

Capitalism and the emergent world order

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Global turbulence

There is general agreement that the world *is* changing, but considerable disagreement about *how* it is changing. Commentators variously locate this change in a ‘power shift’ from West to East,¹ a trade in superpower status between the United States and China,² or a transition from an era of bipolarity to one of unipolarity,³ multipolarity⁴ or even non-polarity.⁵ These analyses are linked by attention to a smorgasbord of dynamics that are said to be disrupting the smooth functioning of international order: globalization, US militarism, dynamics of revolution and counter-revolution, finance capital, climate change, the rise of non-state actors, new security threats, the dislocating effects of information and communication technologies (ICTs), and more.

We argue that the problem with many of these analyses is that they either give only a weak account of how the contemporary international order came into being or ignore this process altogether. This neglect means that many commentators have oversimplified, narrow understandings of the emergent world order. Our argument is that the changes that excite, concern or confuse contemporary commentators have their roots in the emergence of modernity during the ‘long nineteenth century’.⁶ By modernity we mean a configuration of industrial capitalism, rational–bureaucratic states and new ideologies of progress. This configuration prompted a global transformation that, in turn, enabled the ‘rise of the West’ and the construction of a highly unequal global political economy.⁷ This

* We would like to thank colleagues at the Department of Political Science, Copenhagen University, three anonymous reviewers and the editor of *International Affairs*, Caroline Soper, for extremely helpful comments on earlier drafts of this article.

¹ Danny Quah, ‘The global economy’s shifting centre of gravity’, *Global Policy* 2: 1, 2011, pp. 3–9.

² Stefan Halper, *The Beijing Consensus* (New York: Basic Books, 2010); Xuetong Yan, *Ancient Chinese thought, modern Chinese rower* (Princeton, NJ: Princeton University Press, 2011).

³ Stephen G. Brooks and William C. Wohlforth, *World out of balance* (Princeton, NJ: Princeton University Press, 2008).

⁴ Charles A. Kupchan, *No one’s world* (New York: Oxford University Press, 2012); John Ikenberry, *Liberal Leviathan* (Princeton, NJ: Princeton University Press, 2011).

⁵ Richard Haass, ‘The age of nonpolarity’, *Foreign Affairs* 87: 3, May–June 2008, pp. 44–56.

⁶ Eric Hobsbawm, *The age of revolution, 1789–1848* (London: Abacus, 1962).

⁷ Barry Buzan and George Lawson, ‘The global transformation: the nineteenth century and the making of modern international relations’, *International Studies Quarterly* 57: 3, 2013, pp. 620–34.

same configuration is now enabling the ‘rise of the rest’.⁸ As a result, the power gap that served as the bedrock for a core–periphery international order is closing. It is being replaced by a decentred order in which no single power—or cluster of powers—is pre-eminent: the world is undergoing a shift from a globalism centred in the West to a *decentred globalism*.⁹

At the same time as power is becoming more diffuse, the degree of ideological difference among the leading powers is shrinking. A core ideological question driving much of the geopolitics of the twentieth century was: ‘Capitalism or not?’ Since 1989, the core ideological question in world politics has been: ‘What kind of capitalism best delivers stable prosperity?’ The demise of state socialism has engendered a much narrower conversation about how best to organize economies. This is most evident in the case of China. Because China has made huge strides towards instituting a market economy, there is not the same level of systemic confrontation that marked the competition between the Soviet Union and the West. China is not clearly either an enemy or a friend to the United States; rather, it is both an economic partner and a political rival. This convergence means that the world is unlikely to face a repeat of the situation of the 1930s, in which different Great Powers represented mutually exclusive forms of political economy. This is the good news. The less good news is that, although states around the world are harnessing comparable sources of power, they embed these in a wide spectrum of governance structures. A core question, therefore, in the contemporary world is how to manage relations between diverse modes of capitalist governance. One possibility is a heightening of intercapitalist competition; a more optimistic scenario is the formation of a concert of capitalist powers. Will the emerging configuration of ‘we’re all capitalists now’ regenerate geopolitical conflict on the basis of political differences, or will it foster a more integrated geo-economics of peaceful competition?

After first tracking the shift from centred to decentred globalism, we highlight the strengths and weaknesses of the four most prominent forms of capitalist governance: liberal democratic, social democratic, competitive authoritarian and state bureaucratic. We then assess the prospects for intercapitalist competition and cooperation.

How we got here—the ‘global transformation’

Until the eighteenth century, Europe did not hold a significant power advantage over the Great Powers of Asia, whether measured by military strength, GDP or available technologies.¹⁰ European states engaged with Asian powers as equals and, sometimes, as inferiors. Yet by the middle of the nineteenth century, Britain could defeat China using only local forces from its Indian empire, and the fledgling

⁸ Fareed Zakaria, *The post-American world and the rise of the rest* (London: Penguin, 2009).

⁹ Barry Buzan, ‘A world order without superpowers: decentred globalism’, *International Relations* 25: 1, 2011, pp. 1–23.

¹⁰ C. A. Bayly, *The birth of the modern world, 1780–1914* (Oxford: Blackwell, 2004); David Christian, *Maps of time* (Berkeley: University of California Press, 2003); Kenneth Pomeranz, *The great divergence* (Princeton, NJ: Princeton University Press, 2000).

United States could mount displays of naval might sufficient to cow the Japanese into opening up their economy to the West.

What explains this rapid turnaround is the onset of modernity. Modernity arose from three interlinked changes. First, industrialization and the extension of the market to a global scale brought all parts of the international system into closer contact with each other. The new modes of power associated with industrialization and marketization produced major inequalities between societies. The result was a system that was simultaneously both intensely connected and deeply divided. Second, a new set of ideologies rose to prominence during the nineteenth century, most notably liberalism, nationalism and socialism. These ideologies constituted new entities and actors (classes, nations, civil society, limited companies), reconstituted some old ones (the state) and undermined previously dominant ideologies (dynasticism). Liberalism, nationalism and socialism were closely bound up with ideas of progress, providing new motivations and legitimating strategies for modern international practices ranging from law to diplomacy and from trade to war. Like the advent of industrial capitalism, these ideologies intensified both division and integration in the global political economy. Third, the reconstitution of power associated with the shift to industrial society and ideologies of progress was sustained by processes of rational state-building, in which capacities were both caged within nation-states and extended outwards into 'alien spaces'. Nation-building went hand in hand with imperialism. The result was a bifurcated international system, mediated through a 'standard of civilization', in which rule-based order was reserved for 'civilized' peoples, and dispossession, exploitation and colonialism for 'barbarians'.¹¹ This core-periphery structure took global form, sustained by a large and durable power gap between those states that first harnessed the configuration of global modernity and those that were subjugated by it. For better or worse, and often both together, the nineteenth century saw the transformation of the daily conditions of people nearly everywhere on the planet.¹²

The revolutions of modernity arose from longstanding transnational connections in technologies, ideas and resources.¹³ But the configuration that sustained modernity first coalesced into an enduring mode of order during the nineteenth century when a handful of Atlantic states opened up a massive power gap between 'core' and 'peripheral' societies. By the end of the nineteenth century, four states (Britain, France, Germany and the United States) accounted for two-thirds of the world's industrial production; and one of them (Britain) became the first global superpower, claiming a quarter of the world's inhabitants and territory. In

¹¹ Gerritt W. Gong, *The standard of 'civilization' in international society* (Oxford: Clarendon Press, 1984; Edward Keene, *Beyond the anarchical society* (Cambridge: Cambridge University Press, 2002); Shogo Suzuki, *Civilization and empire: China and Japan's encounter with European international society* (London: Routledge, 2009).

