



## CHAPTER 3

# On Big Cycles in Development of Global Capitalism

*Andrei Yakovlev*

## INTRODUCTION

In the beginning of 2020 the *Foreign Affairs* magazine published a large collection of articles by prominent economists and political scientists under the common title “Future of Capitalism.” These articles illustrate the recognition by representatives of the social sciences mainstream of the crisis in the global capitalism model that shaped out in the last

The article was prepared within the framework of the Basic Research Program at the National Research University Higher School of Economics (HSE). The author is grateful to Amanda Zadorian, Viktor Polterovich, Mikhail Komin, Andrei Melville, and Ilja Viktorov as well as to participants of the 4th conference “The Role of State in the Variety of Capitalism” in Budapest in November 2018 for their comments and remarks.

A. Yakovlev (✉)

Institute for Industrial and Market Studies (IIMS), National Research University—Higher School of Economics, Moscow, Russia  
e-mail: [ayakovlev@hse.ru](mailto:ayakovlev@hse.ru)

© The Author(s), under exclusive license to Springer Nature Switzerland AG 2021

T. Geröcs and J. Ricz (eds.), *The Post-Crisis Developmental State*, International Political Economy Series,  
[https://doi.org/10.1007/978-3-030-71987-6\\_3](https://doi.org/10.1007/978-3-030-71987-6_3)

33



two decades of the twentieth century, based on the arguments about the ‘end of history’ against the background of the victory of liberal ideology (Fukuyama 1989) and criticized during a long time only by radical left-wing intellectuals (Wallerstein 2000).

Economic uncertainty, terrorism and political instability, a rise in nationalism, and continuous eruption of new armed conflicts evidence that the model of global neoliberal capitalism in its present-day form is near exhaustion. What prevents it from collapse? First of all, a high level of economic and financial interdependence of countries—one of the products of globalization. Other deterring factors are the need to ensure collective security and resist terrorist threats, and control the environmental risks. But all the above are merely “protective functions” which do not remove tension factors and do not drive any progress toward a new model.

There is another important factor for development of capitalism: new technologies innovations related to digital economy and Industry 4.0. Continuous IT innovations bring about the emergence of new players and new forms of organization of business. Many national states integrated in global economy lost their sovereignty in the field of economic policy and many independent firms integrated in global value chains lost their autonomy in decision-making. At the same time, the role of urban agglomerations as centers of economic activity is growing. These shifts are associated with vast opportunities but at the same time they generate high risks. New technologies posing a threat to existing players and incumbent organizations will, most probably, cause their resistance with resort to both economic and political “power” levers. This alternative has another important feature; it objectively provides more opportunities to developed countries with their large markets and a more sophisticated legal, economic, and technological infrastructure. At the same time, the readiness of new players to somehow “share” their gains is quite doubtful. This means a fresh increase in polarization between rich and poor countries and creates new challenges for national governments and elites in countries of global (semi-)periphery.

The economic crisis triggered by the Covid-19 pandemic, mass-scale antiracist protests in the United States, a fresh aggravation of confrontation between the United States and China has only intensified the feeling of tension and indefiniteness that has been building up in the world economy for the past dozen years after the global financial crisis in 2008–2009. Criticism of the current model of global capitalism sounding today

both from the left and from the right stirs heated debates about the relationship between economic deregulation and growing inequality, about the impact of new technologies and business models and controllability of major corporations by national governments, about a quest of a new balance in relations between developed and developing countries and the search for new developmental agenda. The main aim of this chapter is to understand the possible logic of the future changes of global capitalism in the context of the challenges it encounters.

### BASIC DEFINITIONS AND GENERAL TRENDS IN THE EVOLUTION OF MODELS OF CAPITALISM

After the book Hall and Soskice (2001) literature has traditionally been distinguishing two models of capitalism: liberal market economies (LME) and coordinated market economies (CME). At that, LME descriptions in the initial concept were based on the cases of the USA, UK, and other Anglo-Saxon countries, CME—on the cases of continental Europe and Japan. However, these two models were not relevant for many countries outside of this traditional core of the world economy. Therefore in 2000s, two other models were suggested in literature for emerging markets: dependent market economies (DME) with reference to the experience of small countries of East Central Europe (Nölke and Vliegenthart 2009) and state-led (or state-permeated) capitalism for largest developing countries including China, India, Brazil, and Russia (Lane 2008; Nölke 2018).

