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Comparative Capitalism Research in Times of the Financialization Crisis: From an Inter-national to an Inter-temporal Study of Economic Institutions

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Contribution to the conference

“A Great Transformation? Global Perspectives on Contemporary Capitalisms”, Linz, 2017

1. Introduction

Since 2007 we have been experienced a series of heavy economic crises that can only be compared with the global economic crisis of the late 1920s / early 1930s. In contrast to phases of economic stability these phases of crises invite us to think more fundamentally about capitalism, as did the – somewhat smaller – crisis of the late 1960s and early 1970s. Particularly, the real (and supposed) outcomes of these two major economic crises and the changes of capitalism after the first global economic crisis lead us to the question whether we are currently observing a similar major turning point in the history of capitalism. Moreover, it raises the question about the future direction of capitalism (Hall 2013). Although we will only be able to answer this question definitely in a couple of years (or decades), we should try to move beyond pure speculation or general remarks about the contingency of capitalist development. A point of departure is being offered by research programmes about the long term historical development of capitalism. We are less interested in the general long term development of *all* capitalist formations (Streeck 2011), but rather in the differentiation of specific historical phases of capitalist development. These types of research programme offer us important ideas in order to identify historical change of tides, to identify a stable phase of capitalism and to judge whether we observe a more or less linear series of phases in a certain direction (as indicated by Marx and other critical economists), an oscillating pendulum between two poles (as indicated by Polanyi) or a combination of both: a long term development in the form of pendulums or cycles as indicated by the versions of world system theory developed by Arrighi or Wallerstein.

Subsequently, we will develop a hypothesis in order to illustrate how a contemporary research programme for historical comparisons of capitalism could look like. A general re-orientation of the institutionalist comparative capitalism research programme (which has dominated Comparative Political Economy during the last decades) towards an intertemporal comparison opens up a broad spectrum of potential research questions and theoretical frames of reference. Our point of departure is a popular diagnosis about current developments in and of capitalism that will be enriched by theoretical abstractions, in order to arrive at a more systematic and specific prognosis. This diagnosis assumes that the current period of crisis is indicating the end of a particular period of capitalism. This period of capitalism has started during the crisis of the 1970s and is usually labelled as *neoliberal* or *financialized*. This neoliberal epoch of capitalism that lasted three or four decades has followed upon a period of three decades that usually is being referred to as *Keynesian* or *fordist*. This latter period of capitalism, in turn, emerged after the crisis of the late 1920s.

1900s - 1920s:	Progressive Era
1930s - 1960s:	Fordism
1970s - 2000s:	Financialization/Neoliberalism

Periodization of past historical trajectories is rather easy. However, forecasts are difficult and so it is less clear what the next phase of capitalism will look like. After the global financial crisis we have seen the emergence of a rather optimistic prognosis, frequently based upon Keynesian ideas, which assumes that the next period of capitalism will be characterized by less inequality and an increasing de-commodification of society (e.g. Wade 2008; Caporaso and Tarrow 2009; Hall 2013).¹ We do not share this optimism as we think that these prognoses are too strongly located within a Western-centric frame. We do agree that we can see the beginning of a "Polanyian pendulum" swing away from a particular liberal form of capitalism. However, we disagree with regard to the essence of this new form of capitalism as well as to the diagnosis of the current state of capitalism. As to the former, the current state of Western capitalism is in the process of financialization, which, in contrast to the optimistic diagnosis cited above, is still ongoing and is not affected by the current re-regulation of financial markets. A high degree of financialization (understood as the dominance of short-term financial profit over other sections of the economy), as other types of extremely liberal capitalism show, is inherently instable and will sooner or later lead to another deep economic political and societal crisis. Moreover, we are also less optimistic with regard to the substance of the next developmental phase of capitalism. We expect a process of re-embedding of capitalism and a turn away from the liberal capitalism of the last decades. At the same time we assume that the next phase of capitalism will rather be a hierarchical and unequal model of capitalism, such as developed in the large emerging economies of India and China, but also by neo-protectionist developments in the West.

