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The end of capitalism?

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ESSAY

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INTRODUCTION

Historical sociologists like myself are good at predicting the past, but the future is another matter. It is especially difficult to predict the future of macro-institutions like the nation-state or capitalism. It becomes easier if one believes that the institution in question is a “system” with its own internal logic of development, its own cycles, its own contradictions. Then we could identify the logic of development and project a likely future. Many do believe this is possible in the case of capitalism. Neo-classical economists believe that capitalism involves regular business cycles with an inherent tendency to move toward equilibrium. So after the present difficulties of capitalism, there will be recovery, then another crisis and recovery etc., probably on an overall upward trajectory of development. Those who perceive deeper, less frequent but more threatening cycles, like Kondratieff or Schumpeter, have also seen them as having some internal regularity and (in the case of Kondratieff) predictability. Even Keynes did not deny that in the long-run, equilibrium would be re-established, though with a little help from the state. Marxists also see capitalism as having an inner logic of development, but they see it as possessing systemic contradictions that will eventually bring it down. This is most evident today in world systems theory, whose leader is Immanuel Wallerstein. For many Marxists the main

uncertainty is what will succeed capitalism (for they have lost confidence in a socialist future). Given recent events, doom scenarios for capitalism are currently increasing in popularity beyond just Marxian circles.

I cannot share these confident visions of the future, whether optimistic or pessimistic. This is for three reasons. First, my general model of human society does not permit such confidence. I do not conceive of societies as systems but as multiple, overlapping networks of interaction, of which four networks – of ideological, economic, military and political power relations – are the most important. Geopolitical relations can be added to the four as a distinctive mix of military and political power, the mix varying between what are conventionally called “hard” and “soft” geopolitics. Each of these four or five sources of power may have an internal logic or tendency of development, so that it might be possible, for example, to identify tendencies toward equilibrium, cycles, or contradictions within capitalism, just as one might identify comparable tendencies within the other sources of social power. Take, for example, the cycles of attack versus defense, or mobility versus solidity, or the continuous escalation of fire-power, all of which are internal tendencies of military power relations; or the long-term growth of the modern state, or the replacement of empires by nation-states, which are predominantly tendencies internal to political power relations. Ideologies, however, have distinct cycles of development, according to whether a dominant ideology seems to “work” or not, and which of the alternative ideologies currently on offer as a solution to crisis is adopted.

These different dynamics are “orthogonal” to one another. That is to say, they interact but not in a systematic way. This means that we can only identify up to a certain degree “internal” dynamics within a power source, since each is not absolutely autonomous from the others, and the development of each affects the development of the others. Once we admit the importance of such interactions we are into a more complex and uncertain world in which the development of capitalism, for example, is also influenced by ideologies, wars, and states. This makes predicting the future much more difficult.

Second, complexity is heightened by the fact that planet earth is a big and varied place, in which nation-states and macro-regions differ considerably from each other, so that general economic tendencies affect some countries and regions much more than others. There is now a really serious capitalist crisis in Greece, but only a minor one in neighboring Turkey, and almost none in China. These differences might also generate a different trajectory of world-historical development, not of the collapse of capitalism, but of China and Turkey overtaking the United States and Europe.

The third problem is that we human beings are not rational calculating machines. Sometimes we face complex problems to which there are no obvi-

ous solutions; sometimes we are driven not by instrumental rationality but by what Weber called value rationality, sacrificing personal calculative interest to an overall ideology; and sometimes we are driven by strong emotions, overpowering reason. Our actions are often unpredictable. In the 20th century humans often took decisions which seem to us today to have been irrational – going into two devastating world wars or seeking a utopian total transformation of human society, socialist or fascist. There is no reason to think that the twenty-first century might be different.

Thus, the best I can do is less prediction than positing possible alternative scenarios. I will consider whether the end or decline of capitalism might be nigh for America, for the West, for the whole global economy, or for the whole planet earth. Some of my scenarios will be more optimistic than others, some will have more coverage of the earth than others, with the likelihood of each being affected by capitalism's complex interactions with other sources of power and their crises. I will try to assign some degree of probability to these scenarios, though these are really only rough guesses. I will discuss the future of capitalism in both the short-term and long-term, beginning with the short-term possibility that the present Great Recession might lead onto the collapse of capitalism.¹

THE GREAT RECESSION 2008–

So will the present recession worsen and even set in motion forces that might bring down capitalism? I first summarize its causes. Most of these were predominantly internal economic causes, as we might expect since these were economic events and capitalism does have a degree of “internal” logic. But some causes came from outside the economy, and some were rather contingent. In this crisis (as in the Great Depression, which began in 1929) an initial problem turned by stages into something greater as it found out and exacerbated other weaknesses, hitherto overlooked, some economic, some not. The recession began as primarily an American problem in which several causal chains came disastrously together. First, American hegemony and consequent global imbalances enabled the government and ordinary Americans to borrow vast sums of money from abroad at negligible interest rates, building up debts that eventually proved unsustainable. Second, the consequent increase in interest rates burst the mortgage bubble and this triggered the first actual shock. However, this causal sequence also required input from politicians’