These four models explain the current differences in economic systems of most countries of the world, but they do not reflect the changes in these differences over time. Both DME model and state-led (or state-permeated) capitalism model have only shaped out during the past three decades against the background of a new wave of globalization. A wider historical outlook on the evolution of capitalism is needed to make an adequate assessment of the future of these models.

The formation of a particular model of capitalism in a certain country depends on its institutional, cultural, and geographic features, whereas its evolution is driven by universal patterns of economic development. In this context, an important contribution was made by the recent work Nölke and May (2019), presenting a classification of stages in the development of global capitalism (see Table 3.1).

**Table 3.1** Stages in development of global capitalism according to (Nölke and May 2019)

<i>Period</i>	<i>“Label”</i>	<i>Type of capitalism</i>	<i>Ending point</i>
1900s–1920s	Progressive Era	Liberal	Ended by the Great Depression
1930s–1960s	Fordism	Organized	Ended by stagnation crisis of the 1970s
1970s–2000s	Financialization/Neoliberalism	Liberal	Ended by the Subprime/Fiscal Crisis?
2010s–...	...	Organized?	

According to Andreas Nölke and Christian May, development of the market economy during the past century has covered three consecutive stages: liberal capitalism of the early twentieth century associated with the “Progressive Era,” organized capitalism of the 1930–1960s that originated from mass production technologies, and neoliberal capitalism of the late twentieth century resting on financial technologies and dominance of the financial sector. Every such change was accompanied by a serious system-wide crisis: the Great Depression in 1929–1933 and stagflation of the 1970s. The 2008–2009 global financial crisis is regarded as a turning point in the global economy’s movement toward a new stage: “we may argue that we are witnessing the beginning of a new phase of capitalism that will be less liberal and more organized” (Nölke 2019, p. 143).

Such an approach reveals a variety of diverse models of capitalism in space and their evolution over time. However, it does not clarify the role and place of developmental state as a specific form of economic and social organization. To answer this question we should turn to the characteristics of developmental state.

The concept of “developmental state” (DS) was introduced for the first time in the analysis of catch-up development of East Asian countries (Johnson 1982; Amsden 1989) that peaked in the 1960–1970s, and was related to the stage of “organized capitalism” in terms of Nölke and May (2019). Robert Wade considers developmental state as a specific model of capitalism and contrasts it with neoliberal model. However, he sees the main distinctions of the DS model in an elite consensus on high priority

given to achieving high and sustained economic growth rates; very high rates of investment to GDP; coordination of the catch-up strategy by the state; restrictions on the growth of consumption by the urban labor force and farmers; promotion of exports combined with the feasible replacement of imports and concentration of foreign exchange on imports of capital goods, intermediate goods, and raw materials instead of consumer goods (Wade 2017, pp. 525–526).

Therefore, the point at issue is not so much the institutional specifics of a market economy of a relevant country as the ideas and political agendas used by those countries' national elites at a concrete stage of their development. In other words, DS is not a model of capitalism but rather a set of economic policy measures providing less developed countries with an opportunity for catch-up development. Within this context, the assumption about "the end of the developmental state" in Korea and Taiwan is quite characteristic once they have reached the development level of OECD countries (Pirie 2018).

Moreover, a certain cycle in political request for DS can be presumed, similar to the cycles in capitalism development stages. Specifically, the failure of attempts to repeat East Asian success stories in other developing countries<sup>1</sup> has sparked profound skepticism among economists in respect of active industrial policy. Consequently, the ideology of the liberal phase in development of capitalism that began in the 1980s implied that integration of the national economies in the global market on the basis of liberalization of trade and removal of barriers to capital flows would create the necessary conditions for economic growth of developing countries.

In reality, however, the gains from the new wave of globalization spread quite unevenly. The main beneficiaries were multinational companies (MNC) playing the lead role in the management of global value chains (GVC) with headquarters located in developed countries. Only a few major developing countries managed to swing the balance of cost and benefits in their favor as they retained control on the capital flow and currency exchange rates against the advice of international financial institutions and therefore remained capable to act strategically in bargaining with MNC. The majority of developing countries, on the contrary, are disappointed with the liberal policy of the past decades, and this explains their growing interest in the developmental agenda. Therefore, for the

<sup>1</sup> As noted Dani Rodrik (2009, p. 50) "for every South Korea, there are many Zaires where policy activism is an excuse for politicians to steal and plunder."

logic of forming different models of capitalism and change in economic policy priorities instead of international comparisons valid at a specific point in time there is a need to analyze capitalism models via intertemporal (historical) comparisons aiming to define and characterize historical phases (rather than simply building valid models for certain countries or world regions).

