

Global Capitalism

Miguel Angel Centeno and Joseph Nathan Cohen

Chapter I: Introduction

It is the great multiplication of all the productions of the different arts in consequence of the division of labor, which occasions, in a well governed society, that universal opulence which extends itself to the lowest ranks of the people. Every workman has a great quantity of his own work to dispose of beyond what he himself has occasion for; and every other workman being exactly in the same situation, he is enabled to exchange a great quantity of his own goods for a great quantity of theirs. He supplies them abundantly with what they have occasion for, and they accommodate him as amply with what he has occasion for, and a general plenty diffuses itself through all the different ranks of society.

Adam Smith , *The Wealth of Nations*

The need of a constantly expanding market for its products chases the bourgeoisie over the whole surface of the globe. It must nestle everywhere, settle everywhere, and establish connections everywhere. The bourgeoisie has through its exploitation of the world-market given a cosmopolitan character to production and consumption in every country. To the great chagrin of Reactionists, it has drawn from under the feet of industry the national ground on which it stood. All old-established national industries have been destroyed or are daily being destroyed. They are dislodged by new industries, whose introduction becomes a life and death question for all civilized nations, by industries that no longer work up indigenous raw material, but raw material drawn from the remotest zones; industries whose products are consumed, not only at home, but in every quarter of the globe. In place of the old wants, satisfied by the productions of the country, we find new wants, requiring for their satisfaction the products of distant lands and climes. In place of the old local and national seclusion and self-sufficiency, we have intercourse in every direction, universal inter-dependence of nations. And as in material, so also in intellectual production. The intellectual creations of individual nations become common property. National one-sidedness and narrow-mindedness become more and more impossible, and from the numerous national and local literatures, there arises a world literature. The bourgeoisie, by the rapid improvement of all instruments of production, by the immensely facilitated means of communication, draws all, even the most barbarian, nations into civilization. The cheap prices of its commodities are the heavy artillery with which it batters down all Chinese walls, with which it forces the barbarians' intensely obstinate hatred of foreigners to capitulate. It compels all nations, on pain of extinction, to adopt the bourgeois mode of production; it compels them to introduce what it calls civilization into their midst, i.e., to become bourgeois themselves. In one word, it creates a world after its own image.

Karl Marx , *The Communist Manifesto*

Few people read Adam Smith or Karl Marx anymore. Their names are often invoked, but usually as no more than Cold War-era figureheads. Contemporary references reduce Smith to the proud father of capitalism, whose findings history has proven to be so natural

and obvious as to no longer merit inquiry. Outside of a relatively small group of holdouts, Marx's reputation has not been able to survive capitalism's failure to collapse completely and irrevocably, nor the disintegration of communism.

In these days of crisis, we could use a re-reading of these authors. Both took hard, critical looks at their contemporary economic systems in contexts where substantial problems were developing. Smith wrote in the dying days of a European economy dominated by aristocratic, mercantilist governments, which were strained by burgeoning populations, inflation, debt, financial instability and the disruption evoked by the increasing power and importance of non-propertied classes. A half century later, Marx's work was composed in a context of dislocation, poverty, immiseration and political conflict evoked by the pains of the Industrial Revolution.

Both had a deep appreciation for the astounding potential unleashed by capitalism as well as for the difficult dilemmas and contradictions evoked by its development. Marx did more than provide ominous warnings of capitalism's failings. It might surprise some to learn that he shared Smith's enthusiasm for the wealth that the new capitalist political economy would produce. Likewise, few of those who evoke Smith's name know that he was first and foremost a moral and political philosopher, and that his ideas about the "invisible hand" were in service of, and tempered by, moral concerns. Smith felt, for example, that some of the moral benefits of this system could be eroded if material wealth came too quickly or easily; he argued that the high profits rendered from monopoly could "*destroy the parsimony which in other circumstances is natural to the character of the merchant. When profits are high, that sober virtue seems to be superfluous*". (TSM, Book IV, Chapter 7).

What is particularly interesting about both men's views of capitalism is how they appreciated the systemic complexity of this new form of social organization and how it was

beyond any individual's control. For Marx, capitalism involved massive historical forces that carried puny humans, whether capitalist or laborers, along. None had a choice about participating in it or in the manner in which they interacted with it. For Smith, human nature explained our desires to truck and barter and also accounted for the magic of how individual interactions could produce social realities. But again, he also noted how no single person could resist the wave of capitalism once it had begun.

Today's global economy is very much the culmination of the social forces that these two men were describing. They both understood this system's capacity to enrich us materially, but neither Marx nor Smith would have been surprised by the events of 2008. Marx was certain of the self-destructive tendencies of capitalism, while Smith expressed his concerns with the "prodigality and imprudence" that could sometimes impoverish even great nations¹.

Both understood the great gamble involved in modern capitalism. The global capitalist revolution that began in the mid-18th Century provoked both hope and fear, both of which have been realized in this great transformation. We now live on the crest of a roughly 250-year wave of unprecedented growth in material wealth, technological innovation, scientific advancement and human population, but also one of severe social problems and industrial-strength oppression and violence. These developments were substantially influenced by the economic changes discussed under the banner of "capitalism". In the aftermath of the financial collapse of 2008, it is more important than ever to understand the underlying historical and theoretical roots of the system.

¹ For early versions of the Marx see *Outlines of a Critique of Political Economy* (1844) and for more developed see *Capital* Volume III. For Smith, *Wealth of Nations*, Book II, Chapter 3

Building on an appreciation of the apparent inescapability (but not inevitability) of capitalism and its complexities, the key task in this chapter is to provide a basic definition of global capitalism, its historical development, and the various institutional forms it has assumed at the beginning of the 21st Century. We emphasize capitalism's character as a "deep institution" - a socially-constructed, politically-contentious and deeply-habituated way of understanding and practicing economic life.

We seek to understand how capitalism developed and what choices are available to it. Trade-offs are involved in almost any aspect of this system's impact on our welfare. The globalization of production and trade promise unprecedented material bounty, but also the reality of financial disaster and possibility of environmental catastrophes. Global capitalism offers us historically-unparalleled consumer choice, rapid innovation and the prospects of uniting us in an international consumer culture, but also threatens the loss of local cultures, traditions and values and the spread of consumerism for its own sake. Financial developments offer exciting investment opportunities and new sources of capital for developing countries and enterprises, but also appear to concentrate wealth and infuse economic life with a great deal of instability. The very mechanisms now blamed for the crash of 2008 once generated enormous investor and consumer wealth.

These sorts of dilemmas may explain a great deal of the political and social ambivalence towards the global economy that has become characteristic of our age. For its proponents, capitalism brings freedom and riches, and obeys basic natural laws. Its opponents see capitalism as a violation of human nature, inevitably leading to exploitation. Both of these views have merits, but gloss over their own shortcomings and the potential validity of opposing views. The system is rife with contradictions. Capitalism does rely on an apparent human instinct for individual preservation and self-interest, and represents a system

that does give people the freedom to pursue them. But it is also a historical creation reproducing prior distributions of power, implying that the system is not wholly liberating nor a pure reflection of human nature. Capitalism does serve as magical processor of information, imposing a productive, materially-enriching rationality on billions of apparently random acts, but it can also exacerbate systemic irrationalities and lead to its own crises and forms of economic immiseration. Rather than present any blanket judgments, we wish to emphasize characteristics which help define the global phenomenon today.