In order to support this hypothesis we will first present a number of theoretical options of historical comparative capitalism studies (2), before developing our own model (3). In order to give at least initial empirical support to our model, we will then discuss current tendencies of crises of financialization and a possible nexus of the next phase of capitalism, as indicated by the current economic model in large emerging markets (4).

2. Theories for the inter-temporal comparison of capitalisms

In the wake of the rise of comparative capitalism in Political Economy, many theoretical traditions that historically compare capitalisms have been relegated to the background. Our suggestion is to revise the temporal analysis of capitalism that should build upon previous theoretical achievements for highlighting historical variation within capitalism even if – as will be demonstrated subsequently – none of these offers fully comply with our requirements. A particularly important requirement for contemporary periodisation of capitalism, for us, includes

¹ This prediction is even more prominent in the public interventions by prominent Keynesian economists such as Paul Krugman or Robert Stiglitz, see Konings 2009, p. 109.

a periodisation which not only analyses current and historical developments but also contains predictions for future developmental phases. Furthermore, given the observations highlighted above, we prefer theories that highlight historically open cycles as opposed to theories that assume a strict linear logic of development such as orthodox Marxism or classical economic modernization theory. Finally, we want to engage with theories that focus on politico-economic cycles or phases to those that primarily focus on political developments, such as theories of hegemonic stability in International Relations (Modelski 1987), or economic cycles alone such as by Kondratieff (1926) or the theory of "long waves" (Mandel 1980).

An obvious candidate for historical developments of capitalism is *World System Theory*. The most well-known version of this theory, as developed by Wallerstein, incorporates not only spatial but also temporal elements, particularly secular elements (such as commodification) cycles (e.g. Kondratieff-waves) and crises that are leading to the transformation into a different type of world system. Wallerstein even predicts a final crisis of the current world system for the mid-21st century, but cannot make precise predictions on the specific shape of the future system (Wallerstein 2000, pp. 435-453). For our purposes the World System Theory version, developed by Giovanni Arrighi (1994, 2008), strongly based upon political-economic hegemonic cycles, is particularly interesting. Arrighi assumes that cycles of hegemonic downturns are always characterised by a financialization of the world economy. Currently, this is the case for the hegemonic transformation from the US to China. Even if a global hegemony of China is hardly to be expected in near future, we still think that the ideas of repeating but always specific cycles of capitalism (with rises and crises), the combination of financialization and hegemonic downturn and the consideration of searching for the core of the next developmental phase in capitalism outside of the West appear very interesting.

Another obvious theoretical option for intertemporal comparisons of capitalism is *Regulation Theory*. Similar to the contemporary debate, this research programme took a real crisis (the growth crisis of the 1970s) as a point of departure to think about the general nature of capitalism. Underlying was the Marxist assumption that capital accumulation inherently produces tendencies and contradictions that potentially undermine its own conditions for continuing existence. Given this basic fragility, this school of thought was wondering why crises were not the rule but rather the exception of the system (Boyer 1990, p. 35). The answer given – even as early as in the 1980s – was that capitalist economies are institutionally embedded and that these institutions are not subject to the logics of pure accumulation. More specifically, the economy is being stabilized through five institutional forms: the regulation of money, labour and competition, complemented by the form of the state and the international embeddedness of the economic system (Boyer 1990, pp. 34-37, Boyer and Saillard 2002). A periodization of capitalist types can be established along these lines as different capitalisms show different combinations and hierarchies among these institutional forms. The most impressive achievement of Regulation Theory has been the identification of a Fordist Variety of Capitalism, whereas the identification of the nature of Post-Fordism remains somewhat vague (Aglietta 2000, Jessop and Sum 2006). Still, we suggest following the inspirations from this theoretic programme, because it explains the existence of capitalist formations from the stability of their institutional configuration and not, such as hegemonic stability theories in International

Relations do, only from the existence of political hegemonies. If the institutional support framework is able to mobilise its regulating function, even fragile forms of accumulation – such as the current form of financialization – can be stabilised over a long period of time.

