Risk can be mitigated, though this depends on both good analyses and organizational will. Financial markets, instruments and contractual agreements are extraordinarily complex. Unfortunately, the financial system is poorly understood even though it is the product and object of brilliant research. This reflects not just complexity, but the extent to which the study of finance is bound up with the production of 'financial engineering' products that can actually work in practice. For example, unrealistic assumptions like unlimited liquidity are embedded into algorithms that price derivatives (and indeed to some extent organize derivatives markets). This is not an error; it is a way of accomplishing effective pricing—except in those times where liquidity limits do become significant, in which cases the system is prone to crisis.

Both the complexity of the global financial system and its systemic risk are increased by organizational factors. The system is not the product of some moment of rational planning. It grew by accretion and incremental if rapid change. Different actors set out to solve different problems: expanding mortgage availability to expand home ownership, for example, or attracting funding to new business ventures, or building transportation and communication infrastructures. These are organized through different firms and government agencies. There is innovation in law (derivatives are contracts) as well as in finance per se, so different professions are involved with their different perspectives. The development of regulation usually lags, but so does the development of organizational competence even in private firms. Senior executives may not have full understanding of what subordinates—say traders—are doing and how it creates risks. 'Silos' separate different functions within firms, for example, and give different knowledge and incentives to traders, risk officers and general managers.

The risk is also exacerbated when international regulation and risk management is weak. This can also be a problem of inadequate understanding (and inadequate access to information, which is largely in the hands of firms with proprietary interests in it). But there is a deeper problem. International cooperation is weak on a number of different dimensions and policy areas, even while it is as crucial as ever. The financial crisis showed how difficult it was to generate effective cooperation for changes to financial processes, not just at the global level but even within Europe—which found its institutions unexpectedly inadequate even after decades of development. The Bretton Woods institutions face new challenges, including a proliferation of alternative mediators of global finance from the BRICs bank to the Asian Infrastructure Investment Bank led by China and the US development of alternative regional trade agreements. But insufficient international cooperation in finance is mirrored by weaknesses in other areas: refugee and security policies are notable examples at the moment. In any case, difficulty organizing effective and efficient regulation and support institutions for global finance multiplies risks. But the risks do not just concern financial collapse. They concern the possibility that no solutions will be found to paying for the costs externalized by capitalist firms.

Another challenge for capitalism, also made evident in the financial crisis, is the huge scale of what we might call 'unofficial capitalism'. This is wealth and flows of wealth that are unrecorded or incompletely recorded, and perhaps more importantly unregulated or ineffectively regulated.

Some of this derives from organized crime, including trafficking in drugs, arms and people. But some of it derives simply from tax evasion. Whatever the provenance of illicit capital, it amounts to trillions of euros trading in dark or at least obscure markets, and sometimes mingling with more legitimate capitalism in destabilizing ways. The flow of Russian money into Cyprus before the crisis of 2012–2013 was an example. Of course, unofficial economic activity helped many people survived financial crisis and austerity policies. There are relatively benign, small-scale forms of off-the-books enterprise in certain businesses and 'alternative economies'. Even these, however, deprive states of revenues that could be used to finance social expenditure. The impact of large-scale illicit capitalism is much greater.

Diversion of funds into illicit capitalism and weak international cooperation are both factors in widespread destruction of the political and social conditions for capitalism. Even more basically, this is driven by financial capitalism itself and accompanying market fundamentalist ideology. There has been a weakening of welfare states. This is often a matter of explicit state policy. Privatization may be driven by pro-market views, but also by criticism of inefficiencies in actual bureaucracies. It is also often driven by state fiscal challenges, which are in turn shaped by difficulty collecting taxes (not least where it is easy for money to flow across borders). Another way of looking at this is that it costs a lot of money to deal with capitalism's externalities. There are the costs of coping with illth, and there are the costs of providing education, health care, unemployment benefits and community services that not only sustain national populations and thus stabilize society, but also lower costs to capitalist firms—e.g., of skilled and healthy workers.

The weakening of welfare states is only one example of much more pervasive institutional deficits. Corporations themselves can be important social institutions that provide their members with what amount to welfare benefits and even some sense of community. But long-term corporate employment and benefit structures are in decline, subjected to short-term financial market pressures influenced by the ideology of 'shareholder value'. In other words, institutions of basic social importance are being made responsive only to one class of interests—those of investors. Assertions of value for other stakeholders are generally less effective. Other directly economic factors also challenge capitalism, such as unemployment, inequality and slow (or negative) growth. These are potentially disruptive to the capacity to realize profits, but also to social solidarity.

