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## Global Trends and the Future of Capitalism

“A society whose historical journey is entrusted to the guiding hand of Tradition sleepwalks through history,” wrote a pensive Robert Heilbroner in his 1993 work *21<sup>st</sup> Century Capitalism*.<sup>1</sup> Now the new century has dawned, and it is certain that no one is feeling the least bit drowsy. Actors on the world stage are actively reevaluating, refining, and even replacing a host of capitalist traditions. And increasingly, no single player can claim to have the starring role. Even a hegemon like the United States has suffered a “striking loss in global economic leadership” in recent years.<sup>2</sup> Different societies have unique ways of coping with globalization, and within each country factions are jostling for influence on their nation’s economic policy.

Often, the debate crosses borders, facilitated by rapid improvements in technology and communications. One such contest between Thomas L. Friedman and Ignacio Ramonet was held with the Atlantic Ocean as a convenient buffer. Friedman, a *New York Times* columnist, analyzes the trend of globalization in wake of the Cold War in his aptly-titled “DOScapital” and “DOScapital 2.0.” Ramonet, director of the French journal *Le Monde diplomatique*, responds with two articles in which he criticizes Friedman’s “gross oversimplification” of an admittedly complex issue.<sup>3</sup> Heilbroner is merely a spectator to this particular fray, but remains part of the larger debate over what is in store for capitalism in the next 100 years. While Friedman’s liberalism and Ramonet’s mercantilism are both fairly rigid in scope, Heilbroner displays a well-rounded and thoughtful mix of practical Keynesian views tempered with a distinct structuralist slant.

Friedman stresses that he is not taking sides in the globalization debate, but his liberal economic views are evident in the “DOScapital” articles. When he describes globalization as a

process that is “enabling us to reach around the world farther, faster, and cheaper than ever before,” his excitement is palpable.<sup>4</sup> To Friedman, an all-encompassing free market is clearly preferable to the clunky Cold War system in which the clash between communism and capitalism was a driving force. He points to three overlapping structures which support globalization—the first two are balances between nation-states and between those states and global markets. The third and perhaps most significant trait is the balance between individuals and nation-states. Friedman asserts that globalization “gives more direct power to individuals than any time in history.”<sup>5</sup> This statement embodies the philosophy by which early liberals championed reforms “that weakened central power while promoting individual liberty.”<sup>6</sup> Friedman believes that globalization is largely a positive-sum game in which everyone may benefit—he turns to examples of an E-mail campaign to ban landmines and the spread of cheery Americanization in the form of Big Macs and Mickey Mouse.<sup>7</sup>

In all fairness, Friedman is no Pollyanna, and he braces his praise of Americanization with the caveat “for better *and* for worse [emphasis added].”<sup>8</sup> In fact, Ramonet’s response to “DOScapital” underplays Friedman’s acknowledgement of globalization’s risks, as the latter is quick to note. Friedman does address that globalization might be too difficult, connected, intrusive, unfair, and dehumanizing for some to handle.<sup>9</sup> He also admits that while there are many super-empowered individuals who wish to do good, there are also those who wish to do evil, and cites the 1993 World Trade Center bombing as an example. Little did he know after writing “DOScapital” in 1999 that two years later a much more massive attack on the Trade Centers would prove his point all too well. In spite of the backlash against globalization, though, Friedman addresses the liberal trend as if it were inevitable. He even displays a touch of Keynesian theory when he asserts that governments—the United States, especially—must “‘democratize’ globalization, both economically and politically.”<sup>10</sup> But in this case, government intervention is simply a means to an end—the ultimate goal of a free marketplace.

Ramonet's largely mercantilist response to Friedman's vision ranks somewhere between rankled and utterly disgusted. Shying away from "laissez-faire" economics, Ramonet adopts the typically mercantilist view that life is a zero-sum game, "where gains by one person or group necessarily come at the expense of others."<sup>11</sup> Arguing that France should not have to sacrifice its political and economic autonomy in order to "fit in" to a new system, Ramonet insists that globalization has become "a kind of new totalitarianism" due to the overwhelming power of the market.<sup>12</sup> He castigates the trend's "arrogant" supporters, tracing their emergence to the 1944 Bretton Woods Agreement, which established a system that has "little to do with people or progress and everything to do with money."<sup>13</sup> Ramonet is frightened that economic concerns will prevail over the political and threaten the power of individual nations.<sup>14</sup> He notes with worry that globalization has provoked increasing debate over borders and a rise in violence, both of which are threats to national security. To many mercantilists this is an unacceptable risk, especially when it is designed to strengthen global rather than local markets.

Ramonet also displays a hint of structuralism when he chastises Friedman for ignoring the world's decidedly unequal income distribution, in which the richest fifth of the globe's population owns 80 percent of all resources and the poorest fifth scrape by with only half a percent.<sup>15</sup> He is appalled by the arrogance Friedman must possess to suggest that the wretched of the earth want to go to Disneyworld rather than improve basic living standards. In effect, Ramonet wonders what good a foreign amusement park is if globalization has robbed customers of the money to pay its admission fee. Here Ramonet borrows from the structuralist view, in which issues of "class, exploitation, the distribution of wealth and power, dependency, and the global aspects of capitalism take center stage."<sup>16</sup> He asks, "How much redistribution [of income] will it take to make the domination of the rich minority acceptable to the majority of the world's population?"<sup>17</sup> This redistribution might be desirable from a structuralist standpoint, but Ramonet worries that it will

soon be impossible to attempt it, contending that the welfare state is being destroyed by globalization.