A school of intertemporal comparison of capitalism that is similar to Regulation Theory but less well known is the *Social Structures of Accumulation*-approach (SSA). This body was developed toward the end of the 1970s, too and is based on the reflection on the long boom period after the Second World War. According to this theory, the establishment of a new SSA is equivalent to the beginning of a new phase of capitalism, whereas the implosion of its institutions marks its end (McDonough 2013, p. 215). The main differences between the SSA approach and the Regulation Theory consist in 1) their theoretical origins – the Regulatory Theory has been based on Marxian categories, whereas SSA rather follows Keynesian analyses, 2) their assumptions about the ending of a phase of capitalism – Regulation Theory assumes the core of this in the crisis of the accumulation regime, whereas SSA rather identifies a crisis of the corresponding institutions, and 3) on the stronger focus of Regulation School on Capitalist structures rather than on actors in SSA theory (Kotz 2004). However, these differences have later been reduced to further development of both approaches (McDonough 2013, pp. 217-219). Particularly interesting for our purposes is that the SSA assumes that liberal and regulated phases succeed each other and that this succession is mediated through specific crises inherent in each phase. A liberal SSA will lead to a underconsumption crisis because of the ability of capital to rule over labour. This will reduce the wage share in the economy and subsequently lead to insufficient demand. These liberal crises are usually remedied through a strengthening of labour, limited distribution of income, a regulation of demand and finance, and, therefore, lead to the foundation of a regulated SSA. A regulated SSA in turn is sensitive to profit squeeze crises. These crises are based on increasing wages and the demand of state protection. They are usually overcome by the strengthening of capital towards labour and by the promotion of deregulation, thus by the creation of a liberal SSA (McDonough 2013, pp. 220-221). Even if the postulated model currently seems quite daunting and the types of crises inherent are of a latent, 'tendencial' kind, the juxtaposition of liberal and regulated phases of capitalism seem to be quite helpful for our purposes, because they predict a crisis of the current liberal form of capitalism and the emergence of a regulated form of capitalism.

The notion of Fordism, so central for Regulation School, has been established by Antonio Gramsci (1999) for his analysis of the new capitalism of the beginning 1930s. Gramsci not only pointed towards the changing societal fundamentals that were necessary for the realisation of Fordist mass production but also towards the new quality of this phase of economic development. The changing relationship between society, state and capital has later been taken up by *Neo-Gramscian Theories* and partly been combined with Regulationist categories (Bieling 2013). Particularly the Amsterdam School of Neo-Gramscianism tried to identify hegemonic cycles within capitalism – less with a focus on systematic strength or weaknesses of a mode of production but rather based on struggles between different capital fractions (Overbeek and van der Pijl 1993). Phases of capitalism therefore have to be linked to dominant capital fractions (e.g. productive or financial capital) and their hegemonic concepts, i.e.

capitalist 'philosophies' (Overbeek 2008, p. 197). Sequences of different types of capitalism are a consequence of power struggles within the capital class, where the winning fraction is able to implement the conditions that are most appropriate for its accumulation interests. In this context, crises are only auspicious moments for the disadvantaged class fraction to become active in order to re-model of capitalism in favour of its own interests. While the theories discussed above may tend to neglect the political moment of societal conflicts, the (later) Amsterdam School tends to neglect the economic mechanisms and logics of capitalism. From the perspective of the Amsterdam School different types of state and society are crucial, but less the institutions of capitalism.

An important theoretical account that can provide us with some indications for the future development of capitalism is the historical analysis by Karl Polanyi (1977, 1978). The *Polanyian* idea, that capitalism is not only an economic system but also a societal formation, however, has only been unfolded to a limited degree. Most studies are limited to a recapitulation of Polanyi's theses about the embeddedness of markets and on the pendulum of the "double movement" (Beckert 1996, 2007; Krippner 2001; Ruggie 1982). These mechanisms are helpful as heuristic devices, but need to be specified further for understanding current developments in capitalism. For one thing, "embeddedness" is a concept that in its generality has hardly any analytical substance left; for another thing, we need to specify which forces are actually driving this pendulum. For Polanyi, this force were not simply powerful political groups but rather a dynamic feature of all political economies as he conceived it as a mechanism of societal self-protection. As we know, Polanyi understood "society", following Tönnies, as local or national communities, which becomes problematic as modern capitalism is organised transnationally, thus transcending these communities. Yet, this does not mean that capitalism is automatically transnationally organized for now and ever, as is to be demonstrated below. Furthermore, Polanyi still could assume that fundamental crises are singular phenomena. Although they are implicit in this Polanyian concept, repeated or cyclical crises have not been sufficiently accounted for in the development of the pendulum swing mechanism. Both elements, however, point towards the importance of capitalist "Vergesellschaftung" for the intertemporal analysis of capitalism that are neglected both by regulation and by hegemonist approaches. Polanyi's distinction between the market, redistribution and reciprocity as three fundamental but different modes of economic integration (1977) originally referred to the comparison between capitalist and non-capitalist societies, but can be used for the distinction of capitalist phases as well. From our perspective, only liberal capitalism is characterised by comprehensive dominance through the market whereas, e.g. Western post-war capitalism had a prominent role for redistribution and many formations of non-Western capitalism reserve an important role for reciprocity.