At the same time, we should not underestimate how hard people try to make existing systems work, to find their way to enough material resources and social integration for their own lives. They do this in part by continuing to participate in capitalist system. It is a source of frustration for many, though they do not always identify their personal problems with this systemic source. It also a widespread source of hope—not least in many poorer and developing countries. People continue to seek jobs and start businesses. And this is a matter of emotional attachments as well as economic practicality.

To those optimistic about revolutions, I would stress that these do not often turn out very well. In addition, one distinctive feature of the recent and in some ways continuing financial crisis has been the near-absence of anti-systemic movements. There have been occupations of public spaces, though these have been focused more on failures of government and power of global finance than on capitalism as such. There are populists on both Left and Right, but almost no real socialist mobilization. There are remarkable experiments in local-level alternative economies of barter and mutual support. But there are not large-scale movements for truly transcending capitalism and replacing it by an alternative scalable economic system.

So, what could happen?

Well, yes, capitalism could collapse. If this happens, purely economic calamity will likely be entwined with war and environmental disaster. If any historians survive this apocalypse, they will argue over whether capitalism caused the catastrophe, or only exacerbated other problems like climate change failures of international cooperation or decline in social solidarity.

There could also be technological or other innovation that reinvigorates aspects of capitalism and deals with some of its costly externalities. Opportunities for expansion of capitalism's reach are shrinking as it reaches the whole world. Still, there could be indefinite continued intensification.

The liberal hope that capitalism and democracy are somehow naturally linked is likely to be proven specious. Capitalist democracies may persist, but more state-authoritarian versions of capitalism are at least as likely to prosper. Global integration will not bring homogeneity, but diversity of political, economic and social arrangements.

Governments will attempt to compensate for problems created by capitalist development. This may bring aspects of Polanyi's double movement, but probably not a renewal of the welfare state project—and (perhaps ironically) particularly not in democratic states. How much states can do and how well will depend on how they are linked in international cooperation, at regional as well as global levels. In any case, though, it is important to look at whether compensation for illth and positive virtues of solidarity may be produced in other ways, including in business institutions, philanthropy and social entrepreneurship.

Small achievements in mitigating problems are worth the effort and worth cherishing. But neither reducing inequality nor stemming climate change is easy, and neither is likely without trade-offs with freedom or growth.

What seems very unlikely is a pure collapse or revolutionary transformation creating socialism. If capitalism is to be replaced by a new dominant economic form, this is likely to come about through a prolonged period of ambiguity, difficulty and conflict. The end of capitalism may be more like the end of the Roman Empire or of feudalism than like the end of the Soviet Union. In this context, creating and defending islands of civility, solidarity and relative social justice may be a challenging but crucial project.

Unfettered capitalism eats itself

Polly Toynbee

Commentator for The Guardian, London, UK

In the history of the last century, we have learned that capitalism just is—like the air we breathe. It is an undeniable facet of human nature, part of what makes us ambitious innovators, a force forever reaching out for the new. An animal is happy to be exactly the same fox its forbears were and its cubs will always be. But humans demand never-ending change in pursuit of progress. This impulse is wrongly called 'animal spirits', but it is the human spirit.

That greed for more may be a necessary part of the human condition but it is only one part of human nature—and not necessarily the dominant part either. In constant conflict with that selfish capitalist drive is the other element that makes humans such a successful special: we are strongly social animals. You might call these two impulses the right wing and the left wing parts of the brain, the pro-social versus the pro-capitalist. In a post Marxist era, the risk is that to use the word capitalism sounds as if we are denying this universal impulse.

The question for a thriving society is how to saddle and bridle capitalism with the social impulse, without destroying it? Left alone, capitalism keeps consuming itself—and consuming too many people. The only political question of importance is how do we harness its power for the benefit of the most, all of the time?

