

Note from the editor

Is globalization over? What tariffs tell us

Jeanne Lazarus

Content

1 Note from the editor

Is globalization over? What tariffs tell us
by Jeanne Lazarus

4 Opium talk: American capitalism in
transition by Jonathan Levy

19 An interview with Quinn Slobodian

23 China's own derisking? Contextualizing
the US tariffs and Chinese investment in
Southeast Asia by Yingyao Wang

26 The politicization of sectors: Industrial
change and categories of development
by Timur Ergen

33 Message from the editorial board

34 Book reviews

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Crises are multiplying – whether it be climate change, as the previous three issues, edited by Leon Wansleben, have so insightfully examined; the resurgence of wars that international law, designed to guarantee peace, fails to prevent; societies that are fracturing; freedoms once thought permanently secured that are being trampled; or economic instability. As Quinn Slobodian reminds us in the interview he granted us: “We are in a dark moment in Western democracies and for the world at large.” Can the social sciences help? Emile Durkheim already answered: “We would not judge our research to be worth one hour’s trouble if it were to have only a speculative interest. If we carefully separate theoretical problems from practical ones, it is not in order to neglect the latter, but, on the contrary, to become better able to solve them” (Durkheim [1893] 1995).

Yet the social sciences maintain a complex relationship with

current events. The time it takes for research to mature – to collect data, engage with existing scholarship, and develop the concepts and theories needed to make sense of unfolding phenomena – moves at a far slower pace than that of the news cycle. Moreover, social sciences relationship to politics remains fraught: While politics and the social sciences often share the same objects, the social role of academics differs fundamentally from that of those involved in the making of public policy.

With Arnaud Esquerre and Luc Boltanski, we have proposed to distinguish social problems from sociological questions: Social problems emerge from external demands (for example, when sociologists are asked to explain electoral or demographic behavior), whereas sociological questions are internal – concerning the validity of concepts, methods, and theoretical frameworks (Boltanski, Esquerre, and Lazarus 2024). Through careful study and

conceptual elaboration, the social sciences cultivate human reflexivity and provide critical resources for social and political analysis.

Across the three issues that I have the honor of editing, I seek to demonstrate how research on the economy – regardless of disciplinary background – is not only shaped by social and political forces but also indispensable for understanding contemporary political dynamics and the crises through which we are living. The social sciences have shown that economic choices have profound effects on the organization of societies. Economic sociology has long argued that the economy cannot be studied as a sphere separate from social life. It must account for the multiple dimensions of the social world: Power relations, gender relations, and inequalities all contribute to the very construction of the economy. Conversely, the study of power, gender, or inequality must also take economic issues into account.

Thus, if economic sociology has urged economics to integrate social dimensions, it must also ensure that the social sciences never overlook the economic dimensions of their own inquiries. Even within the social sciences, a long-standing disciplinary divide risks confining studies of economic dynamics to an isolated domain, despite their centrality to the constitution of social order.

Through the upcoming three issues, I wish to explore these interconnections in depth. The first issue addresses what is arguably the most contentious and consequential development in global political economy in recent months: US economic policy, particularly the recent increase in tariffs; this evolution is analyzed from an interdisciplinary and international perspective. The second will investigate the relationship between gender studies and economic sociology, and the third will consider how economic sociology can engage with public policy, exploring the boundaries between sociology and political economy.

In this first issue, I am delighted to bring together an exceptional group of scholars from diverse disciplines and continents to examine the nature of US economic policy and its global consequences. The aim is not to comment on the specific decisions of the early months of Donald Trump's second term, but to bring forward intellectual contributions that help interpret these developments as indicators of broader, long-term dynamics. This issue, therefore, is less about tariffs than about contemporary capitalism and the political regimes that sustain it. While twentieth-century Western democracies were closely intertwined

with market capitalism, contemporary capitalism appears increasingly capable of existing without political liberalism – and may, in fact, be undermining it. The pieces assembled examine capitalism, geopolitical tensions, and shifting political regimes, drawing on perspectives from Europe, China, and the United States,

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and from disciplines including history, political science, sociology, and political economy. Current transformations are situated within a long historical trajectory and global economic dynamics.

In his essay, the historian of capitalism Jonathan Levy situates the current moment within a long history of US political economy, with particular attention to developments since September 11. The history of twenty-first-century America is one of deepening inequality, underinvestment outside the technology sector, and a capitalist system increasingly dependent on financial markets. None of the successive presidents has proposed a genuine New Deal capable of transforming the current stage of capitalism or resolving its crises. What we are witnessing under Trump is clearly not the conclusion of what Levy (2021) has called the “age of chaos”, but a continuation so erratic that it defies any clear periodization. It must first be located within the broader historical continuum to be properly understood.

The second contribution is an interview with Quinn Slobodian, in which he revisits the process he has described in his books (Slobodian 2018; 2023), through which a small group of advocates for a “renewed” liberalism succeeded in disseminating their ideas far beyond their initial circle, to the point of influencing the ideological foundations of Trump's rise to power. Slobodian notes how readily corporations adapted to this ideological shift, and how limited the resistance proved to be. While some business leaders supported these radical liberal ideas from the outset, many others, who had previously adopted a progressive discourse, quickly conformed to the dominant philosophy and abandoned corporate social responsibility overnight.

In her article, sociologist Yingyao Wang, a great specialist in China's economic policies (see the review of her book in the dedicated section), demonstrates that Trump's tariffs did not emerge in a static world. She contextualizes the Asian situation: China's position relative to its neighbors and the world, its growing power, and how shifts in US policy aim to counter it. She shows that while current developments may accelerate these processes, the relocation of Chinese industry to ASEAN countries predates them. The present moment may therefore serve to hasten an already well-advanced transformation, particularly through the framework of the "changing-bird" theory.

Timur Ergen's contribution, analyzing political imaginaries in response to industrial decline in Germany and the United States, demonstrates that the issue of relocalization lies at the heart of political debate. For Trump, relocalization forms the core justification for tariffs. They are presented as a solution to industrial decline and the best means to reduce imports by ensuring that firms bring production back home. The challenge, however, is to imagine post-industrial futures: How can we conceptualize the economy amid globalization and deindustrialization? What shared narratives can societies construct?

The articles contribute to an understanding of what Timur Ergen calls "post-industrial imaginaries."

A cultural war has been waged for several decades against liberal ideas, yet it is typically seen only in the spheres of lifestyle, biopolitics, gender, or race, while economic questions have rarely been perceived as matters of culture. By raising the question of economic imaginaries, or by tracing the intellectual genealogy of the small founding circle of the Mont Pèlerin Society, as Quinn Slobodian does, these contributions make it clear that this culture war is both older and broader than commonly recognized. The economic sphere is very much a site of this cultural struggle.

After reading this issue, the complexity of the global situation still remains. Yet the contours of the historical moment become clearer: A world undergoing geopolitical reconfiguration, marked by increasingly harsh economic power struggles and by the retreat of the moral and political values of democratic liberalism that characterized the latter half of the twentieth century. Our present era must therefore be understood within a long historical continuum. The forces currently at work have solidified over recent decades, and it is essential to grasp their nature to make sense of what may otherwise appear opaque, to measure political and geopolitical power relations, and to comprehend the major challenges of the contemporary world.

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Opium talk: American capitalism in transition

Jonathan Levy

In 1878, a Chinese writer named Zhang Changjia published the book *Opium Talk* about his addiction to smoking opium (McMahon 2005).

China had little experience with opium, until European traders brought it to Southeast Asia. By the early nineteenth century, the British were growing opium in colonial India for export to China. Before, there was little from the West that China had sought to buy besides silver, the Chinese fiscal base, mined from Latin America. The opium trade replaced silver, reversing Britain's negative bilateral trade balance. Because the Qing emperor had banned opium in 1729, the British first smuggled it into China, until the Second Opium War (1856–1860) finally brought about the effective legalization of opium. Chinese opium addiction soared. There were at least 40 million Chinese opium smokers when *Opium Talk* was written, or at least 10 percent of the population (Dikötter, Laamann, and Xun 2004, 23–27).

Opium is an opportunistic pathogen, whose chemical structure evolved to ensure human addiction. A historian of the plant refers to it as an “imperial agent” in its own right (McAllister 2007, 216). Outbreaks of opium addiction, however, have often also appeared at moments of imperial twilight.

A contemporary interpreter of *Opium Talk* sums up its message, “Now that Opium is present, nothing else is foreseeable” (McMahon 2005, 328). Smoking opium, concludes the writer Amitav Ghosh, “had revealed something” to Zhang that “non-smokers were unable to adequately appreciate: that an era had passed and history had entered a new stage in which the teachings of the old Chinese seers and sages were ir-

relevant” (Ghosh 2024, 291). It was no longer possible to trust Qing institutions, experts, or ruling elites – a conclusion supported by Zhang's bewildering sense of Chinese imperial decline, relative to the rising powers of the West. Zhang even analogized opium's energetic jolt to addicts to the coal that periodically fired the steam engines of the steel-hulled British warships that had so swiftly battered down Chinese defenses during the Opium Wars.

The parallels between nineteenth-century Chinese opium addiction and twenty-first-century US opiate addiction are uncanny. Today, roughly 9–10 percent of Americans report taking opioids (half illegally) (Powell et al. 2025). If the British East India Company were the immoral drug pushers, in our times it has been the Sackler family of the corporation Purdue Pharma (Keefe 2021). Corruption reached states. Chinese merchants smuggled opium brazenly, paying off necessary officials. Through political and philanthropic donations, the Sackler family curried favor with the US government, while burnishing their public image by slapping their names on museum wings and university halls. Geographically, in both countries opium addiction was worse in rural areas. Addiction, in China then and the US now, worked to further corrode from within something already corroding: Decadent societies in decline.

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Opium Talk attributed the rise of opium in China to Chinese over-worship of “The God of Money.” The origins of America's contemporary “opioid crisis” go back to the 1990s, after the US declared victory in the Cold War and the superiority of free market capitalism. Purdue Pharma first marketed a new batch of opioids, which proved highly addictive, to rural areas where vanishing industries – some, because of the “China Shock” of trade competition – left behind cancer-causing carcinogens and cancer-related pain (Peters et al. 2020). By 2000, with doctors “incentivized” by drug companies to prescribe, opioids were the most highly prescribed drug in the US. In the 2000s, addiction spread, before – as a black market, including for lethal synthetics (soon fentanyl) expanded – the “opioid crisis” broke out in public consciousness in the 2010s. Between 1999 and 2023, approximately 800,000 Americans died from opioid overdoses – with 160,000

deaths in 2022–23 alone (Centers for Disease Control 2025). After 2010, opioid overdose became the fastest growing “death of despair,” surpassing mortality from alcohol-related liver disease and suicide, as well as, by 2017, becoming the leading cause of accidental death for Americans under the age of 50 (Case and Deaton 2020; Katz 2017).

In the vast US social science literature on the “causes” of voter preference for Donald Trump – is it “race” or “the economy”? – there is relatively little research on opioids. What exists, demonstrates correlations at the county level in 2016, 2020, and 2024 between the prevalence of opioid addiction and Trump votes (including a correlation for votes from Obama voters who became Trump voters) (Arteaga and Barone 2024; Monnat 2016). There are no calls to “Make China Great Again” in Zhang’s *Opium Talk*. The recent American book, most calling out for comparison to it, perhaps would be J.D. Vance’s *Hillbilly Elegy: A Memoir of a Family and Culture in Crisis*, an account of Vance’s mother’s opioid addiction (Vance 2016a). In 2016, Vance called Trump “an opioid of the masses” – before Vance himself, apparently, fell prey (Vance 2016b). *Opium Talk* broadly resonates, however, because it conveys how opium addiction corresponds to feelings of hopelessness before a particular kind of historical moment. Namely, bewilderment at the loss of national greatness and of belief in national cultural superiority – a sense that one has lived in a country long self-understood to be at the center of the world, but that might not soon be anymore.

Opium talk: bouts of addiction arrive at dusk, announcing the coming dawn of a new world historical age, and the passing of hegemony. It was true of late Qing China. It is true of the United States in the era of Trump.

American capitalism in transition: A benchmark

That conclusion, tidy as it is, comes too fast. Recent historical scholarship on China, after all, demonstrates that Qing imperial rule was far less weak across the first half of the nineteenth century than once presumed (Pomeranz 2010). The empire lived on, of course, until the twentieth century. The rise and fall of great powers may take time, the process is hardly linear. I linger on the US opioid crisis to underscore that something has, no doubt, gone wrong in twenty-first-century American life. The US is experiencing a dramatic moment of historical transition, which, given US hegemony, cannot but have fateful consequences for the world.

Yet, this can be true while it can also still be true that many elements of US hegemony remain stubbornly in place. The US retains a preponderance of global military might; the US dollar remains the dominant global reserve currency; US bond and equity markets remain magnets for global capital; most of the more powerful and valuable corporations in the world, with the most advanced technologies, are American; American culture remains a global force; and so on. The social insides of the US may reveal rot, but the shell of US global power largely remains intact, hard to crack.

Therefore, it is a moment of transition, but one, so far, in which it is difficult to know whether to emphasize continuity or discontinuity. That also means it is a moment of uncertainty. Theorists of “world-systems” have long emphasized that “chaotic uncertainty” is a cardinal feature of “conjunctures,” or moments of hegemonic transition (Wallerstein, Rojas, and Lemert 2012). Trump’s approach to governing the US affirms their thesis to the point of parody. As I write this essay, it is impossible to know what the state of affairs will be when in only a few months it will be published.

One thing at least is certain. Something big and bold must happen. This is a new factor on the scene (Tooze 2024). US political elites, across both parties, recognize they are acting in a critical moment. They admit – whether it is “neoliberalism” for the architects of Bidenomics, or free trade for Trumpists – that something went wrong in the preceding decades of US history for which the US state must now course-correct.

Count three factors, then, to be dealt with. First, there is the steady deterioration of much of American life over the course of the past decades, revealed by opioid addiction. Second, there is continuity in the global role of the US hegemon, despite much hand-wringing over Trump. Third, there is the stated aspiration, by the Trump, Biden, and now Trump administrations, to forcefully alter the trajectory both within and without the US.

