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The Fight for Wealth and Power : A Review of International Political Economy at Forty (Part 1)

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A Review of International Political Economy at Forty

Part I

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Abstract

The idea of a direct relationship between economics and politics in the international arena, which early economists assumed but later professional economists generally downplayed, has only recently come to be widely accepted. This simple idea that economics and politics powerfully interact with each other has since the early 1970s spurred the development of a field of both political science and economics, i.e., international political economy (IPE).

This paper reviews a selection of the most influential literature on two of the most important sets of questions at the heart of IPE: 1) What is the nature of the relationship between politics and economics, and how is that relationship properly characterized? The statist, liberal economic, and leftist schools of thought have contended to explain how the IPE really works. 2) What should be the agenda of IPE for the twenty-first century? A recasting of the major theories is necessary to bring them in line with the changed realities of the post-Cold War, globalized world.

The field of IPE needs a major reworking to improve its explanatory power and policy prescription capacity. This can begin with recognition of ample opportunities for convergence among the three major theoretical approaches that have dominated IPE from the beginning.

Keywords: international political economy, statism, capitalist developmental state, economic liberalism, Marxism-Leninism

Introduction

The postwar international political economy has undergone major transitions at a faster pace than ever before. In the past thirty years, the U.S. as the dominant economic and political power of the early Cold War era, experienced decline relative to its European and Japanese allies, while its erstwhile Soviet nemesis sank into a morass of inefficiency and stagnation, and gradually imploded. The energy crisis of the 1970s for the first time confronted an emerging

global economy with the specter of widespread scarcity. China arose from a century of stagnation to fast-growth development, first through communist collectivization, then much more impressively through a hybrid of market economics and centralized planning. The developing world, experimenting with various state-dominated development schemes in the 1960s, by the late 1980s largely accepted free-market capitalism.

The world is only now digesting these changes, as a major financial crisis hit in the fall of 2008. The idea of a direct relationship between economics and politics in the international arena, which early economists assumed but later professional economists generally downplayed, has only recently come to be widely accepted. IPE distinguishes itself from simple political economy, which attempts to explain such common domestic concerns as economic efficiency, economic justice, why markets work, and the relationship between the financial sector and the “real” economy.¹⁾ As Underhill notes, power and wealth have been closely linked throughout history, in the modern era in the form of nation-states and market economies. Political economy, he states, “is the means by which economic structures, in particular the structures of the market, are established and in turn transformed,” i.e., “economic structures and processes are the results of political interactions.”²⁾

This compelling yet simple idea — that economics and politics powerfully interact with each other — has since the late 1960s to early 1970s spurred the development of a field of both political science and economics, i.e., international political economy (IPE). The growing interdependence created by the Bretton Woods economic regime of the postwar era in the first thirty years of postwar economic growth, along with growing “cracks” in the Bretton Woods system that would soon bring it down made it apparent to observers that key economic interactions are the result of political processes within political institutions. In the 1970s, IPE scholarship was dominated by dependency and hegemonic stability theory, while in the 1980s and 1990s economic liberalism prevailed, and discussion shifted to domestic political theories of political economy.³⁾ Today, IPE uses a variety of approaches derived from differing ideological perspectives.

This paper reviews a selection of the most influential literature on the nature of the relationship between politics and economics, and asks how that relationship is properly characterized. Three major schools of thought have contended to explain how the IPE really works, and due to space limitations, this paper considers three of them.⁴⁾ IPE is about the relationship of wealth and power in the modern world.

Theoretical Approaches to Political Economy

While the field of IPE is less than forty years old, the major theoretical approaches it uses date back to the mid-eighteenth century. All began with fairly unified “classical” positions up to the mid-nineteenth century, but subsequently went through major reworkings in the decades before World War I, and again in the post-World War II era; they have since branched into several sub-approaches.⁵⁾ A third approach, involving leftist or radical ideas, today no longer has a wide following, but acts as a vital critique of the other two.