¹² Hobsbawm, *The age of revolution*; Eric Hobsbawm, *The age of capital, 1848–1875* (London: Abacus, 1975), and *The age of empire, 1875–1914* (London: Abacus, 1989).

¹³ Jack Goody, *The East in the West* (Cambridge: Cambridge University Press, 1996); Eric Wolf, *Europe and the people without history* (Berkeley: University of California Press, 1997); Pomeranz, *The great divergence*; Bayly, *The birth of the modern world*; John Hobson, *The eastern origins of western civilization* (Cambridge: Cambridge University Press, 2004); John Darwin, *After Tamerlane: the rise and fall of global empires, 1400–2000* (London: Penguin, 2007).

principle this power gap could be closed: those with access to the configuration that sustained modernity could move from periphery to core. In practice, this move was made exceptionally difficult not only by the depth of changes required, but also by practices of colonialism, imperialism and other forms of exploitation that reinforced the advantages of the core.

If the emergence of a 'core' of 'modern' states is one half of the modernity story, the other half is the intensification of interactions between societies. Increasingly dense trade networks, improved transport and communication systems, and colonialism backed by modern weapons generated a highly integrated international political economy. These changes eroded local and regional economic systems, and imposed global price and production structures. As a consequence, levels of interdependence rose, making societies more exposed to developments elsewhere.

Modernity, therefore, possessed a dual tendency, uniting the planet through an intensification of political, economic and cultural interactions, while simultaneously pulling it apart via major discrepancies in power and status, and along new lines of ideological division. The result was the emergence of *centred globalism*—an international order that was global in scale, but centred on the West. International order has been marked by centred globalism since the middle of the nineteenth century. During this period, a relatively small core of states has been able to dominate the periphery despite spending much of the twentieth century immersed in geopolitical conflicts over which model of political economy best captured the modern configuration. The era of centred globalism is now coming to an end, and it is this development that provides the often unnoticed backdrop to accounts of contemporary global turbulence.

The reason for the contemporary sense of *fin de siècle* is that the revolutions of modernity have spread beyond a small group of western powers, eroding the power gap between core and periphery. Rising China is the contemporary standard bearer for this process, but outside the West it was Japan that first acquired the revolutions of modernity. Japan's defeat of Russia in 1905 signalled for the first time in the modern era the rise of a non-white, non-western state. Many other states—among them the 'Asian tigers', the BRICS, Indonesia and Turkey—have followed suit. The core of industrial, bureaucratic states gets bigger; the periphery of states that lack, or have been denied, access to these sources of power shrinks.¹⁴ As a result of this process, the period of western hegemony, which lasted from the second quarter of the nineteenth century to the first quarter of the twenty-first century, is coming to an end. The world is shifting from an era of centred globalism to one of decentred globalism.

It is already difficult for any single power, or cluster of powers, to dominate international society, as evidenced by the eclipsing of the G8 by the G20. This trend will continue. The core will become bigger and less western, and the links between power and race first challenged by Japan will be further diminished.

¹⁴ For reasons of brevity, we omit discussion of the 'semi-periphery', i.e. those states that link core and periphery in terms of production, trade and so on. For a full discussion of this category, see Immanuel Wallerstein, *The capitalist world economy* (Cambridge: Cambridge University Press, 1997).

Decentred globalism provides a foundation for international affairs quite unlike the core–periphery global order of the past two centuries. It also provides a backdrop quite unlike the world before the nineteenth century, in which there were many centres of power only lightly and slowly connected with one another.¹⁵

Contemporary commentators are thus right to say that profound changes are under way. But they are wrong to see this change primarily in terms of super-power rivalry or continental power shifts. The changes go far deeper, affecting the very sources of power on which international order rests. Indeed, the emergence of decentred globalism means that no state will be able to replace the United States as a superpower, because none will be able to acquire enough relative power to dominate the system as a whole. The age of superpowers was a consequence of the uneven distribution of power created, in turn, by the unevenness of the early phases of modernity. In contrast, the world of decentred globalism will have several Great Powers and many regional powers: it will not have any superpowers.¹⁶ At the same time, by the standards of the twentieth century, its ideological bandwidth will be unprecedentedly narrow.

Competing capitalisms

Decentred globalism in a world of universalized capitalism offers no single vision of how industrial capitalism, rational–bureaucratic states and ideologies of progress should be organized. Over the past two centuries, many forms of society have harnessed these sources of power: liberal, social democratic, socialist, colonial, post-colonial, fascist and more. In the contemporary world, debates about how best to organize the revolutions of modernity tend to operate through consideration of alternative modes of capitalist governance. Following the market reforms in China in the late 1970s and the collapse of state socialism in Eastern and Central Europe between 1989 and 1991, capitalism has become pre-eminent. Almost every state organizes its economy through market logics and takes part in global regimes governing trade, production and finance. In a similar vein, almost every state seeks to formally distinguish distinct realms of politics and economics. That this separation is fundamental to the emergence of modern capitalism is agreed across the political spectrum, from liberals to Marxists.¹⁷ The attempt to separate states from markets is distinct both from pre-modern fusions of politics and economics and from modern attempts (as in state socialism) to maintain a single realm of political economy. The universalization of market relations has meant a near-worldwide conception of politics and economics as, at least notionally, distinct spheres of activity.

The literature on ‘varieties of capitalism’ stresses the importance of two modes of capitalism: ‘liberal market economies’ and ‘coordinated market economies’.¹⁸

¹⁵ Bayly, *The birth of the modern world*; Christian, *Maps of time*; Pomeranz, *The great divergence*.

¹⁶ Buzan, ‘A world order without superpowers’.

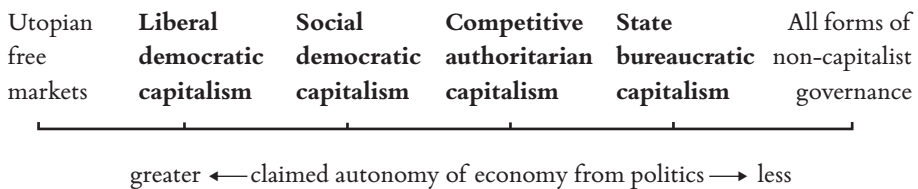
¹⁷ Douglass C. North, John Joseph Wallis and Barry R. Weingast, *Violence and social orders* (Cambridge: Cambridge University Press, 2009); Justin Rosenberg, *The empire of civil society* (London: Verso, 1994), p. 126.

¹⁸ Peter A. Hall and David Soskice, eds, *Varieties of capitalism* (Oxford: Oxford University Press, 2001).

Although based on clear empirical criteria, this typology has two faults. First, it is formed almost exclusively from the experience of western states.¹⁹ Second, the main point of differentiation does not include sufficient attention to the governance structures within which markets are embedded.²⁰ We address the first of these lacunae by adding non-western states to the analysis. We address the second by accommodating within our basic definition of capitalism an ostensible separation between the political and economic spheres. This adds value to the economic criteria of the orthodox literature by stressing the ways in which different modes of capitalism are embedded politically. The result is a typology that incorporates not just two ideal-types of democratic capitalism (liberal democratic and social democratic), but also two ideal-types of authoritarian capitalism (competitive authoritarian and state bureaucratic).