My argument is that while the US has indeed entered a moment of historical transformation, so far, continuity rules – repetition within disorder. It is impossible to see the outlines of a new age of capitalism. There are calls for one, ideologically. State power has gathered, priming for action. However, though Trump has a social movement behind him in MAGA (Make America Great Again), MAGA does not amount to a majority of US voters, and Trump has yet to articulate a positive state program capable of transforming US capitalism in any direction – if only because so many of Trump’s policies are so solicitous of wealth. Trump is an agent of destruction, no doubt, but has not (yet) proven to be an agent capable of directing a coherent

transformation. Meanwhile, the recent Biden administration, lacking a social movement behind it, failed to legislatively execute its most ambitious economic policy agenda, because of antagonism from the US business lobby, and, relatedly, there simply not being enough votes for it in the US Congress. Bidenomics fell back on an outdated vision of US National Security, one representation of how nostalgia still rules US political visions. Biden promised a new “New Deal” and restoration of post-WWII US global hegemony; the acronym MAGA speaks for itself. Altogether, the US looks stuck, even if it will not remain so forever.

To make this argument, I will appeal to the outline of the US past presented in my 2021 book *Ages of American Capitalism: A History of the United States* (Levy 2021). Given daily Trumpian uncertainty, it is almost comical to watch commentators attempt to make sense of the moment within the confines of the news cycle. While I admit that it is impossible to see where we are heading yet, perhaps stepping back to take the long view may provide at least some dose of clarity.

Ages of American Capitalism divides US history into four “ages.” Each is defined by the distinctive characteristics in it of capital, defined as a form of wealth charged with earning an expected future profit. Within capital, the analysis focuses especially upon the dynamics of liquidity and illiquidity. Owners of wealth, all things being equal, prefer liquidity – the ability to store the value of their capital over time. Liquidity preference has attached to land, as well as slaves in the US past, but by the late nineteenth century was largely exercised through the ownership of money and money-like assets, like financial instruments. By contrast, illiquid capital assets tend to be more productive, generating employment and production. Think: Factories. However, liquidity, a quality attributed to capital assets by actors and institutions, exists along a spectrum. Thus, in the US South before the Civil War the dominant liquid *and* illiquid asset was Black slaves. The South had nearly everything invested in slave ownership. Indeed, in investment – and how it relates to labor, production, enterprise, exchange, and consumption – is the central focus of *Ages of American Capitalism*.

While the book situates capital in diverse historical contexts, spanning society, culture, ideas, technology, law, environment, and more, I argue that each Age is defined by a political-economic “settlement.” Politics and the state have been most critical toward generating new Ages of American capitalism. The British empire first charted the course, for the Age of Commerce (1660–1860), in which the imperial expansion of commerce across space, rooted in land and slave capital, was the driver. The Republican Party that

won the US Civil War, abolishing slavery, set the terms for the Age of Capital (1860–1932), which saw both industrialization and the rise of the financial dynamics behind modern business cycles, leading to the Great Depression. The New Deal brought about the Age of Control (1932–1980), in which the federal government newly intervened in the US economy, to mute economic volatility and achieve economic security. The Age of Chaos (1980–) began after the developmental failures of New Deal liberalism led to the 1979 “interest rate shock” by US Federal Reserve chairman Paul Volcker, followed by the 1980 election of Ronald Reagan to the presidency.

Given the dramatic chapter in US history that began with Trump’s 2016 election, the question is: Have we entered, or are we entering, a new Age of American Capitalism? As a benchmark, let me first spell out the characteristics of post-1980 US capitalism (Levy 2021, 587–741).

When in 1982 the US economy emerged from the recession induced by the Volcker interest rate shock, asset values and income growth from financial activity led the way. That accelerated a pre-existing trend, which saw generally the rise of services and the decline of employment-intensive manufacturing. Reagan era deregulation saw money and credit move more freely. Public and private debt of all kinds proliferated. Relative to other national economies, the Reagan era economy’s genuine great success was employment growth – although it was concentrated in the high and above all low regions of the service economy. Wealth and income inequality accordingly increased, although as the business cycle expanded labor markets ultimately tightened, leading to broad-based wage growth. A weakness of the new capitalism was its reliance upon leveraged speculative investment. When the credit cycle reversed, asset prices dropped, and recessions set in, wiping out for many Americans the gains made in the previous expansion. But when that happened, the Fed – the central state actor in the US economy since Volcker – could loosen monetary policy, by dropping interest rates, or granting bailouts. A new expansion commenced.

Abetting the new capitalism was the “free market” ideology of the Reaganites, and the Clintonites that came after them. But ideology offered only so much of a guide to what was happening. The key was a transformation at the center of capital. I call the post-1982 US economy one that was dominated by a logic of “asset-price appreciation.” Before, in the industrial epoch, which stretched roughly from 1870 to 1970, the way to grow incomes was to use up fixed capital – to create incomes by depreciating capital’s value. In the new capitalism, driving expansions was the appreciating value of capital assets, leveraged by debt. The

key, for a political economy of asset-price appreciation, is the existence of transactional liquidity – the “magic of the market,” or the magical belief that there will always be a willing buyer for or lender against all assets. If none appears, assets become illiquid and their values plummet. For that not to happen, if not private market actors, then public authorities – namely, the Fed – must step in and become both the lender and buyer of last resort.

Since 1982, US business cycles have iterated differently, but each has shared the same common characteristics and underlying trends. Fueled by debt and speculation, a run-up in asset prices leads the way. What an era the Age of Chaos has been to own wealth! It was chiefly corporate bonds and stocks, and commercial real estate in the 1980s, corporate stocks, especially “New Economy” stocks, again in the 1990s, or, say, residential real estate in the 2000s. With rare exceptions, like the internet technology investment boom of the late 1990s New Economy, fixed investment is weak. So is productivity growth. Employment and income growth lags near the bottom of the distribution, at first, increasing inequality, although by the end of the business cycle the tightening of labor markets increases real wages across the board. Among the owners of wealth, liquidity preference prevails (a worship, as *Opium Talk* put it, of “The God of Money”). The Fed, offering backstop transactional liquidity, backstops the prolongation and moderation of business cycles.

The analysis in *Ages of American Capitalism* suggests that for there to be a new age of capitalism (or of something else), the following must happen. The state must transform the structure of investment so that development no longer occurs through leveraged run-ups in asset prices. Given climate change, at least an obvious candidate for committed, long-term investment exists: the building of a new green energy infrastructure. Further, the severe uneven geographical disparities in the quality of US social and economic life that have emerged in tandem with the logic of asset-price appreciation must be redressed. Last, but by no means least, average, real pay growth must not come at the end of asset-led business cycles. The US economy must generate demand not through asset-price appreciation for the wealthy from above, but by income (not credit) expansion from below – whether through remuneration for work, or some other means.

I underscore these requirements, while also noting that in recent decades changes in American capitalism have occurred. Wisely or not, I called the era the “Age of Chaos” because of: 1) the chaotic, speculative logic of short-term financial investment; 2) the tendency of the state to lag behind the yo-yo of speculative capital, offering, say, *ex post* bailouts, but never shaping

capital investment itself, *ex ante*; 3) the chaotic logic of open and fluid social networks (replacing, sociologically speaking, the old industrial hierarchies) installed in business life and celebrated by the leading, Silicon Valley-based technology corporations of the era. By the mid-2000s, however, it was becoming clear that continuous “disruption” was not what was happening in the US corporate sector, especially in tech. Instead, a concentration of power was (Philippon 2019). In finance, private equity and large “asset-managers” consolidated power and capital (Braun and Christophers 2024). Owning digital platforms and/or intellectual property, many tech corporations began to make huge profits – mining digital information and selling it to advertisers, charging subscription fees, maintaining closed hardware and software – because they enjoy monopoly or quasi monopoly power in their markets (Schwartz 2022). These companies invest little and themselves employ few workers. Beneath them, different logics rule, governed by more employment, but also much competition, low wages, and low profits. The crucial point to reckon with, especially with respect to politics, is that in the Age of Chaos, twenty-first-century corporate power has concentrated.

Opium talk

The narrative of *Ages of American Capitalism* ends with the global financial crisis of 2008. To run the narrative through, we must then begin with a consideration of Donald Trump’s unexpected rise to power.

The rise of Trumpism must be located in two key contexts, each global in scale. First, there is the decades-long phenomenon of so-called democratic backsliding or democratic erosion, reversing the tide of the late twentieth-century wave of worldwide democratization (Stokes 2025). In one account, a worldwide “democratic recession” first set in around 2005 (Diamond 2015; see also Levitsky and Way 2015). The second context is indeed the global financial crisis of 2007–8 and its aftermath.

US democratic backsliding must be backdated by five years. Before Trump’s return to power in 2024, there was widespread fear among US liberal elites that in a close election, in which the Democratic candidate had won the national popular vote, a dispute might occur over the correct tally in a “swing state” controlled by a Republican state government. Legal challenges would throw the election to the US Supreme Court, where a conservative majority would, in a poorly reasoned judicial opinion, proclaim the Republican candidate the winner of the Electoral College and the new president. This scenario would mean the end of US democracy as we know it (see Coppins 2024;

Cheney et al. 2024). That is *literally what already happened* in the US presidential election of 2000 – “hanging chads” in Florida; the Republican candidate’s younger brother, the Governor of Florida, blatantly attempting to engineer on dubious grounds a victory for his brother; the rushed one-time-only, poorly reasoned ruling in *Bush v. Gore* by a conservative US Supreme Court majority (Zelden 2020).

Those who experience traumas they cannot process may later seek to reenact them, as if to create a fresh opportunity to process. Recent worries in US politics about the integrity of US democratic electoral outcomes partly stand in this relation to the US presidential election of 2000. It had all already happened. In addition to avoidance, another coping strategy is positive association with the trauma. The 2000 election exposed a broken democratic electoral system in the US. Incredibly, rather than confronting the problem and addressing it, US ruling elites instead fell in line with the winning party in *Bush v. Gore*, who after 9/11 chose to invade a country that had nothing to do with 9/11 under dubious pretenses (“weapons of mass destruction”) and arguably in violation of international law with a stated aim being to “spread democracy” abroad (Leffler 2023). Democracy in America needed fixing at home.

Bush’s war in Iraq was a disaster. The possibility of Trump’s rise should be dated to it. The global trend of democratic backsliding dates, coincidentally enough, to the aftermath in Iraq. Opium talk: Another strong correlation exists between opioid use and US counties that disproportionately sent soldiers to fight in Afghanistan or Iraq. An estimated 23 percent of veterans from those wars were prescribed opioids by the US Veterans administration; 7–8 percent became “chronic” users (doubling the average rate of addiction among users) (Hudson et al. 2017). The appeal of Trump’s isolationism to the Republican Party is inconceivable without Iraq. What a spectacle it was in 2024, watching the Democratic Party actively elicit the support of Lynn Cheney, the political scion of the leading architect of that war, Dick Cheney – as if it was possible let alone desirable to return to the cross-party political decorum of the era before Trump, the decorum that led to the nightmare in Iraq.

But that is getting too far ahead. Lonely opposition in 2003 to the Iraq War by a lowly Illinois state senator preceded his appearance on the national political stage in 2004. In hindsight, it is hard to appreciate just how stunning Obama’s 2008 presidential election was – just how much his triumph over Hillary Clinton (who voted for the Iraq War) in the Democratic primary and then John McCain (a war hero, who had voted for the Iraq War) in the general election represented a stark repudiation of the US political estab-

lishment. Obama and Trump are very different men. As politicians of the same era, what they share in common was that stunning protest votes unexpectedly brought both to the White House.

Trump would promise to “Make America Great Again,” eight years after Obama had promised Americans a “new politics.” The “new politics” promised mutual understanding, reconciliation, and healing, including across the national racial divide. Obama simply did not run on the economy. Capitalism came close to collapse in September 2008 after the fall of Lehman Brothers, surviving on state life supports. After Obama’s landslide November 2008 victory, holding slim but real congressional majorities, Obama’s first administration had a crack at transforming Americans capitalism. Many commentators sensed a “New Deal” scale effort (*Time* 2008). Can capitalism really emerge from such a crippling crisis, basically in the same form?

Yes, it can. Federal Reserve chairman Ben Bernanke and Treasury secretary Timothy Geithner put the US economy back together again, including its ligaments with the global economy (Tooze 2018). According to his memoir, once in office Obama learned of himself that he was a “reformer,” one “conservative in temperament” (Obama 2020, 293). Fed bailouts and Geithner’s performative “stress tests” of US banks restored US financiers’ “confidence” in themselves and one another. Bernanke’s Fed threw walls of money into the banking system, crossing new frontiers in “unconventional” monetary policy – offering dollar “swap lines” to select central banks around the world. A 2009 US fiscal stimulus package aided the meager US recovery, while global economic recovery, though meager too, was aided by a far more ambitious Chinese fiscal stimulus. The Chinese chose not to sell off their war chest of US Treasuries. Obama stood between US Wall Street elites and, as the president put it to them himself, “the pitchforks” (Grunwald 2009). In his popular reality television show *The Apprentice*, which ran concurrently with Obama’s presidency, Trump did the one thing that Obama would not do as president. As boss, he came to Wall Street and told a bunch of Ivy league educated elites, “You’re fired!”

In the end the 2008 crisis was not a rupture. The state did not push capital in a new direction. Many Americans newly enjoyed Obamacare, no small achievement. New financial regulations mattered, too – but also fell prey to regulatory arbitrage. American capitalism emerged looking much the same as it had across the Age of Chaos. Looking at the era since 1982, which saw elongated and muted business cycles, much thanks to the Fed’s crisis supports and overarching commitment to “price stability,” the Fed chairman once called it the “Great Moderation” (Bernanke

2004). Noting the consistent patterns and trends of the Age of Chaos, I call it instead the “Great Repetition” – which continued after 2008, much thanks to Bernanke’s creative efforts. This capitalism still, for instance, had little to offer to large regions of the US outside its core metropolitan economies. Opium talk: Another correlation is strong between opioid use and the most deindustrialized regions of the US, open to foreign trade competition and as a rule excluded from the fruits of the capitalism of asset-price appreciation (Autor, Dorn, and Hanson 2019). The correlation was particularly strong, even, where there were automobile plant closures (Venkataramani, Bair, O’Brien, and Tsai 2020). In these parts of the country, not only opioid use but resentment also festered after 2008.