Statist Approaches: Mercantilism and Economic Nationalism. The first version of state-centric approaches, which arose in the nineteenth centuries, is usually called Neo-mercantilism.⁶⁾ Early statisticians such as Hamilton and List developed the notion of relatively undeveloped nations that seek to attain self-sufficiency and industrialization, mainly through protectionism, subsidies, and fostering of “strategic industries,” (usually heavy industries). Gilpin calls this “economic nationalism,” but it was more commonly labeled Neo-Mercantilism in the postwar era. Economic nationalists give politics precedence over economics, and press nations to achieve relative economic advantage over others.

For realists such as Spero, politics determines economic policy, and this has been the case throughout history. Mercantilism was pursued by rising European states because for the first time economies became primary arenas for political action. The British free trading system of the nineteenth century could only be put into force because of Britain’s powerful position, and the imperialist system of the late nineteenth century collapsed due to the draining effect of World War I. In its place arose the highly geopolitical bipolar division after World War II. The result was a world economy divided along political lines into at least three “subsystems.”⁷⁾ The two decades of the post-Cold War world have seen a brief unipolar moment in which the U.S. dominated both international politics and the international economy, and then the sidetrack of the “War on Terrorism” and the Iraq War, in which the U.S. ineffectually emphasized military over economic means of dominance.

Economic nationalism’s strong point, says Gilpin, is its focus on the state as an engine of development. However, he feels that it has three weaknesses. First, the international economy is not a kind of zero-sum game, and sometimes, all may gain. Secondly, nationalism proposes no theory to explain either how domestic politics fits into development or why nationalism occurs. Thirdly, in over-emphasizing industry, it also overstates the state’s role. The state plays a necessary but not a sufficient role in economic development. This slight the important role of

agriculture in economic advance,⁸⁾ e.g. postwar land reform programs in Japan, Taiwan, and South Korea that provided a basis for economic takeoff, contrasted with lackluster efforts in the Philippines or Mexico which have contributed to continued endemic poverty.

Since the 1970s, there has been a revival of statist approaches to both economics and political science, which view the state as the key actor in economic development. Krasner sees a state's "autonomy," or independence from societal interests and pressures, and "capacity," i.e., a state's ability to implement its policies, as critical to its ability to get things done. He also draws attention to continuities and consistency in state policymaking, e.g., U.S. energy policy throughout the postwar era. Elsewhere, he presents international regimes, i.e., institutions, norms and procedures governing particular areas of economic activity, as forums wherein developing nations can gain occasional advantages over developed industrial firms or nations.⁹⁾ Using the Korean case, Amsden emphasizes the importance of "late development," in which the state becomes the catalyst of economic transformation and mediator of market forces, through two methods: distortion of "relative prices in order to stimulate economic activity," and setting of performance standards and encouragement of the formation of the family-run *chaebol* conglomerates.¹⁰⁾ Johnson stresses the capitalist developmental state, a mid-twentieth century variant of Neo-Mercantilism, in which state economic policy was guided by powerful ministries given sufficient authority to craft market-conforming "indicative planning" and support rising industries or cushion declining sectors.¹¹⁾

The recent record of state-led economic development programs has been mixed. Many state economic development programs in developing countries have failed because of an over-emphasis on heavy industrialization and large projects, which Frieden illustrates, have ended in gigantic foreign debts. By contrast, at least until the onset of the 1997 Asian economic crisis, many of the export-led efforts of East and Southeast Asian states led the region to unprecedented prosperity.¹²⁾ Olson shows that economic policy success can actually undermine state effectiveness, as political stability and economic prosperity spawn special interests that can reduce economic efficiency.¹³⁾ However, Amsden, who made her name illustrating the effectiveness of the South Korean state, presents Taiwan as the exemplar of fast-developing late developing countries that use economies of scale, highly developed skills, increased corporate concentration, and globalization networks to stay ahead of economic competition.¹⁴⁾ She also distinguishes those late developers which pursued successful industrial strategies from "the rest," i.e., those that failed to do so. The successful cases effectively used skill and knowledge assets, created effective government policy tools ("control mechanism[s]") along