The tone for the book is set in this chapter: *Choices about global capitalism are neither simple nor straightforward, and an understanding of the dilemmas and contradictions inherent in this form of economic organization are necessary if we are going to confront the economic challenges of the new millennium productively.* In a sense, this book is an attempt to engage longstanding questions plaguing economic debates in a “post-partisan” and empirical fashion, an approach whose benefits should be clear after the failure of orthodox pro- and anti-capitalist approaches to economic analysis and policies.

Capitalism

There are myriad definitions of capitalism in the academic and political literature. For Adam Smith, critical aspects included the natural liberty to “truck and barter”, the power of specialization, and the magic of the “invisible hand” through which self-interest produced collective welfare. For Marx, on the other hand, the key to capitalism was its historical development as a set of relations between those who owned things and those who had nothing to offer but their labor. For Max Weber, capitalism was defined by the centrality of exchange in a market where new spirits of rationality, asceticism, and entrepreneurship flourished. For Friederich Hayek and the neoclassicists led by Milton Friedman, capitalism

can be understood as an unprecedented method for the decentralized coordination of information and decisions.

However one might define capitalism, the notion of private property is critical to it. Objects, money, ideas, and spaces, can be owned by individuals (or legal entities like corporations). Ownership entitles us both to determine how our assets will be used and to claim the profit or return on these activities. A few of us are part of a group that Veblen (2001 [1899]) called the “leisure class”, a group of people who own enough assets to sustain themselves through income garnered through already-accumulated wealth. Most of humanity own little more than their bodies, minds and skills, and use these to procure a living. Both stations mark a historical break from the past. Not so long ago, few people could claim ownership over their bodies or the freedom to sell their labor on a market; and property could not be bought or sold but was directly linked to social status (Finley 1999 [1973]). Whether celebrated or bemoaned, private property is fundamental to capitalism. Without an acceptance of this tenet, the remaining economic and political structure of capitalism falls apart. As far as capitalism is concerned, we are what we own and what we sell.

In the ideal, each economic actor, whether as an owner of property or seller of labor, is free to make decisions regarding the sale, rent, and use of what they have to offer, each following no other norm than the pursuit of their self-interest. These forces come together in a market where exchanges take place that will literally link billions of offers and demands. The market is the second critical institution of capitalism. Ranging from the face-to-face negotiations between a single buyer and a seller to the electronic auction of derivatives among millions, markets essentially match the supplies of goods and services with the demands for the same. Markets allocate the flow of goods and payments according to the intrinsic logic of

a balance between needs and offers. Most critically, markets have no ethical or functional purpose other than to allocate goods according to the aggregated desire to buy or sell.

Within this basic framework, however, capitalism can be organized in a myriad of ways. Scholars have produced a range of typologies to describe the varied forms that capitalism can take. Some see a main the main distinction in the extent to which the state is involved, and more importantly, how investment is allocated. Peter Hall and David Soskice (1999), for example, distinguish between “coordinated market economies” and “liberal market economies”. In the latter, decisions are made either through hierarchies within firms or in markets between them. Relations are instrumental and calculated for the benefit of individual players. In coordinated market economies, relations exist outside of formal market mechanisms, and involve cooperation in achieving some collective goals. In this case, investment choices will involve coordination between owners of capital (often in the form of banks rather than individuals), labor, and state authorities. It is important to note that the ends of the two systems are not necessarily dissimilar, but that there are critical distinctions between the means applied.

A parallel (but often related) distinction is the extent to which the two systems provide welfare provisions for their populations. “Liberal market” systems tend to have smaller safety nets than coordinated economies; thereby exposing people to more stringent hardships should they not find a productive or remunerated role in the economy. The United States is a paradigmatic example of the liberal system, in that public provision of things like guaranteed income, child care, or health care is relatively limited. Alternatively, countries like those of the European Union tend to offer a richer array of government-subsidized or -provided income or products to guarantee some level of economic safety or comfort to those who cannot (or will not) secure them through market participation. While both kinds of

systems are fundamentally capitalist, they differ in terms of the degree to which people must secure “necessities” by successfully competing in markets.

William Baumol and his colleagues (2007) offer a typology that differentiates the size and monopoly of power of a country’s economic enterprises, overall or in particular markets. In this case, the emphasis is on the level of what they call entrepreneurship or the creation and dissemination of new products or methods. For Baumol, the economies of the world are divided into *state guided* capitalism where government plays a central role, *oligarchic* capitalism oriented towards the interests of a few players, *big firm* capitalism where giant enterprises predominate, and *entrepreneurial* capitalism where small innovative firms play a significant role. State guided capitalism (epitomized by some Asian economies) can have excellent success if it manages to “guess” future orientations correctly, but can also produce giant failures. Oligarchic capitalism is usually found in economies focusing on commodity production; the Middle Eastern oil producers, and to a lesser extent, some Latin American countries, may be the best examples. The fortunes of these economies tend to be tied to the prices of a single commodity with the predicted boom and bust patterns. In big firm capitalism, a set of predominant companies or agglomerations thereof are able to dominate. The prototypical examples are Japan and Korea, and while the success of these speaks well of this model, the failure of sectors such as auto production in the United States attests to its limits. Finally, entrepreneurial capitalism is characterized by small and innovative firms. Rather than national examples, the economies of the American Pacific Northwest, or those of Italian Emilia-Romagna best exemplify this type. However, a permanent entrepreneurial economy is almost a definitional impossibility and it would likely blend with one also focused on large firms.

While these differentiations help us understand the various forms that capitalism can take, it is not clear how they affect the integration of the respective economies with a world market. Given the themes of this book, it is important to clarify what we mean by Global Capitalism before proposing our specific typology.

The term global capitalism implies much more than economic activity in different national borders. At least in theory, one could have an “international” economy consisting of autarchic domestic economies engaged in limited commerce with each other. Or one can imagine (as was largely the case well into the 19th Century) an international economy whose connections involved luxury goods or a few “products” (sugar and slaves, for example). A global economy, however, implies one in which few if any of the domestic economies really exist separate from the planetary whole. A global economy is one that is interconnected and networked across a variety of borders as well as including a variety of goods and services. It also presupposes a set of agreements regarding the “rules of the game” whether these involve accounting regulations, or business norms. *Global capitalism* is the expansion of the principles and practices of property and the market to the world stage.

A few summary statistics can give a sense of the size and scope of this global stage (World Bank, Maddison).

- The global economy is now larger than it has ever been and the pace of its growth has been unprecedented over the past half century (despite the recent shocks). World GDP increased six fold from 1950 to 1998 with an average growth of 3.9% per year compared to 1.6% between 1820 and 1950 and 0.3% from 1500 to 1820. Over the past 10 years (prior to the summer of 2008) the world economy has grown by more than a third and some of the poorer parts by two-thirds. Each person in the world (on average) is now 7 times richer

than 100 years ago and 4 times richer than just 50 years ago. Due to improvements in technology, the last 50 years have seen a fivefold increase in production per hour worked. World trade in goods and services accounts for more than half of global economic production. The total amount of merchandise exports (the amount of goods that countries send out to the global market) is roughly \$10 trillion per year.

- Annual global financial flows include over \$625 billion invested across borders, \$227 billion sent by migrants back to their countries and \$750 billion spent by international tourists. \$1.5 trillion is exchanged in currency markets *daily*.
- An estimated 200 million people (3% of the global population) live as international migrants, including roughly 20 to 30 million illegal migrants. In 2007, they remitted roughly US\$337 billion (International Organization for Migration 2008).