The change of phases does not proceed according to a strict sequence. Elements of a new stage emerge or “sprout” from the inside of the old one. This is what happened with institutions of state capitalism in Italy in the 1920s or with radical liberal experiments in the Chilean economy in mid-1970s. Presumably, state-permeated capitalism started taking shape in large developing countries in the 1990s precisely in this logic (Nölke et al. 2019). This new model can be perceived as a response to global dominance of liberal capitalism and a possible reaction to the manifested development limits within DME model formed in East Europe after the collapse of the Soviet bloc (Nölke and Vliegenthart 2009; Myant 2018).

Of no less importance is the recognition of the fact that the next phase of capitalism will be an organized, but not necessarily a social one (Nölke and May 2019, p. 31). In this respect the opinions of Andreas Nölke and Christian May coincide with the judgments of Branko Milanovic, a well-known expert on inequality analysis. In his latest book on the future of capitalism he compares two models (Milanovic 2019). The first one is liberal capitalism represented first of all by the United States and Western Europe.<sup>2</sup> The second one is a state-led, political model of capitalism, which is exemplified by China but also surfaces in other parts of Asia as well as in some countries of Europe and Africa.<sup>3</sup> However, Milanovic believes there is a risk of plutocratic convergence of these two models—if liberal capitalist systems fail to address the problem of growing social inequality. In my opinion, precisely this feeling of inequality—not only in social but also in geopolitical terms—is one of the factors of new request for DS. The critical role in implementing this request will again—like 50 years ago—be played by incentives and time horizon of elites as well as quality of government and state capacity to implement the set of relevant policies.

<sup>2</sup>In terms of VoC approach it will include LME, CME, and DME.

<sup>3</sup>It is close to state-permeated capitalism.

However, to understand the way the forms of organization of economic activity will be changing within the scope of this common transformation vector, we need to answer several additional questions: What are the advantages of the current phase of global capitalism? What actors can be considered as its drivers? What challenges confronted capitalist system and to what extent is organized capitalism capable of meeting these challenges?

### KEY ADVANTAGES, DRIVERS, AND CHALLENGES OF THE CURRENT PHASE OF GLOBAL CAPITALISM

Throughout centuries on end, capitalism, resting on trade and finance, coexisted with other noncapitalist forms of economic activity in the industry and agriculture. Capitalism became truly global only in the twentieth century due to high-throughput technologies and mass production (Piore and Sabel 1984; Langlois 2003). Owing to dramatic increase in labor productivity, these technological changes led to the ousting of other forms of production organization from industry, the services sector and agriculture and ended in global dominance of capitalism. Another factor of globalization was the need to expand markets for the sale of mass-produced goods, as already at the turn of the twentieth century the national markets became too narrow for major companies.

However, transition to mass production had other consequences as well. In particular, it required considerably larger upfront investment in technologies and equipment leading to growth in the share of capital investment in the overall costs structure and entailing greater losses of entrepreneurs during the periods of cyclic crises that characterized the liberal “laissez-faire” capitalism in the second half of the nineteenth to early twentieth centuries. These destructive consequences manifested themselves especially strongly during the Great Depression in the 1930s. The crisis demonstrated the need for state interference in the economy—involving regulation of banks and financial markets and granting basic social guarantees to workers. Higher government expenses and broader rights of trade unions followed by growing share of wages in the GDP structure and formation of a wide middle class became an important factor of supporting demand and an incentive for further boost of mass production.

This difference of the phase of global organized capitalism consisted in location of production in the most developed countries. The other countries (described now as a “global South”) acted generally as a source of raw materials. In addition, demand was also concentrated in developed countries—due to the emergence there of a wide circle of solvent mass product consumers. The positive effects of this model based on market regulation and cooperation between labor and capital in developed countries, leading to stabilization of the economic situation, transpired especially vividly in the 1950–1960s. However, quite soon its constraints also became obvious. In particular, the mass production was faced with objective limitations, as by the end of the 1960s practically every family in developed countries already owned a set of basic consumer goods (a house or apartment, refrigerator, television set, car, etc.). Global organized capitalism based on mass production needed access to developing markets to ensure its further growth. It also needed a significant cut in costs and prices to continue doing business with traditional consumers in developed markets.