These four ideal-types of capitalist governance are oversimplifications intended to tease out differences for the purposes of analytical clarity and empirical comparison. They are best understood as occupying points on a continuum, one end of which is defined by the complete separation of economics and politics, the other by their complete union (see figure 1). Since no known forms of capitalism meet either extreme condition, our four ideal-types do not reach either end of the spectrum. Liberal democratic capitalism seeks to maximize economic autonomy, combine this with democratic governance and minimize the role of the state. Social democratic capitalism seeks to balance the market, the state and democracy. Competitive authoritarian capitalism favours state control over the market and constrains democratic governance. State bureaucratic capitalism attempts a complex, fluid mix of state ownership and market relations, while rejecting democratic governance outright.

Figure 1: Mapping ideal-types of capitalist governance



These ideal-types facilitate clarity for the purpose of characterizing the political dynamics of varieties of capitalism. But there are two caveats to note about how they relate to the actual experience of states. First, many states are hybrids, containing features drawn from more than one ideal-type. Russia is a mixture of state bureaucratic and competitive authoritarian capitalism. Somewhat counter-intuitively, the outlier to the austerity regime favoured by both liberal democratic

¹⁹ Christopher McNally, 'Sino-capitalism: China's reemergence and the international political economy', *World Politics* 64: 4, 2012, pp. 745–9.

²⁰ Bruno Amable, *The diversity of modern capitalism* (Oxford: Oxford University Press, 2003); Gregory Jackson and Richard Deeg, 'How many varieties of capitalism? Comparing the comparative institutional analyses of capitalist diversity', discussion paper 06/2 (Cologne: Max Planck Institute for the Study of Societies, 2006); Beatriz Magaloni, *Voting for autocracy* (Cambridge: Cambridge University Press, 2006).

and social democratic states is the United States, which has continued to pursue a policy of fiscal stimulus intended to break the liquidity trap and boost aggregate demand. These hybrid forms of capitalist governance muddy distinctions within the democratic and authoritarian groupings, if less so between them. Second, states often shift between categories over time. Chile under the Pinochet regime was a mixture of the state bureaucratic and competitive authoritarian modes of capitalism; since the ending of military rule, it has instituted capitalism along a mix of liberal democratic and social democratic lines. This is far from being the only example of such movement in capitalist governance over time: change is the norm rather than the exception.

With these caveats in mind, individual states and groups of states can be placed loosely along this continuum: the US, the UK and other Anglophone countries represent liberal democratic capitalism; states in much of continental Europe, South America, India, Japan and South Korea exemplify social democratic capitalism; Russia, and a number of states in the Middle East, sub-Saharan Africa and South-East Asia are characterized by competitive authoritarian capitalism; China, Vietnam, most of the Gulf monarchies (including Saudi Arabia) and some Central Asian states are the main bastions of state bureaucratic capitalism.

It is clear from this broad overview that capitalism is a near-universal feature of contemporary international society and, because of the way it generates power, virtually a necessary condition for Great Power standing. If one overriding lesson emerged from the Cold War, it was that non-capitalist economies could not compete with capitalist ones over the long run, particularly when economies became more strongly based on information and services. Each mode of capitalist governance has its strengths and weaknesses, generating a series of questions about its capacity for growth, its efficiency and its stability. Because capitalism turbo-charges change, it is always attended by trade-offs in terms of growth, inequality, efficiency and stability. Capitalism legitimizes itself by generating wealth in the form of growth and profits. But this wealth is unevenly distributed. The top 0.5 per cent of the world's population own over a third of its wealth, and the world's 1,226 billionaires have a combined wealth of US\$4.6 trillion—more than the annual GDP of Germany.²¹ At the same time, the bottom 68.4 per cent of the world's population own just 4.2 per cent of its wealth and nearly 650 million people around the world are undernourished.²² All forms of capitalist society are, therefore, compelled to maintain growth as a means of rendering tolerable the politics of inequality. If growth slows or reverses, and inequality remains, there is the risk of an ugly and potentially violent politics of redistribution coming to the surface. This is true across the spectrum: China is now as politically addicted to growth as the United States. The four ideal-types of capitalist governance we highlight manifest differing forms of these basic tensions.

²¹ Malcolm Bull, 'Help yourself', *London Review of Books*, 21 Feb. 2013, pp. 15–17 at p. 15.

²² Bull, 'Help yourself', p. 15; Goran Therborn, 'Class in the 21st century', *New Left Review*, no. 78, Nov.–Dec. 2012, pp. 5–29 at p. 14.

Democratic varieties of capitalism

Liberal democratic Liberal democratic capitalism seeks to maximize the distinction between economics and politics, keeping the two in relationship through representative government. In this mode of capitalist governance, democracy is seen as the natural accompaniment to the market. Because capitalism is associated with the spread of wealth and information, citizens are empowered in their relations with the state. This condition means that the representation of citizens in formal political institutions is taken to be fundamental to the realization of legitimate authority. Over many years, and through bitter struggles, the franchise in liberal democratic capitalist states has been extended to incorporate those without property and, often much later, women and minorities. The result is a model of popular sovereignty that stresses autonomy and individual rights, and that claims to reward merit.

Liberal democratic capitalism seeks to maximize autonomy, fostering rights and meritocracy through the operation of the market in the expectation that high levels of innovation and growth will counter inequality. The operation of markets generally, and of financial markets in particular, is notoriously prone to cycles of boom and bust, and occasionally to seriously big breakdowns like those of 1929 and 2008. Liberal democratic capitalism is, therefore, caught between its market orientation on the one hand and the twin needs to accommodate crises and deal with inequality on the other. This, in turn, leads to a tension between those who want to minimize the size and function of the state, and those who stress the need for a state that intervenes in order to foster social cohesion and protect the vulnerable. Cultural factors can be important in this respect. American society is notably tolerant of economic inequality on the grounds that the opportunity to acquire wealth is understood to be widely available, and that the acquisition of wealth is fair if based on merit and hard work.²³

Since the early 1970s, most states associated with liberal democratic capitalism have been in the vanguard of a wider shift from neo-Keynesianism to neo-liberalism.²⁴ Indeed, because of their close association with neo-liberalism, many liberal capitalist states were hit hardest by the 2008 financial crisis. To a great extent, neo-liberalism helped to enable the financial crisis by generating a climate in which easy money became tied to debt-financed spending and high loan–value ratios. In the decades leading up to the crisis, wage repression among median workers reduced levels of effective demand, prompting the expansion of credit and, as a result, an increase in debt-fuelled consumption: between 1980 and 2010 average household debt tripled in the United States.²⁵ This debt was

²³ Rising inequality is testing this tolerance. Movements like Occupy Wall Street speak to a wider disillusionment in the US with what Gitlin calls the ‘great divergence’ between rich and poor since the 1970s (Todd Gitlin, ‘Occupy’s predicament: the moment and the prospects for the movement’, *British Journal of Sociology* 64: 1, 2013, pp. 3–25). Of the 24 OECD countries, only Turkey and Mexico have higher levels of inequality and more poverty than the US: Michael Mann, *The sources of social power, volume 4: globalizations* (Cambridge: Cambridge University Press, 2013), p. 331.

²⁴ Mark Blyth, *Austerity: the history of a dangerous idea* (Oxford: Oxford University Press, 2013); Mann, *The sources of social power*.

