

Transition towards a new phase? The crisis of 2007-08 and its impact on the current metamorphosis of capitalism^{*}

Eduardo da Motta e Albuquerque^{**}

Professor at the School of Economic Sciences (FACE) and Center for Regional Development and Planning (Cedeplar) of the Federal University of Minas Gerais (UFMG)

Leonardo Costa Ribeiro^{***}

PhD in Physics from the UFMG, Researcher and Technologist at the National Institute of Metrology, Quality and Technology (Inmetro) in Rio de Janeiro

Abstract

This paper investigates how far the post-crisis global economy has navigated towards a new phase of capitalism. This question is underpinned by a conjecture: capitalism, as a dynamic and flexible economic system, has in its crises a key element for its long-term dynamics. The paper is organized in four sections. The first one surveys the literature on the role of crises in the metamorphoses of capitalism. The second section summarizes the rescue operation and movements in the epicentre of the crisis, and the third section asks whether or not structural reforms of capitalism are in the political agenda. The fourth section evaluates the stage of current transition towards a new phase of global capitalism.

^{*} Paper received in Sept. 2013 and accepted for publication in Feb. 2016.
Proofreader: Mateus da Rosa Pereira



This work is licensed under a Creative Commons Attribution-NonCommercial 4.0 International license.

Open Access

^{**} email: albuquerque@cedeplar.ufmg.br

^{***} email: leonardocostaribeiro@gmail.com

The authors thank CNPq and CAPES for financial support. This version did benefit from Professor Alex Callinicos' (King's College, London) helpful comments, suggestions and criticisms to a draft of this paper. Two referee reports from **Ensaio FEE** helped to improve the manuscript and contributed to this new version. The usual disclaimer holds.

Keywords

Crisis; metamorphoses of capitalism; systemic turbulence

Resumo

Este artigo investiga até que ponto a economia global pós-crise navegou rumo a uma nova fase do capitalismo. Uma conjectura sustenta essa questão: o capitalismo, como sistema econômico dinâmico e flexível, tem nas crises um elemento-chave para a sua dinâmica de longo prazo. O artigo está organizado em quatro seções. A primeira examina a literatura sobre o papel das crises nas metamorfoses do capitalismo. A segunda seção resume a operação de salvamento e os movimentos no epicentro da crise. A terceira seção discute se reformas estruturais do capitalismo estão na agenda política atual. A quarta seção avalia o estágio da transição em curso para uma nova fase do capitalismo global.

Palavras-chave

Crises; metamorfoses do capitalismo; turbulência sistêmica

JEL Classification: P16, P51

Introduction

The crisis of 2007-08 hit a global economy with very peculiar features: a mixed economy (PIKETTY, 2013, p. 483; TAMMING..., 2011), with unseen levels of internationalization (WOOD, 2003). The nature of this global economy defined much of the answer to the crisis and the rescue operation organized to contain its spread.

Given this starting point, the question addressed by this paper is how far the post-crisis global economy has navigated towards a new phase of capitalism. This question is underpinned by a conjecture: capitalism, as a dynamic and flexible economic system, has in its crises a key element for its long-term dynamics. The emergence of crises, their development, the rescue operations that they provoke and the structural reforms that they might trigger reshape capitalism and open new phases in the history of economy.

Crises, therefore, are part of a broader process that can open transitions to new phases of capitalism. Hence, this paper surveys available literature to investigate clues on a transition towards a new phase of capitalism.

This interpretation of the role of crises in the long-term dynamics of capitalism organizes this study. Two specific questions are asked. First, how did reactions to the crisis change its epicenter? Second: are there structural reforms already implemented or in the agenda?

These two questions and their tentative answers — analytical steps in the review of literature — are threads that might be integrated to ask a further question: how far has the capitalist system navigated, since the crisis, towards a new phase? The stage of this transition may help the understanding of features of contemporary conjuncture.

The paper is organized in four sections. The first surveys the literature to provide a theoretical and historical background for the study — crises and metamorphoses of capitalism. The following sections present the analytical steps: the second section summarizes the rescue operation and movements in the crisis' epicenter, and the third section looks into structural reforms. The fourth section presents some final remarks.

1 Crises and metamorphoses of capitalism

Crises are moments of adjustment for capitalism. They are part of the capitalist dynamics, as they grow out of the inner system's logic as a rebalancing tool — a costly rebalancing tool, in social, human and economic terms, but a very effective restructuring tool. The creation of institutional mismatches is part of the capitalist dynamics — mismatches that grow out of its technological dynamics, source of unequal development with other dimensions of the system, such as finance, state, and geopolitical arrangements. Crises are at the pinnacle of those institutional mismatches.

There are institutional responses to crises. In the beginning — during and after the initial panic — there are rescue operations. Even those rescue operations already trigger changes in the system — unintended or unplanned changes. Over time, sometimes as a consequence of limitations of the initial rescue operations, sometimes as a consequence of institutional and political learning, structural reforms might be introduced to deal with previous institutional mismatches. Those combined institutional answers — part unintended and unintentional, part unplanned and part politically designed — reshape capitalism: a new phase arises. Those changes involve both the emergence of new “varieties of capitalism” and broad geographical movements of capital — therefore, the economic decay of one country or

region, even of a leading country, might not be a system breakdown; on the contrary, it might be an expression of capitalist flexibility.¹

The best example of this process can be seen in the crisis of 1929 (and its sequence in 1937) and the New Deal reforms that began in 1933 and went on until the Second World War — those reforms transformed the U.S. economy and later were at least key references for post-war reforms in Europe (with the Marshall Plan) and Japan (with the economic policies of Occupation) —, which contributed to reshape advanced capitalist economies (CALLINICOS, 2009, p. 170-171; PANITCH; GINDIN, 2012).