1 I discuss this recession at greater length in my *The Sources of Social Power*, Volume 4: *Globalizations, 1945-2012*, New York, Cambridge University Press, March 2013.

ideological commitment to creating a “property-owning democracy”, a nation of home-buyers. This was aggravated by a period in which prudent financial regulation had been demolished, and in which inequality in the United States had been grossly widening. Both of these last two causes were inspired by the conjunction of neoliberal ideology with bankers’ and top managers’ political power. This can be partly attributed to an American shift from manufacturing to financial services which helped make short-term “shareholder value” the main corporate goal. Similar causes operated in the United Kingdom, for finance capital and neoliberalism were dominant in both countries. These causes were not so pronounced in most other countries, though the German ideological phobia concerning inflation (caused by the historical myth that inflation had caused the rise of Hitler) was compatible with the policies urged by the Anglophone neoliberals, and German economic power within Europe transmitted this fiscal conservatism across the continent. Military power did not matter in the Great Recession (unlike the Great Depression, in which the consequences of World War I had been destabilizing), but ideological and political power did.

These pressures then found out the folly of the whiz kids of the financial services sector. Their mathematical equations had led them to a misplaced confidence in abstruse financial instruments with less and less relationship to the real economy. They had converted the ideology of neo-classical economics into mathematical models of risk, falsely believing that economies are purely market systems all of whose principal parameters can be precisely calculated and predicted. Almost no one had foreseen that the various elements of risk might cascade on top of each other to bring the whole down.

Crisis was then diffused internationally because America, its economy, its dollar, and its mathematical economists remained hegemonic in the world. The decline in US economic activity especially affected countries with debt problems and also countries that were major US trading partners but which had been “virtuous”, not seduced by debts or greatly widening inequality, neoliberalism, or finance capital, like Germany and France. Closer scrutiny by frightened investors then found out sectors and countries whose debts were also revealed to be unsustainable once the recession and capital contraction started. In 2007, just before the recession, IMF figures for European states show that only Greece and Italy had public debt levels slightly higher than their GDPs. The average level of government debt across the EU was slightly lower than among the OECD countries as a whole (71% to 73%). Only in Greece was the level of government debt the real problem. In Ireland, Spain, and Italy (as in America and Britain) it was private debt that had rocketed – though the main weakness of the Italian economy was its low level of productivity. These

economies all had different weaknesses that might not have been found out without the American-driven financial crisis. But when recession struck and was worsened by austerity policies, lesser economic activity meant lesser revenues, and so government debt now rocketed everywhere.

The crisis in Europe then worsened when the recession found out a quite extraneous weakness of the eurozone, which turned the recession into a major sovereign debt crisis, caused in the first place by the zone's own internal imbalances. There had been a big outflow of capital from the richer EU countries to the poorer ones, with the Greek government contributing a dose of fiscal dishonesty. But this crisis had only intensified because of the enthusiasm of the elites of the 17 eurozone countries – not their peoples and not the remaining 10 EU countries – for deepening the Union through a common currency without ensuring adequate backing of the euro by a central bank with treasury and fiscal functions. This was a structural political weakness. The elites knew they would not be able to adequately back up the euro if weaker countries the size of Italy or Spain went to the wall. But as convinced Europeanists they had taken this risk, since their national electorates would have rejected any proposal to create a single treasury, and they knew this because the voters had opposed milder deepening of the EU in each of the last three national referenda held in eurozone countries. For these elites political ideals had trumped their economic sagacity to produce a terrible policy mistake. The European crisis was then worsened by the depth of the austerity programs being pushed for different ideological reasons by both Britain and Germany and forced on the weaker European economies. A contingent conjunction of different economic, ideological, and political causal chains still threatens to cascade into a much worse “double-dip” recession.

However, the Great Recession spread very unevenly around the world (as had the Great Depression, too). From World Bank data on GDP growth we can see that almost every country had a difficult 2008 or 2009. In this brief phase the crisis was indeed global. It then deepened in the United States, and across Europe as far east as Russia and its eastern neighbors, and to some poor indebted countries. But by 2010 numerous countries had bounced back to achieve, astonishingly, their highest GDP growth rates of the 21st century – including important countries like Brazil, Mexico, Turkey, Nigeria, Canada, Malaysia, Korea, and Singapore. India and Indonesia recovered to almost their previous highest levels, while China's official growth rate fell from about 10% to 8%, still the envy of the world! All these countries except for Canada are what we used to refer to as “underdeveloped” countries. Most of them had learned the lessons of the structural adjustment decades ago and had built up reserves to avoid large debts to foreigners. Those countries which had not acted