Today, we produce, trade and invest much more than ever in history, and do so in a substantially farther-reaching system. All of this represents a further move away from our past of provincial poverty. Still, despite this increasing bounty and interconnectedness, global capitalism is not the same everywhere and all the time. In the following section, we describe our typology of how different countries fit into the system and then go on to describe critical moments in the creation of the capitalist global system.

Varieties and Convergence

Capitalism is not practiced or experienced the same way across the world. We are less interested in the varieties of domestic capitalism than in how different societies experience its global variant. In this instance, one can speak of much greater convergence

than that found among the national variations. To a very large extent, all participants in the global capital system need to play by the same rules (but as we will see, they are applied differently depending on who you are). We can speak of a global capitalist order to which a very large part of the world now belongs. Unlike prior to 1989, those who do not accept these rules are marginalized. (And even then, the socialist bloc had to follow the same rules when it dealt with those outside its own system). What are these basic rules?

One set has to do with the explicit and implicit laws that govern transnational transactions. Property rights are established and protected by nation states. In this way, global capitalism still very much depends on the supposedly anachronistic notion of territorially defined authority. While there are global bodies in charge of overseeing and standardizing property claims (and this is particularly important for intellectual property), an individual or firm must establish its claim to any asset in a national jurisdiction. It is important to note that no global bodies exist with enough power to enforce these rules over and above the laws of national states. In one of the most interesting paradoxes of global capitalism, its own global dynamics are based on national and territorial governance.

The implications of this system are critical for a global system to work: States must recognize the property claims of other countries' citizens, transnational payment for goods and services or contracted service of debts is demanded of all players—the transport of one's asset to a different part of the world does not imply the surrender of rights to it until payment has been received. Perhaps the most fascinating global aspect of this legal system is the convergence regarding what makes for a legal or illegal product. In short, the global capitalist system is governed by a set of rules based on those established in large parts of Western Europe and North America to manage and regulate their domestic markets in the 18th and 19th centuries. Obviously, whether one treats these rules as “natural” or stemming from a

historical domination by that part of the world will make a significant difference in attitudes towards capitalism.

It is also important to recognize the expected or assumed motivations of those involved in global capitalism. In the 21st Century, the pursuit of self-interest and specifically financial profit from transactions is expected. There are some global institutional actors motivated by and acting under altruistic norms, but the global economy functions under the assumption that each person is seeking to make money on any transaction. The global food trade, for example, is not driven by a concern to feed the world's population, but by the desire to make money from selling commodities and products to consumers. As we now know, bankers were after short-term profits, and not concerned with establishing stable systems of payments, transparent economic information or prudent allocations. This is still accepted as legitimate by the vast majority of the world's population (as long as the game is played by the minimum accepted rules). Again, perceptions of this can either involve the freeing of human nature and choice or the enslavement of our emotions by materialist desire.

Another critical regulation concerns the freedom to truck and barter across borders. Increasing fetters on cross-border exchanges are increasingly discouraged and sanctioned. The capitalist system is arguably more open across the globe than any other time in history and former non-market "intrusions" on trade, like tariffs, subsidies or embargoes are becoming less commonplace. There are significant exceptions and these are linked to power asymmetries (as will see in later chapters), but the percentage of global transactions of goods, services, and money that operate without significant national hindrance is ever expanding. The major exception (and a significant reversal from historical norms) involves labor. While sellers and buyers or practically any asset can utilize the global market, those who wish to sell or purchase labor cannot except in highly elite sectors (entertainment, the academy). As we

will see, this contradiction in terms of exchange represents one of the most difficult challenges facing global capitalism.

Applying Donald Black's theories of law (1976) to the global system, we could say that the salience of these norms and regulations decrease dramatically as we approach the peripheries of the system. For capitalist relations between countries at the core of the capitalist system, regulations tend to be applied both stringently and relatively even-handedly. As we move towards the external districts of the capitalist economy, the degree of governance and regulation decline precipitously. Transactions between actors in economies on the frontier of the global economy are fraught with uncertainties and may often rely more on the rules of piracy than of business as understood in the center of capitalism. Relations between those closer to the center and those on the frontier may also deeply reflect the asymmetries of power. Thus, countries participate in this system in different ways and we may classify them accordingly.

The first category we need to be aware of is the singular case of the United States. (A better unit might actually consist of the three North American economies. From the point of view of global capitalism, the other members of the North American Free Trade Association (NAFTA), Canada and Mexico, are parts of this global center). Due to its sheer size (it accounts for roughly 25% of the global economy, 30% if we count all of NAFTA), the United States is the largest player in global capitalism. Its relationship with the global economy is in part dictated by this size differential. First, the size of its domestic market makes it economically less reliant on trade (exports of goods and services account for only 10% of the American GDP as opposed to 26% of the French, 35% of the German, and 44% of the Korean). It is, nevertheless, the world's largest import market (accounting 16% of global exports). Because of its trade deficit, the US is also a massive consumer of global financial

flows, absorbing over half a trillion dollars in net transfers every year. Despite its recent declines, the dollar remains the global currency (although this status may be in serious danger). The US, is therefore linked to the global economy in a particularly advantaged way. As the major consumer of goods, it is the market that all wish to enter thus giving it a special power. Yet, as a net importer of capital, it is nevertheless reliant on the willingness of the global system to continue supporting it. The United States serves as the central organ of the respiratory and circulatory system of global capitalism, absorbing goods and money and moving them across the planet.

The second category consists of the other main engines of global capitalism which, in turn, could be subdivided into a European division including the UK and the Euro zone, and an Asian one including Taiwan, Japan and South Korea. Many of these are significant economies in their own rights and while the EU as a whole is larger than the US, no country can individually claim the centrality of the United States (Germany and France combined represent roughly 40% of the American economy, Japan 30%). Significantly, the European and Asian sub-divisions trade *relatively* little with one another, yet have extremely strong links with the United States. These countries, however, are much more significant players than the US in the global trade economy. The combination of France, Germany, UK, Japan, Korea, and Taiwan account for almost twice the amount of merchandise exports as does the United States or roughly one-third of the global total. In some sectors of global manufacture such as autos, steel, and electronics, they are even more significant. These countries also represent critical markets for producers of goods and particularly commodities. In the financial sector, the rise of the Euro and the development of 24 hour electronic markets have made these countries as central as the United States. London, for example, has been argued to have

replaced New York as the center of global finance, if the notion of a city acting as a “center of finance” really retains so much meaning.

