APRIL 17, 2023

The Emerging New World Economy

BY RICHARD D. WOLFF

Photograph Source: cogdogblog – CC0

The emerging new always both frightens and inspires the fading old. History is that unity of opposites. Sharp-edged rejections of what is new clash with enthusiastic celebrations of it. The old gets pushed away even as bitter denials of that reality surge. The emerging new world economy displays just such contradictions. Four major developments can illustrate them and underscore their interactions.

First, the neoliberal globalizing paradigm is now the old. Economic nationalism is the new. It is another reversal of their previous positions. Driven by its celebrated profit motive, capitalism in its old centers (western Europe, North America, and Japan) invested increasingly elsewhere: where labor power was far cheaper; markets were growing faster; ecological constraints were weak or absent; and governments better facilitated rapid accumulation of capital. Those investments brought big profits back into capitalism's old centers, whose stock markets boomed and thus their income and wealth inequalities widened (since the richest Americans own the great bulk of securities). Even faster was the economic growth unleashed after the 1960s in what quickly became capitalism's new centers (China, India, and Brazil). That growth was further enhanced by the arrival of the capital relocated from the old centers. Capitalism's dynamic had earlier moved its production center from England to the European continent, then on to North America and Japan. That same profit-driven dynamic took it to mainland Asia and beyond during the end of the 20th and beginning of the 21st centuries.

Neoliberal globalization in theory and practice both reflected and justified this relocation of capitalism. It celebrated the profits and growth brought to both private and state-owned/operated enterprises around the world. It downplayed or ignored the other sides of globalization: (1) growing income and wealth inequalities inside most countries; (2) the shift of production from old to new centers of capitalism; and (3) faster growth of output and markets in new centers than old centers. These changes shook the old centers' societies. Middle classes there atrophied and shrank as good jobs moved increasingly to capitalism's new centers. The old centers' employer classes used their power and wealth to maintain their social positions. Indeed, they got richer by harvesting the greater profits rolling in from the new centers.

However, neoliberal globalization proved disastrous for most employees in capitalism's old centers. In the latter, the employer class not only grabbed rising

profits, but also offloaded the costs of the decline of capitalism's old centers onto employees. Tax cuts for business and the wealthy, stagnant or declining real wages (abetted by immigration), "austerity" reductions of public services, and neglect of infrastructure produced widening inequality. Working classes across the capitalist West were shocked out of the delusion that neoliberal globalization was the best policy for them too. Rising labor militancy across the U.S., like mass uprisings in France and Greece and left political shifts across the Global South, entail rejections of neoliberal globalization and its political and ideological leaders. Beyond that, capitalism itself is being shaken, questioned, and challenged. In new ways, projects for going beyond capitalism are again on the historical agenda despite the status quo's efforts to pretend otherwise.
Second, over recent decades, the intensifying problems of neoliberal globalization forced capitalism to make adjustments. As neoliberal globalization lost mass support in capitalism's old centers, governments took on powers and made more economic interventions to sustain the capitalist system. In short, economic nationalism rose to replace neoliberalism. Instead of the old laissez-faire ideology and policies, nationalist capitalism rationalized the state's expanding power. In capitalism's new centers, enhanced state power produced economic development that markedly outgrew the old centers. The new centers' recipe was to create a system in which a large sector of private enterprises (owned and operated by private individuals) coexisted with a large sector of state enterprises owned by the state and operated by its officials. Instead of a mostly private capitalist system (like that of the U.S. or UK) or a mostly state capitalist system (like that of the USSR), places like China and India produced hybrids. Strong national governments presided over coexisting large private and state sectors to maximize economic growth.

Both private and state enterprises and their coexistence deserve the label "capitalist." That is because both organize around the relationship of employers and employees. In both private and state enterprises/systems, a small employer minority dominates and controls a large employee majority. After all, slavery also often displayed coexisting private and state enterprises that shared the defining master-slave relationship. Likewise, feudalism had private and state enterprises with the same lord-serf relationship. Capitalism does not disappear when it displays coexisting private and state enterprises organized around the same employer-employee relationship. Thus we do not conflate state capitalism with socialism. In the latter, a different, noncapitalist economic system displaces the employer-employee organization of workplaces in favor of a democratic workplace community organization as in worker cooperatives. The transition to socialism in that sense is also a possible outcome of the turmoil today surrounding the formation of a new world economy.

The state-private hybrid in China achieves remarkably high and enduring GDP and real-wage growth rates that have continued now over the last 30 years. That success deeply influences economic nationalisms everywhere to move toward that hybrid as a model. Even in the U.S., competition with China becomes the go-to excuse for massive governmental interventions. Tariff wars—that raised domestic taxes—could be enthusiastically endorsed by politicians who otherwise preached laissez-faire ideology. The same applied to government-run trade wars, government targeting of specific corporations for punishment or bans, government subsidies to whole industries as so many anti-China economic ploys.

Third, over recent decades, the U.S. empire peaked and began its decline. It thus follows every other empire's (Greek, Roman, Persian, and British) classic pattern of birth, evolution, decline, and death. The U.S. empire emerged from and replaced the British Empire over the last century and especially after World War II. Earlier, in 1776 and again in 1812, the British Empire tried and failed militarily to prevent or stop an independent U.S. capitalism from developing. After those failures, Britain took a different path in its relations with the U.S. After many more wars in its colonies and with competing colonialisms across the 19th and 20th centuries, Britain's empire is now gone.

The question is whether the U.S. has learned or even can learn the key lesson of Britain's imperial decline. Or will it keep trying military means, ever more desperately and dangerously, to hold on to a global hegemonic position that relentlessly declines? After all, the U.S. wars in Korea, Vietnam, Afghanistan, and Iraq were all lost. China has now replaced the U.S. as the major peacemaker in the Middle East. The days of the U.S. dollar as the supreme global currency are numbered. U.S. supremacy in high-tech industries must already be shared with China's high-tech industries. Even major U.S. corporate CEOs such as Apple's Tim Cook and the U.S. Chamber of Commerce want the profits of more trade and investment flows between the U.S. and China. They look with dismay at the Biden administration's rising politically driven hostilities directed at China.

Fourth, the U.S. empire's decline raises the question of what comes next as the decline deepens. Is China the emerging new hegemon? Will it inherit the empire mantle from the U.S. as the U.S. took it from Britain? Or will some multinational new world order emerge and shape a new world economy? The most interesting possibility and perhaps the likeliest is that China and the entire BRICS (Brazil, Russia, India, China, and South Africa) grouping of nations will undertake the construction and maintenance of a new world economy. The war in Ukraine has already enhanced the prospects of such an outcome by strengthening the BRICS alliance. Many other countries have applied or will soon apply for entry into the BRICS framework. Together, they have the population, resources, productive capacity, connections, and accumulated solidarity to be a new pole for world economic development. Were they to play that role, the remaining parts of the world from Australia and New Zealand to Africa, Europe, and South America would have to rethink their foreign economic and political policies. Their economic futures depend in part on how they navigate the contest between old and new world economic organizations. Those futures likewise depend on how critics and victims of both neoliberal/globalizing capitalism and nationalist capitalism interact inside all nations.

This article was produced by Economy for All, a project of the Independent Media Institute.

***Richard Wolff** is the author of Capitalism Hits the Fan and Capitalism's Crisis Deepens. He is founder of Democracy at Work.*