After the recent economic cataclysm, the evermore distorting damage done by an under-regulated, galloping capitalism has alarmed even the race-horse owners. The Bank of England governor Mark Carney and the IMF's Christine Lagarde have recently expressed concern that the greatest threat to capitalism is rising inequality. The theme of an entire World Economic Forum at Davos was the danger of inequality to the capitalist system. Who will there be to buy goods if growing armies of the under-paid can no longer afford them—or not without ever growing household debt, swelling again, with all the economic perils that entails? Look at the danger of too much money accumulated in too few hands. What are they to do with it? Vast sums of free-flowing capital belonging to the humungously rich, who look for somewhere safe to put their billowing gains, end up invested into inflated property prices. That is again creating risky asset bubbles, with a knock on effect of unaffordable housing lower down the chain. The worry of Carney, Lagarde, and the Davos folk is not social, but economic. There is a real fear of accelerating bubbles, louder crashes, longer and deeper recessions, each one harder to protect against once debt is already high and interest rates already near zero. That is how uncontrolled freebooting capitalism is creating an inequality that may destroy it.

Now I do not study or write about inequality from a global perspective, so I will stick to what I know best: the UK. Here are some exemplary numbers that show how grotesquely out of kilter wealth and rewards have become in the last 35 years—a time when the bottom 80% have seen their share of national income fall.

Look at pay: there are a higher proportion of low paid workers (people earning under 2/3 of the median) in the UK than in any advanced country except the USA. That is 21% in the UK, 26% in the USA—but Switzerland has 9%, Belgium has just 6% low earners. Those are capitalist countries, but differently shaped, as are the Nordics—not by accident, but by political and economic choices made over the decades.

The 100 richest people in Britain own the same wealth as 19 m of the rest of the population. A third of their wealth is inherited. It would take an average worker 158 years to earn what an FTSE 100 CEO earns in one year. It takes an FTSE 100 CEO just 3 days to earn what an average worker gets in a year. Do they deserve it? Take FTSE 350 directors: their pay has risen 233% since 2000—but their companies' market value has risen just 64% so their pay is unrelated, or negatively related, to their performance. It is rent that they take because they can, with shareholders unable, unaware, or unwilling to stop them.

Government action makes a significant contribution, for better but sometimes for worse. In changes made between 2007 and 2013 in direct cash benefits, the top fifth have gained 42%—mainly through pensions tax reliefs and protection of pensioners, a growing demographic. Meanwhile, the bottom fifth has lost 5% of their cash benefits. (Figures and sources here: http://inequalitybriefing.org.)

Look at real standards of living, not based an average income but the cost of the things the poor spend most of their money on versus the rich. Here a higher proportion of poor incomes go on energy, food and water, and a smaller proportion goes to consumer goods whose prices have often fallen. Based on this approach, the real index compiled by the New Economics Foundation shows poorest households have lost 15%, while the richest 10% have gained 4%.

Meanwhile, we are pulling away from each other as a nation with the young losing out to the old and regional differences in wealth, which are now sharper in the UK than anywhere in Western Europe. Not much about the future looks set to change the trajectory we are on, or to improve social immobility that sees so many stay more or less where they are born. The gap grows wider, not just in money but in perceptions and understanding. Those with power and influence, controlling most levers of opinion, know—and increasing care—very little about the invisible people beyond their ken and that is almost everyone outside the top few per cent. Their known world has shrunk. Though they may see themselves as global players, they are socially myopic.

In our book *Unjust Rewards*, David Walker and I collected focus groups of financiers and City lawyers earning up to £10 m a year. We gave them questionnaires to see if they knew what others earn—but they were clueless. They doubled the level of the poverty threshold (then £11 000 for a childless couple). They put themselves at around the 10% point on the earnings scale, when in fact they were in a group of 0.01% top earners. We had the LSE's Professor John Hills on hand to give them the true facts, but they mostly could not absorb the information. They would not and could not believe that 85% earn too little to get into the 40% tax bracket—£40 000. That only 10% earned above this level seemed impossible to them, in the bubble they inhabited. They kept looking for reasons why the poor deserved their fate, often reasons for blame gleaned from pages of the *Daily Mail*. They produced reasons why their merit meant they deserved their phenomenal rewards. They clung to anecdotes of people they knew or had heard of who had made it from council estate rags to riches in the City, preferring anecdotes of the exceptions rather that statistics that suggest the odds against such upward mobility. Statistically, looking at the GINI coefficient, recessions show an apparent lessening of inequality, as median incomes fall. But the current trajectory looks unlikely to rein in a growing social divide.