Trump cultivated that resentment and set it on political fire. As the post-2008, asset-led expansion continued, Obama, in the style of Democratic coastal elites, took his measure of Trump’s candidacy. “I’ve got the economy set up well for him. No facts. No consequences. They can just have a cartoon” (Baker 2018). There is a touch of truth to that. In the run-up to the election of 2016, finally the post-2008 business expansion was beginning to benefit all – there was even a modest retrenchment in inequality after 2015. US political grievances of the 2010s, like those that vilified Obama’s blackness, can to an extent be regarded as “post-material.” But some of these grievances were rooted in qualities of US social life, like pronounced isolation and loneliness – there was a lot of “social distancing” in the US before COVID offered it the stamp of epidemiological necessity – that can only be explained by reference to economic contexts. Consider the social menace posed by the largest Silicon Valley technology companies, coddled by successive Democratic administrations from Clinton to Obama, their stocks soaring into the stratosphere, their machinations responsible for innumerable pathologies, like surges in self-reported feelings of “isolation” and “trust,” drops in “self-esteem,” or increases in “neuroticism” (Alattar, Messel, and Rogofsky 2018). Put simply, the Great Recession and the character of the economic recovery from it wore down the reserves of the US political establishment’s legitimacy in ways it was incapable of seeing itself, let alone avowing. The Democrats’ promotion of the pre-2016 US economy was post-truth politics before Trump.

Surely, in 2016 Trump appealed to the state of the US economy. His fearful rhetoric on walls, borders, immigration, globalization and trade, playing reckless with the facts, directly challenged the ruling wisdom of the Age of Chaos to that point, which had celebrated fluidity, flow, creativity, trans (nationalism and other phenomena too), and the meritocratic sagacity of a highly educated elite. A telling moment in

the 2016 presidential debates between Trump and Hillary Clinton came when Trump directly criticized the North American Free Trade Agreement (NAFTA) brought about by her husband President Bill Clinton, as well as the free trade Trans-Pacific Partnership Agreement signed by the Obama administration (Trump later pulled the US out from it). Rather than conceding the larger truth pointed out by Trump, that all trade agreements create winners and losers, and nothing much had been done for NAFTA’s losers, Clinton dodged the real issue, called Trump a liar, and condescendingly encouraged undecided voters to buy her book (*Politico* 2016). Bush’s politics of post-9/11 fear begat Obama’s politics of hope, begat Trump’s politics of fear (Levy 2025a).

Donald Trump is not the kind of person one imagines ending an “Age of Chaos.” He entered the White House announcing that he would end “American carnage,” but his first administration, in policy terms, did not do much. A 2017 income tax was pulled directly from the Reagan playbook. It promised to unleash a round of private productive investment, but it did not. Investment still trended downward. Liquidity preference held. Budget deficits ballooned. The post-2008 asset-led economic expansion further continued. Trump’s talk on trade and immigration proved to be mostly anti-globalist bluster. But the fulminations against China, and even some actual tariffs, mattered. It shifted the rhetoric in Washington, DC, opening the possibility of a new policy paradigm. That possibility was taken up, by a group of center-left Democrats in exile from power, who, rattled by Trump’s rise and the prospect of Bernie Sanders’s 2020 run for the presidency, would ultimately rally around the candidacy of Obama’s former vice president, Joe Biden.

Bidenomics

If the 2008 financial crisis created an opportunity to transform capitalism, then so did the 2020 economic crisis, caused by the outbreak of COVID-19. Would this be the moment?

When COVID hit in March 2020, Trump passively sat on his hands. He let the federal bureaucracy dictate lockdowns. He signed the March 2020 \$2.2 trillion CARES act to compensate for it and later a \$900 billion December 2020 extension. Trump sought little political credit for Operation Warp Speed, the federal project – a massive achievement of the US state – that yielded in record time a working vaccine and saved somewhere between 750,000 and 2.5 million lives (Atkeson 2023, 5; Ioannidis et al. 2025).

When the pandemic broke out, Biden’s presidential campaign was comically faltering, but he ben-

efited from Bernie Sanders's surging popularity. Obama made the calls. The Clinton-Obama Democratic Party rallied around Biden as the alternative to Sanders's professed democratic socialism (Allen and Parnes 2021). COVID meant Biden, already showing signs of aging, did not need to run a public campaign. In November, he won a close election. Trump proceeded to take a democratic backslide off the deep end, refusing to accept defeat, and encouraging supporters to attack the U.S. Capitol on January 6th, 2021. Still Trump's command over the Republican Party held.

The term "Bidenomics" was floated early on by journalists to refer to Biden's economic policies, although it was only embraced by the Biden administration in 2023. Biden came into office promising to "Build Back Better." He called for three major pieces of legislation: First, a \$1.9 trillion extension of COVID relief, the American Rescue Plan, which extended unemployment insurance and business loans, as well as maintained cash payouts to US citizens; second, a \$2.3 trillion (costed out over 10 years) bill, called the American Jobs Plan, focused on modernizing dilapidated infrastructure, green energy, and semiconductor manufacturing; third, a \$1.8 trillion (also over 10 years) social spending bill, called the American Families Plan, which would have inaugurated universal preschool in the US, as well as created paid parental and sick leave, among other measures. Paying for the \$4.2 trillion trio of bills would be \$3.8 trillion of new tax revenue from closing loopholes, increasing the top income tax bracket to 39.6 percent, and raising the corporate income tax from 21 to 28 percent (to where Obama had once proposed to lower it) Biden also proposed to run annual deficits of \$41 billion for the next ten years (White House 2021).

Tying together the logic of the Biden administration's economic vision and policies was foremost a critique of post-2008 "austerity." Obama's 2009 fiscal stimulus, Democrats now confessed, had been too small (House Democratic Budget Committee 2020; Wallace-Wells 2022). In 2010, Obama had caved in on budget negotiations with bad faith Republicans, adopting austerity discourse himself. To compensate, the Fed had to keep the monetary spigots wide open. Runaway inflation failed to materialize. During COVID, the Fed injected money and credit into the US financial system at a scale that made 2008 look like a mere dress rehearsal (Wolla and Ihrig 2020). Democrats sought to up the fiscal ante. Biden's economic team held that the right move was to spend, and big. The American Families Plan was largely written by the progressive wing of the Democratic congressional caucus. Biden, influenced by his left-leaning chief of staff at the time, Ron Klain, embraced it.

The moment was a dizzying one. Democrats were emboldened by the summer 2020 uprisings that followed the murder of George Floyd. A cadre of Biden economic advisors, including National Economic Council member Jennifer Harris, National Economic Council head Brian Deese, and National Security Advisor Jake Sullivan, confessed the failures of the party's economic policies under Clinton and Obama, which they willingly labeled "neoliberalism" (Blackwill and Harris 2016; Harris and Sullivan 2020). It, they held, had led to the early twenty-first-century "China Shock," which had gutted US manufacturing employment and produced angry Trump voters. Neoliberal market deregulation had contributed to concentrated corporate power, especially in Silicon Valley, calling for new antimonopoly policies at the Federal Trade Commission, to be carried out by new Biden appointee Lena Kahn (Khan 2017).

The clearest articulation of Build Back Better can be found in a speech given by Janet Yellen, Biden's first Treasury Secretary, at the January 2022 World Economic Forum, long a bastion of global neoliberalism. Congress had already passed the COVID relief bill. Forestalling the notion that Bidenomics was simply demand-side Keynesian stimulus on steroids, Yellen invoked a new "supply-side" vision. Through government spending and tax policy, the state would build and incentivize the creation of new infrastructures, which would increase both labor force participation and productivity, leading to greater economic growth. Meanwhile, Yellen promised that Biden's proposed Build Back Better legislation would address "inequality," by distributing income gains more equally than they had in the past. So would new public support for education, childcare, and eldercare create a more productive and just economy (Yellen 2022).

Next, Build Back Better was mutilated by corporate interests in the US Congress (see Elrod 2024, which I rely heavily upon; other essential commentaries are Gabor, Fertik, Sahay, and Denvir 2023). The American Jobs Plan was split into three bills that ultimately passed in 2022, including the \$550 billion Infrastructure and Jobs Act, focused on modernizing roads and other means of travel and communication, the \$280 billion CHIPS and Science Act, focused on home-shoring semiconductor manufacturing, and the \$370 billion Inflation Reduction Act, focused on climate change mitigation. The American Families Plan failed to get off the ground.

The Build Back Better plan hit the wall where it challenged corporate power. The US business lobby marshalled a full-scale attack against the American Jobs Act and the American Families Plan (Nichols 2021). Business lobbying groups, led by the US Chamber of Commerce and the Business Roundtable (the

corporations ExxonMobil and Pfizer standing out for their initiative) all claimed they would transform the US labor market by granting more power to workers, relative to their bosses. They were right. Lobbying groups like the National Retail Federation objected, quite understandably, as profit margins in US retail now hover around 2–3 percent (Kliesen and Famiglietti 2025). But even in industries where profit margins are in the double digits, like banking and tech, corporate lobbyists howled. Build Back Better would cut into corporate profits. That, they held, would cut into funds available for corporate investment, as would, so the argument went, the higher rate of corporate income taxation. Less corporate investment would then reduce overall US economic employment and growth (Business Roundtable 2021). The problem with these arguments, all of them old ones, was that they had long been belied by the facts. As I have detailed in *Ages of American Capitalism*, in the past neither a reduced rate of corporate income taxation nor an increased rate of corporate profitability had yielded higher rates of capital investment, productivity, and growth. Instead, it was the opposite! No matter. There were not enough votes in the US Senate for Build Back Better.

The aspects of Build Back Better that found their way into legislation, to become actually existing Bidenomics, were those that met with least political resistance from corporate power. They were also those where ideologically many of Biden's advisors were on their preferred footing anyway. An oft-cited 2023 speech by National Security Advisor Jake Sullivan on the need to move beyond "neoliberalism" was notable for its ambivalence – Sullivan decried the notion, "that markets always allocate capital productivity and efficiently," from the perspective of US National Security at least, but still held that the point of public investment was to "unlock the power and ingenuity of private markets, capitalism, and competition" (Sullivan 2023). Did the Biden administration ever really have the gall or desire to contest private corporate power? In June 2021, Biden advisor Anita Dunn, a classic in-and-outer employed by various corporate lobbyists and Democratic presidential administrations, struck a deal with seven Senate Republicans. From Build Back Better, Biden slashed \$400 billion for long-term care and \$326 billion for affordable housing and public schools. This made possible the passage of the Infrastructure and Jobs Act for the modernization of roads, bridges, airports, ports, water systems, broadband, and electric power. Corporate tax increases were not part of the bill. Next, in 2022, came the CHIPS and Science Act, subsidizing semiconductor manufacturing, followed by the Inflation Reduction Act (IRA) – negotiated by Brian Deese during a day of zip-lining in West Virginia with the Democratic Senate holdout

Joe Manchin. Manchin explained to Deese his opposition to public entitlement expansions, but his support for business tax credits.

By design, CHIPS and IRA worked not through direct public investment, but rather largely by offering income tax incentives to induce private corporate investment into semiconductor manufacturing and green energy. The mechanism was familiar. For American liberals, tax incentives to private corporations were the preferred politics of investment ever since private capital won its showdown with FDR during the 1937 recession within the Great Depression. It took capital five years to facedown the most radical elements of the New Deal, but five months to face down the most radical elements of Build Back Better. Tax incentives for private investment had to take a back seat during World War II – public investment won the war and ended the Great Depression – but they were rolled back out when the Cold War set a hard ideological limit against public investment in US politics. As *Ages of American Capitalism* goes on at length, income tax incentives to drive capital investment into industries or geographies have, put bluntly, never worked very well. They promised, for instance, an "urban renewal" in the 1960s that failed to materialize; a revival of US manufacturing in the 1980s that never appeared; an expansion of "economic opportunity" in the 1990s that disappointed. Now, they promise a green energy transition and the "re-shoring" of industries critical for US National Security.

Bidenomics found its footing by appealing to US National Security (Elrod 2024; Tooze 2024). In a continuity with the first Trump administration, China became the great target. Already in early 2020, Trump's advisors had taken notice that 75 percent of all semiconductors were manufactured in East Asia, and, at the urging of Silicon Valley leaders, had begun to discuss subsidies for domestic manufacturing of chips critical for both the US defense industry and US corporate supply chains. Biden agreed with Trump. China had joined the world economy but had not played by the rules of the game. China had stolen US intellectual property, illegally subsidized its exports, and manipulated its currency. No longer would appeals to free market global economic integration and the rhetoric of neoliberalism pull the wool over American eyes (Sullivan 2023). Besides, China hawkery played better in Congress than pleas for universal pre-kindergarten – much better. The Biden administration held classified security briefings for members of the US Senate on the dangers to US National Security when "98 percent of the chips purchased by the Department of Defense are tested and packaged in Asia." Soon, CHIPS passed (Popli 2022). By then, months before, Putin had launched his invasion of Ukraine. The US Con-

gress had pledged \$40 billion of aid in May 2022, in the shape of dollars, bombs, and bullets for Ukraine. As always, National Security politics translates into money for the US military-industrial complex.

So, in the National Security context, did the IRA pass – a shell of Build Back Better, tellingly renamed because of the appearance of price inflation in the US by the middle of 2021. By summer 2022, inflation reached 9.1 percent, a level not seen since the 1970s. The underlying “causes” of the 2021–23 inflation were multiple and are subject to great debate (Blyth and Fraccaroli 2025). In order of importance, the transition from the COVID-era economy to the post-COVID economy stands out. Next comes the Russian invasion of Ukraine and its effect on global supply chains, as well as, given concentrated market power, the ability of corporations to continue to hike prices in an already inflationary environment, increasing their profit margins. COVID relief bills made a marginal contribution to the inflation, too (Kaplan, Nikolakoudis, and Violante 2023). That voices (Summers 2022) attributing the singular cause of inflation to a runaway “wage-price” spiral instigated by loose fiscal policy, recalling the 1970s, even got a hearing – when there was no evidence for it – shows just how brittle the 2020 anti-austerity consensus turned out to be. That old 1970s story about inflation, and the solution to it that had both ushered into the Age of Chaos, were rolled back out to great effect. Biden kowtowed to “central bank independence” (Mason and Renshaw 2022). The Fed resorted to the blunt hammer of interest rate hikes. Now, National Security (read: China), European rearmament, and continued Israeli armament in support of Israel’s crimes against humanity in Gaza after Hamas’s murderous October 7, 2023 attack were the only bases left upon which to defend US public spending. Beyond war and saber-rattling, austerity was back.