with strong state institutions, developed strong national companies, and worked toward fairer distribution of societal resources.¹⁵⁾ Kohli uses a traditional statist approach to show that the “way state power is organized and used has decisively influenced rates and patterns of industrialization in the global periphery.” Among types of states, the “cohesive-capitalist” states, such as those of the fast-growth East Asian economies, have been most successful. What they had in common was a strong commitment both to growth and supporting efficient over inefficient producers. South Korea, Brazil, and India were, to varying degrees, successful, while Nigeria failed to industrialize.¹⁶⁾

Liberal approaches: Liberalism, Classical and Neoclassical economics. The first direct challenge to Neo-mercantilism came from what came to be known in the nineteenth century as liberalism. Classical and neoclassical economics has had great success in the form of a social science in Western countries, but is best “understood as both...economic analysis and as ideology.” Central to this approach is the concept of “interconnected and self-regulating” markets that bring buyers and sellers together and which need only minimal government regulation. Free market economics assumes that private property is a good thing, while extensive government intervention in the market is generally not helpful.¹⁷⁾ As embodied in classical economic theory, liberalism asserts that there is or should be little relationship between politics and economics.¹⁸⁾ Individuals are the basic unit of analysis, and function rationally in the aggregate according to price signals supplied by the marketplace. States should only assist markets through programs that help in “getting the prices right.” If governments limit intervention to those actions that ensure competition, or in neoclassical terms correct “market imperfections,” both domestic and international economics can function harmoniously. Further, everyone in a market economy benefits in the long run from free trade, which involves the relative absence of tariffs, controls, and regulations on trade.¹⁹⁾ Liberalism became the hallmark of nineteenth century British and twentieth century American free trade policies that culminated in the post-World War II open trade regime.²⁰⁾

Neo-liberalism has provided the basic ideological prop for American foreign economic policy since World War II. Under attack during the 1960s and 1970s as developing countries gained their independence and sought to find autonomy through remaining non-aligned in the Cold War, neo-liberalism was resurgent by the 1980s as the “Washington consensus” determined the policy direction of international organizations such as the International Monetary Fund and World Bank.²¹⁾ By the 1990s, various writers were proclaiming the triumph of global capitalism. Fukuyama famously suggests that the major questions of history

had been resolved by the end of the Cold War and the failure of socialism. Friedman asserts that political reform and more effective governance would flow from capitalism's victory. Mandelbaum presents modern liberalism as self-reinforcing system, in which peace, free markets, and democracy work hand-in-hand.²²⁾ Easterly suggests that the incentive structure inherent in modern capitalism is the key to understanding development. Success or failure of economic policy, especially in developing countries, is almost entirely due to the presence or absence of powerful economic incentives.²³⁾

In the last two decades, classical ideas of market rationality have been applied to public policy through rational choice or "public choice" theories, such as those of Frey.²⁴⁾ Meanwhile, globalization of the world economy has spawned a high degree of interdependence, and has stimulated interdependence theories, by scholars such as Cooper, Baldwin, and Keohane and Nye. Features of such interdependence include a greater percent of exports in national economies, enhanced labor movement among countries, heightened international investment flows, and ever more technology exchanges. Increased international trade "erodes" the effectiveness of both the domestic and international economic policies of a nation.²⁵⁾

Gilpin lists what he believes are limitations inherent in the approach when used as political prescription. First, it is possible everyone can lose, as well as gain, from open trade. Secondly, by erecting an "artificial" separation between politics and economics, economic liberals generally accept the status quo as given, tend to downplay if not ignore issues of economic justice or equity, and assume trade is often free when it usually is not. Moreover, economic analyses are just snapshots in time and inflexibly subject to stringent conditions.²⁶⁾ Economists are also criticized for hyper-abstraction and over-reliance on models, inability to account for the economic dislocations of the 1970s and 1980s, and the lack of predictive power of such models.