Classical theories of organised capitalism (Hilferding 1910, Naphtali 1928, Pollock 1933, Sombart 1932) developed the distinction between organised and liberal or disorganised capitalism at an early stage and emphasize the existence of repeated phases of liberal and organized capitalism in the early 20th century (Offe 1985; Lash an Urry 1987). Martin Höpner (2007) engaged with these theories for the purpose of analysing modern capitalism, without,

however, utilizing them for empirical studies.² The crucial distinction for Höpner is in how far the economic interest of companies is being dominated by collective interest beyond these companies: “On the one end of the spectrum, firms are the private business of the owners and insiders. On the other, they are quasi-public infrastructures and, therefore, constrained in their economic decisions by institutionally sanctioned collective interests” (ibid., pp. 6-7). According to Höpner, it is not relevant whether following these collective interests is based on force or on voluntary motivation. Moreover, we can imagine very different incorporations of this collective interest, this could include class interest of employers, networks of managers, or sector interests, and they could constitute on regional or transnational levels. Crucial for organised capitalism, in any case, is that company resources are being used for purposes that defy the narrow perspective of a single company. This also implies that organised capitalism – in contrast to the later idealization of the term where organised capitalism implicitly has been equivocated with corporatist capitalism – is not necessarily associated with social embeddedness as highlighted by Polanyi. The higher purpose of organised capitalism can also be class warfare, as indicated by the anti-labour policies of the late Weimar Republic.

All of these theoretical approaches point towards a) a cyclical tendency of political economies to change its structural or institutional forms and b) a (not sufficiently specified) mechanism that drives this change. By this, they assume that these changes on a large scale are predominantly driven by endogenous dynamics stemming from the nature of capitalist development and not by exogenous shocks and ruptures. As these approaches regarding the long term development of capitalism roughly share similar traits and objectives, we can – for now – make a selection and combine elements of all these theories in an eclectic manner to develop a heuristic model that is able to guide empirical analysis. Based on the research programme of Critical Institutionalism (May and Nölke 2015) we will subsequently highlight a theoretical framework that is based on the Polanyian pendulum mechanism but combine it with aspects of theories of Organised Capitalism, SSA, World System Theory, Regulation School and Neo-Gramscian Theories.

3. The Polanyi Pendulum, commodification and theories of organized capitalism: A phase model

Modern capitalism changes between liberal and organized phases. Based on Höpner (2007), we refer to an "organized" type of capitalism where the decisions of individual companies frequently have to follow some kind of higher purpose. "Liberal" (or disorganized) phases are those where actors can freely follow their individual capitalist rationality. Actors that historically have massively limited the rationality of individual companies in the context of capitalist systems include central state authorities (e.g. the early developmental states of Japan and South Korea) but also German financial capital, where German companies such as Allianz,

² Empirical studies on organized capitalism have been conducted by historians such as Jürgen Kocka, Hans-Ulrich Wehler and Heinrich August Winkler, see Winkler (1974)

Commerzbank, and Deutsche Bank allow limited competition between companies in the production sector by supporting the organisation of cartels (Höpner 2007, p. 17).