However grandiose in vision, Bidenomics added up to this. It extended, temporary COVID-era relief but could not translate it into enduring social policies. During COVID, for instance, the US nearly solved the scourge of childhood poverty, only to quickly un-solve it again (Chotiner 2023). As “industrial policy,” the CHIPS and IRA acts were achievements – more than nothing surely (Carey 2023). But they occurred fully within the normal channels of US fiscal politics, so determined by narrow corporate interests, explaining their limits as transformative pieces of legislation. Biden’s green energy policies, for instance, dangled incentives but made no attempt whatsoever to undermine the existing US fossil fuel industry. Unsurprisingly, IRA’s incentives have not immediately led to as much private investment in green energy as hoped (Chu, White, and Basarkar 2024; Leber 2025). Even as hoped, it is a fraction relative to what is

needed, or to, say, the Chinese commitment to renewable energies (Christophers 2024).

If continuity ruled in post-COVID US politics, then continuity ruled in the structure of the US economy, too. The Great Repetition held – if, after 2008, zombies ruled US television and film, like the post-financial crisis banks that, on government support, refused to die, then post-COVID US culture saw a fascination with the rich, like in the show *Succession* (2018–2023), which featured an oedipal struggle that refuses to end, and only repeats, because a father refuses to die – presaging a presidential election between a 78-year-old and an 82-year-old who both had already served as president. In only one show of note, *Severance* (2022–), which features an episode in which the residents of a rural, deindustrialized town are all blissed out on “ether,” does opium talk break through.

The combined monetary and fiscal stimuli of post-COVID legislation only amplified the main features of the Age of Chaos. Geographic disparities remained in place. So did an overriding reliance upon asset price appreciation for development – rather than the expansion of incomes from below. Under Biden, US stock markets climbed into the stratosphere, supported by popular “retail investors” armed with their COVID stimulus checks. An estimated one third of COVID stimulus relief went to households paying down mortgages and credit card debt (Koşar et al. 2023). But perhaps 10–15 percent of the COVID stimulus ended up in the US stock market, driving up values by 5–7 percent (Greenwood, Laarits, and Wurgler 2023). There was even the spectacle of the January 2021 popular rally in the stock of GameStop (again in November 2024), embarrassing hedge fund short sellers, in a world-turned-upside-down moment (see Feher 2021). As money and credit continued to slosh around the US economy under Biden, Wall Street turned to ever more creative methods to juice up profits by relying on debt, whether it was the 2021 boom in SPACS (special purpose acquisition companies) or the general trend towards “private credit” and away from public (publicly regulated) capital markets (Naumovska 2021; Avalos 2025). New asset classes to speculate in kept being born, whether in the bevy of speculative cryptocurrencies or their near-farcical brethren, “non-fungible tokens” (NFTs) – Beeple’s *Everydays: The First 5000 Days* (2021), which sold for \$69.3 million at Christie’s and launched NFTs into the mainstream art “asset class,” is nothing more, I would submit, than a digital representation of chaos (Christie’s 2021). The roll-out of “artificial intelligence” stands to change the way we live, but it is not evident how much and when it will change the economy. The runaway valuations, giant fixed capital outlays before the appearance of demand, starry-eyed hype, and the absence of any evidence

yet for tangible gains in efficiency or productivity (Sukharevsky 2025), recall the late 1990s New Economy stock market bubble. Even prodigious investment in AI-related infrastructures has not reversed the central underlying economic trend of the Age of Chaos: The weakening trend in investment. US net business investment as a share of GDP is lower than it was before the financial crisis of 2007–8 (OECD 2025).

Meanwhile, the Fed stands at the ready to backstop. Even while raising interest rates, which harms ordinary US households, when Silicon Valley Bank failed in 2023 the Fed invoked the “systemic risk exception” to guarantee deposits far above the \$250,000 limit set by the Federal Deposit Insurance Corporation, while opening a new, friendly lending facility to commercial banks (Glancy et al. 2024). “Too Big to Fail” holds.

In the end, Bidenomics, let alone Build Back Better, failed because it could not muster an adequate political constituency. It had no social movement behind it. Biden once picked up a bullhorn and joined a union picket line, but the US labor movement was not alone politically capable of advancing Build Back Better. On the left, the most energetic social movements, like Black Lives Matter, were not about green energy. Biden does not deserve all the blame. One can decry the power of the US business lobby, and still admit that part of the reason why Build Back Better failed was that at least some of the beneficiaries of Biden’s 2021 relief bill turned to Reddit stock market investing clubs, to speculate with their stimulus checks, rather than taking to the streets to ensure the final triumph over childhood poverty, promised by the American Families Plan. And then, opium talk: If they were not investing, perhaps they were ingesting; most social scientists attribute the sudden increase in opioid use and mortality during the pandemic to “social isolation” or “treatment disruption,” but at least one study, although not asserting a causal link, notes that short-lived upticks occurred in “drug-related mortality” after stimulus checks appeared in the mail (Gupta, Nguyen, Wu, and Simon 2022). Of course, like everywhere, price inflation ate away at Biden’s popularity among working people.

Bidenomics simply did not win back Trump voters. Trump is the kind of politician that elicits emotional attachments from supporters that do not easily change (was it just too late to reach many of these people? Does decrying “neoliberalism” matter to MAGA?). Finally, despite Build Back Better’s capitulation to corporate interests, Biden still bled business support. His administration’s attempt to regulate high finance met with nuclear-level responses from the Wall Street lobby (who found favor in the courts). Just the slightest murmur about eliminating tax loopholes on finan-

ciers’ salaries, or simply the word “antitrust” on Lena Kahn’s lips, threw significant portions of Wall Street and Silicon Valley into the camp calling for Trump’s restoration – liberal democracy’s fate be damned.

It is tempting to speculate about counterfactuals. What if, in early 2021, the Democrats would have made the American Families Plan its top priority? It polled well, and there are far more parents in the US than there are aspiring workers at semiconductor manufacturers or aspiring drivers of US-produced electronic vehicles scheduled to roll of 2030s assembly lines. What if Putin had not invaded Ukraine, contributing to the highest 2022 spike in price inflation? What if Biden had turned to deal with the surge in illegal immigration across the Mexican border earlier? What if Biden had not run for re-election, or the Democratic Party had not been the kind of outfit to even let him try? And we must ask of course: What if Biden had done more to tackle the opioid addiction crisis, made worse by the socially isolating lockdowns that liberals and their anointed experts called for (during the pandemic, more Americans under age 45 died of opioid overdose than COVID), but also by the proliferation of fentanyl, much of it trafficked across the Mexican border (Centers for Disease Control 2025)? While Operation Warp Speed arrested COVID’s ravaging of the elderly and the sick, with no corresponding public health initiative to combat it opioid’s ravaging of its targeted population grew only worse, throwing more support to Trump (Williams 2024).

These questions are all worth considering. For someday with the benefit of more hindsight some historians will look back and emphasize what Bidenomics presaged. Nonetheless, from our present the fragility of Bidenomics is attested to by the ease with which Trump has rolled most of it back. The green subsidies are gone, replaced by chants of “burn, baby, burn” and “drill, baby, drill.” Crypto is being cut loose from the Biden administration’s cautious regulatory ties. To hold up Biden’s original American Families Plan alongside Trump’s Big Beautiful Bill of 2025, which viciously cut US social spending to favor the wealthy, is to induce vertigo. For now, it is back to tax cuts for the wealthy, more asset-price appreciation, and even greater Trumpian assaults on liberal democratic institutions. Build Back Better was a blip, before another blip, Bidenomics, before Trump’s return to power.

Global conjuncture?

Commanding the headlines during the first year of his second administration has been Trump’s “assault” on the international economic order. Early domestic initiatives quickly faded. Elon Musk’s attack on the feder-

al bureaucracy through DOGE (Department of Government Efficiency), for instance, turned up little savings, a mere \$2 billion (Riedl 2025). Its main effect was to contribute to the ongoing demoralization and politicization of the US federal bureaucracy – no minor matter. Trump's foreign economic policies include his violent crackdown on illegal immigration, but even here the politics, if ugly, are largely symbolic. Above all else, there has been Trump's barrage of proposed, and even some enforced, tariffs. Inspired by Trump, Bidenomics was willing to qualify US support for global free trade. The second Trump administration looks to be up to something entirely different. But what exactly, when set in the long sweep of US worldwide economic hegemony (see Johnson 2025)?

The Age of Chaos saw new economic relationships between the US and the world. After WWII, the US, like most world economic hegemonies before, became a net exporter of capital and goods, spreading US culture with them. Meanwhile, under the umbrella of the 1944 Bretton Woods Agreement, admissible national capital and currency controls created some degree of room for non-US economies to industrialize. The Bretton Woods system was always fragile but entered terminal crisis in the early 1970s. An interregnum followed, which saw global speculative runs on the US dollar, the world reserve currency since 1945 and, after 1971, no longer pegged to gold. In part, Volcker rolled out the weapon of the high interest rate in the US to salvage the global value and preeminence of the US dollar.

Post Volcker shock, novel global configurations emerged. Call it a US world economic hegemony 2.0. The US now became a net importer of capital and goods. Enabled by the surge in private and public debts, Wall Street achieved new heights of global financial dominance, the US dollar reigned supreme and US Treasuries solidified as the world's great dollar-denominated reserve asset, and the US consumer market became the consumer market of last resort for the world's export-led manufacturers – soon enough, including Chinese low-wage manufactures. One scours the historical record for precedents (Maier 2006). The post-1982 US became the first world economic hegemon to systemically import, rather than export, capital and goods.

One may choose which end of the stick to pick up, when understanding the logic of US world economic hegemony across the Age of Chaos. Was it trade – the US trade deficit? Or was it finance – US capital imports? From an accounting standpoint, they are the same stick. If not by equal exports, then US imports must be financed by imports of capital. So must US budget deficits be financed, which because of global demand for US Treasuries as reserve assets has

been far easier for the US to do. Thus, the double “exorbitant privilege” of the US dollar. US citizens have enjoyed a level of personal consumption and national public debt unimaginable anywhere else.

What cries out for explanation is the endurance of this global economic configuration across the twenty-first century. Many thought Bush's feckless war in Iraq would begin to unravel US global primacy. It did not. The 2007–8 global financial crisis, whose ground zero was Wall Street? Nope. Trump's election in 2016? Not that either. Trump's election in 2024... So far the structure of US hegemony has held.

No doubt, Trump and his policy team have a critique of US empire 2.0, most forcefully articulated by Stephan Miran (Miran 2024). The focus is on trade. Trump's obsession with “winning” or “losing” bilateral trade balances may be uninformed by global macroeconomics. But Trumpists are not wrong to insist that world trade creates winners and losers, and that some of the relative losers of the past decade – opium talk – have resided within US borders. Unlike what neoliberal ideology promised, the market did not just make things all work out for everybody.

The question becomes, can Trump through his chaotic tariff policies remake the international economic order, and if so towards what end exactly? As a benchmark, most commentators insist Trump is attacking the post-WWII international economic order, because of its abstract commitment to free trade. But it makes more sense to contextualize his actions in the post-1982 era, to see Trump as trying to weaponize the post-1982 US consumer market, to achieve “wins” for the US. This has led to some punishing new tariffs, on countries like Indonesia, Brazil or India. Nonetheless, more opium talk: In the effort to score “wins,” as Nic Johnson writes, “Trump's trade war is better explained not as an economic endeavor but as a culture war” to restore a lost sense of American pride (Johnson 2025). Prophecies of imminent worldwide economic collapse by liberal commentators because of, say, 10 percent tariffs, were foolhardy. The real question is whether, after Trump's trade wars, the US consumer market will retain its global primacy. We shall see. At this writing, Trump has yet to install new tariff regimes with respect to the US's three leading trading partners: China, Canada, and Mexico. In my view, Trump is far more likely to smash up the old order than to inaugurate a new global economic one. That task will await future administrations, should they pursue it.

Doing so will require approaching the role of the US in the global economy from the angle of finance, not just trade. As I see it, it is the structure of global capital that creates the conditions in the first instance for US trade balances, although both empiri-

cally and theoretically an inconclusive debate rages about whether trade or finance is the genuine driver of the characteristic elements of post-1982 US hegemony (emphasizing trade is Klein and Pettis 2020; emphasizing finance, Bank for International Settlements 2022 and Levy 2025b). More opium talk: The debate has its parallel in academic debates over the dynamics of early modern global trade, so driven by Chinese demand for silver, the world's great monetary base and reserve asset before opium imports took over and the world went on the British gold standard (Levy 2025b, 200–27). So far, following in Bidenomics' footsteps, the second Trump administration has not dared touch global financial relationships. The US dollar has declined somewhat in value across 2025, while gold has soared, but remains nonetheless near historic highs. US capital markets are still great draws for global capital and continue to set valuation records. Despite vintage fears of "bond vigilantes" the US has had little trouble yet finding a global market for US treasuries. Again: Continuity so far.

With that said, it is worth speculating that it might be possible to see the rise of a US hegemony 3.0, whose defining characteristic would be the propping up of the current global economic order by non-US actors – especially non-US private and public owners of wealth, still committed to the US dollar's global role. By definition, hegemony functions by the cooptation of those who are subordinate to it. But are not the lines of co-optation at risk of becoming blurred, if not reversed? US hegemony is sustained, despite Trump's antics, or anything else, come what may. So far, global wealth has largely shrugged at Trump's illiberalism, or the steady ramping up of his assaults on US liberal democratic norms. There are simply far too many foreign asset managers yearning to invest in US dollar-denominated assets, and too many states enjoying the benefits of protection under the umbrella of the US military, for US hegemony to melt away. There are also still too many teenagers throughout the world learning English by watching bad shows on Netflix. American culture strikingly exhibits the point at hand. Much more so than its macroeconomy, American culture suffers from a Great Repetition, indicated by Hollywood's recycling of the same film franchises (the global market share of American films has declined over the last decade). Yet, Hollywood still predominates. Netflix's #1 show may be a Korean drama, *Squidgame*, and K-pop may dominate global music – but even then, it is still dwarfed by the singular American phenomenon of Taylor Swift (born in Reading, Pennsylvania, a region with high rates of addiction to opioids.)