It is important to note that these two macro categories do not parallel standard ones derived from the varieties of capitalism literature. The contrast between Mexican, Canadian, and United States domestic political economies could scarcely be greater given their proximity. In the second group, the United Kingdom’s form of capitalism is arguably closer to that of the United States than that of their Nordic neighbors, while Japan and Korea pioneered their own combination of state managed and large firm capitalism. From the perspective of their roles in a global capitalism, however, the two groups make up the central core of the system with the United States clearly still serving as first among equals. *In order to appreciate the relative importance of these countries, note that while they contain roughly one-sixth of the world’s population, they account for over three-quarters of global income. For all intents and purposes, they are global capitalism.*

Three other categories deserve special attention. The first and most important for the future structure of global capitalism are the new claimants for membership in the central core. The four largest of these are Brazil, Russia, India, and, most notably and importantly, China (the so-called “BRIC economies”). Combined, these economies account for roughly 10% of global income (they are individually ranked 10th, 12th, 11th, and 4th in the globe, but combined they are still roughly half the size of the US alone). In terms of global trade they are even more significant. China is the key player in this group, and arguably deserves as particularistic a status as the United States; combined with Hong Kong, China accounts for roughly 10% of global exports, controls the world’s largest monetary reserves, has become a source of credit upon which the West depends and is emerging as a major international investor itself. These BRIC economies, however, are also what we may call bifurcated

economies. In the case of China, for example, its eastern coastline clearly is at the core of global capitalism, but roughly half of its population remains marginal to that system as consumers or producers. Similar divisions plague Brazil and Russia, and even more extreme ones characterize India. These inequalities not only represent limits on the integration of these societies within global capitalism, but also remain long term challenges for the continued success of their economies.

Another significant category is that of commodity producers, who participate in global capitalism by providing its fuel in the form of petroleum, gas, minerals, and food. One subgroup consists of those wealthy enough to also represent important consumer markets for construction, arms, and luxury goods (the Gulf States). Others share characteristics with the “bifurcated” economies discussed above in that their output plays a central role in global capital, but their national economies remain vastly underdeveloped (Angola and the Congo are extreme examples of these). Depending on the price of their respective commodities, these countries may also play a very important role in global financial flows.

The final category includes those countries that for all intents and purposes play a marginal role in global capitalism. Consisting of practically all of sub-Saharan Africa, and significant parts of South Asia and Latin America, these countries include roughly one-third of the global population, but only account for less than 3% of global production and even less of global trade. If we add to these the populations of richer countries that are equally excluded, *we can safely speak of half of the globe being for all intents and purposes irrelevant for global capitalism.* This continued, massive marginalization is a central part of this volume’s discussion on the promises of and challenges to global capitalism. On the one hand, the three billion linked in one way or another to the system represent a historically unprecedented increase in the economic participation within a global economy. The

remaining three billion also represent the possibility of an ever-expanding market for goods and services as this population is included in the global economy. On the other hand, the massive inequality (accompanied by a nearly global reach of media informing all of how the relatively rich can live) is politically unsustainable. The environmental pressure of the inclusion of the “richer half” as well as the development of the massive carbon foot prints of the richest tenth, make the consequences of further expansion of global capitalism especially problematic.

Despite these differences in domestic economies and the very real consequences that they can have for the relevant populations, we wish to argue that there has been increasing convergence within global capitalism. This does not necessarily imply a convergence in domestic political economy or form of government domestic action. Rather it means that in dealing with the broader global markets, there exist few escapes from the overall capitalist system. Unlike during the Cold War era, for example, no “alternative” bloc of rules exists. Moreover, for the individual citizens of each country the rules of economic success or failure are increasingly defined by a capitalist rulebook. Countries find themselves unable to interact with a global economy in any other way. Even within the part of the world that has presented the most significant challenge to the domination by capitalist liberalism, the Islamic Middle East, transactions and interactions with the global economy follow capitalist rules. Iran, for example, may opt to sell its oil priced in Euros rather than dollars, and Saudi Arabia may wish to impose the rules of Islamic banking, but they both sell oil at the market price and lend or borrow international currencies at rates determined by the global bourse.

Despite the significant exclusions discussed above, the last fifty years have witnessed a convergence of some societies to a standard of living commensurate with the production and consumption associated with capitalism. This is key: capitalism is now global as never before

because more elements of global population can partake of it than ever before. Again, this may be seen as a gift or a curse, but an awareness of this fact helps us also to distinguish between suffering that can be assigned to the intrusion of capitalism, and that which stems from the marginality of societies to it. Whether the world's poverty is caused by global capitalism or because it has not yet expanded, is a critical question for future chapters.

The capitalist transformation has also reached into our basic cultural assumptions. The ubiquitous spread of market logics to an ever-expanding range of instrumental transactions has transformed social life worldwide (Hirschman 1977, Zelizer 1994). The *market logic* can be understood as a form of social organization premised on materialism, individualism and rational utility-maximization. In this context, *materialism* is the emphasis of the provision and consumption of goods and services as a social goal and metric of success. The “good life” is one in which we own and consume as much as possible, and the “good society” is one that provides people with maximal consumption possibilities. *Individualism* refers to the desirability or practical necessary of organizing a society in which individuals' efforts are geared primarily towards their personal self-interests. Social demands that place community or country ahead of personal interests come to be seen as oppressive and undesirable. *Rational utility-maximization* refers to the increasing use of material cost-benefit analysis as a means of making practical social decisions. Decisions that render economic profit are seen as desirable, and those incurring economic loss are to be avoided.

Historical Creation

As inevitable or unavoidable as any form capitalism may seem to us today, neither is the case. A comparative and historical perspective suggests that capitalism is both malleable and the product of political choice. Within the general disposition towards a market logic, institutional choices help define how this will help shape daily lives. One of the central

aspects of this book is to familiarize the reader with the set of choices available while making clear the costs and advantages of each.

Today's economic problems and debates are not as unique or new as they might appear. Capitalism's contemporary dilemmas are in many respects a continuance of longstanding problems that have faced societies throughout modernity. These changes present philosophical and practical problems that are highly complex, and to some degree a matter of normative values (and thus irresolvable via the tools of science). Wading through the challenges of contemporary capitalism is a formidable task, but a sense of history can help. In many respects, the economic problems we face today have been encountered in the past, and an understanding of these past struggles offers us a range of insights that we can use today

Neither the pursuit of self-interest nor the material exploitation of others was new to the capitalist era. Markets have existed in many societies without the accompanying social characteristics we associate with capitalism. We certainly have evidence of market transactions going back as far as the invention of writing (and the rise of the two social phenomena is inherently linked). We may also speak of global (or last "Old World") trade as far back as the Roman Empire's links with the Han dynasty connecting the Mediterranean to the Silk Road. By the 10th Century, the Sahara served to link large parts of Africa to the remains of this system, and the Indian Ocean was a central arena of global transactions in the 13th Century (Abu-Leghod 1989). The Spice Trade, the conquest of the Americas, and the creation of slave economies further integrated the global economy (Braudel 1982). The Imperial Age culminating in the 19th Century created the basic political and economic infrastructure the legacy of which still helps define global capitalism.

The political and social foundations for capitalism, however, represent much more than the mere truck and barter of a market. These include, as discussed above, the acceptance of the need for a system of exchanges and contracts in order to allow interactions between individuals. Combined with an acceptance of the natural law of property, this allows for the development of market rationality as the central nexus of modernity.

The practically simultaneous establishments of the British and Dutch East India Companies at the start of the 17th Century may best serve as the official birth of global capitalism (Wallerstein 1974). What distinguished these forms from previous economic pursuits were their ownership structure (based on equity shares), sheer size (each had thousands of employees, controlled massive territories and was responsible for a significant percentage of world trade), and their global scope. The later development of the global slave trade equally represented the expansion of a form of market transaction to a global level.

Prior to the 18th Century, the kind of ever expanding wealth on which contemporary capitalism is based was inconceivable. The main reason for this was the apparently permanent population ceiling. In the words of Thomas Malthus: *“the power of population is so superior to the power of the earth to produce subsistence for man, that premature death must in some shape or other visit the human race”*. Based on the previous millennia of experience, Malthus feared that the increase in population would lead to a societal collapse when the demand for food grew too great. This is what had always happened, and it was hard to imagine how things could be any different.