An application of the liberal approach to economic development is the modernization school, which lays out capital accumulation and industrialization as the primary agenda of developing countries, and insists that "barriers" presented by traditional economics and culture must be overcome. It further asserts that the forces of development must be generated internally, and that international actors play at best only a supporting role. After its heyday in the 1950s–1960s, major criticisms of its simplistic models, positivist assumptions, and disastrous applications by U.S. aid officials in Latin America and Asia forced modernization to retreat from grand theory to empirical, economics-related studies. Mittelman and Pasha believe that it still has limited utility since it fails to address issues of globalization, state power, and class.²⁷⁾

Radical Approaches: Marxism, Dependency, and World Systems. The link between economic liberalism and the rise of industrial capitalism created an inviting target for political radicals in the nineteenth century, as the ascendant liberalism generated a strong reaction in utopian socialism and Marxism. In its early forms, Marx's work was primarily an indictment of the capitalist system as then practiced in Europe, but gradually became an alternative economic theory, as well. There have been at least four major varieties of Marxism: classic nineteenth century Marxism, Marxism-Leninism, Euro-socialism and Maoism. These have provided an intellectual and policy smorgasbord for leftists, but have also weakened any effort by adherents to achieve any degree of intellectual consensus. Marx presented classes in conflict over an exploitive mode of production, out of which would evolve the socialist state. His theory of value posited a zero-sum game between workers and capitalists in industrial economies, tending toward over-production and economic depression. Lenin's amendments moved the conflictual arena to the world stage, and asserted that capitalists were dealing with endemic over-production and over-accumulation of capital by selling goods overseas and exporting capital to colonies, from which they gained raw materials. Fewer colonies to pick from would naturally lead to war among the major capitalist nations.²⁸⁾ Maoism stresses the key role of peasants in revolutions taking place in agrarian societies, and the need for continual revolution to avoid the perceived trap of a "bourgeois" Soviet-style communism. Aside from its ascendance in China, popular Maoist movements had mixed success in Cambodia, Peru, and more recently Nepal.

Marxism begins as a strong critique of capitalism, and (we often forget) a branch of classical economics. Marxism takes up such vital issues as the role of class in a society, exploitation of workers, the development of monopolies, the "expansionary nature" of capitalism, uneven development, economic alienation, and the role of the state. Study of Marx remains important, asserts Stillwell, because of its importance to the development of economics, its value as a lens to examine capitalism, and its influence throughout the modern world.²⁹⁾

Whatever its form, Marxism has always faced strong critiques. Rosecrance notes that Lenin and the dependency theorists (discussed below) seem to be talking about two different developing worlds, Lenin's a concentrated colonialism and dependency's a patchwork of poverty.³⁰⁾ Gilpin maintains that Marxism correctly hones in on the production problem as the center of economic concerns, properly notes the division of labor in all societies, and usefully points out the tendency of capitalism to expand. Even so, he feels that a close reading of history does not support Lenin's thesis that imperialism led to World War I; it was more likely

territorial rivalry in Europe proper.³¹⁾

Other indictments of Marxism include its almost religious-like ideology, the poor human rights record of Marxist regimes, and the inability of much of the former Soviet bloc countries to deliver either long-term economic growth or a rising standard of living. Also, Marxist-Leninist regimes have not been averse to turning their ideology on its head to suit circumstances, e.g., the Chinese ideological supports for its pragmatic post-1978 economic reforms (which it calls “market socialism,” “commodity socialism” or the “first stage of socialism.”).