Not only US hegemony 2.0 but also 3.0 contains novel historical characteristics, in its relation to the global scale. Because of that scale, we should not necessarily expect a smooth transition among state hegemons, like what transpired when British world hegemony gave way to American after WWII. Today, perhaps global logics are more capable of holding international relationships in place (Bright and Geyer 2002). In economic governance, nowhere is this more apparent than in the *de facto* role of the US Federal Reserve as a global central banker (Choi et al. 2022). All this provides good reason to be skeptical of the possibility, perhaps indulged by Trumpists and surely indulged by Putin, of a coming world order divided among regional "spheres of influence" controlled by the Chinese, the Russians, and the Americans. Far more likely, should the current global order completely unravel, would it be to see a fossil fuel powered US face off against a green energy powered China. No matter what happens, ultimately the key thing to watch is what happens between the US and China.

What would it take, then, for there to genuinely be a real transition to a new age of American capitalism, if not something else altogether? One thing that I think is different in the US today compared to 2008, even 2020, is the now robust, confident body of scholarship on capitalism and political economy – across theory, empirical research, and innovative policy proposals. It will be a rich resource, the next time a political caesura opens. One can only speculate about what might happen, domestically, should the apparent abolition of the US business cycle through central bank ingenuity ever prove fleeting and a sharp US economic downturn occur. Before COVID, the post-2009 US business cycle expansion was already the longest on record, and without the pandemic likely would still be continuing. In the next crisis, might aspects of Bidenomics, or even Build Back Better, return to US domestic politics? Or the thrust of the American Families Plan, implicit in the COVID relief legislation signed by both Trump and Biden? What about climate change-induced planetary crises? Could they reach a tipping point? The argument of *Ages of American Capitalism* was that transitions in past ages was largely determined by those moments when the state managed to finally get out in front of capital, in the course of events. This time around, the future of US capitalism may also hinge upon choices made outside US borders about the future of US global hegemony. Until then, the US opioid crisis – like opium in the Qing twilight – remains not so much a herald of transformation as a symptom of crisis without resolution.

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An interview with Quinn Slobodian

In your research, whether in your book *Globalists: The End of Empire and the Birth of Neoliberalism* (2020) or in *Crack-Up Capitalism* (2023), you investigate a highly structured and determined social world: That of the neoliberals since the 1960s. Could you describe this social world, its history and actors?

The approach of my work has reflected an effort to bring the often overly abstract discussion of neoliberalism down to earth. I do so by following the path-breaking work of German scholars Dieter Plehwe and Bernhard Walpen, as well as the historian of economics Philip Mirowski. In the late 1990s, they began to study what, using a category from the philosopher of science Ludwik Fleck, they called the *thought collective* of neoliberals who had been meeting since the 1930s to explore the “renovation of liberalism” necessary in an era of mass democracy and national self-determination. This became the history of an evolving doctrine from the Walter Lippmann colloquium in 1938 in Paris to the creation of the Mont Pèlerin Society in 1947 and the regular meetings that they held from that point forward.

This was an intellectual ecosystem with a limited number of participants, but one that had echoes and repercussions far beyond the closed world of discourse. The think tanks that were created as an explicit part of what Edwin Feulner called a “war of ideas” reverberate up to this day, most clearly with the well-known *Project 2025* document that helped to give Trump a playbook for his second time in office.

My approach in *Globalists* and *Crack-Up Capitalism*, as well as the more recent *Hayek's Bastards*, was to begin with the small conversation among neoliberals and show how they can be used as a lens to understand much broader transformations in political struggle and geopolitical order. This ranges from the struggles of decolonization after the Second World War to the efforts of poorer nations to catch up to – and, in the case of China, surpass – the United States through the creation of zones that resonated in some ways, as I showed in *Crack-Up Capitalism*, with the theories of libertarians and neoliberals.

The approach is a contrapuntal one, showing how ideas both influence policies and are in turn shaped by transformations in the larger world.

One thing that struck me in your work is the closeness between academic thinkers – especially the key figures of Hayek and Friedman – and the world of business. How can this be explained? Would you say this is one of the specific features of neoliberalism, and does it help account for the success of these theories?

Financial support from key business people, especially in the early years of the development of the neoliberal intellectual community, was obviously a necessary condition for its success. Notable, however, is how this was not always a large amount of money, nor did it come from people at the very apex of the business world. One of the advantages of studying the intellectual history of liberalism is that it allows for a better understanding of the fractions of capital and how different policies are not always supported across the capitalist class, but correspond with the interests of some and not other business people.

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On average, capitalists are happy to conform to whatever ruling philosophy is dominant and figure out how to profit from the governing ideas of the day. One thinks, for example, of the way that BlackRock moved from a position supporting environmental sustainability to abandoning these pledges nearly overnight between the Biden and the Trump administrations. Rather than seeing a one-to-one correspondence between the interests of capitalists and those of neoliberals, in other words, it is helpful to differentiate

and see which capitalists support what aspects of any program and which parts of it present challenges to them.

Today, at the beginning of Donald Trump's second term, would you say that we are witnessing the unveiling of a long-hidden group's power? A group that did not appear so dominant during the first term, or at least was more discreet.

I would not see the Trump agenda in the second term so clearly as the unfolding of a pre-existing program. The inclusion of the leaders of Silicon Valley into the Trump coalition, for example, is quite contingent – led on the one hand by the risk-welcoming approach of figures like Peter Thiel and Elon Musk, and on the other by a sense of persecution among some leaders in the face of Biden's antitrust agenda and desire to regulate AI in particular. This is often the case: What we are seeing is less a distilled policy translated into action and more a hybrid synthesis of a number of different competing interests and ideas. At times these ideas do not line up. The ferocity of the trade wars wreaked havoc on the interest of many capitalists in predictability and stability, while the willingness of the government to go all in on fossil fuels and AI profited those sectors in particular. As with the first Trump administration, I think it is more helpful, rather than seeing a universal game plan, to see this as a scrum of different factions seeking moments of correspondence – sometimes finding them, but not always.

In *Crack-Up Capitalism*, you dedicate a chapter to South Africa, showing it as an important experimental ground for libertarians. At least two important figures of Trump's entourage, Peter Thiel and of course Elon Musk, are linked to South Africa. Is it important to take that into consideration, and what does it reveal?

The background of some of big tech's wealthiest leaders in South Africa is certainly tempting for exegesis. However, one should be careful not to extend this interpretation too far. Peter Thiel only spent a short time there and David Sacks even less so. Elon Musk, for his part, seems to have been influenced by two things: First, the sense of persecution created by a white minority government encircled by what they saw as mortal enemies, which reinforced what my coauthor, Ben Tarnoff, and I call a *fortress mentality* in the book we are working on about Musk; and second, the focus on technology and self-sufficiency, from South Africa's nuclear program to its project of building out its own automotive industry. This experience, I argue, prepared Musk well for a turn away from frictionless globalization and back toward forms of economic nation-

alism and national self-sufficiency. His ability to play both sides of the game with China, the US, and the EU is quite impressive. In this regard, I think in some ways it is more helpful to look at these political-economic matters than to simply assume a kind of DNA of white supremacy carried with him from home. That said, the fervor of his support for the European far right and his recent calls for "remigration" suggest a sympathy for a naked reassertion of racial hierarchy that amounts to what my coauthor and I call "reactionary technocracy."

Another geopolitical question: You've traced the global circulation of neoliberal ideas across all continents. Would you say that what's happening with Trump is simply the US version of this broader trend (albeit more visible because of the country's global influence), or does it reflect a specifically American trajectory?

In the first tenure of Donald Trump it was easier to see what he was doing as a mutant form of neoliberalism. Although the trade war was an apparent aberration, it was still being used under his trade representative Robert Lighthizer as a way to expand American competitiveness and enter new markets, rather than a move to isolationism as it was often understood to be. Beyond that, the major legislative accomplishment of the first term was the tax cuts, which continued decades of right think-tank policy by cutting fiscal burdens for the wealthy and corporations and raising them for the poor at the expense of expanding deficits.

Part of what has happened in the second administration is simply a rerun of that combination of what could be called competitive liberalization and supply-side tax cuts. At the same time, there are extraordinary moves being made toward nationalizing parts of production and ownership in major companies – from taking a portion of Nvidia's profits to taking ownership stakes in Intel and golden shares in U.S. Steel. These moves are difficult, if not impossible, to reconcile with neoliberal doctrine. Combined with the reckless and unpredictable approach of trade policy, it seems that the move toward a kind of post-neoliberal economic policy is well afoot.

That being said, internally there remain many continuities with the years of Ronald Reagan: From the cutting of Social Security and Medicare entitlements to the elimination of environmental protections and attention to matters of social, racial, and gender justice. At this point I think it is better to understand what is happening under MAGA 2.0 as less a variety of neoliberalism and more a version of the national conservatism that has been in power in Hungary, Israel, Italy, and elsewhere.

The subordination of economic matters to political and culture war projects is quite striking and a stark departure from the relative cross-political consensus surrounding economic globalism that I described as having been consummated by the early 2000s. Nicolas Jabko has argued that the global financial crisis created a lasting rupture in neoliberalism – between, on the one hand, the technocratic method of central banks that continue to attempt to guide the ship even at the expense of apparent breaches of principle and periods of quantitative easing, and on the other, the neoliberal populists who use a rabble-rousing language of anti-immigrant and anti-welfare spending but with no real overarching vision for stability.

The anti-elitism of the present moment – even if often led by elites – has scrambled the consensus that reigned from the end of the Cold War to the global financial crisis. The new affordances of social media have helped to amplify insurgent actors and upstart parties that find upside risk in tearing up the rules of the game, even when that involves promises unlikely to be kept.

Despite the links between libertarians and Trump's thinking, there seem to be at least two key elements in Trump's policies that diverge from libertarian theory: First, of course, the issue of tariffs and protectionism; and second, the emphasis on the nation-state. As you clearly show in *Crack-Up Capitalism*, this group favors the fragmentation of states. Is Trump's focus on the nation-state a smokescreen? How do you connect it to the slow, effective work you describe – namely, the multiplication of special zones that weakened and impoverished nation-states?

What I was describing in *Crack-Up Capitalism* was in part a retrospective analysis of the way the era of high globalization functioned. Since 2016, looking backward, it has often been described as a period of integration and harmonization, with the scale shifts apparently pointing only in one direction: Upward. Yet from the early 1990s onward, sharp-eyed observers knew that this was only half the story – that globalization operated functionally through fragmentation as much as through synchronization at a higher level.

My goal with that book was to help us rethink the apparent rupture of 2016 by showing that there were not only two registers for economic policy – either global or national. As I pointed out, and continue to find important, reigning national populists from Meloni to Orbán still make much use of special economic zones, which in effect subdivide their own nation into different regulatory spaces to make investment from overseas feel more at home. I think this gives the lie to

some of the language of national populism, and it felt like an important intervention at the time.

In the case of the United States, there has always been a certain amount of regulatory diversity between the states, and this has intensified since the pandemic, with companies relocating their headquarters into more “friendly” jurisdictions – for example, the high-profile movement of Tesla and Meta to Texas. This kind of regulatory arbitrage and race to the bottom will continue apace, even with Trump's language of economic nationalism, so it is important that we keep an eye on it.

Social policy changes such as the diversification of abortion policy across the country will likely accelerate the sorting of population according to political preference. That being said, I would not expect to find the most obvious examples of crack-up capitalism within the territory of the United States itself. It is better to look at how they are talking about policy overseas. The grotesque propositions for turning Gaza into a special economic zone and free-trade corridor, cleansed of people and made hospitable for Gulf and foreign investors, is a perfect case in point.

The proposals for a refashioning of Greenland as a space for tech-led venture efforts at startup societies, and the support that experiments like the Próspera zone in Honduras have received from the Trump administration, show that it is more than willing to combine a certain language of national patriotism with a vast menu of options for grifters, chancers, and freebooters in the world of cryptocurrency and “startup societies.”

Is the economic weakening of the United States – and the impoverishment of the working and middle classes, many of whom are Trump voters – anticipated by libertarians? Do you think they see it as a necessary evil for the enrichment of a few, or as a problematic outcome that might prompt a revision of their theories?

My new book, *Hayek's Bastards*, begins with Charles Murray reflecting on the question of what would happen if conservatives actually won the fight against the welfare state and all entitlement programs were eliminated permanently. He expresses some concern about the effects of this social Darwinism in practice, even if he is in favor of it in theory.

We can see here the idea of the “contractual community” and what I called in *Crack-Up Capitalism* “soft secession” or the “underthrow” of the existing order as an important element that is preparing for such a potential paring back of the biopolitical settlement which has governed the country since the 1960s. More subsidiarity and self-support, and more acceptance of

abjection and premature death, would certainly be the outcome – and one that is not hard to see already underway in a country where male life expectancy is sinking against the trends of other industrialized nations.

Libertarianism contains within it a belief that, as Elon Musk put it recently, empathy is a “bug” in the human system that needs to be suppressed and if possible removed. The cruel outcomes of a market-based system are a necessary cost of both individual liberty and the greater, if unequally distributed, profits to be made. Whether this is in the long run a sustainable version of what regulation theorists would call a mode of social regulation remains to be seen, but the US in its current form has shown a real appetite for sadism toward unprotected and marginalized groups, with little political sign of a backlash. On the contrary, the pain of others and the enjoyment of its spectacle seem to be part of the psychic wages enjoyed by those on the side of the victors.

Luc Boltanski and Ève Chiapello, in *The New Spirit of Capitalism*, argue that for critique to be effective, it must aim in the right direction, which requires an accurate understanding of the current balance of power in capitalism. When reading your work, I had the impression that much of the critique we’ve seen in recent decades, of state commodification, the financialization of economies, etc., has focused on visible sovereign states, without paying attention to the forces operating elsewhere and exerting influence over them. Would you agree with that? If this is the case, in what direction do you think critique should aim its arrows today? And what do you think are the most urgent areas of research for social scientists today?