²⁵ David Harvey, *The enigma of capital* (London: Profile, 2011), p. 17; Raghuram G. Rajan, *Fault lines* (Princeton, NJ: Princeton University Press, 2010), p. 9.

secured against the neo-liberal promise of increasing asset (particularly property) values, stable levels of inflation and low interest rates. However, when inflationary pressures, fuelled by higher commodity prices, forced interest rates up, and therefore house prices down, the result was severe: governments had no way to control inflation without raising interest rates and therefore causing housing markets to either stagnate or crash. Yet buoyant housing markets were one of the main vehicles of neo-liberal growth, serving as security against debt and as the principal form of consumer equity release. At the same time, financial markets, enabled by permissive political stewardship, were considered to be so sophisticated that all risks could be converted into prices. Neo-liberals sought to disembed market interactions from political relations; deregulation, tax cuts and tighter control of the money supply were intended to release entrepreneurial drives that would, in turn, foster capital mobility and accelerate wealth creation. But just as Polanyi recognized,²⁶ this attempt to separate economics and politics, and to subordinate society to the discipline of the market, was a mirage: neo-liberal markets, supposedly ordered only by the price mechanism, turned out to be embedded within governance structures rather than spontaneously self-generated.

To date, the main response to the financial crisis by liberal capitalist states has been austerity: quantitative easing accompanied by deep cuts to government spending in order to reduce public debt and control inflation.²⁷ However, such a response requires economies to grow and, to date, many liberal capitalist states are registering only sluggish increases in output. As a result, inequality in these states continues to rise. Returning to growth, securing financial stability and alleviating inequality are the urgent tasks now facing liberal democratic capitalist states.

Social democratic Social democratic capitalism incorporates much diversity. It shares the liberal concern for individual rights, while adding to it a concern for social cohesion and equity, thereby justifying a larger role for the state. In this sense, maintenance of market relations becomes a 'practice of government'—social democratic states provide a bargain between the 'anarchy' of free markets and the 'tyranny' of collective planning by enabling innovation, ensuring competition and regulating market excess.²⁸ Enterprises designated 'state champions' illustrate the close relationship between state and capital, while large government bodies, such as Japan's Ministry of Economy for Trade and Innovation, exert far more authority than their counterparts in liberal democratic states. Friction between management and labour is handled through corporatist arrangements, and the formal separation between economics and politics is mediated by the welfare state.²⁹ Again, cultural factors are important: social democratic states are more concerned than liberal states about inequality, linking the liberal concern with rights to concerns about collective obligations and responsibilities.

²⁶ Karl Polanyi, *The great transformation* (Boston: Beacon, 2001; first publ. 1944).

²⁷ Blyth, *Austerity*.

²⁸ Werner Bonefeld, 'Freedom and the strong state: on German ordoliberalism', *New Political Economy* 17: 5, 2012, pp. 633–56 at p. 635.

²⁹ John G. Ruggie, 'International regimes, transactions, and change: embedded liberalism in the post-war economic order', *International Organization* 36: 2, 1982, pp. 379–415.

The imperative of social democratic capitalism is, therefore, to maximize growth while tempering the inequalities associated with the market, along with its disruptive effects on social cohesion and tendency towards crisis. Questions arise over whether, because of its concerns over regulation and redistribution, social democratic capitalism results in lower growth, less innovation and more rigid societies. Despite tensions and periodic instabilities, some countries that practise liberal democratic capitalism have been successful at generating growth while maintaining (relatively) low levels of unemployment. In contrast, Japan has been in a period of low growth since the 1980s, while a number of other prominent social democratic states, such as France, have had to get used to (relatively) high levels of unemployment. Further questions arise over whether the maintenance of a generous welfare state is threatened by ageing populations and, often, low workforce replacement rates.³⁰

Although social democratic capitalist states were not at the forefront of the shift from neo-Keynesianism to neo-liberalism, their close affiliation with neo-liberal institutions means that they too have been weakened by the financial crisis—as witness the current recession in the eurozone. Both the European Central Bank and Germany, Europe's largest economy, have favoured austerity, sometimes on even more stringent terms than liberal capitalist states. If such policies continue to generate only sluggish growth, social democratic capitalism will have fewer resources to devote to curtailing inequality and promoting social cohesion. Like liberal democratic capitalist states, social democratic capitalism is facing major challenges.

Authoritarian varieties of capitalism

Since the late 1970s, research has differentiated distinct types of authoritarian regime.³¹ Central to this work is anatomizing the various bargains that stabilize authoritarian regimes, ranging from those associated with personal rule (most commonly found in the Middle East), to those associated with military juntas (for example, in much of Latin America), monarchies (such as those in the Gulf) and single-party regimes (as in China, Central Asia and parts of South-East Asia). Over the past three decades or so, most authoritarian regimes have carried out programmes of market reform, albeit to varying degrees. Some, such as North Korea and Cuba, remain in the non-capitalist part of the spectrum. Most fall into one of two main types—competitive authoritarian and state bureaucratic—on the basis of the relationship between market relations and the state. With some of

³⁰ Jack Goldstone, Eric Kaufmann and Monica Duffy Toft, eds, *Political demography: how population changes are reshaping international security and national politics* (New York: Oxford University Press, 2013).

³¹ See e.g. Guillermo O'Donnell, *Modernization and bureaucratic authoritarianism* (Berkeley: University of California Press, 1979); Barbara Geddes, 'What do we know about democratization after twenty years?', *Annual Review of Political Science* 2, 1999, pp. 115–44; Juan Linz, *Totalitarian and authoritarian regimes* (Boulder, CO: Lynne Rienner, 2000); Magaloni, *Voting for autocracy*; Jason Brownlee, *Authoritarianism in an age of democratization* (Cambridge: Cambridge University Press, 2007); Jennifer Gandhi, *Political institutions under dictatorship* (Cambridge: Cambridge University Press, 2008); Steven Levitsky and Lucan Way, *Competitive authoritarianism: hybrid regimes after the Cold War* (Cambridge: Cambridge University Press, 2010); *Democratization*, special issue on 'Comparing autocracies', 20: 1, 2013, pp. 1–185.

these states, most obviously China, generating rapid economic growth, and much of the democratic capitalist world mired in recession, the relative weight and influence of authoritarian capitalist states are increasing.

Competitive authoritarian Since the end of the Cold War, a number of states have combined authoritarianism with a degree of electoral competition.³² These ‘competitive authoritarian’ states, such as Malaysia, Singapore, Pakistan, Iran, Venezuela, Tanzania, Kenya and, arguably, Russia, do not operate on the basis of ‘level playing fields’; on the contrary, ‘competition is real, but unfair’.³³ Yet despite claims that such ‘halfway houses’ are insecure,³⁴ competitive authoritarian regimes can be quite stable. They endure because they favour incumbent power through control of the media, superior spending power, intimidation and, occasionally, outright repression.³⁵ They also endure by combining growth with political quiescence, while, in some cases, ensuring that state-owned enterprises are resilient against predation, patronage and rent-seeking.³⁶ Competitive authoritarian states stabilize rule through a combination of institutions (most notably, a political party), ideology (most notably, nationalism) and repression (ranging from legal harassment to targeted assassinations). Taken together, these act as binding agents that draw elites together and co-opt or intimidate opposition.³⁷

The emergence and apparent stability of competitive authoritarianism relate to a wider concern about ‘democratic rollback’.³⁸ The 2012 *Freedom in the world* survey classifies just under half the world’s polities as ‘free’.³⁹ In comparison, many competitive authoritarian states seem to be both stable and successful. To some extent, this should not be a surprise. Historically, capitalism was not thought to align with democracy; to the contrary, both its detractors and its advocates saw capitalism as promoting tendencies towards oligopoly.⁴⁰ During the nineteenth century, industrializing states restricted the franchise out of concerns that the working class would limit private property and favour radical redistribution. During the twentieth century, right-wing forces often overthrew democratic regimes when they thought that capitalism was being threatened—Pinochet’s Chile is a case in point.⁴¹ Capitalists worked in tandem with fascist regimes.⁴² And a number of developing states—including the ‘Asian tigers’, Brazil, Argentina and other Latin

³² Magaloni, *Voting for autocracy*; Levitsky and Way, *Competitive authoritarianism*.