Satisfying this demand of global capitalism for further expansion was possible due to a combination of several factors including intensive development of standardization and unification of products and components and implementation of information and communication technologies (ICT) providing the possibility of remote control of the production processes quality. A significant role was played also by development of transport networks and lowering the costs of products and components haulage. Finally, another extremely important factor was deregulation of global trade that began in the 1980s, including the lowering of import tariffs, liberalization of currency exchange and capital flows, lifting administrative restrictions to direct investments from developed countries (Hillman and Ursprung 1996; Wacziarg and Horn Welch 2008).

These changes in economic policy that became possible due to the preceding technological innovations have driven the transition from organized to new liberal stage of global capitalism. An important part of this process was the development of new business models relying on global value chains (Humphrey and Schmitz 2001; Gereffi 2005). A fundamental organizational innovation was the separation of individual stages of the mass production process that previously were concentrated in one country and one company. Now these stages became dispersed. The starting and final elements of the GVC (basic and applied R&D, design, branding, advertising, marketing, specialized logistics, after-sales



services) generally remained under direct control of multinational companies (MNC) based in developed countries. At the same time, most of the manufacturing and standardized services were outsourced, as a rule, to subcontractors in developing countries.

With relocation of production facilities to other countries MNC could reduce payroll costs and related taxes. Also it enhanced the flexibility of business processes because refusal from the production of certain products no longer involved obligatory unemployment benefits for fired workers. The result was a considerable cheapening of mass products. They became available to new consumers in countries of (semi-)periphery while traditional consumers in developed “core” countries could afford to replace their old cars, household appliances, and other durables much more frequently. Simultaneously, former socialist countries, including China, started opening in the late 1980s. For MNC this meant access to cheap raw materials and cheap labor, as well as new sales markets. This made possible further mass production and continued expansion of global liberal capitalism. But these technological and organizational shifts brought about a change in the social base of capitalism.

Organized capitalism of the 1930–1960s rested on regulation of markets by the national governments and a balance between trade unions expressing collective interests of employees and business represented, first and foremost, by industrial companies that needed qualified workers and sustainably operating production facilities. In the 1980–1990s, technological and organizational shifts contributed to higher performance of production processes and accelerated economic growth all over the world that continued for nearly 20 years. The architecture of global governance started shaping out at the same time on the basis of IMF, the World Bank, WTO, and regular G7 meetings.<sup>4</sup> This supported the feeling of global victory of ideas of liberal democracy.

Branko Milanovic wrote in his book in 2016 that from the social perspective globalization and liberalization processes in the past decades had two principal beneficiaries. The first group were representatives of

<sup>4</sup>G7 or “group of seven” is the organization of 7 most developed countries including USA, UK, Germany, France, Italy, Japan, and Canada. Since mid-1970s their leaders meet at annual summits to discuss the key problems of economic development and coordinate their international activities. In 1998 Russia was invited to join this political forum but the membership of Russia was suspended after Crimea accession in 2014.

the emerging middle class in large developing countries to which companies from developed market economies moved their production facilities. From 1988 to 2008 the incomes of the middle class in China, Vietnam, and Thailand have more than doubled (Milanovic 2016, p. 35). As a result, the global income inequality has dropped significantly from 0.70 in the 1990s to roughly 0.60 today (Milanovic 2020, p. 13). The second group consisted of owners and managers of major companies that govern the global value chains and accumulate the main benefits from implementing a new model of their organizations. The distribution and comparison of the entire 100% global income gain in 1988–2008 will show that 44% of the aggregate gain was received by 5% of the wealthiest people and 19% can be attributed to the richest 1% over half of whom, or 36 million people, were Americans (Milanovic 2016, p. 41).

If we consider the political and economic aspects, the beneficiaries were, firstly, large developing countries demonstrating in average considerably higher economic growth than developed countries and, secondly, major MNC whose economic potential has overwhelmed the governments of many countries. According to (Babic et al., 2017), in 2016 the list of 100 top players of the global economy included 29 countries and 71 companies. The American Walmart was 10th in the rating, which means that its annual revenue exceeded the gross national product of 20 out of the 29 countries on the list. The total revenue of all US companies on the list surpassed the GDP of any country, including the United States, and the total revenue of Chinese companies on the list was inferior only to the US GDP.