I’ve become more convinced that understanding the potential and pitfalls of what can broadly be called digital capitalism is a necessary addition to our political analysis. Alarmist takes on techno-feudalism or attempts to drum up moral panic about the supposedly B. F. Skinner-like affordances of social media are not the only way this can be expressed. The work of thinkers like Katharina Pistor and Nick Srnicek suggests to me a more sober way to understand the world of social media, datafication, and even artificial intelligence as human creations that are not politically coded in advance but can be made to work for a range of political projects if harnessed correctly.

We are in an especially dark moment where the wealthiest man in the world openly calls for the forcible immigration of non-ethnically pure citizens and stands shoulder to shoulder with the furthest-right forces in Europe. The rejection of even token attention to matters of climate change and energy transition by the supposedly enlightened elite of Silicon Valley cannot help but be demoralizing, but we should remember that part of the rightward swing of big tech was in response to credible challenges from within its ranks – whether it was tech workers refusing to participate in projects of state surveillance and policing, or democratic governments claiming sovereign control over natural resources. The situation looks bleak at the moment. It is hard to imagine a future after digital capitalism, but I would say it is incumbent on social scientists and historians to figure out different futures for a perilous world.

This interview was conducted by Jeanne Lazarus on September 5, 2025.

China's own derisking?

Contextualizing the US tariffs and Chinese investment in Southeast Asia

Yingyao Wang

The US tariffs on China have been perceived as a black swan event – an external shock that rocked the economic status quo in Asia. The extent to which these tariffs were endogenously related to the ongoing transformation of investment and trade patterns within Asia, however, is less explored. True, US tariffs are known to have provoked direct reactions from heavily affected countries like China: Chinese plants and companies scrambled to relocate to Southeast Asian countries to dodge them. To date, Vietnam and Indonesia have been the most frequent destinations, followed by Thailand, Malaysia, and

Cambodia. All the Southeast Asian countries favored by China offer relatively low labor costs and favorable relations with the US, allowing them to avert the worst outcomes from the recent round of tariff threats.

What is less discussed is how tariff-jumping relocation accelerates an existing trend whereby China is shedding low value-added manufacturing – and that Chinese investment in Southeast Asia began in earnest long before 2018. As early as 2000, Chinese factories on the coast were already feeling the pressure of rising labor costs and looked to inland China and abroad for better opportunities. This need dovetailed with Vietnam's open-door policy at the time, inaugurated by the signing of the US–Vietnam Bilateral Trade Agreement in 2000. Beyond the pull of economic incentives, China also pursued a conscious strategy to phase out so-called low-end industries. Policies to “vacate the cage to change the birds” sent clear signals to factory owners that low-tech, labor-intensive, and polluting production – once engines of China's growth – was no longer embraced or even welcome.¹ A range of policy tools related to land, credit, taxation, and the environment were mobilized to weed out inefficient and undesirable operations.² This policy orientation is evident in the nationwide surge of high-tech industrial parks, which have been replacing old-line manufacturing and export-processing zones. For those firms that could not upgrade under pressure, the obvious choice was to relocate abroad.

Through a pivot to high-tech industries, China has attempted to avoid the low road to industrialization. Exports defined by low labor costs and cheap price tags have been a growing source of dumping accusations, trade disputes, and, most notably tensions with the US. When a country that comprises one-fifth

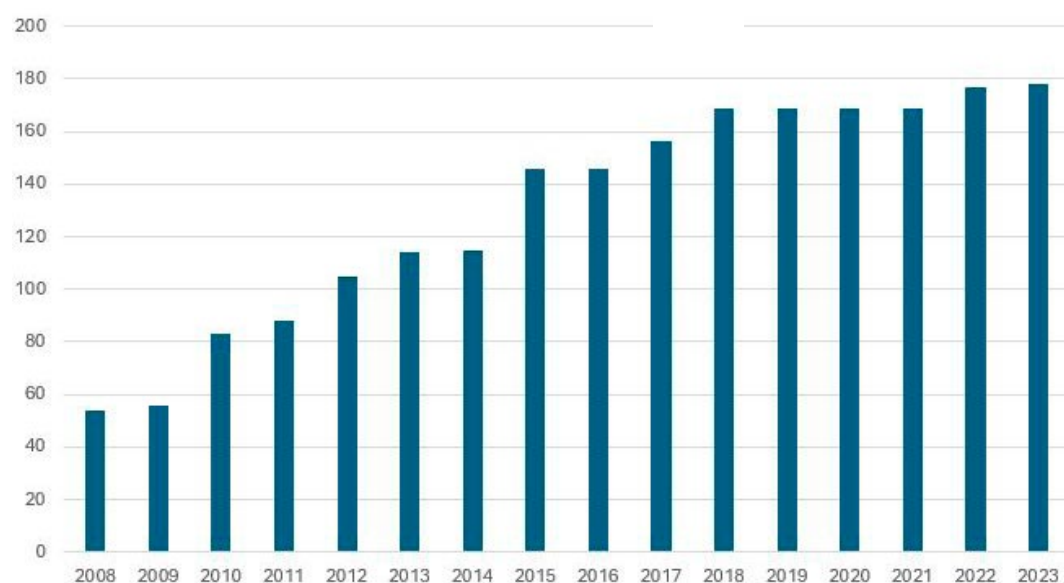


Figure 1. Number of national-level high-tech parks

Sources: Qianji Investment Bank and Qianzhan Industrial Research Institute³

of the world's population – with an educated and highly disciplined labor force, a robust industrial base and infrastructure, and strong organizational capacity – is eager to produce for the world, it also places high expectations on the extent to which the rest of the world is ready to absorb its output. The US has taken in the bulk of these goods thanks to its dollar hegemony and strong consumption. Yet, the

2008 financial crisis altered the equation: Sluggish consumer demand from the West propelled China to look elsewhere for markets. Many Chinese investments in Southeast Asia have for the first time been aimed at exploiting the domestic markets of host countries. In sum, Chinese investment in Southeast Asia is one stone that kills three birds: Achieving better proximity to developing-country markets, facilitating domestic industrial deepening and technological upgrading, and alleviating trade concerns from the West. It reflects a long-standing trend of addressing structural tensions in the global political economy, of which China's immediate and massive reaction to tariffs is a mere expression.

Viewed in a longer perspective, the relocation of Chinese manufacturing in Southeast Asia builds on waves of industrial transfer and relocation within Asia. It inherits a pattern of diffusion across an increasingly integrated region. The general consensus identifies four waves of relocation. In the first (1960s to 1980s), Japan sent outward investment to the “first-tier” newly industrializing economies: South Korea, Taiwan, Hong Kong, and Singapore. The second wave (1980s to 1990s) featured the rise of the Asian Tigers: As South Korea, Taiwan, Hong Kong, and Singapore industrialized and wages rose, they began offshoring their labor-intensive production to Malaysia, Thailand, Indonesia, Vietnam, and Mainland China. From the 1990s to 2000s, the rise of China constitutes a wave in its own right, as it consolidated regional supply chains, attracted capital from Korea, Japan, and Taiwan, and exported final goods globally. The fourth wave (2010s to present) has seen Chinese investment further spread across Southeast and South Asia – including Vietnam, Cambodia, Myanmar, Bangladesh, and Indonesia – for the reasons mentioned above. These waves are not strictly successive; they often overlap and co-occur. For instance, while production moved on a massive scale to China in the 1990s and 2000s, Japanese, Korean, and Taiwanese investors simultaneously offshored significant portions of their production to Southeast Asia. However, the overall trend is clear: Production cascades like a waterfall to increasingly lower-cost locations where labor is abundant and entry barriers are low.

It is worth emphasizing, at the same time, that successful upgrading in home countries is the other side of the same coin. Japan, Korea, Taiwan, and China all have “developmental states” that have devised in-

dustrial policies to promote strategic upgrading and high-tech manufacturing. Overseas relocation became a logical outcome and a complementary project to domestic upgrading. Precisely because of this success in domestic upgrading, a “flying geese” paradigm has

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been able to form across the landscape of Asian industrialization: Catching up is as necessary for the following geese as being able to reinvent themselves is for those that lead. Embedded in these patterns of relocation are also tales of learning, emulation, cultural similarity, and migration. As a result, as the region emerges from being the Cold War frontier, a heightened site of globalization, and now faces the re-emergence of geopolitical tensions, it paradoxically remains an unstoppable locus of high interconnectivity and density – a leading hub of manufacturing, consumption, and technological and cultural innovation.

That being said, it does not mean that Chinese investment in Southeast Asia should not be analyzed in its own right, or that tariff-based contingencies do not interact with regional development. Here again, context matters. Relocation patterns are entangled with globalization. Furthermore, the kind of globalization that spurred previous waves of relocation is not exactly the same force as is driving the latest wave. Put differently, we live in a different era of globalization than one or two decades ago. As Southeast Asia now enters relatively “mature” Global Value Chains (GVCs), relocation is less about simply finding cheap labor, as it was before, and more about “fine-slicing” production tasks across multiple locations, often orchestrated by lead firms that already control standards, technology, and market access. In other words, today's low-end plants tend to be embedded in much better coordinated supply chains, which allows for finer global coordination but limits the bargaining power of host countries: They slot into established lead-firm systems rather than build autonomous capabilities. Additionally, lead firms have greater incentives – now partly driven by national security considerations – to keep high-value R&D, design, and branding onshore amid rising global geopolitical tensions. Consequently, while the industrial policy space of ASEAN coun-

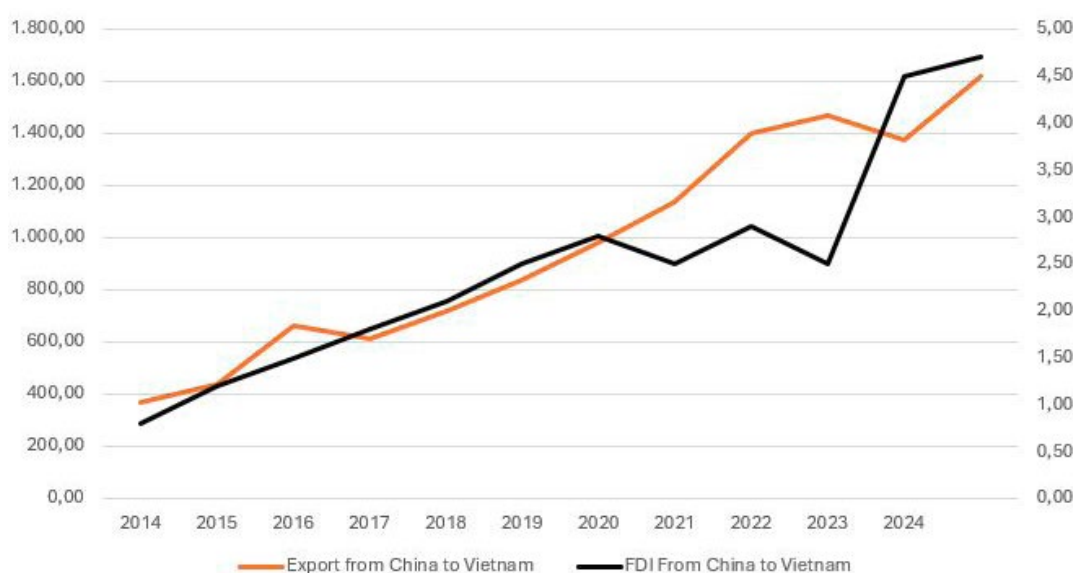


Figure 2. Comparing FDI and Export from China to Vietnam

Sources: Author compiled from General Administration of Customs and the Ministry of Commerce of PRC

Units: 100 million USD

tries is already restricted by trade and investment agreements, these new developments mean that structural opportunities for upgrading today are even narrower.

In addition to the constraints, tariff-jumping relocations may not help either. Tariff-dodging investments, undertaken for short-term and expedient purposes, often involve shallow production platforms and, not uncommonly, just enough capacity to satisfy rules of origin. These may not generate much upgrading potential or capture local value. Therefore, as much as tariffs against China ostensibly present a windfall for Southeast Asian countries, they may not broaden the window of opportunity for upgrading. The effect of fragmented GVCs and “shallow” relocation is al-

ready evident in the patterns of bilateral trade between China and Vietnam. While Chinese investment in Vietnam has surged over the last decade, Chinese exports to Vietnam have increased at similar speed. Machinery, equipment, parts, and raw materials constitute the major categories of imports, indicating Vietnam's reliance on key Chinese inputs for export processing.⁴ Therefore, tariff-jumping relocation does not neces-

sarily displace China: Chinese suppliers may have followed their clients into Vietnam or use ASEAN as an export platform, but they have also retained higher-value inputs within China. This trend is consistent with China's long-standing promotion of its “new bird in the old cage” policy.

The above discussion puts into perspective China's seemingly well-prepared response to the US threat of imposing tariffs on Chinese goods during the second Trump administration. It also invites research into the conditions under which ASEAN countries could emerge as Asia's next “developmental states” and develop value-capturing manufacturing with genuine upgrading potential.

Endnotes

- 1 The expression *vacate the cage to change the birds* first appeared around 2008 in Guangdong Province under Party Secretary Wang Yang, as a metaphor for phasing out low-value or polluting industries and attracting more innovative, high-value sectors. It was later popularized nationally when Xi Jinping used it in discussions at the National People's Congress in 2014 to describe China's broader strategy of industrial restructuring and upgrading. In 2015, China rolled out the strategic initiative *Made in China 2025*, aiming to transform the country's manufacturing sector by shifting from low-tech and labor-intensive production to high-end, innovation-driven industries.
- 2 Since 2008, coastal provinces and major urban centers such as Guangdong, Jiangsu, Zhejiang, Beijing, and Shanghai have pioneered policies to accelerate these changes. High-profile

measures include raising entry barriers based on added value per unit of land and levying high taxes on so-called two high, one low enterprises (high energy consumption, high pollution, low efficiency). The bird-changing strategy has also faced criticism for prematurely deindustrializing the Chinese economy and contributing to unemployment.