in this way were worse affected. Canada escaped because its newer extractive industries meant a lesser role for the banking sector, which it also kept tightly regulated. That might have been enough for escape in other countries. If this became a systemic crisis, it was one that could have been evaded by different policies. Indeed, many countries got out quickly because they had different structural arrangements, some economic, some political, some ideological. The main structures that worked were: corporatist or developmental states (South Korea); economies whose strong growth did not include a large financial sector (most of them); little neoliberalism (most of them); or merely having prudent policies, such as the avoidance of foreign debt (most of the Asian cases) or maintaining strict regulation of finance capital (Canada). Almost the whole of South and South East Asia plus Oceania, a very large macro-region, was little affected for these reasons and also because this region traded heavily with China (important for the Australian recovery). As in the Great Depression the right policies could minimize the damage, the wrong policies could worsen it. The politics and ideologies that flourish within different macro-regions matter for the outcome. Thus, the sovereign debt crisis of the eurozone came as the diffusion of the American crisis interacted with different causal chains – the distinctive political rhythms and institutions of the European Union, and the ideological preference for austerity and avoidance of inflation of German (and British) elites. The internal logic of capitalism in many developing countries would intrinsically lead to further growth. If there is a threat to this it comes from outside, from the self-induced weaknesses of America and Europe.

Will the present crisis worsen and engulf almost everyone? If the eurozone collapses, that would obviously be terrible news for its countries, and it would also have a major global impact on trade and investment. It would immediately hit hard the non-eurozone European countries, like the United Kingdom, since they trade with and invest in the eurozone more than anywhere else. The hit would also reach across neighboring countries, from Russia through the Near East and North Africa, as well as to America, a major trading partner of, and investor in, Europe. South America would suffer as well, especially from a collapse in the Spanish economy. If both the EU and America experienced economic contraction, then the effect on global trade would be severe since they provide almost half of world GDP and the level of economic globalization is now higher than ever. India and especially China would also find their exports decline significantly. That would indicate a systemic crisis of capitalism, worse than the “double-dip” recession predicted by many. Yet even so, it would probably be worse in the West than among the developing Rest.

The eurozone countries may be able to cobble together a financial fix, since it is the elites, not the masses, who control the EU, and by now the elites

have realized that they have common interests in finding a solution, at almost any cost. The problem is that the financial resources now available to bail-out or stimulate the economy are less than in 2008. I emphasize, however, that human action and political will matter considerably, which means we cannot predict the outcome. However, if many more countries take the neoliberal austerity route through this recession, as proposed by American Republicans and actually implemented by the British Conservative government, and if the inflation-phobia of Germans reinforces this, then another Great Depression, this time more globally systemic, might follow. If, however, the Europeans act in their collective interests and if countries take the more Keynesian route being advocated by the French government of financing a stimulus (partly by higher taxes on those who are more able to pay), then this might prevent further worsening. In either case, recovery would probably eventually happen. Whether recovery would ever restore full employment is something I will discuss later. So on balance I do not think this will worsen to produce a capitalist collapse. The worst might be another Great Depression, followed again by a slow, halting recovery; the best might be a quicker recovery, especially in many non-Western countries.

AMERICAN HEGEMONY AND ITS DISCONTENTS

It is possible that America will suffer the greatest economic decline in the near future. Decline is not yet visible. The American share of the world's total GDP remained virtually static from 1970 to 2005 as the United States successfully exploited the advantages of having the dollar as the reserve currency of the world. A relative decline has occurred since then, largely a product of the higher growth of India and China, but the dollar remains almighty, America can still borrow unlimited cash at an interest rate of lower than 2%, and in most years it still out-performs Europe and Japan in economic productivity and growth. Barry Eichengreen has guessed that the dollar will remain as the world's reserve currency until some date soon after 2020 (Eichengreen, 2009). The us also has 48% of the world's military expenditure, its highest ever percentage; and it retains its dominance over patents, Nobel prizes, elite universities, and popular culture. America remains hegemonic, for better or for worse.

It will not last, of course, and premonitions of decline are just beginning to haunt Americans. Its gigantic military has experienced what are in effect defeats over the last decade. Its political and ideological power relations have reached near-crisis level. Rising divisive inequality has been deliberately encouraged by politicians. The merging of top management and big corporate investors (especially the bosses of insurance and pension funds) so that they are essentially

paying themselves exorbitant salaries and bonuses (on which they only have to pay 15% rather than 35% tax rates) also grossly widens inequality. The combination of regressive taxes, corporate plundering, and anemic economic growth has led to economic recession and to ideological alienation.