It is necessary to investigate a specific source of institutional mismatch that may have underpinned the last crises, known as the first global financial crisis (BANK FOR INTERNATIONAL SETTLEMENTS, 2009): the internationalization drive of capital. This dynamics of internationalization has deep connections with the financial dimension, very important as a source of the crisis of 2007-08. The globalization of finance is an important drive of the internationalization of capital in general. The movements of this internationalization of finance may be followed in Panitch and Gindin elaboration of “the making of global capitalism”: they articulate three movements: “internationalizing production” (PANITCH; GINDIN, 2012, p. 112), “internationalizing finance” (PANITCH; GINDIN, 2012, p. 117) and “detaching from Bretton Woods” (PANITCH; GINDIN, 2012, p. 122). Those movements organize a “new international financial architecture” (PANITCH; GINDIN, 2012, p. 279). As **The Economist** (THE GATED..., 2013, online) puts forward, “[...] [f]inance, the sector that globalised the most in the years leading up to the crisis.”

A special source for the 2007-08 crises is the step forward that capitalism has taken to become more international, more global. The inherent drive of capital towards expansion (MARX, 1984) takes place with complex institutional arrangements that have states — specially national state(s) of leading capitalist nation(s) — connected to (or organizing) this overall capitalist expansion logic (PANITCH; GINDIN, 2012, p. 1-3). Panitch and Gindin (2012, p. 1-2) stress that capitalist expansion through the world is not an automatic process and that it needs states to happen — their book describes how the American state and its internationalization led the last globalization process. A corollary to this important interpretation might be that the eventual exhaustion of the economic, political, and hegemonic strengths of leading capitalist state(s) limit the scale and scope of

¹ Rosdolsky (1959, p. 216-218) stresses how important it would have been in the 1910s to differentiate the exhaustion of European bourgeoisie from the ascending energy of the U.S. in the world scenario. Probably even Lenin underestimated the stage of changing leadership in international affairs.

international expansion. The British state led a round of capitalist expansion which, once exhausted, was replaced by the United States. Now, the possible exhaustion of the United States might have opened both a crisis and a call for a new arrangement to go ahead with a new round of global expansion of capital.² Probably, both the United Kingdom and the United States unleashed economic and political forces that later surpassed their resources and energy to deal with — capitalism engulfed larger parts of the world, with more complex political and economic problems, with more actors and possibilities of alliances.

This logic of capitalist expansion has to be evaluated in historical perspective. Interpreters of capitalism, investigating the system at different stages of historical evolution, may have highlighted key structural features of this specific dynamics: Marx (1984) unveiled the origin and the start of this basic dynamics of expansion; Rosa Luxemburg (1912) and Bukharin (1915) described this dynamics in a different framework, pointing to a global drive to include non-capitalist regions in the systemic logic; Grossmann (1929) evaluated the role of international expansion as a key countertendency to the fall of the rate of profit within the framework of classical imperialism; Hymer (1978) introduced the investigation of a new agent for this expansion, the transnational corporation; and Panitch and Gindin (2012) stressed the specific role of the American state for the last round of globalization. Certainly, the level of internationalization of capital is one key component to define the phases of capitalism — and this suggests a dialogue between interpretations focused on the international expansion of capital and other periodizations of capitalism.

This dialogue is important because the logic of expansion of capital might have a very specific dynamics, with specific timing and logic that need to be investigated. This dynamics might combine phases of pure and energetic expansion followed by phases that may be pauses in previous expansion drive given the exhaustion of those expansionary energies — breathing space for resuming further expansion. There is a literature on “waves of globalization”, both in academic (BALDWIN; MARTIN, 1999) and in specialized publications (THE GATED..., 2013),³ which could help to understand this specific dynamics. Those “waves of globalization” may be connected to other long-term interpretations of capitalism, since each

² Panitch and Gindin (2012, p. 2) do not evaluate the U.S. leadership as exhausted. On the contrary, they stress that after the crisis of 2007 there is an “interstate commitment” in “[...] cooperation with the American state in containing the crisis so as to keep capitalist globalization going”.

³ According to **The Economist**, “[...] the forward march of globalization has paused since the financial crisis” (THE GATED..., 2013).

phase — and each “wave of globalization” — may be connected, for instance, with specific features of long waves of capitalist development. Freeman and Soete (1997, p. 120-125), in a scheme of summing the five long waves, suggest how different types of firm are articulated with different phases of capitalism. In their scheme, the leading firms of the fourth long wave — 1945-91 — are transnational corporations. Other schemes — even though slightly simplistic — help to visualize how internationalization of capital changes over time, from exports of commodities, to exports of capital, as suggested by the literature on classical imperialism (BUKHARIN, 1915; HILFERDING, 1910). Certainly, in the post-war period transnational corporations (TNCs) became key drivers of internationalization (HYMER, 1978), a role that has increased over time — pushed by other revolutionary changes, such as the Information and Communication Technologies (ICTs), which opened a new long wave (FREEMAN; LOUÇÃ, 2001) — and that have multifarious impacts on other institutions of society (CANTWELL, 2009). The growing role of TNCs in the global economy is a key source of institutional mismatches. And this probably opens an important topic for the structural changes necessary to reshape capitalism — the international dimension has a greater importance than earlier systemic reconfigurations.