³³ Levitsky and Way, *Competitive authoritarianism*, p. 5.

³⁴ See e.g. Samuel P. Huntington, *The third wave: democratization in the late twentieth century* (Norman: University of Oklahoma Press, 1991), pp. 174–5.

³⁵ Levitsky and Way, *Competitive authoritarianism*, pp. 13, 62–6, 72.

³⁶ Steffen Hertog, ‘Defying the resource curse’, *World Politics* 62: 2, 2010, pp. 261–301; McNally, ‘Sino-capitalism’, pp. 749–55.

³⁷ Brownlee, *Authoritarianism in an age of democratization*; Gandhi, *Political institutions under dictatorship*; Levitsky and Way, *Competitive authoritarianism*.

³⁸ Larry Diamond, ‘A fourth wave or false start? Democracy after the Arab Spring’, *Foreign Affairs* online, 22 May, 2011, <http://www.foreignaffairs.com/articles/67862/larry-diamond/a-fourth-wave-or-false-start?page=show>, accessed 29 Sept. 2013.

³⁹ *Freedom in the world survey 2012*, <http://www.freedomhouse.org/report/freedom-world/freedom-world-2012>, accessed 1 Oct. 2013.

⁴⁰ Mann, *The sources of social power*, pp. 132–3.

⁴¹ Wolfgang Streeck, ‘The crises of democratic capitalism’, *New Left Review*, no. 71, Sept.–Oct. 2011, pp. 5–29.

⁴² Adam Tooze, *The wages of destruction* (London: Allen Lane, 2006).

American states—found authoritarianism preferable to democracy during their ‘transitional’ phase.⁴³ A number of these states (such as Malaysia and Singapore) remain authoritarian, while others (such as Russia) have sought to stabilize the volatility prompted by market relations through increasing authoritarianism.

Although competitive authoritarian states were hampered by the 2008 financial crisis, they often fared better than democratic states. In part, this was because the former tended to be less reliant on global neo-liberal circuits; in part, it was because competitive authoritarian states could act decisively without having to negotiate formally with interest groups and wider publics. Even when publics rose up against their rulers, most authoritarian regimes proved to be robust, particularly when state elites and the coercive apparatus remained allied. For example, although the outcomes of the 2011 Arab uprisings are still unfolding, most signs point to a strengthening of competitive authoritarian capitalism.

State bureaucratic State bureaucratic capitalism exists where the separation between economics and politics is blurred, and governance is not democratic. Although relatively few states fall within this category, there are two reasons why it is of wider interest. First, it allows for a general assessment of the stability of capitalism in states without any features of democratic governance. Second, this category contains China, now the world’s second biggest capitalist economy, raising the vital question whether China’s market reforms can be maintained in a system that retains a pre-eminent role for the Chinese Communist Party (CCP).

China’s version of capitalism is complex.⁴⁴ On the one hand, China is home to a large number of private, family-run businesses. It also contains a number of mega-corporations that are privately owned, such as Alibaba and Tencent. In terms of foreign direct investment and trade, China is an open economy—for example, 85 per cent of China’s IT exports are produced either through joint ventures with international partners or through multinationals based outside the country.⁴⁵ On the other hand, major chunks of the Chinese economy are in the hands of state-owned enterprises (SOEs). These enterprises enjoy state subsidies and access to capital from banks that are themselves state-owned. In this sense, the CCP is attempting to do two contrasting things simultaneously: it is maintaining a high degree of state control through direct ownership and finance while also allowing, and sometimes directly incentivizing, entrepreneurs to establish markets over large tracts of the Chinese economy.⁴⁶ In this sense, capitalism and non-capitalism coexist within China, with a spread of mechanisms ranging from direct state control to decentralized, almost anarchic, marketization. As one

⁴³ Ha-Joon Chang, *Bad Samaritans: rich nations, poor policies and the threat to the developing world* (London: Random House, 2007).

⁴⁴ Scott Kennedy, ‘The myth of the Beijing Consensus’, *Journal of Contemporary China* 19: 65, 2010, pp. 461–77; Michael A. Witt, ‘China: what variety of capitalism?’, working paper 2010/88/EPS (Singapore: INSEAD, 2010); McNally, ‘Sino-capitalism’; Christopher McNally, ‘How emerging forms of capitalism are changing the global economic order’, *Asia-Pacific Issues*, no. 107 (Honolulu: East-West Center, 2013).

⁴⁵ Kennedy, ‘The myth of the Beijing Consensus’, p. 469; McNally, ‘Sino-capitalism’, pp. 755–6.

⁴⁶ Witt, ‘China: what variety of capitalism?’, McNally, ‘Sino-capitalism’ and ‘How emerging forms of capitalism are changing the global economic order’.

Table 1: Corruption Perception Index across types of capitalist state

<i>State (type of capitalism)</i>	<i>Corruption Perception Index</i>	
	<i>Rank (out of 176 states)</i>	<i>Score (0 = corrupt; 100 = clean)</i>
Finland (social democratic)	1	90
Australia (liberal democratic)	7	85
Japan (social democratic)	17	74
United States (liberal democratic)	19	73
Malaysia (competitive authoritarian)	54	49
Saudi Arabia (state bureaucratic)	66	44
China (state bureaucratic)	80	39
Russia (competitive authoritarian)	133	28

Source: <http://cpi.transparency.org/cpi2012/results/>, accessed 14 Aug. 2013.

analysis puts it, China is a ‘stir-fry of markets, socialism and traditional China that is fully none of the three, but mixes in bits and pieces of each—all tossed together over very high heat’.⁴⁷

Despite the stir-fry nature of Chinese capitalism, the country’s market reforms have been highly successful. Since 1979, China has averaged 9.9 per cent annual growth and trade has increased a hundredfold—a rate of change that has seen over half a billion people lifted out of poverty. During the same period, infant mortality has halved and life expectancy has risen to a level not far off that found in much richer countries.⁴⁸ To put this into perspective, during the nineteenth century it took states an average of 70 years to double their per capita income; during the twentieth century, the average figure was 35 years. China doubled its per capita income in just ten years, between 1979 and 1989.⁴⁹ By 2030, China is likely to be the world’s largest economy.⁵⁰

Shared problems Although, as outlined above, their bargains between markets and governance structures differ, the two modes of authoritarian capitalism share a number of common problems. Like social democratic states, authoritarian states face the problem that state bureaucracies hinder growth, competition and innovation. At the same time, authoritarian bureaucracies are susceptible to corruption, something that undermines both the efficiency of capitalism and the legitimacy of the regime. As table 1 shows, a composite index of perceptions of public sector corruption around the world indicates that authoritarian types of capitalism are generally seen as more corrupt than democratic capitalist states.