These processes brought about a change in the balance of forces that ensured relative social and political stability of capitalism since the late 1940s. In particular, workers' bargaining positions in negotiations with business have become much weaker, as unlike labor, capital has become more mobile making companies much less dependent on the offer of labor force in concrete national markets. As a result although global inequality between countries has lessened, social inequality within countries has grown. According to Branko Milanovic, the United States' Gini coefficient has risen from 0.35 in 1979 to about 0.45 in 2018. This increase in inequality within countries effects the more developed economies in the West due to the flight of manufacturing jobs and wage stagnation.

One of the consequences of production capacity relocation from developed to developing countries consisted in negative social phenomena.

Case and Deaton (2015) state that all-cause mortality rates among white non-Hispanic men and women in middle age stopped falling in the United States, and began to rise after 1998. That is largely accounted for by increasing death rates from drug and alcohol poisonings, suicide, chronic liver disease, and cirrhosis.

Nevertheless, until a certain point such negative trends did not cause acute social tension. On the one hand, the differences in consumption levels in developed countries were mitigated by stormy development of consumer credit (giving the middle class an opportunity to finance current consumption from future incomes). On the other hand, the dominance of liberal ideas in mass consciousness combined with sustainable economic growth created the impression that “everyone has a chance,” suffice it to make an effort.

The global crisis in 2008–2009 became a turning point in perception of the existing liberal phase of global capitalism. Despite the differences in the forms of anti-crisis policy, the reaction to the crisis in all countries ultimately boiled down to “extinguishing the fire” by injecting money into the economy. The common goal was to maintain stability. Owing to this we have experienced a “global recession” instead of a “global depression.” However, this was not accompanied with real changes in the overall models of organizing economic life including, inter alia, mass-scale tax evasion by MNC and their avoidance of other national regulation. The awareness of those imperfections and related risks led to a change in the expectation of firms and reach individuals. Under conditions of increased uncertainty many of them started refraining from investments in new projects. It, in turn, translated into considerable slowdown of growth paces in the wake of the crisis.

Slower economic dynamics had political implications. Growing polarization of society and absence of chances to advance their social status under new post-crisis conditions created negative expectations among active representatives of non-elite groups. These perceptions and especially perceived inequality—not the actual income distribution—correlates strongly with demand for redistribution and reported conflict between rich and poor (Gimpelson and Treisman 2018). The result was the buildup of social tension manifesting in different forms including Brexit in EU and Donald Trump’s victory at the US presidential elections in 2016.

However, the circle of losers from the new model of liberal capitalism was not limited by representatives of the middle class. Many merchants and craftsmen in the Middle East and African countries where patriarchic relations dominated at the time of onset of a fresh wave of globalization lost their business and jobs. Some of these countries (including Afghanistan, Sudan, and Somali) could not blend into the new global world order and turned into failed states. The disadvantaged population of those countries was particularly strongly exposed to ideas of extremist religious factions and international terrorists who received support from fundamentalist elites in wealthy developing countries trying to resist the spread of “Western values.”

A special role is played by the elites in big developing countries who gained significant economic benefits from the new wave of globalization but remained dissatisfied with their place and role in global decision-making. Those particular countries started implementing the model of state-permeated capitalism in the terms of Nölke et al. (2019) or political capitalism in the terms of Milanovic (2019). Some scholars define them as “rising powers” (Lee and Gereffi 2015).<sup>5</sup> These countries have developmentalist aspirations and their policy represents the shift toward organized capitalism. However, there is a question about the capacity of “rising powers” to manage all systemic imperfections inherited from the previous liberal phase of global capitalism.

## GLOBAL MARKET AND LIMITS OF NATIONAL-LEVEL ORGANIZED CAPITALISM

During the first phase of organized capitalism in 1930–1960s, the governments of developed countries should confront large-scale political corruption and state capture typical of liberal capitalism of the early twentieth century (Olson 1965; Stigler 1971). They did it by leveraging the national legislation including antitrust regulation. Control on business within national borders allowed them to collect taxes and provide public goods and support the welfare state.

<sup>5</sup>The main attributes of “raising powers” are the large-scale, economic dynamism, deep involvement in international trade as well as the presence of strong state and an engagement between the public sector, private capital, and civil society (Navdi 2014, pp. 140–141).