But American alienation is not currently leading toward a political solution, since it has generated two opposed notions of what should be done. One, led by the Republican Party, blames government for the economic ills of the country and proposes to reduce its size, its regulatory powers, and its taxes in order to restore a market-driven prosperity. Its preference for austerity measures as a way out of recession makes it uncomfortably close to the “liquidationist” strategy which deepened the Great Depression. The other solution, proposed by liberal Democrats, blames big corporations and banks, symbolically labeled as “Wall Street,” and proposes more government regulation, more redistributive taxes, and a more state-sponsored Keynesian path to growth through increased public expenditures. Struggle between these rival ideologies is producing a stalemated polity, worsening the crisis.

Republicans’ proposals of austerity for the masses but prosperity for the rich are seen by them as job-creating measures, but the rich do not consume much. Instead they save, producing capital surpluses and lower interest rates, encouraging the consumer debt which brought on the recession in the first place. This threatens the basis of the mass consumer demand economy on which American wealth has rested in the post-war period. Republican ideology has also turned increasingly against science, which does not bode well for the future of America. The Republicans are more united over economic policies than are the Democrats, whose main problem is internal divisions. This has allowed the Republicans to dictate recent policy agendas. Republican leaders used to be ideological in their rhetoric but pragmatic in their actual policies. But free-market fundamentalism is more resonant in American popular culture than is state interventionism. In the post-war boom period real economic policy took the form of “commercial Keynesianism”, state-steered markets, a compromise between market and state. But the political rhetoric of the time, especially on the Republican side, focused almost entirely on free markets and free enterprise. Americans had actually got a large state, but they pretended they had not. So appealing to free markets has a political edge today because it is more ideologically-rooted in America than are appeals to a beneficent state. The electorate as well as the politicians may not be able to embrace useful economic policies.

These weaknesses might bring America down, though Americans remain highly inventive and hard-working, and their industries remain mostly dynamic. They might be able to put their ideological, financial, military, and

political houses back together again. If they don't, then when the dollar loses its reserve currency status, Americans will be less able to borrow and their military will decline unless they are willing to pay much higher taxes – which seems unlikely. us hegemony will end sooner or later in this coming half-century, and the end might not be graceful.

But that need not cause a systemic crisis of capitalism. The successor to American hegemony is unlikely to be another single hegemonic Power – not China, not India, not any other individual state. Their growth rates are stratospheric now but they will inevitably decline toward more normal levels once they reach a more mature level of industrialism and post-industrialism. They will also have crises of their own to surmount. No country will be as powerful in the future as the us has recently been. Human society will be in uncharted waters, moving toward more multi-power politics and to a coordinated basket of reserve currencies. This has been the normal state of affairs in human history and it has not served the world economy too badly. It was accompanied in the first half of the 20th century by devastating war, but there are now reasons to believe that inter-state war is a thing of the past – especially when Americans lose their enthusiasm for war.

But that list of countries given above that have so far escaped lightly does reinforce the sense that economic power is shifting from the old West to the successfully developing countries of the Rest of the world, including most of Asia. The likeliest scenario in the medium term is a sharing of economic power between the us, the European Union, and the four BRICS (Brazil, Russia, India, and China). Since the BRICS' economies – and especially Russia and China – contain more state regulation than most Western countries – and especially the United States – the capitalism of the medium term is likely to be more statist.

THE EXHAUSTION OF CAPITALIST MARKETS?

Now I shift to the long term. So far I have depicted major crises of capitalism not as singular and systemic but as cascades of distinct causal chains, both economic and non-economic, piling unexpectedly on top of each other, sometimes rather contingently. So far crises have also struck unevenly across the world and they have been responsive to shifts in geo-economic and geopolitical power. Previous crises have not really signaled world system weaknesses. Instead they indicate geographical shifts in power within global capitalism and within global geopolitics.

However, world systems theorists do not rely on previous crises when envisaging the end of capitalism across the globe. They identify secular tendencies of capitalist development that they believe may doom it in the

future. They argue that there are finite limits to capitalism's ability to sustain profit and employment. They firstly cite the geographic limits of planetary markets, which are inexorably filling up the planet. Capitalists in the advanced countries solved the problem of slower growth by exporting manufacturing to places where cheaper, less regulated labor yielded them greater profit. This is what has been called the "spatial fix" to capitalist crisis (Harvey 2001). Jobs were moved from the American North to the American South, then to Latin America, then China, then Vietnam, and the process will continue into Africa and central Asia. So what happens when all these regions are absorbed and capitalist markets fill up the Earth?