Beginning sometime in the early to mid-18th Century (the exact timing of both the Agricultural and Industrial Revolutions has been the subject of considerable debate), this production ceiling was removed (Maddison 2001, Overton 1996). The most obvious indication of this was the dramatic increase in population from 1750 to 1850. In the

centuries prior to the mid-18th Century, global population had remained fairly steady (with regular cycles of rise and decline) at 500 million. Over the next hundred years, it doubled, largely as a result of increases in life expectancy. At the same time, the number of people involved in agriculture declined precipitously (down to roughly 10% in the industrialized countries by 1900) and the percentage living in cities (and therefore dependent on the smaller number of farmers) increased. This was accomplished by a significant increase in productivity per acre and per agricultural worker, due in part to technological fixes (crop rotation, better machinery) and social changes (enclosure).

At the core of this agricultural revolution was the replacement of an organic agricultural system by a much more energy intensive one (Overton 1996). The same could be said of manufacturing: from the organic product of craftsmen, the 18th Century saw the rise of machines and industrial production. This was partly based on a slew of new innovations making ever better use of steam power and then coal, but it was also the product of new form or organization: the factory. Each made the other possible (although some claim that the transformation of production and control over it had more to do with appropriating profits than with technological determination, cf. Marglin). Whether designed for function or for control, it would be absurd to deny the importance to the revolution of the invention and use of machines to build machines (Landes 1999).

The debate on when exactly the transformation began, what caused it, why (or even if) it was centered in England and northwestern Europe is one of the longest running and most productive in academic history. For our purposes, we can at least agree that the revolution was historically tied to the creation of a capitalist market in North America and Western Europe, and that the victory of capitalism to global hegemony would have been impossible

without it. All was transformed: the way things were made, the way they were bought, sold, and owned, the institutions which defined these relationships, and the politics that built them.

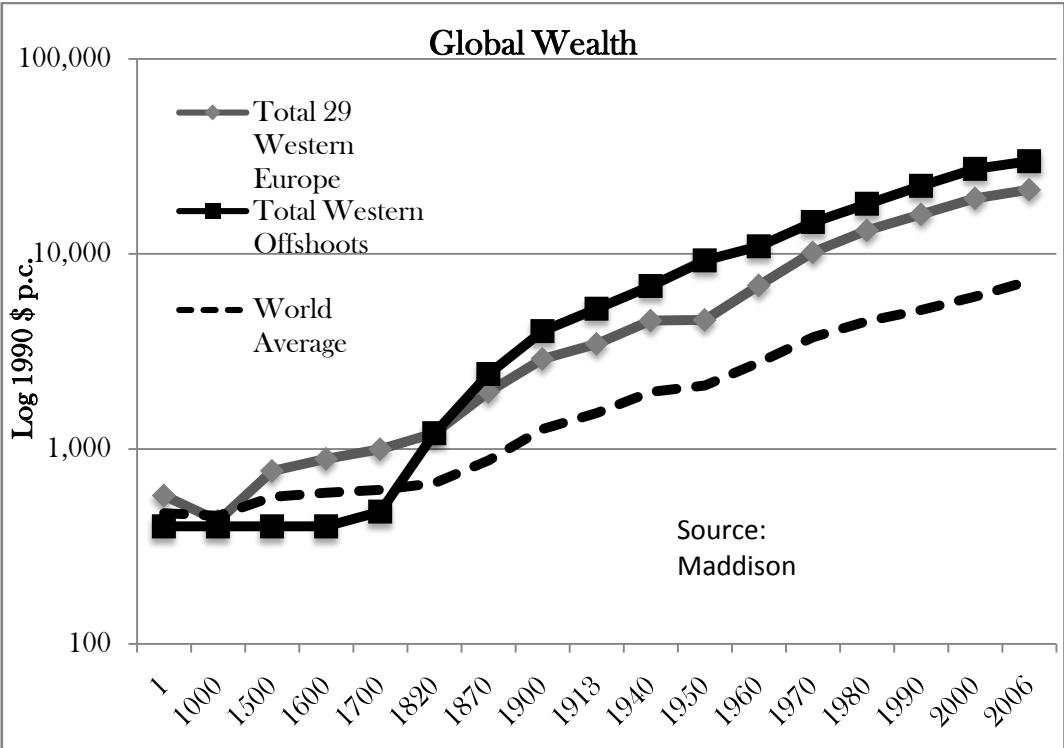
The immediate origins of our contemporary global capitalism are in the years from 1820 to 1870 and from then to 1914. The first period lay the technological and social foundation, first in England, then Belgium, and then on to the rest of the Continent. During this era, Britain accounted for nearly half of global industrial production. The second period saw a veritable explosion of growth and a gradual shift away from the earlier dominance of Great Britain as Germany and the United States overtook it. During those years, we see the beginning of the revolution in productivity (as measured by how much each worker can make) that would characterize the long-term progress of industrial capitalism. In Western Europe, productivity increased an *annual* average of 1.5% and in the US close to 2% between 1870 and 1914. This meant that in the span of roughly 40 years, one worker would produce twice as much as he or she had before².

Much of capitalism's ability to increase material abundance has occurred through the process of *social aggregation*, the process of integrating more people and territory into a single system of economic production and distribution. Many of the social innovations that can be credited for our increasing material standards of living fundamentally involve this process of aggregation, including divisions of labor, economies of scale, economic specialization and resource pooling. In the 16th through 18th centuries, national markets and governments in Western Europe consolidated. At the same time, the countries of this region were finding ways to tap into, and eventually dominate both economically and politically, other parts of the world. European and North American goods flooded the entire planet,

² One of the least understood aspects of this transformation was the institutionalization of separate economic spheres for men and women.

while commodities flowed towards the global centers to be transformed into consumer products. This culminated in a 32-fold growth in global trade between 1820 and 1913.

Along with the aggregate expansion of wealth came the appearance of massive asymmetries in income across the world, as the West grew while others remained mired in stagnancy. Most estimates agree that up to 1500 global economic growth was slow but equal. By 1870, global per capita wealth had doubled, and by 1913 it had tripled; simultaneously, the share of Europe to Asia was along the lines of 6 to 1 and that of North America to Africa close to 10 to 1. This regional wealth gap and its apparent permanence (except in one prominent regional example) in many ways still defines many of the challenges of contemporary capitalism (DeLong, 1993, p.4). The figure below shows how Western Europe and its “offshoots” grew exponentially faster than the rest of the world from 1800 on.



Capitalism's advancement and its concurrent process of social aggregation, unleashed two distinct forms of contradiction associated with "control" (Polanyi 1944). First societies at the turn of the 20th Century become very large, and, in many senses, more difficult to control. Nineteenth Century thinkers were preoccupied by the simultaneous liberation and oppression of capitalism's rapid advance associated with this expansion. Second, capitalism brought about significant changes in the constancy or predictability of daily life. In many ways, the advance of global capitalism stabilized material livelihood – for example, local droughts no longer needed to lead to starvation and the rise of modern finance helped stabilize the specie shortages that plagued the early modern world. But it also made each participant more reliant on the others, thereby reducing all of our independence. The promise and peril of capitalism have their roots in this apparent contradiction.