This enlarged role of the international dimension, therefore, might be perceived throughout the stages of the sequence crises-rescue operation-structural reforms-new phase.

2 Post-crisis measures: uneven impact, uneven recovery

The effects of an “unprecedented” government intervention (BANK FOR INTERNATIONAL SETTLEMENTS, 2009, p. 16) can be initially evaluated by following the ups and downs of market capitalization — a statistical indicator of one key component of fictitious capital (see WORLD FEDERATION OF EXCHANGES, 2013, 2014). In 2007, the global equity market capitalization reached a historic peak: US\$60.8 trillion — a result of what Brenner (2006, p. 293) calls “stock market Keynesianism”. The initial impact of the crisis was huge because, at the end of 2008, this had dropped to US\$32.5 trillion. State interventions on financial and monetary markets did contain this destruction of fictitious capital, pulling global market capitalization to US\$47.7 trillion at the end of 2009 and to US\$54.9 trillion at the end of 2010. The recovery problems of the global economy in 2011 were reflected in the decrease to US\$47.4 trillion at the end of 2011 (WORLD FEDERATION OF EXCHANGES, 2011, p. 50). During the following year a recovery was

observed, which reached US\$54.6 trillion at the end of 2012 (WORLD FEDERATION OF EXCHANGES, 2013, p. 1) and US\$68.7 trillion at the end of the first half of 2014 (WORLD FEDERATION OF EXCHANGES, 2014, p. 5). This recovery of the levels of market capitalization is an indicator of the recomposition of the financial architecture that prevailed before the crisis.

The geographical breakdown of data from the World Federation of Exchanges allows identification of ongoing structural changes in global capitalism. In 2000, the market capitalization of the exchanges of the Americas was more than three times the capitalization of the Asia-Pacific region, which in turn was approximately half the capitalization of the Europe-Middle East-Africa. During the crisis in 2008, the market capitalization of the Asia-Pacific reached the level of Europe-Middle East-Africa. From 2008, the Asia-Pacific region was consolidated in the second position (WORLD FEDERATION OF EXCHANGES, 2011, p. 50). At the end of the first half of 2014, the market capitalization of Asia-Pacific totaled US\$19.4 trillion, compared with US\$18.8 trillion for Europe-Middle East-Africa (WORLD FEDERATION OF EXCHANGES, 2014, p. 5). It is also noteworthy that the Americas region, with US\$30.4 trillion, is far from being three times the market capitalization of the Asia-Pacific as in 2000.

The Bank of International Settlements (BIS) reports underscore the uneven nature of the impact of the crisis and calls the economic recovery (BANK FOR INTERNATIONAL SETTLEMENTS, 2010, p. 24) a “two-speed recovery,” source of destabilization of balance of payments and volatility in capital flows (BANK FOR INTERNATIONAL SETTLEMENTS, 2012, p. 1). The differentiation between the rhythms of advanced and emerging economies persists before, during and after the crisis: the emerging economies obtained higher growth rates until 2007, the decline in these rates was lower in emerging economies in 2008 and they returned to pre-crisis level more quickly (BANK FOR INTERNATIONAL SETTLEMENTS, 2013, p. 6). The biggest difference is the data on unemployment: unemployment rates were similar until the crisis in 2008; after the crisis, there was a gap in these rates from 2009 — in 2012 the unemployment rate in advanced countries reached more than 8%, while in emerging countries it reached nearly 5% — a level below the pre-crisis rate (BANK FOR INTERNATIONAL SETTLEMENTS, 2013, p. 6).

Reports of the International Labor Organization (2013, p. 1) also highlight this differentiation of rhythms:

[...] [f]ive years after the global financial crisis, the global employment situation remains uneven, with emerging and developing Economies recovering much faster than the majority of advanced economies.

This “two-speed recovery” is also reflected in an important variable for an investigation of the reconfiguration of global capitalism: the flows of foreign direct investment (FDI) — an indicator of the movement of internationalization of production. According to the United Nations Conference on Trade and Development (UNCTAD), these flows are sensitive to the dynamics of crisis — while the world's Gross Domestic Product (GDP) fell 2.1% in 2009, global FDI inflows fell 33.0% (2013, p. 2). In 2007, global FDI flows reached \$2 trillion, falling in 2009 to \$1.2 trillion (UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT, 2013, p. 213). The UNCTAD report states a regularity between the vicissitudes of global FDI: the increased participation of developing countries and economies in transition *vis-à-vis* the developed economies. Developed economies in 2000 were the source of 88% of global FDI, while in 2012 their global share fell to 65% (UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT, 2013, p. 4).

However, in the 2015 Annual Report, the BIS identifies a new conjuncture: “Output growth was not far away from historical averages; and advanced economies (AEs) were gaining momentum even as EMEs had lost some” (BANK FOR INTERNATIONAL SETTLEMENTS, 2015, p. 9). In early 2016, the slowdown in China got the headlines: for instance, a comment from the **Financial Times** (EMERGING..., 2016, online) mentions problems with “[...] risky assets amid a slowdown in China and collapsing oil prices.” This is an indication of current changes, as problems in China affect the whole global economy — and an indication of a new move of the epicenter of global problems.