⁴⁷ Joseph Fan, Randall Morck and Bernard Yeung, ‘Capitalizing China’, working paper no. 17687 (Washington DC: National Bureau of Economic Research, Dec. 2011), p. 1.

⁴⁸ Mann, *The sources of social power*, p. 236.

⁴⁹ Justin Yifu Lin, *Demystifying the Chinese economy* (Cambridge: Cambridge University Press, 2012), p. 15.

⁵⁰ Lin, *Demystifying the Chinese economy*, p. 2.

By privileging state control, authoritarian forms of capitalism empower state actors *vis-à-vis* both firms and civil society. This is a well-known recipe for oligarchy, corruption and rent-seeking. Such tendencies are highly visible in contemporary China. They are also a problem openly acknowledged by the Communist Party. The fall of Bo Xilai, former party chief in Chongqing, laid bare the conspicuous consumption—and corruption—of a super-elite. Protests against land expropriations and other abuses of power are both common and widespread. Both state bureaucratic and competitive authoritarian modes of capitalism face hard questions over whether corruption can be contained.

Another source of concern for authoritarian capitalist states is the way in which points of contact between authoritarian and democratic states may destabilize authoritarian regimes. Whether these points of contact consist of trade and investment, diplomatic relations or forms of public communication, they can be used as leverage by democracy promotion agencies, particularly when the grip of ruling parties is insecure.⁵¹ In parallel vein, the participation of authoritarian states in international institutions such as the World Trade Organization weakens the capacity of the state *vis-à-vis* market actors. It may also be that the embedding of local elites in transnational circuits has a ‘socializing’ effect on domestic practices.⁵² The conflict between authoritarian elites and would-be democratic publics is likely to be a regular feature of political life in competitive authoritarian states in the years to come. Despite the advantages held by the incumbent regime, oppositions can be successful through the ballot box, as events in Serbia, Ukraine and Georgia during the 2000s showed.⁵³ And, although few democratic movements that took part in the 2011 Arab uprisings achieved their full aims, they did succeed in puncturing claims of authoritarian permanence.⁵⁴

If both types of authoritarian capitalism face comparable pressures from corruption, international socialization and democratizing publics, state bureaucratic capitalist states face a particular problem in that they do not permit any kind of formal opposition, leaving it unclear how they are to deal with the pluralist pressures inherent in a capitalist economy. Capitalist societies are often fractious, opinionated, creative, chaotic places in which individual opinions and styles flourish. It is not clear that a state bureaucratic regime can coexist with such a society over the long term. This issue is particularly visible in contemporary China, where the government seems unnerved by the capitalist society that its own reforms have fostered. To date, the government’s response has been repression of the more outspoken voices and a tendency to use the rhetoric of ‘harmonious society’ to securitize its own citizenry. For example, when it comes to ICTs, the CCP has developed a strategy of ‘block and clone’, constructing firewalls around technologies it finds dangerous, while simultaneously promoting

⁵¹ Levitsky and Way, *Competitive authoritarianism*, p. 23.

⁵² Ikenberry, *Liberal Leviathan*.

⁵³ Valerie Bunce and Sharon Wolchik, *Defeating authoritarian leaders in postcommunist countries* (Cambridge: Cambridge University Press, 2011).

⁵⁴ Eva Bellin, ‘Reconsidering the robustness of authoritarianism in the Middle East’, *Comparative Politics* 44: 2, 2012, pp. 127–49.

indigenous versions of Google (Baidu), Twitter (Sina Weibo), Facebook (Renren) and YouTube (Youku).⁵⁵ The vibrant forms of expression found on these sites showcase the diversity of thought within China. It is unlikely that the state will be able to keep a lid on such plural sentiments over the long term. Indeed, maintaining growth while preserving state control in a context of diverse opinions and interests may require a set of changes towards more pluralist governance practices that would match Deng's 'reform and opening up' to market relations a generation ago.

The same is true in relation to inequality. Although all forms of capitalist society contain a tendency towards inequality, this is exacerbated in authoritarian regimes where there are few means through which a super-elite can be held to account. China, for example, has a GINI coefficient of 0.48, representing a level of inequality around 50 per cent higher than when it began its market reforms.⁵⁶ China's GINI coefficient is close to that experienced in competitive authoritarian states such as Malaysia and Russia, significantly higher than that found in prominent liberal democratic states such as the United States and Britain, and twice the level of that prevailing in many social democratic states, most notably the Nordic countries. Managing the tension between growth and inequality is a crucial challenge for the current generation of authoritarian capitalist policy-makers.

Both forms of authoritarian governance therefore face problems arising from their attempt to embed capitalism without, or with little, democratic governance. At the same time, the emergence of a profitable business sector requires a set of reliable legal practices that protect investments and regulate contracts. The record of both forms of authoritarian capitalism suggests that they will be durable, but that their models have fundamental flaws that could, in time, become existential.

The emergent world order

The emergent world order, then, is one of decentred globalism in which the principal dynamic is the interplay between competing forms of capitalist governance. Although all four types of capitalist governance face major challenges, none seems to be heading for extinction in the short term. This conclusion sits at odds with neo-classical strains of liberal thought in which capitalist polities converge on a single model because only democracy is seen as containing the social forces capitalism unleashes, providing it with political and social legitimacy, and fostering the high levels of creativity and innovation (Schumpeter's 'creative destruction') that underpin growth. Yet it is often argued that state-led capitalism has advantages because of its ability to concentrate capital in strategic ways, distort competition with subsidies and contain the excesses of capitalist accumulation. If the latter analysis is correct, it suggests that the contemporary world will be home to a range of capitalisms, a view supported by the literature on comparative

⁵⁵ Michael Anti (Zhao Jing), 'The Chinanet and smart censorship', in Mark Leonard, ed., *China 3.0* (London: European Council on Foreign Relations, 2012), p. 100.

⁵⁶ Lin, *Demystifying the Chinese economy*, p. 17.

capitalisms, which suggests that divergence rather than convergence is the norm.⁵⁷

If varieties of capitalism are likely to persist for several decades or more, it is important to think carefully about how competition between different modes of political economy will affect the emergent world order. In this respect, Luttwak's distinction between *geopolitics* and *geo-economics* serves as a useful starting point.⁵⁸ By geopolitics, Luttwak means zero-sum territorial competition in a military–political mode of relations among states. By geo-economics, he means zero-sum developmental competition in an economic–political mode of relations among states where Great Power war is largely ruled out. To capture the emerging world order, Luttwak's categories need to be differentiated into hard and soft types. *Hard geopolitics* means that intentional war is legitimate and expected. As we outline below, such a situation is unlikely to occur in a world of decentred globalism. *Soft geopolitics* means that intentional Great Power war is marginalized, but territorial competition and military balancing/hedging remain, as is the case, for example, in contemporary East Asia. *Hard geo-economics* means a zero-sum competition for profit within a largely political–economic modality; *soft geo-economics* means a mix of zero-sum and positive-sum relations within a largely political–economic modality. As the next section illustrates, while the former is a remote possibility, the latter is a more likely development, particularly if a 'concert of capitalist powers' emerges that is able to manage intercapitalist interaction. Taken together, the differentiation of hard/soft geopolitics and hard/soft geo-economics captures well the international relations of varieties of capitalism in a decentred global order.

Geopolitics or geo-economics?