- 3 <https://www.21jingji.com/article/20240208/herald/5f8f7f76b0321df92000e6075eab5319.html>

- 4 Equipment makes up 19.85 percent of Chinese exports to Vietnam, followed by parts (17.24 percent) and raw materials (14.61 percent, e. g., minerals and synthetic fiber). Source: Author's calculation from Tendata Customs Data. <https://www.tendata.cn/news/5994.html>

The politicization of sectors

Industrial change and categories of development

Timur Ergen

Introduction

On April 7, 2025, just five days after “Liberation Day” – the announcement of across-the-board US tariff hikes sending shockwaves through financial markets – Steve Miran made some much-cited remarks at the Hudson Institute. The second Trump administration’s chair of the Council of Economic Advisers demanded large-scale reparations from the United States’ trading partners – not for war, but for relying on US hegemony, and in particular on the international system of military hegemony and dollar reserve currency provision. The major rationale for charging the world for American hegemony was not classically economic: Miran did not argue that US hegemony had made the US poorer in any substantive sense (as his President Donald Trump repeatedly did). Much rather, he decried hegemony and its feature of dollar strength for altering the sectoral composition of the US economy: It had hollowed out America’s manufacturing sector. The postwar global economic order had created “undue burdens on our firms and workers, making their products and labor uncompetitive on the global stage, and forcing a decline of our manufacturing workforce by over a third since its peak ... We need to be able to make things in this country,” Miran asserted.¹

Some of today’s concerns with reindustrialization in the US and elsewhere are due to remade security calculations in reaction to the Covid pandemic, growing Chinese power, and the Russian invasion of

Ukraine. But Miran, as well as other key US politicians such as Marco Rubio and Scott Bessent, go much further: *They imbue deindustrialization with meaning and social values.* Losing certain economic sectors, then, signals an inherently broken model of societal development. Speaking at the April 4 NATO summit as markets panicked in the immediate aftermath of “Liberation Day,” Marco Rubio rambled:

We’re the largest consumer market in the world, and yet the only thing we export is services, and we need to stop that ... Markets are crashing because markets are based on the stock value of companies who today are embedded in modes of production that are bad for the United States.²

Rubio has repeatedly outlined why, exactly, it must matter *what categories* of output the US produces. At its core, extensive manufacturing production to him was tied to a model of society:

The collapse of American manufacturing has ... done incalculable harm to our nation’s social fabric. Many towns once characterized by strong, stable employment and vibrant community life became hotbeds of discontent, drug addiction, and suicide when the factories supporting them shut down or moved overseas. Even phenomena like falling rates of marriage, childbearing, and male labor-force participation are linked to deindustrialization. (Rubio 2024)

The deep politicization of sectoral structures present in current American conservative debates is not new. Modernization, images of social progress, and models of “healthy” social order have routinely been tied to the sectoral structure of economies. Key examples are nineteenth-century promissory notions of industrial society, socialist national accounting relegating key services output to the “non-productive” economy,

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and late-twentieth-century debates about the coming of postindustrial society. Such notions partition the economy into meaningful segments, each with their own historical dynamics and imagined societal ramifications. They rely on familiar processes of categorization and valorization well-conceptualized in sociology.

In this essay, I aim to provide some initial thoughts on how to think about the politicization of types of economic output sociologically. “Reading” developmental patterns into constant and erratic economic change and imbuing it with value is a contentious social process. I rely on material from a historical case study on US tax reform to illustrate my argument (Ergen and Rademacher 2023). The essay highlights three central research problems: How are sections of the economy lumped together and constituted as segments that merit connected attention? How is sectoral change diagnosed and projected? How is industrial decline constituted as a field of policy and collective agency?

The social constitution of sectoral change

Economic ups and downs are a characteristic feature of market economies. Market systems go through booms and crises as firms prosper, linger around, and occasionally go down entirely. This constant tide of shifting economic fortunes routinely redirects flows of resources, and it makes and breaks the material bases of social identities. One of the core patterns of this tide is the concentrated decline of fields of economic activity – episodes in which wider sections of economic life that used to provide employment, social identity, and profit lose relevance, fall into distress, and die off. Capitalist societies have arguably developed continuously evolving repertoires to cope with economic change – repertoires to project, diagnose, evaluate, and organize it.

The lumping together of instances of economic change into connected episodes is a social process. Whether plant closures in a region’s textile industry are treated as a clustering of entrepreneurial failure, a problem of regional institutional endowments, or a symptom of deeper shifts in a country’s position in the global division of labor is contingent upon contested processes of categorization and interpretation.

This is not to discount the plain socioeconomic dislocation plant closures cause in affected communities – the brute reality of concentrated economic loss. It is to say that while market economies produce constant and widespread instances of economic distress, only a fraction of these are treated as connected, woven into accounts of how economies change, and dealt with as policy problems in their own right. As famously celebrated by Friedrich Hayek (2002 [1968]), the routinization of economic failure may be one of the defining features of market economies. Many tens of thousands of establishments shut down each year across the capitalist world, and quarterly bankruptcy

and insolvency filings across organizational forms are measured in the many thousands.

Beyond this erratic Hayekian liquidation and foundation of economic undertakings lie many kinds of connected business fortune. Waves of distress driven by financial crises are a much-discussed example – triggered by exogenous shocks and usually perceived as temporary and cyclical. Episodes of sectoral change are correlated waves of business failure too, but they are perceived as partially endogenous, sectorally localized, and lasting. In the terminology popularized in interwar economics, some signs of distress in the economy come to be seen as *structural*, “changes involving *permanent* alterations of the fundamental relationships in the economy” (Machlup 1958, 282, emphasis in the original).

The process of constituting sectoral change involves interactions between observable economic patterns, situational sense-making, and interpretive frameworks. Consider how the same empirical phenomena – plant closures, unemployment, and growing import penetration – can support radically different diagnoses. As we have shown in an analysis of US corporate tax reform in the 1980s (Ergen and Rademacher 2023), series of establishment closures were interpreted from a wide range of angles – as symptoms of temporary liquidity problems, unfair competition from abroad, or as evidence of structural transformation with which the US as a whole shed its global presence in medium-tech manufacturing. As I show below, each interpretation implied different causal mechanisms, temporal horizons, and policy responses.

The interpretation of instances of economic movement as episodes of structural change is not a purely cognitive-hermeneutic process, but one shaped by political conflict and social power relations. Arguably only some firms and sectors can mobilize narratives about threats to essential “industrial bases” from foreign competition and “strategic sectors” (Seidl and Wuttke 2025). A striking contemporary example are German auto manufacturers who, while facing massive technological shifts and foreign competition, still in 2025 mobilize political support for policies enabling firms to survive cyclical downturns, such as *Kurzarbeit* (short-time working). Dispersed and less well-organized groups can struggle to render their difficulties visible in ways that mobilize public support, as visible in the lacking recognition, regulation, and protection of often female industrial homework (Boris 1994). The social constitution of sectoral change thus reflects and reproduces broader patterns of socioeconomic inequality.

The American case particularly illustrates the power dynamics when it comes to lumping together

instances of economic change. In the late 1970s and early 1980s, important factions among experts, executives, and policymakers treated the signs of distress among manufacturers as being caused by a problem of “capital shortage” that could be remedied through the tax code. As the economist Martin Feldstein warned Congress in 1977, joining narratives about hegemonic decline:

We have a very low net rate of saving in the US economy ... The long-run [effect] of that is simply that we will be less productive ... As I look at the European economies and see what happens to a country like England that discovers itself being rapidly bypassed by other countries with higher savings rates, I see foreshadowing of the kind of future we may have here in which we find ourselves becoming a poorer and poorer country relative to the other countries in the world. (U.S. Congress 1977, 174)

By 1986, the same signals of industrial distress were read as evidence of an unavoidable transformation toward a high-tech and service economy. This reframing was not merely analytical but deeply political, involving struggles over who could legitimately define economic problems and prescribe solutions.

Imaginarities of postindustrial progress

Debates over sectoral change have rarely been confined to the realm of technical economic analysis. Instead, they have been enmeshed in broader imaginaries of socioeconomic progress. As a result, debates about structural economic change do not fully resemble those characterized by clear-cut economic models, theories, and paradigms commonly investigated in sociology and political science (Callon 1998; Hall 1993; MacKenzie 2008). Probably the most influential variety of theories of structural economic change has centered around the conviction that “industrial societies” incrementally shed their reliance on manufacturing in the course of development (Kumar 1978). Postindustrial imaginaries involve particular ways of partitioning economic systems into sectors – most commonly three: agricultural, industrial, and service. Economic sectors are associated with particular structural and dynamic properties, such as employment structures, productivity trajectories, and specific organizational features. Moreover, there exists an array of conventional projections about the socioeconomic ripple effects of the postindustrial change, as visible in Marco Rubio’s statements cited above.

Postindustrial prophecy has appeared under a range of labels. In English, French, and German de-

bates, the most influential were deindustrialization, the knowledge economy, the postindustrial transition, the service economy, and structural economic change. While all of these labels were attached to specific epistemic communities and historical contexts, they belonged to a wider ideational current revolving around the declining role of manufacturing in society. The immediate intellectual precursors of today’s notions of deindustrialization were mid-twentieth-century economists and social thinkers. Partitioning schemes for national economies have been in common use since the middle of the nineteenth century, when thinkers pragmatically divided economies into “divisions” or “industries” (Hesse 2013). More intricate “sectoral” schemes proliferated widely during the attempts of the 1930s to measure national economies through national accounts. The view that economies can be subdivided into three major sectors that pass “stages of dominance” has been ascribed to Allan Fisher (1939) in New Zealand, Colin Clark (1957) in Australia and Great Britain, and Jean Fourastié (1989) in France, who publicized the idea during World War II. All three thinkers worked with similar basic features of the idea, which have survived until today. They subdivided the economy into three sectors – primary, secondary, and tertiary, or agricultural, industrial, and service – to which they ascribed sets of properties.

Most influentially, all three thinkers predicted that productivity development in the service sector would – in the long run – far undershoot productivity development in the other two sectors. Adding to a human tendency to shift consumption to services with increasing income levels (often called *Engel’s Law*) and differential effects of international trade on the three sectors, the effect would be a steady relative expansion of employment in the services. To varying degrees, all three thinkers shared a conception of economic development in “stages” on a universal trajectory from least to most developed. In this sense, Hesse (2013) has rightly called theories of the postindustrial transition a “last dinosaur of the mesozoic age of modernization theory.” Economies evolve in a clear direction. They pass stages of development as they grow richer. Where they are heading is determined by tectonic shifts. Significant parts of postindustrial prophecy were at their core post-capitalist prophecy, predicting the transcendence of class conflict and an emerging era of state control and technocracy (Brick 2006; 2021). In contrast to manufacturing-heavy socialist notions of identity – the workers’ states – postindustrial progress promised a new age beyond the nineteenth-century divisions.

Classic postindustrial theory was not an immediate success. Still in 1955, academic commentators complained that the initial ideas did not spark a nota-

ble research field (Wolfe 1955). Even though a few highly influential economists took up the idea during the 1960s and added modeling sophistication to it (Baumol 1967), the theory of the postindustrial transition remained a niche concern in intellectual and political debates until the mid-1970s, when sociology, popular discourse, and economic policymakers rediscovered it. While the overt references to classical modernization theory partially receded throughout the second half of the twentieth century, the basic structure of the argument remains largely untouched until today (Rowthorn 1998; Alderson 1999). And even in technical economic circles, postindustrial change has remained one of the few overtly deterministic projective ideas. Such as the “forces of supply and demand,” Baumol (1967, 415) asserted in 1967, sectoral change may be among those “economic forces so powerful that they constantly break through all barriers erected for their suppression.”

The way societies understand industrial change fundamentally shapes political possibilities. Sectoral change can be interpreted through multiple temporal frames – as deviation from a normal state requiring restoration or as structural transformation requiring acceleration and adaptation. The conflict between the selective consolidation of “old” industries and preferential treatment of “new” industries has arguably pervaded all important economic policy fields since the 1960s, such as labor market policy, trade policy, research and technology policy, education policy, competition policy, and tax policy.

The case of the United States in the 1980s illustrates how rapidly temporal orientations can shift. In 1981, the Reagan administration in concert with Congress still embraced a restorative temporal framework, treating manufacturing distress and rising import penetration as fixable deviations. The Economic Recovery Tax Act’s depreciation allowances and investment tax credits were explicitly designed as “restorative” measures. Reagan’s Director of the Office of Management and Budget promised that changed depreciation rules and an investment tax credit would end the ongoing wave of plant closures in the Northeast:

If you can ... make policy adjustments that will allow [industries] to more rapidly recover their capital so that they can replace that aging machinery and equipment, or restructure some of these large, integrated plants, it seems to me they have a far better time remaining competitive not only with the Southwest, but, remember, with the rest of the world (U.S. Congress 1981, 79).

By the middle of the decade, policymakers had begun to propagate a radically different temporal orientation.

Industrial distress was now portrayed as inevitable progression toward a postindustrial future. The “old tired economy ... has been swept aside by a young, powerful locomotive of progress carrying a trainload of new jobs, higher incomes, and opportunities,” Reagan proclaimed in 1986. This wasn’t merely rhetorical flourish, but reflected a fundamental reorientation in how policymakers sought allies in the business community. When Reagan addressed students in March 1983, he portrayed the time as one of historical acceleration:

Abraham Lincoln is supposed to have said that the best thing about the future is that it comes only one day at a time. In this modern age, it often seems to come more quickly than that ... We can see it coming. We can see its shape. I know in your history books you’ve read about the Industrial Revolution. Well, today we’re in the midst of another revolution, one marked by the explosion of technological advances. (Reagan 1984, 356)

The enmeshing of industrial decline with projections of postindustrial change reframed signs of distress in sections of the economy as signs of progress, and discredited restorative policy proposals as backward-looking.

Industrial decline as a field of collective action and policy

Sectoral change has evolved into a major economic policy concern across all rich capitalist societies since the 1970s. At the same time, dedicated state-building for industrial restructuring and the governance of industrial decline has been comparatively limited. While most rich capitalist states have invested in expertise on the evolution of industries and structural change, expanded notification regimes for layoffs and establishment closures, and developed policy routines to deal with industrial failure, institutionalized industrial policy has, with few exceptions, been skewed toward new rather than struggling industries. And even ambitious attempts such as in Germany in the 1980s to establish the basis for a professional “structural policy” through “structural reporting” faded away without lasting institutional effects.

As a non-consolidated policy issue, collective responses to sectoral change have been dealt with in a wide range of individual cases and economic policy fields. Notwithstanding the fractured nature of the issue, however, policymakers and interest groups fought over the question of how far government can and should shape sectoral changes in the economy.