While Höpner uses the concept of organized capitalism empirically for the empirical study of processes in individual countries only, we think that it can also be applied to developmental phases of capitalism as a whole and allows for an extrapolation of historical dynamics. Then, one has to look at those world regions which are paradigmatic for a specific developmental phase of capitalism. Until the First World War this was England and the US, with Germany and Japan added at a later stage. For the next developmental phase of capitalism we expect that large emerging markets such as China and India could be able to put their imprint on the global development of capitalism. Therefore, we depart from the idea that there is one single world capitalism (which analytically often becomes conflated with capitalism in the developed world of OECD countries anyway). A simplified distinction of liberal or organized phases of capitalism thus does not relate to all capitalist economies at the same time. Individual economies can also omit developmental phases, for example economies that are in the process of late industrialisation. These economies may 'miss' phases because successful late industrialisation usually implies a strong degree of organized capitalism. It also refers to economies of the periphery that are hardly integrated in global capitalism. The juxtaposition of liberal and organized phases also does not mean that these phases are very similar – history does not repeat itself in an identical fashion. Similarly, the expectation that the return to Keynesian ideas would be the obvious consequence from the current crisis of liberal financialized capitalism (e.g. Blyth 2013, footnote 14), is not particularly imaginative. Finally, the clear distinction of phases does not imply that these phases are discrete periods. In contrast, the new phases of capitalism usually will develop before the end of the previous phase.

From this perspective, the nature of capitalism before the Great Depression (in particular the Roaring Twenties) but also the era of financialization (1980s to 2010s) can be identified as liberal phases; organized periods include Fordism (1930s to 1960s) and – according to our hypothesis – the future phase of capitalism that will become dominant after the expected crisis of financialization. Phases of capitalism may contain considerable country variance as can be seen if we look at the German, Italian and Japanese War economies and the US New Deal of the 1930s. We are also considering investigating whether we can identify additional phases of capitalism in the late 19th and early 20th centuries in the lead economies of the UK and the US, for example by juxtaposing the early Laissez-faire Capitalism with the later Gilded Age dominated by trusts. Of course processes of liberalization (or organisation) in different fields of economic life could also be based on pure coincidence. However, we would consider such coincidence as miraculous. More plausible is the common logic of parallel empirical developments such as the liberalization of employment protection, of health support and of capital markets. At this stage the logic of phase models of capitalistic development in general and of Polanyi's pendulum in particular come into play. From this perspective, liberal capitalism is particularly instable and periodically leads to deep societal, political and economic crisis. These deep crises lead – to put it simply – to the mobilization of societal opposition against liberal capitalism as witnessed after the big economic crisis of 1929. Subsequently, we witness the emergence of forms of organized capitalism.

<i>liberal</i>	Progressive Era	ended by the Great Depression
<i>organized</i>	Fordism	ended by stagnation crisis of the 1970s
<i>liberal</i>	Neoliberalism	ended by the Subprime/Fiscal Crisis?
<i>organized</i>	???	

Organized capitalism can also take very different forms. As highlighted above, this e.g. includes the socially "embedded" form of the New Deal but also the Fascist economic organisation in Germany, Italy or Japan, to name only those that had formed the background of the formulation of Polanyi's theses. This means, that the next phase of capitalism will be organized but not necessarily social. We therefore do not agree that the juxtaposition to liberal capitalism is a socially reformed (somewhat "good") form of capitalism. Indeed, the last phase of organized capitalism (Fordism) has been strongly embedded in a way that it corresponded the needs for social reproduction, e.g. through the function of mass consumption but this is not a necessity. Even Polanyi formulated his theory 1944 on the background of the rise of fascism (Höpner and Schäfer 2010, p. 8) and identified both the rise of fascism and the rise of Russian socialism as a direct reaction to the "impasse of liberal capitalism" (Polanyi 1977, p. 314).

According to Polanyi, however, a successful alternative to liberal capitalism undermines the efficient provision of consumer goods in the long run (1978, p. 307) and therefore contributes to the increasing attractiveness of liberal models. We find this particular movement from organized to liberal phases of capitalism not only in Polanyi but also in World System Theory, SSA and other Marxist influenced theories on the long term logic of commodification. According to this logic, capitalist actors – after a period of re-embedding of organized capitalism – will try to presume their capitalist logic without major constraint. Constraints of capitalist rationality are being perceived – not only by companies – as a loss of efficiency, and, correspondingly, should be gradually removed. Economic crises also play a role in the change from organized to liberal capitalism. However, they are not so severe if compared to crises after the end of a liberal phase of capitalism. Correspondingly, they rather take the shape of a long phase of stagnation in which liberal ideas regarding economic reforms regain more and more support in the public debate.