The last time there was a distribution of power that looked anything like decentred globalism was in the 1930s, and there is little doubt that the spectre of the 1930s will be rolled out by those looking to defend a US-led unipolar order. However, the analogy is largely false—contemporary international relations do not function like those of the 1930s. At that time there were deep ideological differences among the Great Powers (communist, fascist, democratic), empire-building and racism were legitimate, and Great Power war and economic protectionism were seen as rational policy choices. In the contemporary world, ideological differences among the Great Powers are comparatively narrow, empire and racism are illegitimate, and nuclear weapons have made Great Power war irrational. In addition, the version of capitalism that emerged victorious from the wars of the twentieth century was committed to global markets, not the imperial preference version common to the 1930s. Global economic governance (GEG) is far more institutionalized, and the problems of international management are better (and differently) understood than in the interwar years.⁵⁹ Even China, perhaps the most likely current

⁵⁷ Jackson and Deeg, 'How many varieties of capitalism?', p. 30; Witt, 'China: what variety of capitalism?', p. 12; McNally, 'How emerging forms of capitalism are changing the global economic order', p. 7.

⁵⁸ Edward Luttwak, 'From geopolitics to geo-economics', *The National Interest*, no. 20, Summer 1990, pp. 17–23.

⁵⁹ David W. Drezner, 'The irony of global economic governance: the system worked', working paper (New

candidate to seek to revise the way global markets operate, is firmly committed to existing institutions and regimes.

While there may be considerable disagreement about the specific rules and practices of global economic governance, there is much common ground between all types of capitalism when it comes to the desirability of maintaining the global trade, production and financial circuits on which their prosperity and growth depend. There is, therefore, little or no reason to think that a world of decentred globalism featuring four main varieties of capitalism will replay the conflicts of the 1930s. As a result, a return to hard geopolitics can be largely ruled out. However, as noted above in the case of East Asia, it may be that intercapitalist competition will fuel soft geopolitical conflict. At its heart, capitalism is a hard-nosed competition for accumulation and profits. Historically, violence has played a key role in the extension and maintenance of markets around the world. This reflection opens up three 'soft geopolitical' possibilities.

The first is a situation in which authoritarian forms of capitalism become more extreme, abandoning the idea of any separation between the political and economic spheres. In this instance, elements of the 1930s scenario would be revived, although restrained by fears about the consequences of Great Power war, the illegitimacy of empire and mutual dependence on world trade. This scenario is not impossible, but neither does it seem likely. As argued above, any state that adopts command economics is likely to lose both relative power and legitimacy.

The second possibility is that the United States and China fall into conflict because they mistakenly believe that they are engaged in a power transition crisis about who is to be the global superpower. The United States will certainly have a lot of difficulty giving up this role; China remains divided about whether it wants such a role or not.⁶⁰ Neither country wants a war with the other, but their rivalry is already well established, and the right combination of carelessness, recklessness, miscalculation and mischance could pitch them into confrontation. Various pinch-points are important here: whether or not China continues to buy US Treasury securities; whether China seeks to promote the renminbi as a reserve currency competing with the dollar; and whether soft geopolitical tensions in South-East Asia and East Asia can be effectively managed. It is possible that the US 'pivot' towards East and South-East Asia, combined with China's more assertive policies since 2008, could prompt a round of militarization.⁶¹ Although the United States spends over five times as much per year on its military than China, the latter's capacity is growing. On the back of its fast-growing GDP, China increased its

York: Council on Foreign Relations, October 2012), p. 14; Barry Eichengreen and Kevin O'Rourke, 'A tale of two depressions', Vox, 2013, <http://www.voxeu.org/article/tale-two-depressions-what-do-new-data-tell-us-february-2010-update>, accessed 1 Oct. 2013.

⁶⁰ Timothy R. Heath, 'What does China want?', *Asian Security*, 8: 1, 2012, pp. 54–72; Feng Zhang, 'Rethinking China's grand strategy: Beijing's evolving national interests and strategic ideas in the reform era', *International Politics* 49: 3, 2012, pp. 318–45; Chih-yu Shih and Yin Jiwu, 'Between core national interest and a harmonious world: reconciling self-role conception in Chinese foreign policy', *Chinese Journal of International Politics* 6: 1, 2013, pp. 59–84.

⁶¹ Kai He and Huiyin Feng, 'Debating China's assertiveness: taking China's power and interests seriously', *International Politics* 49: 5, 2012, pp. 633–44; Brantly Womack, 'Beyond win-win: rethinking China's international relationships in an era of economic uncertainty', *International Affairs* 89: 4, July 2013, pp. 911–28.

military spending fourfold during the 2000s, from US\$33.5 billion per year in 2000 to US\$129.3 billion in 2011, and did so without changing the proportion of GDP represented by defence expenditure (roughly 2 per cent).⁶² Even if, as argued above, a system of decentred globalism prevents a buildup of power in any single state sufficient to elevate it to superpower status, China's development of its military capabilities suggests that its relative power in the international system will continue to increase. As this takes place, soft geopolitical tensions could escalate, though almost certainly not to the hard geopolitical levels experienced in the 1930s.

The third possibility is more of a question. Assuming both that authoritarian Great Powers do not become more authoritarian, and that China and the United States manage to avoid open conflict, how important are the remaining ideological differences between democratic and authoritarian capitalists? In other words, will the greater ideological and practical homogeneity prompted by the universalization of capitalism moderate or override the antipathy between democracies and authoritarian regimes, or will political differences be sufficient to support either soft geopolitical conflict or hard geo-economic rivalry?

The differentiation between democracies and authoritarians continues to play strongly in the global outlook of the United States.⁶³ There will certainly be concerns within democratic states that authoritarian countries will not play fairly by the rules, for example favouring their SOEs or manipulating their currencies. Current disputes range from the expansionary drives of large corporations, whether Google or Huawei, to currency policies, imbalances, cyberwarfare and industrial espionage. These tensions have to be managed within the fallout from the 2008 financial crisis, now widely acknowledged to be as severe as that of 1929, and the resulting weakening of both the global economy and GEG.⁶⁴ Cross-border capital flows are down 60 per cent since 2008, and cross-border bank lending is down two-thirds since the crisis began.⁶⁵ Although most aspects of the global financial system have proved resilient, persistent failures in the banking system, high levels of public debt, weak growth, limited credit flows and increasing capital controls are still cause for unease. These tensions lead, in turn, to a deeper concern that authoritarian states are not fully committed to capitalism, but are gaming the system in order to make short-term gains. Liberal and social democratic states are hoping that authoritarian capitalist states will over time be forced by a combination of domestic and international pressures to undergo political reforms. But even if this turns out to be the case, it is unlikely to happen in the short term; authoritarian forms of capitalism will be part of the decentred globalist world for quite some time.

⁶² Figures taken from the SIPRI Military Expenditure Database: <http://milexdata.sipri.org/result.php4>, accessed 29 Sept. 2013.

⁶³ John Ikenberry and Anne-Marie Slaughter, *Forging a world of liberty under law: US national security in the 21st century*, Princeton Project Papers (Princeton, NJ: Woodrow Wilson School of Public and International Affairs, 2006); Halper, *The Beijing Consensus*; Paul D. Miller, 'Five pillars of American grand strategy', *Survival* 54: 5, 2012, pp. 7–44.

⁶⁴ Drezner, 'The irony of global economic governance', p. 14; Eichengreen and O'Rourke, 'A tale of two depressions'; Peter Temin and David Vines, *The leaderless economy* (Princeton, NJ: Princeton University Press, 2013).