These two issues of "control" – mass social control and economic stabilization – became serious problems during the first World War and the Great Depression of the 20th Century (Hobsbawn 1994, Frieden 2006). The rivalry for markets and resources between the great powers was at least in part driven by the competition between their respective capitalisms. The rise of the new economic system produced social conflicts between those who had colonies and those who did not, those who benefited from freer trade and those who sought protection, between those who supported the "dearer" currency of gold, and those who needed cheaper silver, and of course, between those who worked in the "satanic mills" and those who owned them. The disruption of the pre-1914 system by global conflict shook capitalism to its core.

In the immediate aftermath of the War, the economies of Europe were either massively indebted (Great Britain), destroyed by hyperinflation (Germany), or no longer capitalist (Russia). Interactions between countries, whether of people, money, or things, had

slowed. Faith in capitalism was at a low point. After a few years of exuberant boom, the world then faced the Great Depression and a decade of declining prices, production, trade, and employment. The Great Depression showed how complex and intricate the ties between economies were in the new global capitalism. Changes in the flows of money and goods from or to each one of the major players would reverberate throughout the system; no single economy was isolated.

The result of these crises was the apparent collapse of global capitalism and the very real threat that it would be abandoned as a political and economic system. It is important to remember, especially given the apparent triumph of Liberal Capitalism over the last two decades (as well as the crises of the past year), that for many in the 1920s and 1930s, fascism and communism appeared inevitable and desirable. The failures of the interwar years, leading to the murderous catastrophe of World War II, did much to discredit the institutions of capitalism, prompting a popular backlash and sustained political effort to contain its effects.

Facing a largely destroyed world, in 1945 the victorious US dominated the global economy in almost every aspect. Its factories produced nearly half of all manufactures, its farms help feed Europe, and its currency ruled the world. Policy makers seeking to create a more viable form of capitalism used this domination to create not an empire (as would have been the case in previous centuries), but a capitalist global system with which to confront the powerful socialist alternative. This culminated in the establishment of a new form of “mixed capitalism”, led and maintained by the United States. After 1945, the competitions between individual countries became much more focused on the contest between the “two worlds”: one “free” and capitalist, one socialist and largely dominated by the Soviet Union.

In order to triumph in this new competition, the capitalist victors created a historically unique system. It arose from conversations in the least likely birthplace for a new global order: a small town in New Hampshire called Bretton Woods. The system was unique in several ways. First, it was truly global in scope, focusing not one economy or the other, but on their integrations. Second, while the system reflected and helped support the central role of the United States, this country did not seek to create a new version of a mercantile empire, but sought collective growth. This was not a product of a revolutionary turn towards altruism, but rather the result of US awareness of its need for partners with which to do business, and for incentives to keep Communism at bay. Third, it created historically unprecedented institutions that sought to smooth out the inevitable fluctuations of the global market. The “organized capitalism” by then established in domestic economies (due to the pressures of war and depression) was now applied to the entire world (Frieden 2006, 259, Eichengreen 2007).

The two major institutions of this newly-organized global economy were the International Monetary Fund (IMF) and the International Bank for Development and Reconstruction (World Bank). The first was based on contributions from its members, and would allow them to borrow from the general pool whenever trade flows temporarily went into deficit. This provided double security for the participants in the global system: It backed a system of fixed currency rates and allowed for countries to remain within the system during short term fluctuations. The World Bank sought to complement global lending by providing funds to create the global infrastructure needed by the new forms of trade. Soon thereafter, with the Marshall Plan, the United States committed itself to provide the capital needed for Europe to rebuild itself from the destruction of its wars.

The system was established to provide assurance in an uncertain world. The IMF was meant to guarantee the flow of capital around the world, the World Bank was meant to provide investment where it might be most needed, the General Agreement on Tariffs and Trade (GATT) was meant to ensure the freest flow possible of goods, and the Marshall Plan made certain that America would not be isolated, but would have economically viable capitalist partners in Europe. The key to all of these policies was to create the foundations of a sustainable global capitalist order based on the centrality of the United States (Bordo 1993; Helleiner 1994; Ruggie 1982).

Within countries, the new model also spurred the creation of welfare states. Government participation in the economy and social transfers practically doubled, thus assuring that many parts of the richer countries' populations could and would participate in the new capitalist order. Decolonization led to even freer trade and the possibility of millions more consumers outside of Northern Europe and North America, (but also saw protectionist policies within developing countries). Domestic and international politics lent themselves to the creation of a new capitalism that sought to combine the developmental dynamism of the market with both international and domestic safety nets to protect those for whom the market did not provide.

The "Glorious Thirty" years following the war represented a return to the pre-1914 booms. Global per capita income increased by nearly 3% a year or a doubling from 1950 to 1973. In those same years, the Western European economy practically tripled while that of the US (already dominant in 1945 and untouched by the War) practically doubled. Japan's economy was even more astounding, growing more than six-fold. Already by the 1964 Olympics held in Tokyo, Japan had begun to look not like the war-ravaged, poverty-stricken

state of 1945, but a dynamic member of the global capitalist order. Ten years later, Japan could boast the same aggregate standard of living as Western Europe.

This golden age in many ways represented the apotheosis of global capitalism. The global economy not only grew at an amazing rate, but the benefits of that growth were more evenly distributed both between and within countries than any period of human history. Thanks to these changes, daily life for hundreds of millions of human beings was transformed by the increasing ubiquity of indoor plumbing, electricity, consumer goods, and basic public health. Life expectancy grew by a decade (in the richer countries), or even two decades in some of the poorest regions.

The economies of Eastern Europe and the USSR tripled, keeping pace with much of the West (if not making up any of the considerable distance). Yet, the Socialist world emphasized a form of growth closer to a 19th Century model than one required by the post-war era and, despite its gains, saw the gap in productivity increase. For example, while the USSR's productivity per hour doubled, that of West Germany quadrupled (Maddison web data <http://www.conference-board.org/economics/database.cfm>)³. The Socialist world's expansion outside of Europe was an economic disaster. After some initial success, the Chinese economy was destroyed by a variety of Maoist experiments and remained marginal to the global economy, while Cuba represented a considerable drain on Soviet resources during this period.

Developing countries also experienced a post-war boom. Latin American economies tripled in real terms during these years with particularly phenomenal results in Mexico and Brazil. Africa increased its national income by 270% (although its share of global production

³ Given the "literary" flavor of Socialist statistics, the gap was no doubt even wider.

dropped). The Indian economy more than doubled, and that of the rest of Asia (excluding China and Japan) quadrupled.

Despite its apparent success, this new mixed capitalist system ultimately proved to be too complex and expensive to manage. Beginning in the 1960s, the central role of the United States and its dollar was increasingly challenged. Trade deficits and inflation made it impossible for the US to maintain the monetary foundation of the system. The integration of the global system had produced many winners, but also losers who sought to rebalance the economic scales. Labor perceived that the global capitalist surge had increasingly benefited those with money. The apparently non-zero-sum relationship between international integration and domestic benefit had broken down. To this systemic crisis, we may add the quadrupling of the price of oil in 1973. The general increase in commodity prices and the need to recycle the dollars that now flowed ever faster across the planet both encouraged greater integration, but also demonstrated its fragility.