This reference to societal conflict already highlights that the swing of Polanyi's pendulum does neither proceed automatically nor smooth but involves massive socio-political conflicts (Beckert 2007, p. 17; Höpner and Schäfer 2010, p. 7). These conflicts about the future shape of capitalism (or its general transformation) usually are often studied by Neo-Gramscian theories. These theories do not only highlight the resources of competing societal groups but also the contest of rivalling interpretations and hegemonic concepts. These conflicts will not only being fought between capital and labour but – at least according to the categories of the

Amsterdam School – also between different capital fractions such as trade, industry and financial capital as well as capital fractions with national or international orientation (Overbeek 2004). Yet, struggles about the future shape of capitalism do not solely determine the actual form of capitalism to come. Therefore, we should not overestimate the coherence and the radical character of the change from one phase of capitalism to a new phase. Social forces are not always able to impose their visions upon other groups but require some kind of compromise – either in the form of explicit consent (as in the New Deal) or by way of a hegemonic incorporation of competing interests. Furthermore, unintended consequences play an even more prominent role (Krippner 2011, Nölke et al. 2013b).

So far, we have implicitly assumed a national society without external restrictions for developing our model. However, this has become an illusion for several decades by now. Next to transnational activities in trade and investment, there are international institutions (regimes and organisations) that support specific phases of capitalism (Murphy 1994). Correspondingly, the system of Bretton Woods was essential for safeguarding organized capitalism in the post war period (Ruggie 1982). In turn, institutions such as the Basel Accords or the standards developed by the International Accounting Standards Board are important ingredients of the new liberal constitutionalism (Gill 1998) in the current phase of financialization. Such liberal institutions are particularly powerful on the level of the European Union as liberal principles gain supranational legislative status. As a consequence, the fault line between national and transnational forces of capitalism becomes a further determinant for the swing of the pendulum towards organized capitalism.

Subsequently, we will highlight how the heuristics developed above can be used for the stimulation of empirical research programmes. We will focus on two aspects of contemporary capitalism: the likelihood of a deep crisis of the current liberal model of financialized capitalism and the rise of state-permeated capitalism in the large emerging economies as a shape of the future things to come.

4. The crisis of the liberal phase of capitalism and the nucleus for a new organized phase of capitalism

Just like earlier phases of strongly liberal capitalism, the current phase of financialized capitalism is particularly prone to heavy and sudden crises. This tendency has become more than obvious during the subprime financial crisis between 2007 and 2009. Even if – as similar to other major financial crises – the specific causation of this crisis cannot be explained in a theoretical edifice on this high level of theoretical abstraction, the structural process of financialization in general is constitutive for this crisis. The relevant factors include the inherent tendency of financial markets to produce phases of boom and bust, the tendency of highly interconnected financial markets to quickly transfer the site of crisis from one world region to another and the need to rescue too-big-to-fail financial sectors with tax payers' money (Heires and Nölke 2011).

As a consequence of this financial crisis Western governments have implemented a number of measures in order to regulate financial markets much more thoroughly (Mayntz 2012). These alterations inter alia comprised increased capital adequacy requirements for banks, increasing the transparency of activities of hedge funds, private equity and rating agencies and to monitor derivative trading more heavily. All these measures, however, have not been able to reverse or even reduce the process of financialization and to minimize the corresponding risks for economic stability. A large share of financial market transactions is still operating outside any substantial regulation but in the shadow bank sector. Similarly, the highly problematic concentration in the financial sector (resulting in too-big-to-fail institutions) has not been reduced as well as the strong transnational interactions in the sector that entail a rapid spreading of a crisis. In contrast, measures that could certainly reduce the amount of financialization, such as capital controls, the comprehensive introduction of financial transaction taxes, the interdiction of many types of derivatives, of hedge funds and other shadow banks, or the de-concentration of large banks, have not been chosen and won't be chosen in the foreseeable future. Given the strong political interconnectedness between political decision makers and representatives of the financial sector, it is highly unlikely that strong re-regulation measures will be chosen. Moreover, the Eurozone crisis still continues to threaten the stability of European financial systems. Differing from the situation before the last financial crisis, both public and private households are strongly indebted and therefore inhibit a quick mobilization of huge rescue packages in case of another financial crisis. We can thus assume that the next financial crisis (and there will be one coming, this is for sure) will have much more severe repercussions than the last one. We may also assume that another major economic crisis will lead to the comprehensive de-legitimization of liberal modes of capitalism. Alternative models of capitalism, particular if those models have proven to be viable in other regions or time periods, will become more plausible. From the perspective highlighted above, the most likely candidate for the next organized phase of capitalism will be based on the model of state capitalism in large emerging economies – the only region where economic growth actually took place during the last two decades.