A final question for this section: is the interplay between the crisis, the rescue operation and other post-crisis measures accelerating a transition to a new phase of global capitalism? How does this interplay contribute to shape a new phase?

It could be possible to hint the following transformations: (a) an expansion in the role and functions of the state — illustrated by **The Economist** (TAMING..., 2011, p. 3) and its diagnosis of a return, by accident or intentionally, of “state capitalism”; (b) the “two-speed recovery” (BANK FOR INTERNATIONAL SETTLEMENTS, 2012, p. 1) implies the transfer of more economic power to the East; (c) the increasing internationalization of economic activities (internationalization of capital may be the most important single change, a sort of “dominant phenomenon”), especially in the global financial system, leading to concerns with a global institutional mismatch between the reality and the dynamics of the global economy and the weakness — or lack — of global governance — a key institutional mismatch that seems to have grown after the crisis; (d) the

emergence of new social movements, driven by issues directly or indirectly caused by the crisis and the rescue operation.

3 The timing of structural reforms

Section 2 concludes with an evaluation of how the post-crisis measures unintentionally have changed global capitalism so far. This section investigates the intentional side of changes, investigating evidences of structural reforms in the global agenda.

It is interesting to begin these reflections with the two questions that Oliver Blanchard puts forward to Ben Bernanke, Stanley Fischer, Lawrence Summers and Kenneth Rogoff in the 2013 International Monetary Fund (IMF) Annual Research Conference: “what lessons we have drawn from the crisis?” and “are we ready for the next one?” (JAQUES POLLACK ANNUAL RESEARCH CONFERENCE, 2013).

One initial point is related to the capability of the U.S. to go on as an international crisis firefighter — as Panitch and Gindin (2012) point as an evidence as a continuity of the U.S. hegemony. A tentative answer to this may be a difference between U.S. resources to contain a crisis in Mexico, Turkey, Brazil or South Korea and their resources to contain a crisis in China or India. If the U.S. has limitations to contain an eventual crisis of such proportion, this might suggest both the rise of new actors large enough to impact global economy in different ways and the limits of the U.S. to deal with those new actors and related problems. By the way, even in the last crisis (2007-08), the U.S. alone could not contain it — remember the 8 October 2008 international coordinated action between the Federal Reserve (FED), the European Central Bank (ECB), the Bank of England (BoE), the Bank of Japan (BoJ) and even the Bank of China (BANK FOR INTERNATIONAL SETTLEMENTS, 2009). The U.S. coordinated the rescue operation, but it could not deal with it alone. This problem is present in the agenda of the IMF Conference: Bernanke quotes Fischer (1999) — a paper that elaborates “on the need for an international lender of last resort”, while evaluating the limits that the IMF has to perform this function. Implicitly, there might be an evaluation of the limits that the U.S. would have to perform alone this role of “international lender of last resource”. According to Fischer (1999, p. 95),

[...] critics of international capital mobility are correct to this extent: its potential economic benefit can only be realized if the frequency and scale of financial crises can be reduced.

Therefore, there is the need to internationalize the role of lender of last resort, as Bagehot points out for national spaces (FISCHER, 1999, p. 101): certainly not an easy institutional formation process. The lack of such institution in 2014 is a sign of the lack of structural reforms to deal with the post-crisis environment.

Seven years after the beginning of the crisis, it is possible to summarize the main evaluations as pointing to a conjuncture in which the crisis has been contained but not yet overcome. As the BIS puts forward, “[...] the overall impression is that the global economy is healing but remains unbalanced” (BANK FOR INTERNATIONAL SETTLEMENTS, 2014, p. 10), the “[...] longer-term outlook is far from bright” (BANK FOR INTERNATIONAL SETTLEMENTS, 2014, p. 8) and the global economy is still in “search of a new compass” — the title of the first chapter of the 2014 Annual Report (p. 7).

Reports, prepared by the specialized press and by mainstream institutions and organizations, have been focusing on post-crisis problems, and they seem to concur in identifying a future that is “bleak” — an adjective used by **The Economist** in a review of Kissinger’s book (A BIT..., 2014, p. 80). Martin Wolf (2014a, p. 325) writes that “[...] [i]t is easy to believe that the scale of current rescue operation might lead to bigger crises down the road, as critics argue.” Lawrence Summers may also help to form a diagnosis of the predominant feeling among important institutions. Summers (2014, p. 11) has resurrected the concept of “secular stagnation.” According to him, “[...] in response to the observation that five years after financial hemorrhaging had been staunched, the business cycle was beneath what was thought as normal levels of output.” Among the arguments listed in a short article, Summers cites Robert Gordon’s papers on the “innovation slowdown.” Streeck (2014, p. 56) remarks, “[...] [s]ix years after Lehman, predictions of long-lasting economic stagnation are *en vogue*”, and R. Gordon would be a “prominent example.”⁴

The list of diagnoses gives an idea of the general feeling of those analysts: “in search of a new compass,” “secular stagnation,” “innovation slowdown,” “bigger crises down the road.”

Each of those evaluations may be read as pointing to a specific feature of the post-crisis phase.