⁶⁵ McKinsey Global Institute, *Financial globalization: retreat or reset?* (London: McKinsey and Co., 2013).

A reversion to hard geo-economics looks as implausible as a return to hard geopolitics. Many issues in international relations are mediated by deeply embedded and widely shared institutions, rules and regimes.⁶⁶ As noted above, these shared practices are reinforced by the need of all types of capitalist state to maintain the global economy.⁶⁷ In short: hard geo-economics is not an option. Authoritarian states offer no systemic alternative for how global affairs might be organized. The United States still retains substantial structural advantages over China, and there are few signs that China is prepared to mount a global challenge to it, for example by promoting its currency as an alternative reserve currency to the US dollar.⁶⁸ At the same time, authoritarian states show little desire for Chinese hegemony even as most democratic states continue to back US power.⁶⁹ If there were a geopolitical, or even a hard geo-economic, divide between authoritarian and democratic capitalists, authoritarian states would be much weaker than their adversaries.⁷⁰ The asymmetry of this scenario mitigates the likelihood of its occurring.

The more likely scenario lies in the zone of soft geo-economics in which capitalist powers both compete and cooperate with each other. A benign version of this scenario could see the emergence of 'a concert of capitalist powers' in which Great Powers play as much to what they share as to what divides them. This scenario is not, therefore, linked to the idea of a 'concert of democracies',⁷¹ a divisive notion rooted in the desire to maintain the United States as the sole superpower. Rather, it envisages a limited system of Great Power management based not only on a shared desire for order, a shared set of interests, and a sense of shared fate in the face of common threats, but also on a recognition that capitalist competition will remain fierce, and the desire for political and cultural differentiation will remain strong. A concert of capitalist powers would build on the existing substrate of rules, norms and institutions that constitute international society. Its focus would be on sustaining order in the global economy and on negotiating issues of shared fate, ranging from concerns about climate change to the proliferation of weapons of mass destruction. The shift from the G7/G8 to the G20 could be a harbinger of just such a capitalist concert, as well as offering insights into the wider diplomacy of decentred globalism.⁷²

Accepting pluralism

In a world of decentred globalism, capitalism is neither the servant nor the driver of a system dominated by interimperial conflict and sustained by deep ideological differences, as was the case in the interwar years. Nor is it the possession of a small

⁶⁶ Buzan, 'A world order without superpowers', p. 19.

⁶⁷ Ikenberry, *Liberal Leviathan*, pp. 339–43.

⁶⁸ McNally, 'Sino-capitalism', pp. 757–66.

⁶⁹ Doug Stokes, 'Achilles' deal: dollar decline and US grand strategy after the crisis', *Review of International Political Economy*, forthcoming in print but available online: <http://dx.doi.org/10.1080/09692290.2013.779592>.

⁷⁰ Ikenberry, *Liberal Leviathan*, p. 343.

⁷¹ Ikenberry and Slaughter, *Forging a world of liberty under law*; Anna Geis, 'The "concert of democracies": why some states are more equal than others', *International Politics* 50: 2, 2013, pp. 257–77.

⁷² Drezner, 'The irony of global economic governance', pp. 9–12; Temin and Vines, *The leaderless economy*, pp. 248–50.

group of powers. Even if nationalism remains a potent divider between states and peoples, that does not prevent the game from being played globally—any more in capitalism than it does in football. A concert of capitalist powers could manage competition among integrated but diverse models of political economy. It would have to take a less ambitious view of GEG than that promoted under the Washington Consensus, which will be unsettling for those committed to the view that only a hegemon can make GEG work effectively.⁷³ But it might also extend existing cooperation on big science projects, such as high-energy physics, astronomy, space exploration, disease control, and defence of the planet against collisions with space rocks.

Such a concert of capitalist powers would be a pluralist order: one in which there is respect for, or at least tolerance of, difference, and a willingness to adapt to the realities of power, alongside a responsible attitude towards the maintenance of an international society based on the principle of coexistence.⁷⁴ A world of capitalist powers will certainly be competitive, and there is no reason to think that the longstanding association between capitalism and a fragmented, ‘anarchic’ international political structure will disappear. Nationalism, sovereignty and territoriality all remain strong and widely held values. But an acceptance of pluralism is perfectly compatible with a significant degree of international society. Since all capitalist powers share an interest in keeping the global economy going, their relations will be cooperative as well as competitive. In such a system, the logic defined by Watson as *raison de système*, ‘the belief that it pays to make the system work’, will feature strongly.⁷⁵

There are some obvious problems facing this scenario. The United States might have difficulty giving rising powers (whether authoritarian or democratic) more influence over global governance. It might struggle to adapt to life as just another Great Power, even if it remains first among equals. The United States might also try, against the odds, to extend its period as sole superpower. For its part, the EU will have to do a much better job than it does at present of having some kind of collective foreign policy. And China will have to do a much better job than it does at present of living up to its rhetoric of peaceful development. Others may argue that system management under a hegemon is more efficient—the United States has certainly used this idea to its advantage in claiming seigniorial rights over the international system. Yet the recent history of system management under a waning centred globalism, and a declining and increasingly self-centred sole superpower, has caused as many problems as it has solved. Perhaps it is time to give a more decentred system, and soft geo-economics, a try.

The big question is whether a decentred world order could engender the levels of global management required to deal with collective problems. Grounds for optimism can be found in the degree to which a number of primary institutions in international society—the market, sovereignty, nationalism, territoriality,

⁷³ See e.g. Temin and Vines, *The leaderless economy*, pp. 18–20.

⁷⁴ Robert H. Jackson, *The global covenant: human conduct in a world of states* (Oxford: Oxford University Press, 2000).

⁷⁵ Adam Watson, *The evolution of international society* (London: Routledge, 1992), p. 14.

international law, diplomacy, and more—are held in common. These shared institutions provide an important resource for the maintenance of international order. The reduced management capacity caused by decentred globalism would be balanced, at least to some extent, by a reduced agenda of things that need to be managed. A world without a global hegemon would experience less western interference and, as a result, would face fewer of the problems that arise from such interference. Tensions over hegemonic interference would decline if regions were, for better or worse, more in charge of their own affairs. The interaction culture of a soft geo-economic order would be one of friends and rivals, not one of rivals and enemies. During the Cold War, the United States and its allies often worked with authoritarian regimes. Similar pragmatism may be required to maintain international order in the contemporary world.

The task for policy-makers is to ensure that the four main modes of capitalist governance engage in peaceful competition rather than overt conflict, cooperating well enough to maintain the foundations of international order and a global market economy. This article suggests that there are grounds for some optimism. The ideological differences between the Great Powers are narrower than they have been for nearly two centuries, and the social architecture of international society provides a sound basis for cooperation. All the Great Powers in the contemporary world share common interests, including managing the global economy, avoiding nuclear proliferation, combating terrorism and dealing with climate change. Shared fates create a push towards the logic of common security. Pragmatic diplomacy could produce a capitalist concert of powers able to sustain a world of decentred globalism. While capitalism has become the only game in town, no single form of capitalism has sufficient legitimacy or power to assert hegemony. Indeed, any attempt to do so is likely to see everyone lose. With this in mind, policy-makers should not seek aggressively to convert others to their mode of capitalist governance. Peaceful competition between varieties of capitalist governance will show soon enough whether one mode of political economy is superior to the others, or whether each of them simply offers a different balance of costs and benefits.