Is there a point where it all implodes? I do not know. But most people, of all political persuasions, are alarmed at the idea that it will go on getting worse. Even to hold the level of inequality steady took a Labour government willing to redistribute quite heavily with tax credits and other benefits, and who delivered 1 million fewer poor pensioners and 1 million fewer poor children. But that is now in the process of being put into reverse. The tax credits that redistributed wealth downwards are about to be removed as the government says they are an error, propping up low wages. The minimum wage will be increased, but not enough to compensate 13 million households for the loss of tax credits, thus cutting the living standards of the bottom half again. A deeper cut in housing benefit, despite soaring rents and acute housing shortage, will impose greater hardship.

The question is whether and for how long, a majority of voters prefer to imagine themselves on the winning side of the widening divide, now or in an optimistic future, or whether at some point a majority feels that this kind of unconstrained capitalism is doing them down. We have just had an election where Labour talked a lot about inequality. In polling, their remedies—a mansion tax, abolishing the pernicious bedroom tax—were individually popular, as was taxing bankers' bonuses. In regular polls, some 80% of people say UK inequality is too great. But Labour lost: in the months running up to an election a government that produced nothing but good looking-economic news on growth and jobs, with petrol prices and inflation down is unlikely to be beaten. Most people's pay and living standards are still below pre-recession rates, but they voted for the hope the good news will eventually deliver for them too. Besides, they still blamed Labour for the global crash—as all governments in power at the time were blamed around the world.

But that does not mean people approve of the direction capitalism is headed. In victory, this government may yet over-reach itself in hubris, presuming that people will accept the rich getting ever richer with the poorer left ever further behind indefinitely. If the future outlook for their children in jobs, homes, opportunities and life satisfaction looks worse not better than it did for their generation when they were young, then capitalism's promise will have failed. Never-ending growth, improvement for all, novelty and success is the promise, but that greed for more must always be tempered by the other essential human need, to live together as social animals, in collaboration and community.

The next industrial revolution calls for a different economic system

Amitai Etzioni

The George Washington University, Washington, DC, USA

**Correspondence: etzioni@gwu.edu*

Capitalism needs to be replaced by a different economic system for many reasons; I will focus here on one that has been getting much less attention than the rising intra-national inequality. Namely, that capitalism in the near future will be unable to provide many more millions of people with the amount and kind of work—jobs—they need in order to purchase the goods and services whose production by capitalism has made it a popular economic system. (One may refer to it as 'the legitimacy of affluence'.) Moreover, the expected loss of jobs also means that those people who build an important part of their identity around their work, derive meaning from it, and structure their life around it, will be alienated. In effect one can see already these trends as the economic recovery in USA, UK, and other developed nations, is job poor, and jobs that pay less than the old ones, especially if benefits are also included in the calculations.

Particularly compelling are predictions that account for the fact that the new 'industrial revolution' is driven by artificial intelligence—that is, by advanced computers that can replace not only manual labour, but also skilled labour in fields such as medicine, law and education. Many lawyers are finding their jobs replaced by computers. Industrial jobs currently performed by manufacturing labour, often of the kind protected by unions that offered a gateway into the middle class, is reported to be cut by 22% by 2025 as a result of increased reliance on cheap, but technologically advanced robots. The Economist predicts that 'Were the market for higher education to perform in future as that for newspapers has done over the past decade or two, universities' revenues would fall by more than half, employment in the industry would drop by nearly 30% and more than 700 institutions would shut their doors'.

A particularly telling example is the robots that are replacing anaesthesiologists. This is a very tedious job, given that 99% of the time the tasks that must be done are routine and boring, but rare failures can be very damaging. Robots do not mind checking the patient's vital signs every split second; they can remain fully mindful of the situation even if the surgery lasts many hours, they do not get distracted, and controlled substances or alcohol do not affect them. In short, robots are ideally suited to replace most anaesthesiologists, which would largely eliminate a very well-paying job. (One would expect a human anaesthesiologist to supervise several robots, to set their dials, and to deal with alarms in the event that they sound.) Meanwhile, bank tellers are less necessary now that online banking is common; travel agents have been replaced by websites that aggregate flight, car, and hotel rental prices and facilitate easy booking directly by the consumer; and large numbers of clerical and other white-collar jobs 'once thought to require people' have been lost to improving technologies.

Similar fears of and opposition to new technologies arose during previous industrial revolutions, the classic example being the Luddites. However, in earlier cases in which technological advances destroyed old jobs, these novel technologies also created a similar number of new, better-paying and less menial jobs. However, nothing in economic theory suggests that there is an iron law or an identifiable mechanism to ensure these new jobs will materialize following any and all major technological breakthroughs. This time, advanced computers are replacing human labour and eliminating well-paying, desirable jobs, while generating few new ones. To illustrate, Kodak once employed more than 145 000 people to manufacture its film and camera products and to develop photos at various retail establishments; in 2010, a team of merely 15 technology-savvy individuals created Instagram, which facilitates the exchange of digital photographs.