Economic deregulation and liberalization of markets since the 1980s opened the possibilities for relocation of business activities to other jurisdictions. On the one hand, it boosted business efficiency (first of all, for major MNC governing GVC). However, on the other hand, it noticeably undermined the bargaining power of the national governments (especially in small countries) in their relations with the biggest MNC (Wade 2017). Under disappearance of the barriers to international capital flows and acute tax competition the national governments became much more limited in their capacity to restrict opportunism of MNC (including avoidance of environmental and other regulations). Moreover, the countries that will attempt to “close their borders” risk to lose in the competition struggle—not only because of capital flight but also because of the value chains becoming global. Achieving effective economies of scale in industry and the high-tech sector requires access to external markets even for medium-size companies, with a rare exception of a handful of the biggest countries.

Thus, there is contradiction between the market forces that have become global over the past 30 years and market regulation mechanisms that remain predominantly national. The possible response to this contradiction is regional economic integration. The European Union with its supranational market regulation mechanisms is the most progressive example of this sort. Other examples include ASEAN, the Trans-Pacific Partnership, the Eurasian Economic Union, and to a certain degree also the Belt and Road Initiative promoted by China since 2013. However, development of such integration mechanisms is a long-term process that does not proceed smoothly and requires constant coordination of interests of their participants. Even relative success of supranational associations (which has for a long time been the case with EU) does not solve the two other groups of problems generated by the contemporary model of liberal capitalism.

First one is ecology and climate change. Proper implementation of new ecological standards can be managed only through collective action of largest countries—but national elites in the United States and China are not ready to it. The second key problem underlying destabilization of the global capitalism is the growing inequality (Piketty 2014; Milanovic 2016). It is meaning not only about unequal distribution of incomes but much more about inequality of opportunities. However, as Andreas Nolke and Christian May note, the next phase of capitalism will be an organized, but not necessarily a social one. History has already seen such

phenomena: in part, they compare the socially “embedded” form of the New Deal against the Fascist economic organization in Italy and Germany (Nölke and May 2019, p. 31). The same watershed is stressed by Branco Milanovic, describing the models of liberal meritocratic capitalism and political state-led capitalism and the risks of their plutocratic convergence (Milanovic 2020, p. 21).

Disintegration of global markets (promoted by some populists) is not the solution due to high interdependence of national economies. To manage the key problems of global capitalism there is a need for cooperation between countries at international level and between main elites at national level. What kind of factors can provide necessary incentives for such cooperation?

### EXTERNAL THREATS AND NEW IDEAS AS A FACTOR OF DEVELOPMENT

National political and business elites are the main actors responsible for choosing development path and creation of relevant institutional environment. However very often they are driven by short-term selfish interests. Usually they got incentives to think strategically and to cooperate with each other only in the face of serious external or internal threats. It took two catastrophes—World War I and the Great Depression of 1929–1933—for the elites of developed countries to start reacting to the challenges of liberal stage of global capitalism in the early twentieth century. But these threats were not enough without alternatives. An important part of this story was the emergence of alternative social models directly opposing liberal democratic ideology: the proletarian dictatorship and planned economy in the Soviet Union and fascism in Italy and Germany.

In other words, to the military and geopolitical competition between world powers the twentieth century added one more important factor—ideological competition. The elites from capitalist countries needed to substantiate their adherence to the values opposing the other model of organization of economic and social life that relied on the communist ideology. For this purpose, the elites had to agree to self-restrictions and cooperation with other social groups in their countries, which has become key to development of social organized capitalism. At the international level, this ideological confrontation also stimulated cooperation with other countries adhering to the same ideology.

Now the world is at a similar stage. Like in the early twentieth century, the last liberal stage of global capitalism was associated with rapid development of technologies and economic growth but at the same time it brought about new geopolitical and social imbalances. Moreover, the current liberal stage in development of capitalism led to serious ecological problems. But the future calamities alone will not produce a sobering and sanative effect. The growth in the influence of right-wing populists with the support from the social groups perceiving themselves as losers from globalization was a consequence of devaluation of liberal ideas. However, migration restriction measures and raise in import tariffs, new preferences to big business, and increasing the state debt do not lift social tension. The problem is that in its opposition with right-wing populists the liberal camp focuses on identity politics with the protection of the rights of different minorities regarded as separate groups—instead of a search for and public promotion of solutions eliminating the root causes of the escalated inequality of opportunities (Fukuyama 2018).