Martin Wolf (2014a) presents a well-informed evaluation of the crisis, the shifts prior to its emergence and the post-crisis management. It is well-

⁴ Streeck (2014) may be read, also, as an evaluation of a specific variety of capitalism, probably an analysis that involve a broader institutional scenario — something that could be called “Western advanced capitalism.” Therefore, Streeck, in his very fine paper, discusses not the “end of capitalism,” but the end of the leading role of a set of “varieties of capitalism.”

-informed, because it incorporates Minsky's lessons on financial instability (WOLF, 2014a, p. 218), Piketty's investigation on rising inequality (WOLF, 2014a, p. 336), Stiglitz's comments on unemployment, inequality and problems in aggregate demand (WOLF, 2014a, p. 277), R. Gordon's "slowdown in growth" (WOLF, 2014a, p. 275) and Mazzucato on the role of the state in Research and Development (R&D) activities (WOLF, 2014a, p. 276). In his analysis, the crisis was a result of financial fragility (WOLF, 2014a, chapter 4) and of shifts in the world economy (WOLF, 2014a, chapter 5). At least three major post-crisis changes have taken place in the global economy, some as result of the rescue operation to contain it. First, for Wolf (2014a, p. 8-9) "[...] the most obvious of all changes is the transformation of the financial system. The crisis established the dependence of the world's most significant institutions on government support." Wolf highlights the importance of the G7 Ministerial Meeting on 10 October 2008, a "turning point," "[...] not just in the crisis, but also in the broader relationship between state and market" (WOLF, 2014a, p. 28). Second,

[...] [t]hese crises also accelerated a transition in economic power and influence that was already under way [...] It is plausible that China's economy already is the biggest in the world [...] The crisis has accelerated the world economy towards this profound transition (WOLF, 2014a, p. 9-10).

Wolf highlights two points related to this transition: the "rise of China" explains "global imbalances" that helped to "cause the crises" and "[...] transitions in global power are always fraught with geo-political and geo-economic peril" (WOLF, 2014a, p. 10). Third, "[...] the crises have generated, in addition, fundamental challenges to the operation of the global economy," *inter alia*, problems related to the "recycling of current account surpluses" (WOLF, 2014a, p. 10). Those background points in Wolf's view lead him to analyze critically both the actions of leading national and international institutions during and after the crisis, describing the "crisis mismanagement" and "post-crisis mismanagement" (WOLF, 2014a, p. 324). Those actions, in his analysis, are very insufficient to deal with the current situation and Wolf presents arguments for action and states "[...] that radical reform must be on the agenda" (WOLF, 2014a, p. 288).⁵ Since Martin Wolf is a well-informed analyst, for the purposes of this paper his book may be read as a diagnosis of the lack of structural reforms necessary to deal with the post-crisis environment. This lack of structural reforms leads Wolf to reiterate a scenario with crises in the near future (WOLF, 2014a, p. 288, 324, 325).⁶

⁵ In a **Financial Times** article, Wolf (2014, p. 11) makes a "call to arms," suggesting that "more radical action is needed."

⁶ The reviewer for **The Economist** writes that one of the flaws of Wolf's book is that "[...] he spends too little time explaining his reform proposals" (HOW ..., 2014).

The book concludes with a discussion on the failures of “Western elites” (WOLF, 2014a, p. 351).

This is the main subject of Henry Kissinger (2014), certainly a well-informed analyst. A connection with R. Gordon’s analysis could be made with Kissinger’s analysis of the scientific and technological global dynamics: once upon a time the West led and other nations “[...] fall behind technologically. This period has now ended” (KISSINGER, 2014, p. 364). Kissinger (2014, p. 364) goes a little farther:

The rest of the world is pursuing science and technology [...] with perhaps more energy and flexibility than the West, at least in countries like China and the “Asian tigers.”

In sum: in “the world of geopolitics” there is a “turning point” (KISSINGER, 2014, p. 364). This analysis of global science and technology is preceded by a broad discussion of global regions, which helps to understand the nature of the current hegemonic transition: “[...] the nature of the emerging world order is itself in dispute” (KISSINGER, 2014, p. 93). The U.S. and China are “[...] both indispensable pillars of world order,” but both experience now unprecedented challenges (KISSINGER, 2014, p. 226). Neither the U.S. nor China “[...] is in a position to fill itself the world leadership role of the sort the U.S. occupied in the immediate post-Cold War period” (KISSINGER, 2014, p. 232). While the “[...] nature of the emerging world order is itself in dispute,” it “[...] is not simply a multipolarity of power but a world of increasingly contradictory realities” (KISSINGER, 2014, p. 365). One major cause of “[...] an international order’s crisis is when it proves unable to accommodate a major change in power relations” (KISSINGER, 2014, p. 366), a challenge that, according to Kissinger, Germany posed in the twentieth century in Europe, and “[...] [t]he emergence of China poses a comparable structural challenge in the twenty-first century” (KISSINGER, 2014, p. 367). This is the background to a discussion of what is lacking in the twenty-first century world order: organization of states, political and economic organizations of the world that are “at variance with each other”, as “[...] the international economic system has become global, while the political structure has remained based on the nation-state” (KISSINGER, 2014, p. 368), “[...] absence of an effective mechanism for great powers to consult and cooperate,” and the American leadership as “indispensable” (KISSINGER, 2014, p. 370). The conclusion is: “[a] reconstruction of the international system is the ultimate challenge to statesmanship in our time” (KISSINGER, 2014, p. 371).