If predictions are correct that new, well-paying jobs will not materialize in numbers similar to those lost to computers, the consequences will extend well-beyond massive unemployment. Already, there is evidence that high unemployment, especially in the middle class and among people who have completed post-secondary education, will cause major social and political stress.

1. Marx and Maslow's good society

Karl Marx and Abraham Maslow provide key clues as to what kind of society (and economy) might arise if technical developments will further undermine capitalism by killing many jobs. Marx believed '. . . society will produce in 6 h the necessary surplus, even more than now in 12 h; at the same time everybody will have 6 h of "time at his disposition," the true richness'. He dreamed of a day people would spend the much extended non-work day fishing, filing (which he thought was needed if citizens are going to replace the state) and in social action.

Abraham Maslow famously argued that humans have a hierarchy of needs. At the bottom are basic human necessities; once these are sated, affection and self-esteem are next in line, and, finally, we can reach the pinnacle of human satisfaction by attending to what he calls 'self-actualization'. It follows that so long as the acquisition and consumption of goods satisfies basic creature comforts (such as safety, shelter, food, clothing, health care and education) then rising wealth is contributing to genuine human contentment. However, once consumption is used to satisfy the higher needs, it turns into consumerism, an obsession focused on purchasing products and services which in turn require hard labour.

Around the time of WWII, economists held that individuals have fixed needs. Once satisfied, people would allocate additional income towards savings rather than consumption.

Economists noted that the American productive capacity had greatly expanded during the war. They feared that with the end of the war, the idling of the assembly lines that produced war-related materials would lead to massive unemployment because there was nothing that the assembly lines could produce what people needed, given that fixed, peacetime needs were sated.

However, in the decades that followed WWII, industrial corporations discovered that they could 'manufacture' artificial needs for whatever products they were marketing. For instance, first women and then men were taught that they smelled bad and needed to purchase deodorants. Men, who used to wear white shirts and grey flannel suits, learned that they 'had to' purchase a variety of shirts and suits, and that last year's wear was not proper in the year that followed. Soon, it was not just suits but also cars, ties, handbags, sunglasses, watches, and numerous other products that had to be constantly replaced to keep up with the latest trends. More recently, people have been convinced that they have various illnesses (such as restless leg syndrome) that require the purchase of medications. When capitalism becomes job poor, most people will be unable to purchase items to service manufactured needs. They hence will either shift to other sources of contentment—or become very frustrated and rebellious, as we have seen most dramatically in Greece but also in many other nations.

I cannot stress enough that the quest for a new characterization of the good life is a project for those whose creature comforts have been well and securely sated. Urging such a project on individuals, classes or societies that have not reached that stage of development is to promote what sociologists call 'status acceptance', to urge the 'have-nots' to love their misery. It is to provide a rationale to those who 'have' all they need and more—and who deny such basics to others. The issue is for those who have their creature comforts well covered, but cannot find jobs that will allow them to purchase flat TVs, fashionable cloth etc.

2. True flourishing: a communitarian, postmodern society

There are three major sources of non-materialistic contentment that are not job centred because these sources of contentment are very familiar. They are briefly summarized as follows.

2.1 Meaningful, lasting relationships

Spending time with those whom one shares bonds of affinity—children, spouses, friends, members of one's community—has often been shown to make people happier. Indeed, approval by others with regards to whom a person is bonded is a main source of affection and esteem, and is Maslow's second layer of human needs. However, more is involved in engaging in social relations than simply making the ego happy.

Derek Bok writes that 'several researchers have concluded that human relationships and connections of all kinds contribute more to happiness than anything else'. Conversely, people who are socially isolated are less happy than those who have strong social relationships. As one study put it, 'Adults who feel socially isolated are also characterized by higher levels of anxiety, negative mood, dejection, hostility, fear of negative evaluation, and perceived stress, and by lower levels of optimism, happiness, and life satisfaction'.

2.2 Community involvement

Researchers who examined the effect of community involvement (as opposed to merely socializing with friends or family) also found a strong correlation with happiness. One study, which evaluated survey data from 49 countries, found that membership in (non-church) organizations has a significant positive correlation with happiness. Other studies have found that individuals who devote substantial amounts of time to volunteer work have greater life satisfaction.