Immanuel Wallerstein suggests that it takes about 30 years from the entry of major investment in a rural country to get workers sufficiently organized to force wages up and capital out. So when the Earth has filled up, labor costs will be high everywhere and profits will fall. Capitalists will try nonetheless to reduce wages but they will now be dealing with a globally-organized working class. It will resist, producing a global crisis of capitalism (Wallerstein, 2013). Another version of this bleak future is posited by Randall Collins. He focuses on the coming export of middle class intellectual labor to other countries of the world, generating mass unemployment even among the hitherto privileged middle classes. So far, he says, Western countries have been able to cope with the exporting of manufacturing jobs by increasing the middle class labor market. But this cannot continue as global competition in this sector also intensifies: "no more escapes", he concludes (Collins, 2013). Of course, such scenarios will take a while yet. Only a part of the enormous populations of India and China have as yet been absorbed into a minimally regulated industrial or post-industrial economy. That will surely take more than Wallerstein's 30 years. Moreover, the process hasn't yet begun in Africa or central Asia, so that fill-up may take up until the end of the 21st century, especially since population growth is projected to continue until near the end of the century and it will be greatest in the poorest countries.

There is also an alternative scenario. If there is no cheap labor left in the world, capitalists could no longer reap super-profits from this source, but the higher productivity of labor and increased consumer demand in newly-developed countries might compensate for this and produce a reformed capitalism on a global scale, with more equality and social citizenship rights for all. This would not mean the end of capitalism but rather a better capitalism in which the whole planet would enjoy the kinds of rights enjoyed by workers in the post-World War II West. After all, in that period the vast bulk of the wealth of the advanced countries was created through trade and production among themselves, not with the rest of the world (oil excluded). The boom of the

postwar period came mainly as a result of a high productivity/ high consumer demand economy of the advanced countries themselves. It did not mainly depend on highly exploited Southern labor. Why should this not be so in the future, but for the whole world?

More fundamentally perhaps is that new markets need not be restricted by geography. They can also be created by cultivating new needs. Capitalism has grown adept at persuading families that they need more cars, bigger and bigger houses, more and more electronic devices. Whoever dreamt of this fifty years ago? What will our grandchildren consume fifty years from now? We cannot begin to envisage their consumer fads, but we can be sure there will be some. Markets are not necessarily fixed by territory. Planet Earth can be filled and yet new markets can be created. That, of course, depends on what some have called the “technological fix” (Silvers, 2003), which is more or less what Joseph Schumpeter called “creative destruction” which he identified as being the core of capitalist dynamism – entrepreneurs pour money into technological innovation, which results in the creation of new industries and the destruction of old ones (Schumpeter, 1942). The Great Depression in the US was partially caused by the stagnation of the major traditional industries, while the new emerging industries, though vibrant, were not yet big enough in absorb the surplus capital and labor of the period. That was achieved in World War II and the aftermath, which then suddenly released enormous consumer demand that had been held back by wartime sacrifices.

So the vital question now is whether another technological fix is occurring or is likely to soon occur. There are new dynamic industries, such as micro-electronics and bio-technology. But the problem is that so far they have not been big enough to provide a satisfactory fix, especially of the labor market in the West, where they tend to be more capital- than labor-intensive. The decline of manufacturing industry in much of the West has generated unemployment there that the newer industries have not been able to much reduce. Recent innovations like computers, the Internet, and mobile communication devices do not compare with railroads, electrification, and automobiles in their ability to generate profit and employment growth. The “Green Revolution” has been the recent exception, providing a great boost to agricultural production, mainly in the poorer countries. Also important has been the expansion of the health and educational sectors, which are more labor intensive and in which the labor is more intellectual and more middle class. Their expansion is likely to continue, as the length of life, and especially of old age, and educational credentialism, continue to increase – though as Collins observes, it is impossible to imagine an economy based overwhelmingly on such sectors.

For the moment global job growth is still continuing. Economic expansion over the last few decades has actually produced a growth in global employment, greater even than the substantial rise in world population. Between 1950 and 2007 job growth was about 40% higher than population growth. In the OECD countries more people are also working than ever before, though the absolute number of unemployed has also risen because the population is larger and a higher proportion of the population seeks jobs, including far more women. But the global unemployment rate remained fairly stable between the 1970s and 2007, at around 6%. Even through the Great Recession ILO statistics reveal that global employment has continued to grow, though at only half the rate before the crisis and it is unevenly distributed across the world. It fell in 2009 in the developed economies, including the European Union (by 2.2%) and its neighbors, and in the ex-soviet Commonwealth of Independent States (by 0.9%), but it grew in all the other regions of the world. The employment-to-population ratio also fell back in the advanced countries, and in East Asia, but elsewhere by 2010 this ratio was back to the 2007 level. Unemployment remains until now a Western (and to a lesser extent a Japanese) not a global problem.

The West's loss is the Rest's gain, and the world as a whole benefits. Yet the future of labor markets in the advanced countries may be labor shortages, not high unemployment. The length of life is still growing and the birth-rate has fallen below the level necessary to reproduce the population. Europe, Japan, and North America will need substantial immigration to make up the gap. Since these demographic tendencies are likely to continue as other countries become more developed, overall world population is predicted to begin falling in the second half of the 21st century. These are reasons why the fall of capitalism through mass unemployment may in the end not occur.