While the wealthier countries experienced some rough years at the beginning of the 1980s, their overall trend was still positive and most registered a growth of roughly 25% during the decade—anemic in comparison with the glory years, but significant. For many parts of the developing world, however, this was a disastrous period, particularly the 1980s. For Latin America, it was literally a “lost decade” in which there was less wealth at the end than at the beginning. In Africa, these years marked the end of the first wave of economic success and the beginning of continental decline. The experience of the Asian countries that had used trade to grow in the past 20 years, however, was quite different: Hong Kong grew by 68%, Singapore by 57%, Taiwan by 69%, and Thailand by 82%. The star was certainly Korea whose GDP more than doubled in the period of a single decade. To give sense of the shift in global hierarchy, consider that in 1968, when it hosted the Olympic games, Mexico’s

economy was more than twice that of South Korea's. Twenty years later, after import substitution, an oil boom, and a debt crisis on the one hand, and export-led growth on the other, the Mexican economy was three-quarters that of Olympic host Korea! These changes, both the relative decline of Latin America and Africa, and the spectacular rise of parts of Asia, would help redefine the world in the 1990s.

After a decade of near crisis, the system once more righted itself to construct what we currently recognize as global capitalism (Yergin 1998, Rodrik 1996). Beginning in the late 1970s and early 1980s, global capitalism resolved perhaps the most important problem it faced in the 1970s: inflation. In the process of doing so, however, it generated a series of crises both in parts of the developed world and in large sections of the developing world that would lead long term challenges dealing with inequity and economic decline. The socialist and developing worlds responded to these crises in two stages. The first stage involved a borrowing binge, but by the late 1980s, the debt overhangs were leading to severe policy constraints. Within the developed world, different institutional arrangements were elaborated which would help define the choices faced by global capitalism, but most important was the general rollback on many of the welfare measures created during the previous 30 years and a general decline in the relative position of labor.

This process of institutional adjustment was accompanied by a burst of technological change arguably as important as the Industrial Revolution. The computer not only allowed for the managerial complexity required by the global factory, but with the Internet, vastly expanded the consumer possibilities of a significant part of the global population.

While many saw the collapse of the Berlin Wall in 1989 and the victory of liberal capitalism by the 1990s as the "end of history" in which the market would triumph for all time, others rejected the moral claims of capitalism or felt cheated by and excluded from it.

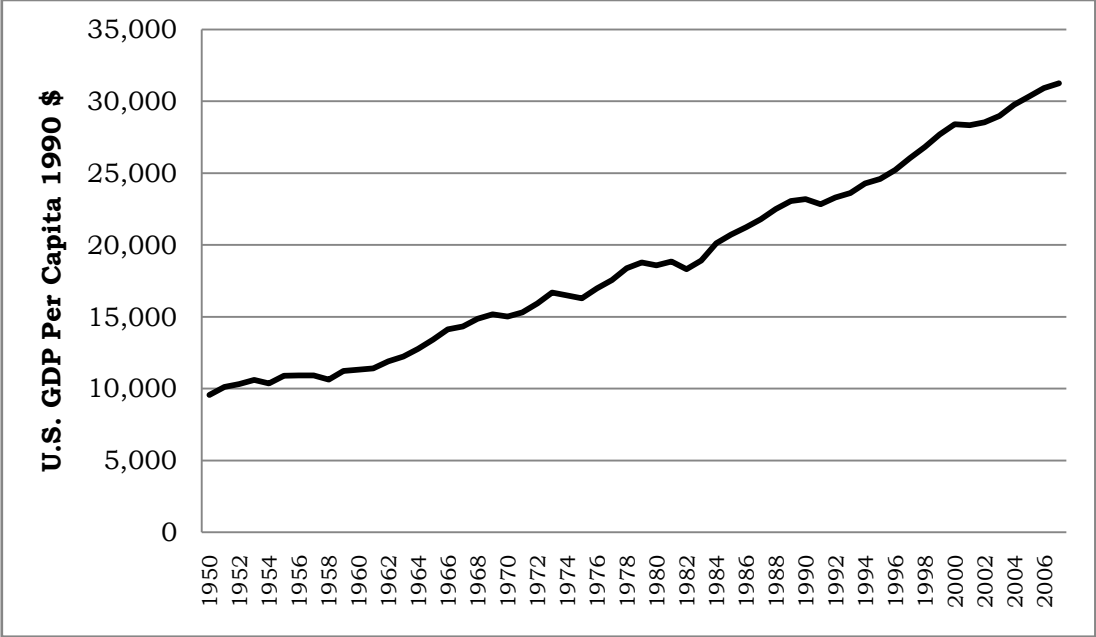
Environmental movements increasingly questioned the costs of perpetual growth, domestic forces throughout the world questioned the hegemony of international competition, and the Islamic world rejected the very cultural assumptions behind much of global capitalism.

The greater integration of capitalism came with the expected complexities and vulnerability. Crises which previously would have been limited to a single country could now spread like the ubiquitous viruses that haunted the World Wide Web. Mexico in 1994, Asia in 1997, Russia in 1998, the Y2K panic, the dot-com bubble, the US sub-prime mortgage fiasco, all represented significant threats to the global system leading to perpetual analyses of crises and the ever present specter of 1929. As this is written in the early 2009, an apparent “perfect storm” involving unstable commodity prices, ever worsening credit markets, and a general ambiance of uncertainty, led to talk of a collapse of the global liberal order.

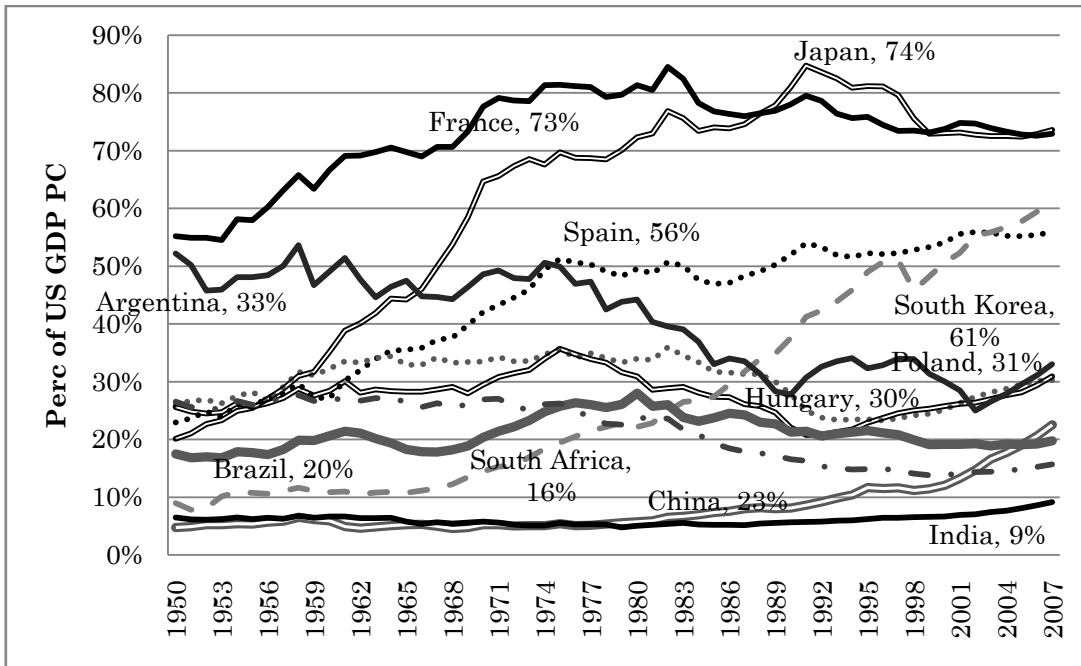
At the roots of these dilemmas is that the world is still becoming used to capitalism, and it, in turn, is adjusting to being a global phenomenon. While the roots of capitalism go back to the expansion of Northwest Europe in the 16th and 17th centuries, it is only in the past few decades that we can speak of a truly global capitalist order. The 19th Century global system of commodities and consumer products was only capitalist in some places; in the rest, it relied more on imperial force. Nor was the vast majority of the global population as closely linked to a capitalist economy as is the case today. Even during the wonder years of postwar growth, significant parts of the world remained outside of the capitalist orbit either because of poverty or ideology. Today, despite the asymmetries in political and military power, a vastly larger number of societies interact with the world system directly through the market and not through imperial intermediaries. For all intents and purposes we are all in the same market. Yet, the rules of that market were largely designed to function within single territories and within single system of law. Global capitalism must function with different jurisdictions and

laws and with no clear hierarchy of authority with which to govern it. To some extent, we are now in uncharted terrain. The next section will describe the topography of this terrain.