For the argument of this paper, those analyses are informed and useful evidence that there are no impending structural reforms in the short-term agenda of key actors of the contemporary global capitalist order. Kissinger’s

analysis may help to understand why there are no structural reforms in the short-term political agenda now — the nature of this transition and associated geopolitical problems may be postponing the real talks necessary to deal with the post-crisis scenario.

It is amazing how limited the proposals for “structural reforms” by leading figures of the “establishment” have been (see, as good examples, Summers (2014) and Bank for International Settlements (2014)). There seem to be more complaints about the lack of structural reforms than proposals about them. And the return to “business as usual” seems to be also strong, with structural reforms meaning “more of the same” — the old neoliberal agenda. This is captured even by writers such as Martin Wolf (2014a, p. 351), with his diagnosis of “failures of Western elites”.

One further question, as a consequence of this evaluation of the limits of “Western elites” in leading real structural reforms: what are the factors that block this capability to implement reforms in global capitalism? Probably there is a sort of vicious cycle operating here. Given the level of internationalization of production, finance and even of science and technology, one key component for the elaboration of those structural reforms should be international cooperation among relevant actors. Without this international coordination, probably it will not be possible to elaborate the necessary long-term response.

This lack of structural reforms to overcome institutional mismatches — presented in sections 2 and 3 — is a key element to tentatively conclude an evaluation of the current transition towards a new phase of capitalism: this is the blocking (and missing) link of the sequence that connects crises to new phases of capitalism. This key element becomes a crucial component to an evaluation of the present international conjuncture — “there’s the rub.”

4 Towards a new phase?

The pre-crisis capitalism is gone, but the complete framework of a new one is not yet in sight. Section 3 indicates the lack of structural reforms in the post-crisis agenda. The international scenario — with the international mismatch between internationalization of capital and international governance in the background — might be still a blocking factor for the elaboration, coordination and implementation of those reforms. The present conjuncture can also be the beginning of a learning process of global elites to shape this new agenda.

However, this hole in the sequence crisis-rescue operations-structural reforms-new phase does not block further (unintended) steps away from the

last variety of capitalism. Of course a return to solutions based on one single (even the new leading) national state is not possible. The reason for this is the level of internationalization already achieved — interdependence does not take a step backwards.

The end result of this preliminary analysis is that, on the one hand inherent dynamics of capital and unintended consequences of post-crisis rescue operations are shaping elements of a new phase, but, on the other hand, the lack of structural reforms — similar to New Deal in 1929 post-crisis — shows, that until now, the planned and intended elements for a new phase are not shaping the new phase.⁷ Over time this is a key element that may change, as elites' learning process goes ahead — or new surges in economic and political crises push them to act.

The resulting conjuncture probably is best defined by Arrighi's concept of "systemic turbulence" (ARRIGHI, 1994) — a period that may be long, when this transition takes place — remember that the last transition took 75 years to conclude (1870-1945). This puts forward a new issue: what are the specificities of this current "systemic transition"? At least three specificities may be identified. First, given the level of internationalization of the economy, Arrighi's sequence of leading nation-states may be over. The next hegemon may be at least a coordination of nation-states, not a single one, a more globalized hegemon — this could be one way to solve the mismatch between internationalization of the economy and the lack of international governance. Second, recent technological progress combined with the internationalization of capital and its power to shape a new international division of labor might give room to another new possibility of systemic transition, breaking Arrighi's classic sequence. With the intensification of the "technological application of science," it could be possible to think of a division between a country that is the "world's workshop" and another that is the "world's laboratory" — therefore the sequence would not be only between a "world's workshop" and "world's bank", as in previous transitions. The process of labor repositioning, now with its polarization between intellectual labor and manual labor at global scale, might open room for the U.S., Europe and Japan to preserve their position as the "world's laboratory," while the world's workshop stays in East Asia — certainly a more complex route, but an example of new possibilities for this transition. Third, the global capitalist economy is more heterogeneous today — the end of the USSR and the rise of capitalist China combine a globalized economy with more varieties of capitalism (KING; SZELÉNYI, 2005). Fourth, this increased heterogeneity involves a more intra-differentiated periphery that, for

⁷ Of course, structural reforms will trigger unintended consequences of their actions.

example, is headquarter of a growing number of global firms (SILVA, 2014), a process that might be already influencing the current reconfiguration of capitalism — a “boomerang effect” might be taking place now (MARQUES, 2014). But this is the subject of another working paper.

Those specificities of the current “systemic turbulence” indicate the need of further research — and the limits of analogies with past transitions to the understanding of contemporary capitalism.

On the one hand, the eventual exhaustion of hegemonic energies of the U.S. must be evaluated. If the U.S. hegemony may be divided in two phases, it might be understood that the Cold War was very functional for the U.S. leadership — at that time the U.S. had no condition to lead the whole world. After the end of the Cold War, with the inclusion of Russia, Eastern European countries and China in global capitalism, the limits of the U.S. leadership capabilities began to surface. Overburden of success? Imposing capitalism everywhere — the making of global capitalism, to mention Panitch and Gindin (2012) — demands a lot of additional energy to answer new issues, for instance, what variety of capitalism should develop in Russia and China? The influence on this might be beyond the present capabilities of the U.S. Without resources for those new global tasks, after previous successes, the U.S. should search for a requalification of its leadership, and therefore the present restructuring of global order.