As Collins observes, there is no necessary reason why capitalism should be indefinitely capable of generating enough creation to compensate for the destruction. There has simply been a long period in which this happened. But equally, there is no necessary reason why creative destruction should end. Who knows what new needs the development process will create? I suggest one further creative sector further below.

But suppose these doom-sayers are correct. This might still produce one of two alternative futures that seem to me to be more likely than capitalist collapse. The first is a rather pessimistic capitalist scenario in which structural employment remains high and a " $\frac{2}{3} - \frac{1}{3}$ " society emerges. Two-thirds are well-educated, highly-skilled, in regular employment, doing quite well, but a third are excluded from this society. The poor might receive enough welfare and charity to keep them from revolting, or they might be repressed. They would be a

minority, so their chances of successful revolution would be small. It is a distinct possibility that the included would not sympathize much with the excluded. They might have negative views of them as worthless drop-outs, scroungers, welfare queens etc. In some countries ethnic or religious minorities would be over-represented among the poor, and negative ethnic/religious slurs would be added to these stereotypes. The excluded might become a hereditary lower class, reinforcing the gulf between included and excluded. Most of the included would vote to maintain this gulf, while many of the excluded would not vote. The extent of welfare might continue to differ across the West, with countries like Sweden and Germany being willing to keep the poor within mainstream society, while countries like the US might not. We can recognize this pessimistic scenario, for it is already present in the United States, and sociologists have perceived its rise in Europe too. It would be the final demise of the working class – but not of capitalism. It would produce an asymmetric class structure such as existed throughout most of history, now with capitalists well-organized, workers divided and less organized. Social institutions survive even when they do not perform very well, unless counter-organization emerges among the oppressed.

The second alternative scenario is more optimistic. It agrees that capitalist markets will fill up the planet and that profit and growth rates will fall. But it suggests that this will stabilize into an enduringly low-growth capitalism. That would not be new, of course. Capitalism's great breakthrough came in 18th and 19th century Britain. Yet the British growth rate never exceeded 2% in any one year. The British success story was, rather, that an average growth of just above 1% per annum continued for a very long time. In the 20th century, however, the pace quickened. Between the wars, the most successful developing countries (Japan, its colonies, and the Soviet Union) achieved historically unprecedented growth rates of around 4%. Then in the late 20th century China and India (and now others) achieved growth rates of around 8%. Though those rates have endured for at least two decades, they will inevitably decline. Then Africa and Central Asia might do even better. But they all have a lot of time before they might be reduced down to the 1% level of the historic British success story. Maybe the American and European rates might decline more quickly to this level, but in the current Great Recession only a few countries have seen negative growth rates, and then only for a year or two. Why should a growth rate of 1% be a capitalist crisis? Why cannot capitalism continue as a low growth global system, which it was for much of its history? The 20th century – more precisely, the period 1945 to 1970 in the West and the end of the 20th century in the East – would then be seen as exceptional. This low-growth scenario would also reduce the role of speculation and downgrade the power of finance capital, with repeats of our present Great Recession (which are at present quite likely)

becoming less likely. Of course, as labor conditions improve throughout the world, that is very good news. Then all of humanity might live in an almost steady-state economy, like the Japanese have already done for the last twenty years. The future of capitalism might not be tumultuous, but boring.

If forced to choose one scenario as the most likely to occur sometime around 2050 (if nothing else in the meantime were to interfere), I would plump for a lower-growth global capitalism spreading more equality of condition across the world but carrying a casually employed or unemployed lower class of somewhere between 10% and 15% of national populations, a mixture of the two scenarios depicted above and very much like the 19th century industrializing countries. I would not predict much revolution. The communist and fascist revolutionary alternatives to capitalism were disasters and almost no one wants to repeat either. Socialism, whether revolutionary or reformist, has never been weaker. Fundamentalist Christianity, Judaism, Hinduism, and Islam are the surging ideologies of the world. In poorer countries brought into the global economy we might expect the rise of socialist or similar movements, but they are likely to become reformist. Modern social revolutions have almost never occurred without major wars destabilizing and delegitimizing ruling regimes. In the two biggest revolutions of the 20th century, in Russia and China, world wars (with different causes than capitalist crises) were necessary causes of revolution. Wars are thankfully in decline around the world – in fact only the US continues to make inter-state wars – and there are no anti-capitalist revolutionary movements of any size in the world. Revolution seems an unlikely scenario. The end really is nigh for revolutionary socialism.

The future may belong to reformist social democracy or liberalism. Employers and workers would continue to struggle over the mundane injustices of capitalist employment (factory safety, wages, benefits, job security, etc.), and their likely outcome would be compromise and reform. Developing countries will likely struggle for a reformed and more egalitarian capitalism, just as Westerners did in the first half of the 20th century. Some will be more successful than others, as was the case in the West. China faces the severest problems now. The benefits of its phenomenal growth are very unequally distributed, generating major protest movements. Revolutionary turbulence is certainly possible there, but if successful it would likely bring in more capitalism and perhaps an imperfect democracy, as happened in Russia.