By way of summary, the following figures capture the essential point of the narrative discussed above. The first depicts the fairly steady growth of the US economy over the past 50 years. The second shows how the rest of the world did with reference to the US (the number by the name is the percentage of US per capita GDP attained by 2007)⁴. Major points here are: the growth of Japan and South Korea during the entire period (and China in the past two decades); the relative decline of Latin America and Africa, and the gap in performance between capitalist and socialist system up to 1989.



⁴ The countries were chosen for not having undergone territorial changes during the period.



Capitalism and Globalization

The expansion of market logic as the defining nexus of modern life has been accompanied by a series of changes involving the greater political, economic, and social integration of previously separated locales. It is imperative to separate the two phenomena. Globalization is a much more complicated process than just capitalism gone global as it involves cultural and demographic flows (and as increasingly obvious, climate interdependence). One of the key questions for any discussion of contemporary capitalism is its relationship to the expansion of global integration. Could one exist without the other? Which is the primal causal element? How do the different institutional forms of capitalism relate to global integration? This discussion would help form part of the introduction to the book and set the parameters for the subsequent chapters.

Globalization is not new; the very peopling of the planet beginning with the migration out of Africa was arguably the most consequential form of it and this began 100 millenia ago.

As discussed above, trans-regional and even trans-hemispheric trade is also not new. While the migration towards the more developed zones is now one of the most politically sensitive topics dealing with globalization, the reverse movement during the 18th and 19th centuries actually involved a much large percentages of the population and certainly had a greater impact. Even the cultural imperialism of American mass media (another favourite villain of globalization) is relatively insignificant compared to prior waves of religious conquest and conversion, and linguistic domination.

What is new, and the reason why global capitalism is so novel, is the level of integration of economies, and the speed and force with which previously isolated events cross borders. To borrow from epidemiology, infections can no longer be isolated; the global body of capitalism can less and less afford weak parts. Moreover, the strains of keeping all it going is beginning to tell. The rise and rooting of market logics in the organization of social life has created unimaginable wealth in the aggregate. But, capitalism's unrelenting pursuit of material bounty has elicited a range of social and environmental strains – Malthus may ultimately be right in asserting that exponential growth cannot be sustained. The creation of media, largely established to perpetuate the consumption upon which the capitalist system depends, has also made it much more possible for those on the bottom to become aware of how the top lives, generating discontent and outright opposition against the system. The capitalist system's growth may have proceeded to the point that its size, complexity and interconnectedness make it less controllable, and in turn more volatile and resistant to oversight. Many now argue that 2008 has made this fragility patently obvious.

Global Capitalism is a double-edged sword that presents us with much to anticipate and much to fear. This makes the challenges facing global capitalism that much more difficult and important to solve. As daunting as global capitalism's dilemmas may be, these

challenges need to be addressed. In some respects, conflicts over capitalism are becoming more heated, many communities and countries are finding opposition to the global capitalist system more attractive, and many of the benefits that this great project may confer to the world's people could be foregone in the process. At the same time, many of global capitalism's negative consequences may become less avoidable as we ignore the system's problems, and as the market logic becomes more deeply institutionalized in social life. In addressing these issues, however, we also have to keep in mind capitalism's almost unique problem-solving process, which seems superior to any planning alternative. The key may be to keep capitalism's dynamic generation of ideas and solutions while also constraining the inherent tragedy of the global commons.

The End of Global Capitalism?

Writing in early 2009 one has to wonder if all the preceding will be very relevant by 2010. Will capitalism come to an end? Will the global economy collapse?

The news of the past year has been universally disastrous. One recent *Washington Post* story estimated that \$25 trillion of wealth disappeared during 2008 (1/11/2009, p. 5). In the last quarter of 2008, the OECD registered its first collective economic contraction since records began in 1960 (OECD 2009). For the first time since the Great Depression, observers see realistic fears of a global deflation. Such reports make it difficult to understand what exactly has happened and what its consequences might be. On the one hand, how can there be any money left? How can any political economy lose so much and still be a viable model? On the other hand, the very fact that there was \$25 trillion to lose, that it is gone and the world still functions, speaks to the incredible productive power and resiliency of capitalism. It is also worthwhile to remember that a much less sophisticated version of

capitalism not only survived 75 years of ideological conflict with various competitors, but also a depression much deeper than anything we have seen so far.

It is important to recognize that capitalism is in a crisis, but equally critical to consider whether there are any systemic alternatives to what is described in the following pages other than a return to autarchy. It is possible that some later book will recall the last two decades as the “Glorious Twenty” before a prolonged period of difficult realignment. Yet, this does not mean that the overall structure will be transformed. That serious adjustments will be necessary is obvious, that the growth curve will change slope probable, but that we are on the verge of yet another undefined “Great Transformation” unmaking the past 200 years is unlikely (except perhaps for the reasons discussed in Chapter 7 and generally unrelated to the housing and banking crises). Global capitalism remains the system we need to understand in order to understand the world.

With this in mind, the rest of the book is divided into two major sections meant to assist in addressing these challenges and promises. The first section looks at the component parts of global capitalism. Chapter 2 analyses the flow of international trade and the construction of global factories. The complex flows of money (the subject of the most recent crisis) are analyzed in Chapter 3. The creation of global consumer markets is discussed in Chapter 4. The second section then discusses what we have identified as the three most important challenges for global capitalism. First, as recent events have demonstrated (yet again) global capitalism requires some new system of governance over and above the linking of territorial authority. Chapter 5 discusses the challenges and promises of political control over the market. How the fruits of capitalism are divided is the theme of Chapter 6, which looks at both rising inequality within countries, and the continuing disparities between regions. Chapter 7 analyses the inherent problem with capitalism’s assumption of perpetual

growth as environmental limits and their consequences have become more significant. This last chapter summarizes these findings and suggests a set of questions and issues that global capitalism must address if it is to continue to survive and prosper.

While we have divided the structures and challenges of global capitalism into individual chapters for ease of exposition, it is vital that the reader keep in mind that each of these structures is linked to the other and that each challenge is interwoven with the others. So, for example, without the creation of a global marketing arena, much of the trade flows would not exist; without the borrowing and lending of finance, trade would be impossible (certainly for the US!) Similarly, one of the challenges of our common environmental future is the inequality through which societies have abused it the most, and the system with which to safeguard our resources will require new forms of governance.