Such threats to the welfare state make Keynesian liberals perk up their ears, and Heilbroner is one of them. His complex views include a healthy dose of liberal thought and a more balanced view of modern capitalism than either Ramonet or Friedman can muster. Heilbroner's true colors show when it comes time for predictions, and he believes that "the future of American capitalism in the twenty-first century [. . .] hinges on the capacity to perceive the public sector, as did Adam Smith, in terms of an indispensable source of strength for a private economy, not as a wasteful drag on it."<sup>18</sup> Heilbroner's cleverness lies in his ability to take the modern ideas of liberals like John Maynard Keynes and reconcile them with the basic tenets of liberalism as professed by Smith. This approach isn't altogether surprising—during his college years Heilbroner studied with Keynes' "first apostle in the United States," Alvin Hansen.<sup>19</sup> Heilbroner isn't afraid to let the government guide the economy—in fact, he believes it is essential to continued prosperity. Even hitherto unattainable Keynesian goals like full employment have strengthened the interests of capital, Heilbroner argues, therefore serving not a radical but a conservative political end.<sup>20</sup> He bemoans the fact that government spending is seen as consumption rather than investment, and insists that taxes must be raised to promote growth, while national institutions keep wage increases in proportion to productivity. This level of governmental control is more than a typical liberal would support, but it is also part of what makes Heilbroner's outlook so modern.

Unlike Ramonet, who skims the surface of structuralism, Heilbroner digs deep into the system's cogs and wheels in search of a working economic model that will flesh out his overall perspective. He points out that theorists including Smith, Keynes, Marx, and Schumpeter have predicted that capitalism will fail. According to Heilbroner, the system misrepresents both the public and private sectors and subsequently allocates tasks poorly, is inadequately prepared to

handle the internalization of production and economic challenges, and is subject to the irrationality inherent in its motivating drive. He agrees that “one cannot contemplate [capitalism’s] deficiencies and expect the order as a whole to make the passage through the twenty-first century unscathed.”<sup>21</sup> But if not capitalism, then what? Could it be that the concept of “progress” will be absent from society, and “an achieved socialism will simply be the sum of many individual lives pursued within a benign social setting?”<sup>22</sup> Probably, Heilbroner argues—he guesses that society’s search for new understandings “will embody something connected with the idea of socialism. By ‘socialism’ I mean a society unmistakably disconnected from the very idea of economic determinism.”<sup>23</sup> Before rushing to call Heilbroner a Marxist, though, it is important to note that he is reasonably certain this change will not happen in the next hundred years, and even then, he admits that its nature is ambiguous. In the meantime, “advanced and adaptive capitalisms” like Heilbroner’s “slightly imaginary Sweden” will probably carry the day, and perhaps even persevere until there is no need for the structuralist progression towards complete socialism.

Heilbroner’s advanced capitalisms are essentially a mix of Keynesian liberalism and structuralist ideals, a more complex blending of economic perspectives than the relatively straightforward mercantilism of Ramonet or Friedman’s liberalism. It is appropriate that the more convincing analysis of today’s world economy is also the most complicated—a multiplicity of factors make it nearly impossible to predict with much accuracy what will happen in the future. As Heilbroner admits, we can’t possibly learn everything we need to know from history—instead, we must try to minimize our mistakes. And what better way to do so than approaching problems from a blend of economic and political viewpoints, melding the most feasible elements of each until you form a system that will carry the world through the twenty-first century and beyond.

## Bibliography

- Balaam, David N., and Michael Veseth. *Introduction to International Political Economy*. Upper Saddle River, NJ: Prentice-Hall, Inc., 2001.
- Heilbroner, Robert. *21<sup>st</sup> Century Capitalism*. New York: W.W. Norton & Company, 1993.
- Friedman, Thomas L., and Ignacio Ramonet. "Duelling Globalizations: A Debate." *IPE 201B Course Pack*. Balaam: Fall 2001.

## Endnotes

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- <sup>1</sup> Robert Heilbroner, *21<sup>st</sup> Century Capitalism*, New York: W.W. Norton & Company, 1993: 33.
- <sup>2</sup> Heilbroner, 19.
- <sup>3</sup> Thomas L. Friedman and Ignacio Ramonet, "Duelling Globalizations: A Debate," *IPE 201B Course Pack*, Balaam: Fall 2001: 13.
- <sup>4</sup> Friedman, 9.
- <sup>5</sup> Friedman, 12.
- <sup>6</sup> David N. Balaam and Michael Veseth, *Introduction to International Political Economy*, Upper Saddle River, NJ: Prentice-Hall, Inc., 2001: 48.
- <sup>7</sup> Friedman, 10.
- <sup>8</sup> Friedman, 10.
- <sup>9</sup> Friedman, 16.
- <sup>10</sup> Friedman, 17.
- <sup>11</sup> Balaam, 49.
- <sup>12</sup> Friedman, 15.
- <sup>13</sup> Friedman, 14.
- <sup>14</sup> Friedman, 14.
- <sup>15</sup> Friedman, 14.
- <sup>16</sup> Balaam, 69.
- <sup>17</sup> Friedman, 18.
- <sup>18</sup> Heilbroner, 91.
- <sup>19</sup> Heilbroner, 60.
- <sup>20</sup> Heilbroner, 89.
- <sup>21</sup> Heilbroner, 161.
- <sup>22</sup> Heilbroner, 155.
- <sup>23</sup> Heilbroner, 151.