THE END OF THE WORLD?

Yet all the scenarios I have sketched so far might be thrown out of gear by two other potential crises. Both are absolutely novel and both would be truly

systemic and global. These would not be confined within national or macro-regional borders, since they emerge out of the atmosphere all humans breathe. They remind us that there are other sources of social power that may influence, and even destroy capitalism.

The first global threat is derived from military power relations. It is nuclear war. The severity of this threat is almost completely unpredictable since it depends on a whole sequence of events, any one of which might not happen. So far there have only been two-power confrontations, first the US (and its British and French allies) against the Soviets, then India against Pakistan. In these cases the threat of mutually assured destruction was obvious to the two sides and the response, after a couple of half-crises, was disciplined avoidance of escalation. Nuclear deterrence worked. However, when more than two powers are involved in more complex conflicts, outcomes become more fraught. It was multi-power conflicts in which some could not read the intentions of others that produced both world wars. In the Middle East Israel already has nuclear weapons, Iran is nearing that goal, and that might provoke neighboring Powers to drive for them as well. That would be dangerous for the Middle East, for their neighbors, for much of the world's oil supplies, and even for the whole world. These arms races have little to do with capitalism. If nuclear war did break out, then capitalism would be seen by any survivors as having been only a minor player in the disaster. However, maybe Iran will be persuaded away from nuclear weapons, maybe Saudi Arabia, Iraq, and Turkey would not retaliate by acquiring them, and maybe human reason could even overcome the dangers posed by multiple rival powers armed with nuclear weapons. Still, there remains the possible scenario of terrorists stealing nuclear weapons. Who can predict the outcome here since some terrorists do appear to be motivated by other-worldly goals? Theirs might be the most dangerous ideology ever.

The second systemic crisis is "material" in quite a different sense to capitalism. It is in contrast highly predictable – unless extraordinary evasive action is taken. Climate change is underway (I deal with this in Volume 4, Chapter 12 of *The Sources of Social Power*). The air, sea, and land are warming and there are by now probably also greater fluctuations in weather conditions, all predominantly because of human actions. The threat is global, since greenhouse gas emissions anywhere affect people everywhere. These emissions come flanked by other disaster scenarios: food and water shortages, polar icecap and tundra melting, seawater inundations etc. Millions of people are already dying prematurely as a result of global warming and the survival of a few poorer countries will be threatened within 20 to 30 years unless human societies radically change the direction of their development.

If humanity does act in time to substantially reduce emissions, it has to radically challenge and reform the three major institutions that have achieved such success over the last century. The first one is capitalism – though only because this is now the dominant mode of production in the world. State socialism in its heyday was just as destructive of the environment. As radical environmentalists say, we have to get society off “the treadmill of profit”. This might mean disciplining business through a severe regulatory “command and control” state, or through taxation levied on the throughput of resources in enterprises, or through market mechanisms like stringent “cap and trade” programs, which provide incentives for capitalists to turn toward investment in virtuous low-emissions industries. If such policies were pursued rigorously, capitalism would survive, even if far more regulated. Since many industries are not high-emitters, there need not be united capitalist opposition to such policies. This might also provide another phase of Schumpeter’s “creative destruction” in which low-emissions technologies generated profits and new jobs. Some entrepreneurs are already banking on this and switching into investment in alternative fuels, in wetland and forest preservation, and in other environmental novelties. At present alternative energy technologies do not create more net jobs in the world, but this might change if they became the norm. Net job gains could be made in the alternative technology sector if several conditions were met: rapid technological innovation, rapid progression of economies of scale, global implementation of similar green policies, and perhaps adoption of protectionist measures such as tariffs or local content requirements. Tax policy could also be directed at job-creation. If taxation were levied on the total throughput of non-renewable resources and not on either business or labor in general, as at present, that would encourage the hiring of labor. This could be the next wave of creative destruction. It would certainly destroy the fossil fuel industries.

But not only capitalism has to be reined in. Other sources of social power have to be challenged. We have to rein in a political treadmill, the nation-state’s obsession with growth. All politicians measure national success by GDP growth and yet this increases environmental degradation. Political elites believe that they can only retain power by promoting short-term growth within the period of a single electoral cycle. They are right. A low-emissions regime would certainly reduce growth in the short run, while hopefully increasing it more in the long run, given that in the long run the do-nothing “business as usual” scenario will prove disastrous for the planet and its inhabitants. But who lives in the long run? Politicians certainly do not, nor do electorates. Moreover, politicians and voters still live in the era of nation-state sovereignty in which there is great resistance to any curtailment of that sovereignty by foreigners.