It looks now like a trap but the solution can be found in new ideas on development. Rodrik (2014) showed that new ideas about policy can change the equilibrium of political outcomes—as new technologies are doing it in the economy. From this point of view, high attention should be paid to the ideas of “entrepreneurial state” and cooperation between public and private sector in the process of market creation (Mazzucato 2013, 2018). New economic growth opportunities emerge at the public/private sector boundaries. As a rule, such opportunities evolve in the course of experiments, by trial and error. This can be seen from the industrial policy experience of Chile (salmon breeding and wine production in the 1980–90s), Israel (launch of high-tech industry in the 1990s), and Malaysia (manufacture of computer parts in the 1990s and implementation of major infrastructural projects in the 2000s). These success stories show the way of progress toward the new developmental state. Just like 50 years ago, DS depends on a meritocratic bureaucracy with a strong sense of corporate identity and a dense set of institutionalized links to private elites (Evans 1989). But other aspects of new DS become much more important today: private–public dialogue and fair distribution of outcomes between all stakeholders participating in value creation. Another important feature is that the need for developmental state (increasingly perceived as “entrepreneurial state”) is particularly acute today not only in developing but also in developed countries. As a

matter of fact, often it is precisely developing countries that initiate new policy tools, which can be considered as elements of new DS.<sup>6</sup>

Another distinction from previous transitions to new stages in development of capitalism consists in the fact that throughout the twentieth century such transitions proceeded against the background of competition between blocs of countries that adopted different models of economic and social organization. East Asian developmental states in the 1960s, having embarked on a path of a market economy, took into account the experience of the centrally planned economy in the USSR. This experience was used even more actively by China in the 1980–1990s. However, following the collapse of the USSR and a last wave of globalization the world became integrated, and addressing the current problems has become possible not through competition of economic systems but only through cooperation between the largest developed and developing countries.

Global cooperation will require new ideas capable to unite people in the name of their common future. But a no lesser role will be played by another factor. As always at the watersheds in history, the personalities of leaders will play a tremendous role. And this means that compromises will be possible if people capable of conducting dialogue and, if necessary, resisting vested interests of their national elites come to power in the biggest countries of the world at the same time.

## REFERENCES

- Amsden, A. (1989) *Asia's Next Giant: South Korea and Late Industrialization*. N. Y.: Oxford University Press.
- Babic, M., Fichtner, J., Heemskerk, E. M. (2017) States Versus Corporations: Rethinking the Power of Business in International Politics. *The International Spectator*, Vol. 52, no. 4, pp. 20–43.
- Case, A., Deaton, A. (2015) Rising Morbidity and Mortality in Midlife among White Non-Hispanic Americans in the 21st Century. *Proceedings of the National Academy of Sciences*, Vol. 112, no. 49, pp. 15078–15083.
- Evans, Peter B. (1989) Predatory, Developmental, and Other Apparatuses: A Comparative Political Economy Perspective on the Third World State.

<sup>6</sup>For more details, see Sabel and Jordan (2015) on new mechanisms of implementing large socially important projects in Malaysia.



- Sociological Forum*, Vol. 4, No. 4, Special Issue: Comparative National Development: Theory and Facts for the 1990s (Dec. 1989), pp. 561–587.
- Fukuyama, F. (1989) The End of History? *The National Interest*, Vol. 16 (Summer 1989), pp. 3–18.
- Fukuyama F. (2018) Against Identity Politics: The New Tribalism and the Crisis of Democracy. *Foreign Affairs*, Vol. 97 (no. 5, Sept–Oct. 2018), pp. 90–115.
- Gereffi, G. (2005) The Global Economy: Organization, Governance, and Development. In: Smelser N. J., Swedberg R. (eds) *The Handbook of Economic Sociology*. New York, NY: Princeton University Press, chapter 8, pp. 160–182.
- Gimpelson, V., & Treisman, D. (2018) Misperceiving Inequality. *Economics and Politics*, Vol. 30, no. 1, pp. 27–54.
- Hall, P. A., & Soskice, D. eds. (2001) *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage*. Oxford: Oxford University Press.
- Hillman, A. L., & Ursprung, H. W. (1996) The Political Economy of Trade Liberalization in the Transition. *European Economic Review*, Vol. 40, no. 3–5, pp. 783–794.
- Humphrey, J., & Schmitz, H. (2001) Governance in Global Value Chains. *IDS Bulletin*, Vol. 32, no. 3, pp. 19–29.
- Johnson, C. (1982) *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925–75*. Stanford, CA: Stanford University Press.
- Lane, D. (2008) From Chaotic to State-Led Capitalism. *New Political Economy*, Vol. 13, no. 2, pp. 177–184.
- Langlois, R. N. (2003) The Vanishing Hand: The Changing Dynamics of Industrial Capitalism. *Industrial and Corporate Change*, Vol. 12, no. 2, pp. 351–385.
- Lee, J., & Gereffi, G. (2015) Global Value Chains, Rising Power Firms and Economic and Social Upgrading. *Critical Perspectives on International Business*, Vol. 11, no. 3/4, pp. 319–339.
- Mazzucato, M. (2013) *The Entrepreneurial State: Debunking Public vs. Private Sector Myths*. London: Anthem Press.
- Mazzucato, M. (2018) *The Value of Everything: Making and Taking in the Global Economy*. London: Allen lane.
- Milanovic, B. (2016) *Global Inequality: A New Approach for the Age of Globalization*. Cambridge, MA: Harvard University Press.
- Milanovic, B. (2019) *Capitalism, Alone: The Future of the System That Rules the World*. Belknap Press of Harvard University Press.
- Milanovic, B. (2020) The Clash of Capitalisms: The Real Fight for the Global Economy's Future. *Foreign Affairs*, Vol. 99, no. 1 (January-February 2020), pp. 10–21.
- Myant, M. (2018) Dependent capitalism and the middle-income trap in East Central Europe. *International Journal of Management and Economics*, Vol. 54, no. 4, pp. 291–303.