On the other hand, given the long transition — the last hegemonic transition lasted for 73 years — it may be enough for contemporary analysis to discuss an eventual “tentative and provisional transition settlement”: a “symbiotic relationship” between the U.S. and China — a negotiated stalemate? In this “symbiotic relationship,” both the U.S. and China assume their mutual dependence, but elements of the center-periphery divide might be there: China is poised for the leading position in GDP, but the U.S. retains a GDP *per capita* five times larger; China is the world’s workshop, but the U.S. is the laboratory of the world; China has the largest global reserves, but those reserves are in U.S. government bonds and dollars. This “symbiotic relationship,” being a symbiosis across the center-periphery divide, would be in itself a very specific and distinctive feature of the current hegemonic transition. If this diagnosis makes sense, the next question should be how long this “symbiotic relationship” might last.

Finally, the internationalization of capital as the “dominant factor” in the current transition puts forward an important change in the framework within which takes place the struggle between the tendencies and countertendencies to the fall of the profit rate. Now, as capitalism involves the whole world — not anymore a world with a lot of non-capitalist areas, as during the life of Rosa Luxemburg —, there is less space for escaping capital

towards areas where the competition may be less intense. One result of this integration is the globalization of intercapitalist competition: capital seeking new areas in which profit rates would be higher will increasingly be faced by other capitals that also seek such outlets, including local capitals — that might be looking for outlets elsewhere. This may be an important structural change **already in operation** — see, for instance, the perspectives of (premature?) automation in Foxconn Chinese factories (THE THIRD..., 2014, p. 12).

In sum, the present conjuncture may be in a learning phase for global “elites,” to define a set of structural reforms that would lead to a new variety of capitalism. Of course, for the working classes, social and popular movements, it is high time to elaborate alternatives to capitalism, an alternative to contemporary capitalism — an important subject, but a topic for another text.

References

A BIT of a mess. **The Economist**, New York, 6 Sept. 2014. Retrieved from <<http://www.economist.com/news/books-and-arts/21615478-geopolitics-henry-kissinger-grand-and-gloomy-bit-mess/>> on 23 Jun. 2015.

ARRIGHI, G. **The long twentieth century: money, power and the origins of our times**. London; New York: Verso, 1994.

BALDWIN, R.; MARTIN, P. **Two waves of globalization: superficial similarities, fundamental differences**. Cambridge, MA: National Bureau of Economic Research, 1999. (NBER Working Paper, n. 6904).

BANK FOR INTERNATIONAL SETTLEMENTS. **79th Annual Report**. Basel, 2009. Retrieved from <www.bis.org> on 11 May 2011.

BANK FOR INTERNATIONAL SETTLEMENTS. **80th Annual Report**. Basel, 2010. Retrieved from <www.bis.org> on 11 May 2011.

BANK FOR INTERNATIONAL SETTLEMENTS. **82nd Annual Report**. Basel, 2012. Retrieved from <www.bis.org> on 11 May 2014.

BANK FOR INTERNATIONAL SETTLEMENTS. **83rd Annual Report**. Basel, 2013. Retrieved from <www.bis.org> on 11 May 2014.

BANK FOR INTERNATIONAL SETTLEMENTS. **84th Annual Report**. Basel, 2014. Retrieved from <www.bis.org> on 13 Sept. 2014.

BANK FOR INTERNATIONAL SETTLEMENTS. **85th Annual Report**. Basel, 2015. Retrieved from <www.bis.org> on 23 Oct. 2015.

BRENNER, R. **The economics of global turbulence: the advanced capitalist economies from long boom to long downturn, 1945-2005**. London; New York: Verso, 2006.

BUKHARIN, N. **Economia mundial e o imperialismo: esboço econômico**. São Paulo: Nova Cultural, 1915.

CALLINICOS, A. **Imperialism and global political economy**. London: Polity, 2009.

CANTWELL, J. Innovation and information technology in the MNE. In: RUGMAN, A. M. (Ed.) **The Oxford Handbook of International Business**. 2. ed. Oxford: Oxford University Press, 2009. p. 417-446.

EMERGING market bonds hit as foreign investors dump debt. **Financial Times**, London, 23 Feb. 2016. Retrieved from <<https://next.ft.com/content/d29a1416-d975-11e5-98fd-06d75973fe09>> on 26 Feb. 2016.

FISCHER, S. On the need for an international lender of last resort. **Journal of Economic Perspectives**, Pittsburgh, PA, v. 13, n. 4, p. 85-104, 1999.

FREEMAN, C.; LOUÇÃ, F. **As time goes by: from the industrial revolutions and to the information revolution**. Oxford: Oxford University, 2001.

FREEMAN, C.; SOETE, L. **The economics of industrial innovation**. London: Pinter, 1997.

GROSSMANN, H. **La ley de la acumulación y el derrumbe del sistema capitalista**. México: Siglo XXI, 1929.

HILFERDING, R. **O capital financeiro**. São Paulo: Nova Cultural, 1910.

HOW to fix a broken system. **The Economist**, New York, 4 Sept. 2014. Retrieved from <<http://www.economist.com/news/books-and-arts/21615479-prominent-columnist-calls-radical-reforms-global-economy-how-fix-broken/>> on 23 Jun. 2015.

HYMER, S. **As empresas multinacionais: a internacionalização do capital**. Rio de Janeiro: Graal, 1978.

INTERNATIONAL LABOUR ORGANIZATION. **Global employment trends for youth 2013: a generation at risk**. Geneva, 2013.