In the global South we can witness the nucleus for a new phase of organized capitalism. What we call "state-permeated capitalism" in large emerging markets such as China or India is a decidedly non-liberal type of capitalism where markets play a much smaller role for the coordination of economic activity and where a strong domestic orientation of business and policy makers prevails. Finance capital represents only a tiny fraction of the overall accumulation process and, as a consequence, state-permeated capitalism is much less sensitive to fluctuations on global capital markets even it is not completely isolated from global economic developments. However, during the current crisis, the periphery of the global economy has been much less affected than its centre, in marked contrast to earlier crises of 1929 and 1973. We would even argue that today we cannot distinguish between the periphery and the centre of the global economy in this manner anymore, given the substantially increased weight of the large emerging economies in global capitalism.

Our research (Nölke et al. 2015) has highlighted a coherent institutional framework for state permeated capitalism in large emerging economies. At the centre of this mode of capitalism is

the state. However, in contrast to the second wave of state capitalism after the global economic crisis of the 1930s – the first wave of state capitalism taking place during the 19th century – this state capitalism is not dominated by a centralised hierarchical developmental state but rather steered by a number of coalitions between state and economic actors. This arrangement is *inter alia* a consequence of the weakness of the central state in these large emerging economies but the relative large leeway that local and regional authorities have in the local political economy. However, the absence of a strong centralized state does not make this capitalism liberal. In contrast, the new form of capitalism also strongly rests on the organizing function of personal relationships based on reciprocity in and between the economy and state institutions (May 2013). As Polanyi (1977) framed it, reciprocity is a means to coordinate economic activity which is fundamentally different from the market (predominant in liberal capitalism) and redistribution (predominant in households, communism and social-democratic "embedded" capitalism).

In contrast to other Neo-Polanyian perspectives our view on future developments of capitalism does not place emphasis on a social democracy, with high taxes, full employment and strong labour unions but rather assumes the rise of a socially and politically particular unequal capitalist oligarchy. We do find the typical prerogative of organized capitalism – in the sense of a submission of the profit seeking activities of individual companies under collective purpose – for the economic activities in countries such as China and India always have to follow the overarching target of a general national development strategy. However, the focus of this form of re-embedding is a state driven counter movement against the previous domination of the global economy by Western financial markets and multinational companies. The large emerging economies thus want to prevent the fate of the Middle Eastern European dependent market economies (Nölke and Vliegenhart 2009). It takes not much imagination to interpret the form of Southern state capitalism as a direct counter-movement against liberal capitalism.

However, this counter-movement is not limited to the Southern hemisphere. The rise of right-wing populism across Europe, the Brexit vote and the victory of Donald Trump in the US all indicate the growing de-legitimization of liberal capitalism even in its heartlands. Of course, none of these counter-movements rally with a coherent blueprint of organized capitalism at hand. But the fact that all of them explicitly refer to economic conditions signifies that a re-modelling of capitalism is on the agenda. This is perhaps most explicitly formulated in Trump's economic policy formulations that centre on a de-coupling from global capitalism and the return to a national economy (as realistic as this might be). If this is not indicative of the urge for the "self-protection of society" (Polanyi 1978), what else?