Furthermore, the political economic record of industrial countries in the past century has fulfilled much of the socialist agenda without a triumph of Communism. Finally, Marxism has not even been very helpful at alleviating the misery of the developing countries, in any case: Cuba depended on Soviet aid throughout the Cold War, and Soviet clients such as Nicaragua, Vietnam, and Ethiopia saw only marginal economic improvements under socialism. Though history has not been kind to Marxism, it is useful as a theoretical counterweight to liberalism and for the political economy issues that it raises.

Chilcote and others note that Marxism lacks a coherent theory of economic development, and thus needed to be supplemented by dependency and other theories.³²⁾ Many radical theorists of the last thirty years confront the perceived developed capitalist domination of the agrarian, cheap-labor developing world, and counter the major premises of modernization theory, i.e., national development is shaped by the international environment, and not by the phantom of the “dual societies,” or traditional vs. modern sectors. Structuralists such as Prebisch assert that, if developing nations only gain control of international organizations and force changes in international trade and aid regimes, and adopt import-substituting national economy policies, escape from endemic poverty is possible. Dependency theorists (or *dependencistas*) find such notions naively optimistic, and insist that the chances for development are either constricted or nil.³³⁾ For Goulet, domination of poor nations by the rich is nothing less than a world ethical crisis.

Dependency theory is like a shrub with many branches, each a sub-theory with different emphases. Four dependency approaches stand out. First, Frank presents the concept of “underdevelopment,” i.e., stunted national and local development resulting from and conditioned by relationships between the currently developed metropole (neo-colonial power) and a poor satellite. Second, Baran and Sweezy update Leninism by examining the impact of U.S. “monopoly capitalism,” operating through American foreign policy, on poor nations. Dos Santos

describes the “New Dependency,” based on investments by multinational corporations (MNCs, see below) that predominated in the early postwar era. Cardoso explains growth in the Newly Industrializing Countries (NICs) as “associated dependent development,” where development can take place, but only within an international environment conditioned by the developed nations.³⁴⁾

World systems theory differs only by degree from dependency. Most commonly associated with Wallerstein, it focuses on the supposed historical development of a world capitalist system, involving an expanding global market and the operations of great powers, since the sixteenth century. Wallerstein separates the world into three categories: 1) core, or dominant economic and political powers, 2) periphery, the poor countries that serve as sources of raw materials and markets for the core, and 3) semi-periphery, i.e., countries that in many ways function as periphery for the core, but which have developed sophisticated economies that exhibit core features. Within each of the three is its own core and periphery, as well. This tri-level system is never static, as keen competition among core nations juggles world power, and nations ascend to semi-periphery and core, or fall out of the core.³⁵⁾ Radical or leftist schools are left much as they were at the end of the Cold War, when they seemed discredited with the “triumph of capitalism” but, given that inequality is still very much a reality in the age of globalization, it is probably premature to count them out.

Updating the Three Approaches: Post-Cold War Refinements. Each of the three main theoretical approaches has made major contributions to our understanding of the relationship between wealth and power. They show us, respectively, the critical importance of states, free markets, and historical forces in the creation of modern economies. Even so, each largely neglects or downplays the signal contributions of the other.³⁶⁾ The end of the Cold War (1989–1991) was hailed as a triumph of liberal capitalism, but can any theoretical approach claim preeminence in an era that has profoundly transformed capitalism itself?

Cooper, Gilpin and others may be right when they affirm the growing degree of economic interdependence today. Not even the great powers can consider themselves truly self-sufficient. The USSR may come closest, but its economy lagged behind the West. As Rosecrance suggests, the result could be a return to unlimited military competition, but the costs of arms races and wars has become too great.