- Nölke, A. (2018) Dependent Versus State-Permeated Capitalism: Two Basic Options for Emerging Markets. *International Journal of Management and Economics*, Vol. 54, no. 4, pp. 269–282.
- Nölke, A. (2019) Comparative Capitalism. In: Shaw T., Mahrenbach L., Modi R., Yi-chong X. (eds) *The Palgrave Handbook of Contemporary International Political Economy*. Series: Palgrave Handbooks in IPE. Palgrave Macmillan, London, pp. 135–151.
- Nölke, A., Vliegenthart A. (2009) Enlarging the Varieties of Capitalism: The Emergence of Dependent Market Economies in East Central Europe. *World Politics*, Vol. 61, no. 4, pp. 670–702.
- Nölke, A., May C. (2019) Liberal Versus Organised Capitalism: A Historical-Comparative Perspective. In: Gerócs T., Szanyi M. (eds) *Market Liberalism and Economic Patriotism in the Capitalist World-System*. International Political Economy Series. Cham: Palgrave Macmillan, pp. 21–42.
- Nölke, A., ten Brink, T., May, C., Claar, S. (2019) *State-permeated Capitalism in Large Emerging Economies*. RIPE Series in Global Political Economy. Routledge.
- Olson, M. (1965) *The Logic of Collective Action: Public Goods and the Theory of Groups*. Cambridge, MA: Harvard University Press.
- Piketty, T. (2014) *Capital in the Twenty-First Century*. Cambridge, MA: Harvard University Press.
- Piore, M. J., Sabel, C. F. (1984) *The Second Industrial divide*. New York, NY: Basic Books.
- Pirie, I. (2018) Korea and Taiwan: The Crisis of Investment-Led Growth and the End of the Developmental State. *Journal of Contemporary Asia*, Vol. 48, no. 1, pp. 133–158.
- Rodrik, D. (2009) *One Economics, Many Recipes: Globalization, Institutions, and Economic Growth*. Princeton, NJ: Princeton University Press.
- Rodrik, D. (2014) When Ideas Trump Interests: Preferences, Worldviews, and Policy Innovations. *Journal of Economic Perspectives*, Vol. 28, no. 1, pp. 189–208.
- Sabel, C., Jordan, L. (2015) Doing, Learning, Being: Some Lessons Learned from Malaysia's National Transformation Program. Washington, DC: World Bank.
- Stigler G. J. (1971). The Theory of Economic Regulation. *The Bell Journal of Economics and Management Science*, Vol. 2, no. 1, pp. 3–21.
- Wacziarg, R., Horn Welch, K. (2008) Trade Liberalization and Growth: New Evidence. *The World Bank Economic Review*, Vol. 22, no. 2, pp. 187–231.
- Wade, R. H. (2017) The Developmental State: Dead or Alive? *Development and Change*, Vol. 49, no. 2, pp. 518–546.

- 617 Wallerstein I. (2000) Globalization or the Age of Transition? A Long-Term View  
618 of the Trajectory of the World-System. *International Sociology*, Vol. 15, no.  
619 2, pp. 249–265.