Our hypothesis, that a new organized form of capitalism (which seem to gain popularity in the formerly liberal heartlands) will be rather nasty than progressive seems to be correct. The nucleus of organized capitalism is collectivist in nature, but (unfortunately) not based on mutual solidarity but on national and particularistic ideas. No wonder as the hegemony of liberalism over the past 30 years, with the associated ideas of individualism, non-solidarity, competitiveness and ruthless political pragmatism has produced an intellectual and political vacuum in

which no progressive ideas or blueprints could have been developed.³ However, the simple realization that the elites "up there" (whether this means the transnational policy elite of the EU and US or the national political elites in Washington and London) are ignorant towards the needs and hardships of the masses "down here" (whether these are the bulk of developing countries or the bulk of the marginalized middle- and underclass in advanced economies) transcends and unmasks the neoliberal ideology of universal values and world society. Obviously, it is a matter of the distribution of social forces when and whether an organized form of capitalism will materialize. "The Great Transformation" includes numerous examples of collectivist, non-liberal project that had the "self-protection of society" in mind but which proved to be too weak to challenge liberal capitalism.

5. Conclusion

We argue that the inter-temporal analysis of capitalism is necessary and possible. All previous theories about long waves, historical cycles, recurrent crises and pendulum swings indicate that economic dynamics can actually trigger the evolution of forms of capitalism. This means, really existing capitalisms are no historical "accidents" or conjunctures but are for a part result of a systematic tendency or mechanism of expansion and contraction, of opening and closure, of liberal and organized capitalism. On the grounds of such mechanisms, we can legitimately attempt to formulate forecasts about the future development of capitalism. Importantly, this does not entail a determinist stance. For while mechanisms enable us "to explain but not to predict" (Elster 1998, p. 45), we can nevertheless *forecast*. Here it makes sense to differentiate between *prognosis* and *prediction* (see Glynos and Howarth 2007, p. 3). Even if we cannot predict outcomes in a covering law style, it is nevertheless possible to exploit the regularity of mechanisms for cautious propositions about the future.

Our approach might also provoke remarks about an alleged economist tendency as socio-political developments seem to be read off the economic dynamics of capital accumulation. Perhaps there is a grain of truth in it but recognizing the large body of theoretical literature in this vein, we feel in good company. We posit instead that it is a large omission not to incorporate the inherent tendencies of capitalist development into account. And as we are not part of economics' orthodoxy, we do not assume general equilibrium but a tendency of capitalism to produce cycles, waves and recurrent crises. There is an endogenous dynamic quality in capitalism that serious research has to account for – whether as a variable that is causal or that is at least controlled for. The alternative *not* to look at the economic fundamentals often results

³ Intellectuals and the well-educated usually despise the ideas behind the "populist" movement but tend to forget that those social forces that are usually responsible for formulating progressive ideas, blueprints and policies (intellectuals, the left, green and social-democratic parties, etc.) blatantly failed to do so. They blew into the horns of (neo-) liberalism rather than producing alternative projects on the ground of material social equity. While they resorted to the urban leftist niche cherishing cosmopolitanism, identity politics and human rights, real incomes of the lower and middle classes shrank massively. That they are now appalled by what they denounce as "populism" is not least indicative of a broader class struggle of the middle against the lower classes. Facing ever shrinking material wealth, middle classes (no matter which political orientation) oppose a fairer redistribution of societal welfare simply because they assume that their fears of socio-economic descent is more important than the further impoverishment of the lower classes. The way in which the "established" made fun out of voters and supporters of European populists or Trump's campaign as dumb and primitive reveals the disgust that the liberal establishment nurtures against the lower classes.

in a naive, inherently pluralist idea that in times of crisis "windows of opportunity for new thinking" emerge and new forms of capitalism can be designed or engineered – an idea that is theoretically unfounded. Finally, as a materialist approach, we try to take into account that political and social mobilization (which brings the pendulum to swing) arouses first and foremost in relation to people's need to maintain their well-being today and in the future. If this existential requirement is under threat, people naturally start to worry. It is here where a Polanyian "way of thinking" becomes important: to acknowledge that capitalisms are not just macro-economic concepts but find their real expressions in the daily endeavors of ordinary people to survive and to improve their conditions of life.

6. References

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