All the major IPE schools have been forced to rethink their major ideas since the end of the Cold War. For instance, during the 1990s, liberals had to admit the failures of “Big Bang” or “shock therapy” liberalization programs in Eastern Europe and the former Soviet Union,³⁷⁾ and

for the contributions that unbridled capitalism made to the Asian Financial Crisis (1997 – 1998). Barber and others note that capitalism and free markets are inherently unstable when pushed too far, and capitalism often works against democratization.³⁸⁾ Nonetheless, the liberalization program in India and the deepening of China’s market-oriented reforms and its accession to the WTO in 2001 confirm liberal prescriptions to other observers. State management of economies has been complicated by increasing interdependence, even as “pragmatic mercantilism” has become more widely accepted.³⁹⁾ Even the Neo-mercantilist states of East Asia have been far less interventionist after the Asian Financial Crisis, and have allowed much freer imports and foreign investment. Notably, the New Labour policies of British prime minister Tony Blair stimulated much discussion of a European “Third Way” somewhere between socialism and liberalism. In the more constrained budget environment of the 1990s and 2000s, statist must contend with the fiscal and international financial limitations placed on state policy, and with rising public demands for basic rights.⁴⁰⁾ Radicals, and especially Marxists, seek to adapt their ideas to a largely post-communist, post-welfare state world. The perceived success of capitalism may make Marxism and other radical approaches more relevant than ever, as it shows the power of their earlier predictions of capitalism’s current dominance.⁴¹⁾ Radicals also shine a light on issues neglected by free marketeers and statist, especially the environment, labor rights, the economic role of technology, class, gender, and ethnicity.⁴²⁾ Latin America has seen a marked shift to the left in recent elections, and socialist parties remain robust in both Western and Eastern Europe.

Stillwell suggests four major concerns that should inform future political economy discourse. These are Economy-nature, Economy-technology, Economy-society, and Economy-state, which concern, respectively, the environment, industrial relations and engineering, social and cultural problems, and politics. He feels that the most important of these is Economy-nature, since it concerns the sustainability of the modern global economy. Economy-technology has become ever more important due to the rapid pace of technological change in the past thirty years. Economy-society increasingly turns on concerns about class, gender, and ethnicity — especially, one might argue, in the post-9/11 world. Economy-state now focuses on state capacity and governance in an era of limits.⁴³⁾

An Agenda for 21st Century IPE

As the world stares down a financial crisis and perhaps a prolonged recession, it is an excellent time for stock-taking and rethinking. How should the field develop over the next thirty years, what should be its theoretical foci, and what should be its major concerns? The first major need is for harmonization of the major theoretical approaches. All have made major conceptual contributions to understanding the roles of states, markets, and historical forces in the rise of modern economies. All have yielded useful insights into the real working of the global economy, yet all so far have failed to transcend their ideological and Cold War origins. All must begin with a radical (in the sense of fundamental) recognition of their limitations, and then work toward creation of new interim theories that can bridge the divides with other theoretical approaches. The following are three such interim theoretical bridges. *Super-state* would supersede all state-based theories. While embracing the continued importance of the state, it would recognize both its severe limitations in an era of globalization, and examine the changed role of the state since the end of the Cold War and the 9/11 Incident. It would suggest that the Japan Model of state-as-economic-manager no longer works, and that the state must operate in an evolving, negotiable environment more resembling labor-management relations.

Liberal economic liberalism would replace all market-based theories. While noting the ascendance of market forces in the post-Cold War world, it would acknowledge the abject failures of economic liberalization and free trade/free market policies in much of the world. Neo-liberal policies caused or played a strong role in most of the economic calamities of the past thirty years, from the Latin American debt crisis of the 1980s to the Asian Financial Crisis, to the global financial crisis of 2008. By contrast, the relative success of market-oriented reforms in China, India, and Brazil has been largely due to their pragmatism, and the recovery of Russia in this decade has been in part due to a very strong state. New economic stars such as Finland, Estonia, and Chile successfully mixed elements from various economic models. Economic management seems to work when it has a place for both market and regulation, freedom and responsibility, looseness and control.

Conventional radicalism, a repackaging of the best of leftist ideas, does not concede the field to other theories just because socialism did not work well in the Soviet Union and other Marxist-Leninist countries. It would present itself as the indispensable alternative theory, the necessary critique of triumphant capitalism, and the essential *j'accuse* against the continued distortions of global economies and politics in favor of the already powerful. What of value is left in the left?