Political participation, too, yields the fruits of bonding and meaningful activities. This is particularly true when the political climate is perceived as fair and, thus, even those whose preferred candidates are defeated feel as though they had an opportunity to have their political preferences considered. Also, research has found that adolescents who have a greater commitment to contributing to society or pursuing some meaningful end have positive experiences of greater depth and intensity than their less politically engaged peers.

2.3 Transcendental pursuits (religious, spiritual and intellectual)

Extensive evidence indicates that people who consider themselves religious, express a belief in God, or regularly attend religious services are more content than those who do not. According to one study, agreement with the statement 'God is important in my life', was associated with a gain of 3.5 points on a 100-point scale of happiness. (For comparison, unemployment is associated with a 6-point drop on the same scale.) Other studies show that Americans with a deep religious faith are healthier, live longer, and have lower rates of divorce, crime and suicide. In their 2010 book American Grace, Robert Putnam and David Campbell reported that 'a common finding [of happiness researchers] is that religiosity is among the closest correlates of life satisfaction, at least as strong as income'.

There is little research on transcendental activities other than religious pursuits. However, the evidence that exists indicates that participation in activities that have profound meaning to the individual is associated with happiness.

3. Historical precedent

In seeking alternatives to labour intensity, consumption-centred capitalism, one can turn to historical movements and previous cultures and modes of legitimacy that eschewed consumerism and viewed the good life as based on other core values. For centuries the literati of imperial China came to prominence not through acquisition of wealth, but through pursuit of knowledge and cultivation of the arts. In traditional Jewish communities, studying the Torah was considered the preferred way of life.

In the 1960s, a counterculture movement rose on both sides of the Atlantic Ocean. Many of these movements and communities sought to buy out of both the consumption and work system of capitalism and to form an alternative universe committed to ascetic life, while dedicating themselves to transcendental activities, including spiritual, religious, political or social elements. They sought to replace most consumption rather than to cap it and graft it on a different society. This seems to be one key reasons these various, different movements and communities failed to lay a foundation for a new contemporary society—and practically all of them either disintegrated, shrivelled or lost their main alternative features. It seems that most people cannot abide an ascetic, severe and austere life in the longer run. Hence, it seems that if the current environment calls for a new attempt to form a society less centred around consumption, the endeavour will have to graft the new conception of a good life onto the old one. It should seek not to replace consumption, but to cap and channel some its resources and energy, and apply them to other pursuits. When one knows that income can be capped without frustrating basic human needs is a question Maslow helps in addressing.

4. Contributions to sustainability and social justice

Obviously, a good life that combines caps on consumption and work with a dedication to communitarian pursuits is much less taxing on the environment than consumerism and the level of work needed to pay for it. This is the case because most consumeristic activities require relatively few scarce resources, fossil fuels or other sources of physical energy. Social activities (such as spending more time with one's children) require time and personal energy but not large material or financial outlays. (Often those who spend large amounts of money on their kids' toys or entertainment bond less with them than those whose relations are less mediated by objects.) The same holds true for cultural and spiritual activities, such as prayer, meditation, enjoying and making music, art, sports and adult education. True, consumerism has turned many of these pursuits into expensive endeavours. However, one can break out of this mentality and find that it is possible to engage in most communitarian activities quite profoundly using a moderate amount of goods and services. One does not need designer clothes to enjoy the sunset or shoes with fancy labels to benefit from a hike. The Lord does not listen better to prayers read from a leather-bound Bible than to those read from a plain one, printed on recycled paper. In short, the transcendental society is much more sustainable than consumer capitalism.

Much less obvious are the ways the capped culture serves social justice. Social justice entails transferring wealth from those disproportionally endowed to those who are underprivileged. A major reason such reallocation of wealth has been surprisingly limited in free societies is that those who command the 'extra' assets tend also to be those who are politically powerful. Promoting social justice by organizing those with less and forcing those in power to yield has had limited success in democratic countries and led to massive bloodshed in others. However, one must expect if those in power were willing to embrace the capped culture, they would be much more ready to share than otherwise. This thesis is supported by the behaviour of middle class people who are committed to the values of giving and attending to the least among us—values prescribed by many religions and by left liberalism. This important thesis requires a whole distinct study and is included here merely to mention a major side benefit of the new culture, rather than document it.