Yet regulation would have to be inter-national, with inter-governmental agreements severely limiting the autonomy of any nation-state to do its own thing. And for this to happen, we have thirdly to rein in the ideological treadmill of “consumption citizenship” according to which the people demand more and more economic growth in order to consume more. This has become a basic principle of citizen rights. Ordinary citizens will have to change their whole culture and life-styles to avert disaster, reducing their consumption level, but disaster appears abstract and faraway – until it actually happens.

The three great triumphs of the modern period – capitalism (economic), the nation-state (political), and the expansion of citizen rights (ideological) – are responsible for the environmental crisis. These causal chains emanate principally from the economy, though as mediated by political and ideological power relations, and the problem is bigger than simply capitalism. All three triumphs would have to be challenged for the sake of a rather abstract future, which is a very tall order, perhaps not achievable. If success were attained, this would reinforce capitalist tendencies toward lower growth. The restrictions would involve much more political regulation, though through international agreements by states acting collectively. It would be a new type of Polanyian swing away from markets to states, not exactly socialist but a new form of market-regulating supra-state collectivism. The present chances of any of this happening seem slight. America is not only unwilling to begin any of these three struggles but it will not sign up to even minor emissions programs; China does embrace emissions programs and its party rulers have the power to press ahead with them, but all their efforts are overwhelmed by the sheer pace of Chinese industrialization – as is also the case in India and other successfully industrializing countries. I would predict that little emissions mitigation will be undertaken until tangible climate impacts begin to strike hard on the world at some point in the mid 21st century.

Things look torrid on the climate front. Perhaps a technological breakthrough might occur. Neither solar nor wind power are at present offering this, but current experiments with cold fusion, or a radically different solar battery, or concentrated solar power using molten salt, might eventually yield significant results – but not “clean coal,” which is just a smokescreen set up by the coal industry. Perhaps the global masses will be stirred up by green movements into persuading politicians into more green policies; perhaps capitalists in low-emissions industries will provide a powerful counterweight to the high-emitters; perhaps entrepreneurs and scientists can jointly pioneer another phase of creative destruction centering on new green technologies. At the moment none of these possibilities are on the horizon. Of course, if there is an enduring global crisis of capitalism, and world production heads

downward, then (after a delay during which already “baked in” emissions will continue upwards) emissions will stop growing and even begin to decline. Conversely, if capitalism, nation-states, and consuming citizens are reined in, then GDP growth will decline through global consensus and everyone will be content with almost zero growth. Every cloud has a silver lining!

But if action is not timely, and climate disaster begins to strike hard, the optimistic scenario would be that at that point the world’s states take coordinated action to impose severe restrictions on capitalism, states, and citizens. Alternatively, if this does not occur, various disaster scenarios can be envisaged, of relatively favored states, richer ones in the North of the world, erecting great barriers of “fortress capitalism”, “fortress socialism”, or “eco-fascism” against the rest of the world; of mass refugee starvation; of resource wars (though perhaps not war between nuclear powers). Whether our successors might call these regimes “capitalist”, “socialist”, “fascist”, or whatever, malice would be their ultimately defining character trait. It is of course impossible to predict what human beings will do when confronted by such a threat.

CONCLUSION: THE END MAY OR MAY NOT BE NIGH

I have presented a model of alternative possible scenarios which I believe is the closest we can get to predicting the future. I have argued that modern society and modern capitalism are not systems. They are influenced by multiple overlapping networks of power, each with their own distinctive causal chains. The most important of these are ideological, economic, military, and political. In their possible future interactions some things are clearer than others. First, the United States is losing its hegemonic position in the world – even its enormous military power does not seem able to achieve national interest goals. This seems almost inevitable: the end of hegemony is nigh. Second, the European Union is in a comparably threatened position, though its present economic difficulties are exacerbated mainly by a single political weakness, the unsupported euro. For Europe almost everything depends on solving this problem, which is primarily one of political and ideological rather than economic power. Third, power in the global economy will continue to shift from the West toward the more successful parts of the Rest and on balance this will involve more political regulation of capitalism. All this is fairly clear.

Further scenarios are murkier. There will probably be a return to the multiple-power-networks of previous eras, this time organized globally. But forces emanating from within the economy will probably not lead into a global crisis of capitalism. It is more probable that global economic growth will slow once a more equal distribution of power in the world is reached – a move perhaps

toward a stable, prosperous, but low-growth capitalist economy. This would be a rather happy prospect for the world except that it might involve a minority “excluded” class of somewhere between 10% and 20% of the population.

However, all of this might be thrown out of kilter by either of two rogue global crises, nuclear war or escalating climate change, the first of these the result of a causal chain emanating from outside of capitalism, the second of a causal chain bigger than capitalism. Either of these might provide the end, not only of capitalism but also of human civilization. The insects would inherit the earth. But finally, in all these affairs nothing lasts forever and policy decisions matter considerably. Humanity is in principle free to choose between better or worse future scenarios – and so ultimately the future is unpredictable.

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