There is so much: Marx's stressing of the importance of historical forces and the key role of class, dependency's indictment of the fundamentally unfair international economic system, and world system's sketching of systemic dynamics that have gathered pace over the past 500 years.

So, what will the harmonizing theory look finally look like? It will probably stress the key role of the state, albeit a transformed and/or limited one. It will likely emphasize the continued vital role of markets, but markets that are riddled with imperfections and that need effective governance. It will describe the most important systemic dynamics that guide global economics as never before. Finally, it will include one more transcendent element that can bind all theories, but which heretofore has largely been ignored: the environmental ethic and imperative of the twenty-first century. Climate change brings so many issues together, since they must all be addressed in order to save our civilization: energy supply, production and use; transportation modes and access; management of global resources, especially the rainforests, seas, and polar regions; political cooperation necessary to bring about global change and foster cleaner technologies; economic costs and opportunities that must be shared as we decide how to confront a century-long challenge; and religious and ethical thinking that can shift our cultures from consumerism to environmental stewardship.

The second major need is for an understanding of the changed geopolitical and economic landscape of this century. Globalization, already a powerful force in the last two decades of the twentieth century, has become perhaps even more important in this decade. However powerful and omnipresent a force globalization may have become, it is still in many ways a limited affair, and these limits are laid bare by the increasing popularity and strength of regionalization, which is globalization's rebellious little sister. All other IPE concerns, then, flow from globalization, and maybe we should consider renaming the field global political economy. Global trade, finance, and production, as well as global socio-political values and culture, are now at the center of the international political economy, though effects of globalization are both uneven and not always what we expect. For instance, scholars often point to the supposed decline of the nation-state as a direct result of globalization, yet since 9/11 in the arenas of national security and defense, Western states have become more powerful than ever. Global finance, a subject left to money managers and policy wonks in normal times, has as a result of the recent global crisis been thrust back to center stage where it rightly belongs. Scholars should keep their spotlight on it once the crisis has subsided. Global trade has stalled, in part due to the failure of the Doha Round of WTO negotiations, but also because the gradually rising impor-

tance of regional and national trade relative to global trade. In an era of environmental constraints and strained commodity prices, it will be even harder for trade to benefit both developed and developing countries. Without major alterations, the Asian Model of development may no longer be available in much of the world.

Global environmental concerns have a dual character. Climate change has changed everything, and no one on the planet is immune to its effects. We may be coming to the end of the road for a very dirty and unsustainable model of industrial development, and for the first time in this decade a gathering global scientific and political consensus recognizes the urgency of effective mitigation policies. The 2006 Stern Report for the British government suggested that there is both risk and opportunity in climate change; if we devote more efforts to green technologies, it will actually stimulate the global economy. Even so, incautious or rushed environmental policies risk hamstringing the global economy and actually worsening environmental difficulties. Finally, the supposed triumph of global capitalism and of the globalization concept have led us to neglect issues of poverty, equality, social justice, and failed states. Without addressing the needs of the half of humanity that has been left out of the economic booms and technological progress of the past three decades, globalization will never become truly global.

A final major need, perhaps ultimately more a service to humanity than a scholarly task, is a complete reexamination of capitalism itself. The recent world financial crisis has starkly illustrated the imperfections of global capitalism: its dodgy money and securities schemes, its tendency to subvert or avoid even modest, prudent regulation, its continual drift toward institutionalized corruption, and its callousness toward the suffering of ordinary, unknowing people who get caught in the wrong job, investment or mortgaged house at the wrong time. Add to those sins the unsustainability, environmental degradation and hyper-materialism of our current economic system, and perhaps the time for sweeping reform is overdue. We cannot be excused from looking for ways to improve capitalism, or perhaps eventually to replace it with a more sustainable, humane, and ultimately efficient system that serves us all better.

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