JAIQUES POLLACK ANNUAL RESEARCH CONFERENCE, 14., 2013, Washington, DC. **Crises: yesterday and today.** Washington, DC: International Monetary Fund, 2013. Retrieved from <<http://www.imf.org/external/np/res/seminars/2013/arc/>> on 23 Jun. 2015.

KING, L. P.; SZELÉNYI, I. Post-communist economic systems. In: SMELSER, N.; SWEDBERG, R. (Ed.). **The handbook of economic sociology.** 2. ed. Princeton: Princeton University Press; New York: Russell Sage Foundation, 2005. p. 205-229.

KISSINGER, H. **World order: reflections on the character of nations and the course of history.** London: Allen Lane, 2014.

LUXEMBURG, R. **A acumulação de capital.** Rio de Janeiro: Zahar, 1912.

MANUFACTURING and innovation. **The Economist**, New York, 21 Apr. 2012. Retrieved from <<http://www.economist.com/specialreports/>> on 23 Jun. 2015.

MARQUES, S. **Mudanças na clivagem centro-periferia e o efeito bumerangue: o impacto da periferia na reconfiguração sistêmica do capitalismo no século XXI.** 2014. 278 f. Tese (Doutorado em Economia) - Centro de Desenvolvimento e Planejamento Regional, Universidade Federal de Minas Gerais, Belo Horizonte, 2014.

MARX, K. **O Capital.** São Paulo: Abril Cultural, 1984. v. 1, tome 1-2.

PANITCH, L.; GINDIN, S. **The making of global capitalism: the political economy of American empire.** London: Verso, 2012.

PIKETTY, T. **Capital in the Twenty-First Century.** Cambridge; London: The Belknap Press of Harvard University Press, 2013.

ROSDOLSKY, R. Zur Analyse der Russischen Revolution. In: WOLTER, U. (Ed.). **Sozialismusdebate: Historische und aktuelle Fragen des Sozialismus.** Berlin: Verlag Offe & Wolter, 1959. p. 203-236.

SILVA, L. **Tensões e conexões: um estudo sobre multinacionais e sistemas nacionais de inovação.** 2014. 200 f. Tese (Doutorado em Economia) - Centro de Desenvolvimento e Planejamento Regional, Universidade Federal de Minas Gerais, Belo Horizonte, 2014.

STATE capitalism. **The Economist**, New York, 21 Jan. 2012. Retrieved from <<http://www.economist.com/specialreports/>> on 23 Jun. 2015.

STREECK, W. How will capitalism end? **New Left Review**, London, v. 87, p. 35-64, 2014.

SUMMERS, L. Bold reform is the only answer to secular stagnation. **Financial Times**, London, p. 11, 8 Sept. 2014.

TAMING Leviathan: a special report on the future of the state. **The Economist**, 19 Mar. 2011. Retrieved from <<http://www.economist.com/specialreports/>> on 23 Jun. 2015.

THE GATED globe: a special report on world economy. **The Economist**, New York, 12 Oct. 2013. Retrieved from <<http://www.economist.com/specialreports/>> on 23 Jun. 2015.

THE THIRD great wave: a special report on world economy. **The Economist**, New York, 4 Oct. 2014. Retrieved from <<http://www.economist.com/specialreports/>> on 23 Jun. 2015.

THE WORLD Economy. **The Economist**, New York, 13 Oct. 2012. Retrieved from <<http://www.economist.com/specialreports/>> on 23 Jun. 2015.

THEY might be giants: a special report on banking in emerging markets. **The Economist**, New York, 15 May 2010. Retrieved from <<http://www.economist.com/specialreports/>> on 23 Jun. 2015.

TWILIGHT of gods: a special report on international banking. **The Economist**, New York, 11 May 2013. Retrieved from <<http://www.economist.com/specialreports/>> on 23 Jun. 2015.

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT. **World Investment Report 2013**: Global value chains: investment and trade for development. Geneva, 2013.

WOLF, M. Call to arms - financial reform. **Financial Times**, London, p. 11, 4 Sept. 2014.

WOLF, M. **The shifts and the shocks**: what we've learned — and still have to learn — from financial crisis. London: Allen Lane, 2014a.

WOOD, E. M. **Empire of capital**. London; New York: Verso, 2003.

WORLD FEDERATION OF EXCHANGES. **2012 WFE Market Highlights**. London, 2012. Retrieved from <<http://www.world-exchanges.org/>> on 15 May 2013.

WORLD FEDERATION OF EXCHANGES. **2013 WFE Market Highlights**. London, 2013. Retrieved from <<http://www.world-exchanges.org/>> on 13 Apr. 2015.

WORLD FEDERATION OF EXCHANGES. **2014 WFE Market Highlights**. London, 2014. Retrieved from <<http://www.world-exchanges.org/>> on 15 Apr. 2015.

WORLD FEDERATION OF EXCHANGES. **Annual Report**. London, 2007. Retrieved from <<http://www.world-exchanges.org/>> on 4 Nov. 2009.

WORLD FEDERATION OF EXCHANGES. **Annual Report**. London, 2008. Retrieved from <<http://www.world-exchanges.org/>> on 4 Nov. 2009.

WORLD FEDERATION OF EXCHANGES. **Annual Report**. London, 2011. Retrieved from <<http://www.world-exchanges.org/>> on 15 May 2013.