American policymakers shifting from a restorative to an accelerationist position in the 1980s reveals how social conflicts can redefine what constitutes legitimate state intervention in industrial change. The Treasury Department's 1984 tax reform proposal explicitly argued that existing tax privileges unfairly benefited capital-intensive manufacturers over emerging high-tech firms. Treasury Secretary James Baker summarized this "explorationist" take on tax justice before Congress in 1985:

Taxpayers across the country are dissatisfied with the current tax system because they believe it is unfair ... they suspect that it impedes growth because it discourages risk taking and innovation and encourages wasteful tax shelter investments instead of rewarding honest toil. (U.S. Congress 1985, 7)

By framing tax incentives as "distortions" rather than "supports," reform advocates transformed the political meaning of industrial policy. What had been necessary components to restore American industrial supremacy became illegitimate interferences with reallocation toward a new economy.

Business actors played complex and often conflicting roles in this political field. Capital-intensive manufacturers mobilized extensively against cuts in support. Armed with contributions from utilities, energy companies, telecommunications firms, and heavy manufacturing, lobbyists articulated narratives linking the fate of manufacturers to national economic health. Trade union representatives emphatically warned policymakers that the USA would degenerate into a "nation of hotels and hamburger stands."

Yet simultaneously, other business segments promoted visions of economic transformation that delegitimized restorative claims. The fragmentation of business interests created political space for redefining industrial policy. When high-tech firms allied with retailers and services against manufacturing tax preferences, they articulated alternative visions of economic dynamism. This was not merely interest group politics, but a struggle over the meaning of industrial change – whether it represented a crisis requiring restoration or transformation requiring acceleration.

Labor organizations faced difficult challenges in shaping how industrial decline was framed as a political problem. The major trade union congress, AFL-CIO, stressed in their 1981 Policy Resolutions an image of returning to industrial foundations: "The United States must remain a major maritime, agricultural and manufacturing nation." Workers threatened by shutdowns and layoffs had immediate material interests in preservation, arguing for the need to "modern-

ize basic and essential industries and public capital facilities, to revitalize lagging geographic areas, generate jobs, growth and price stability." Yet, defensive strategies proved increasingly untenable when opposed by coalitions promoting "modernization" and "innovation."

Expert communities exercised their own distinctive influence by providing frameworks for understanding industrial change. Some economists constituted new categories to capture structural dynamics that shaped political possibilities. "Small and new firms" were identified as generating 70–80 percent of real job growth, providing intellectual justification for shifting support from large manufacturers to entrepreneurial ventures. The Chamber of Commerce relied on such studies to legitimize resistance against Northeastern initiatives to rein in plant closings, claiming that policy should "focus on plant openings rather than plant closings, on job generation rather than job decline." Similarly, the Council of Economic Advisers argued in 1983 that classical manufacturing industries downsizing was an obvious sign that the USA had lost its comparative advantage for "simple goods" to other nations. They proclaimed that competitive American goods would be "research-intensive," "resource-intensive," and "invisible" (Council of Economic Advisers 1983, 58–59). These expert interventions transformed sectoral change from a problem requiring state intervention into a natural process best left to market forces.

The spatial dimension of sectoral change created additional complexities for collective action. Industrial distress concentrated in particular regions, creating acute political pressures. Federal policymakers rejected an explicit regional policy. When pressed about whether the 1986 reform would accelerate industrial decline in the Northeast, James Baker categorically rejected the need for such analysis: "I really question to some degree whether we ought to get into the business of trying to prove that this proposal does or does not do something to one particular section of the country" (U.S. Congress 1985, 84).

As has often been highlighted in the literature (Block 2008; Graham 1992; Martin 1991; Stein 2010), this American approach to sectoral change, focusing on reallocation, uncertain promises of high-tech prosperity, and the deflection of blame for concentrated losses, was highly peculiar. Manufacturing had to be recast from the backbone of the economy into an obstacle to progress. Particularly in European countries, industrial dislocation gave way to a wide range of compensatory policies (Katzenstein 1986), highlighting how industrial decline was constituted differently as a field of collective intervention.

Conclusion

The contours of a sociology of sectoral change sketched here aim at laying out pathways in which sociological thought can help us to understand ongoing conflicts related to past and future structural change. Attempts to bring about an American manufacturing renaissance since Obama, European debates over high-tech sovereignty, and developmental state models throughout today's Global South are shaped by the social dynamics laid out above (see Lei 2023 for the particularly striking example of China).

Like all economic categories, categories of structural change are not natural but social. The distinction between “sunrise” and “sunset” industries, between “dynamic” and “declining” sectors, between “productive” and “unproductive” activities are contested social constructions with profound political implications. Understanding how these categories are constructed, by whom, and with what effect is central to socioeconomic analysis. Sectoral change, furthermore, illustrates how “cold” technical models of economic analysis are bound up with larger modernizing narratives and imaginaries of development and progress. How societies understand the temporal character of structural change fundamentally shapes its politics. Lastly, the evolution of repertoires to respond to it illustrates how the nature of structural change as a policy problem is shaped by social conflict. Diametrically opposed policies – targeting losers or winners, pushing costs of adjustment onto trading partners or domestic factions, and seeking to accelerate or block capital reallocation – emerge from contentious negotiations over the nature of structural change.

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The transformation of industrial economies represents one of the defining challenges of contemporary capitalism as countries all across the world scramble to adjust to new environmental, technological, and geopolitical realities. Particularly in the EU and the US, the rediscovery of overt developmental policies does, in part, rely on the rediscovery of notions of sectoral change. Both polities have developed security-oriented policies for reshoring and friendshoring in recent years. What is more, both blocs have been reevaluating hegemonic notions of a “healthy” and “future-proof” sectoral structure as well as associated social models of social order.

This essay has argued that understanding these transformations requires attention to their social constitution – the complex processes through which societies identify, interpret, and respond to structural economic change. By examining how economic distress becomes constituted as sectoral change, how temporal frameworks shape political possibilities, and how various actors struggle to define collective responses, we gain insights into both the common pressures and diverse trajectories of industrial change.

Endnotes

- 1 “CEA Chairman Steve Miran Hudson Institute Event Remarks.” The White House. April 7, 2025. <https://www.whitehouse.gov/briefings-statements/2025/04/cea-chairman-steve-miran-hudson-institute-event-remarks/>
- 2 “Secretary of State Marco Rubio Remarks to Press,” U.S. Department of State, April 4, 2025. <https://www.state.gov/secretary-of-state-marco-rubio-remarks-to-press-2>

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Message from the editorial board

Economic Sociology. Perspectives and Conversations was founded more than twenty-five years ago. It follows a simple model: The editors change every year, and each editor is responsible for three issues. This gives new ideas and perspectives in the field of economic sociology a chance to be published.

As its second institutional pillar, *Economic Sociology* has an editorial board that operates in the background and remains largely stable. Occasionally, however, the composition of the board changes. This year, Johan Heilbron – one of the founding members of the original newsletter in 1999 – asked to step down. At the same time, a new colleague joined the board in Zsuzsanna Vargha from ESCP Business School in Paris.

We would like to express our heartfelt thanks to Johan for serving on the board of *Economic Sociology*

for more than a quarter of a century. And we warmly welcome Zsuzsanna. We are looking forward to working together in the years to come.

With this issue, we also welcome this year's new editor, Jeanne Lazarus from Sciences Po in Paris, and look forward to reading her three upcoming issues. The first focuses on tariffs – undoubtedly a very timely topic. In 2026, Jeanne will be followed by Céline Bessière, Sibylle Gollac, and Maude Pugliese, who will center their issues on private wealth in the economy.

With these editorial teams, many more engaging and thought-provoking issues of *Economic Sociology* await us in the years ahead.

*Patrik Aspers, Jens Beckert, Alya Guseva,
and Zsuzsanna Vargha*

Book reviews

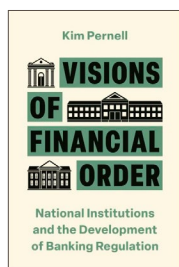
Kim Pernell · 2024

Visions of Financial Order: National Institutions and the Development of Banking

Princeton: Princeton University Press

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With so much ink spilled about the 2008 financial crisis, finding uncharted ground to write about seems increasingly unlikely. But Kim

Pernell's *Visions of Financial Order* demonstrates that much can be gained by zooming out both in terms of the investigation period and country cases under consideration. The book's point of departure is that despite regulatory harmonization efforts and the global nature of the 2008 financial crisis, national differences in banking regulation persist. For the United States, Canada, and Spain, the analysis tracks these differences back to the 1780s.

What explains nationally divergent trajectories in the presumably most globalized domain that is modern finance? Pernell advances a cultural-political argument that emphasizes the differences in *worldviews* among regulators and policymakers in terms of their "understandings about the roots of economic stability and prosperity" (p. 11). These historically grown worldviews are conceptualized as distinct *principles of order* that guide regulators' behavior in the at times underestimated domestic maneuvering room left by the global financial architecture. These principles include *competition* in the United States, *public rights* in Canada, and *state sovereignty* in Spain.

Principles of order are not understood to be derivatives of critical junctures in the past that remain frozen over time. Instead, Pernell contends that while crucial in helping us understand national regulatory preferences, principles of order are subject to (re)interpretation and, therefore, malleable over time. The book resolves the tension inherent in a world that is essentially path-dependent but also experiences substantial change with the help of multilayered conflicts between national political institutions and their underlying principles.

These theoretical propositions are traced alongside important junctures, beginning with the introduction of chartered banking in the 1780s. Whereas similar challenges and regulatory options emerged in the three country cases, existing principles of order shaped which solutions national regulators deemed most readily available and relevant. In the United States, skepticism vis-à-vis centralized political power and the concomitant preference for local self-rule resulted in small and widely scattered chartered banks. Canadian chartered banks, in contrast, tended to be bigger and more concen-

trated, due to the principle of *elite autonomy* granting freedom to the privileged few. In Spain, institutional legacies of a penchant for a system that caters to the needs of the state resulted in a single chartered bank (chapter 3). Subsequent changes in the banking regimes between 1860 and 1920 closely reflect these foundational principles (chapter 4) and were only deepened by the crises of the 1920s and 1930s, effecting vastly different regulatory regimes and types of banks (chapter 5) that further narrowed the policy options regulators considered throughout the 1960s and 1970s (chapter 6).

Up until this point, Pernell tells the familiar institutionalist story of path dependencies that reproduce themselves. Crises in the 1970s, however, sowed seeds of discontent with the extant regulatory frameworks, which empowered challengers to push incumbents towards change. The resulting regulatory changes, while substantial, reflect long-standing (in some cases latent) principles of order. In the United States, policymakers brought the principle of *competition* to the fore in order to push back against state intervention in response to the savings and loan crisis. Canadian policymakers responded to instances of bank failure by emphasizing the principle of *public rights* over the principle of *elite autonomy* to fortify the protection of vulnerable depositors. Spain reversed previous deregulatory efforts and returned to the principle of *state sovereignty* in centralizing regulatory powers at the Bank of Spain (chapter 7).

Even though the Basel Capital Accords meant a global standardization of regulatory frameworks that limited national regulatory authority beginning in the late 1980s, cross-country differences persisted in the run-up to the 2008 crisis. Here the book makes one of its main contributions. It high-

lights the flexible nature of many of the supposedly standardized regulatory provisions and the extent to which national regulators interpreted them in line with their worldviews. These interpretations were shaped by recent crisis experiences and preferred principles of order. American regulators professed strong preferences for market discipline because they saw the lack of it as the root cause of previous crises. In contrast, regulators in Spain and Canada pursued an interventionist approach because they perceived insufficient regulatory power to be responsible for past crises. This means that by the time the 2008 financial crisis began to unfold, regulators in the three countries at hand favored widely divergent regulatory approaches (chapter 8). Focusing on the asset securitization (chapter 9) and loan loss provisions (chapter 10), Pernell shows how the crisis played out differently across the country cases because of the distinct worldviews that dominated domestic regulatory approaches.

The theoretical framework guiding the book at times suffers from fuzziness. Concepts like worldviews, perceptions, ideas, and principles of order are seemingly used interchangeably. This could have been avoided by engaging with the rich ideational institutionalist literature, which the author quotes on occasion. Debates about policy ideas in the form of paradigms (Hall 1993) and the reactivation of dormant policy options through bricolage (Carstensen 2011) have long covered much of the theoretical ground that Pernell in part purports to break (see also Campbell 2004). Explaining change and continuity in a political context shaped by agency and institutions is the *raison d'être* of this literature, including comparative work on financial systems (Deeg 2005). Much of the change-inducing ten-

sion between political institutions and principles of order that constitute the core of Pernell's argument has been laid out, for example, in Robert Lieberman's (2002) article "Ideas, Institutions, and Political Order: Explaining Political Change."

This does not take away from the empirical achievement that is this book. Pernell skillfully strikes the balance between depth and breadth in country case studies that cover almost 150 years of regulatory history. The cultural-political perspective on domestic banking regulation in the globalized world of finance provides an important, complementary addition to our understanding of the 2008 financial crisis and regulatory dynamics more broadly.

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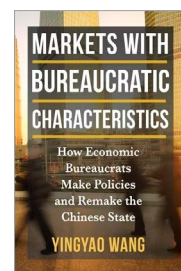
Yingyao Wang · 2024

Markets with Bureaucratic Characteristics: How Economic Bureaucrats Make Policies and Remake the Chinese State

New York: Columbia University Press

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Few questions have attracted as much scholarly and public attention as the puzzle of China's economic miracle. How did the country, in just a few

decades, transform from a largely agrarian society into the world's second-largest economy? Existing scholarship has often pointed to the gradual loosening of the planned system and the expansion of market space (Naughton 1995), or to the decentralization that granted local governments greater autonomy and enabled them to act in entrepreneurial ways (Oi 1992). Yet such accounts, whether emphasizing institutional "loosening" or local initiative, tend to remain at the organizational or structural level. They rarely ask a crucial question: Who within the government actually drove specific policy changes? This omission has obscured an important but less visible group – economic bureaucrats. These actors are often treated as faceless executors, while scholarship has preferred to focus on the top-down authority of the Party or the bottom-up activism of grassroots forces.

Wang's new book seeks to open this long-obscured "bureaucratic black box." Rather than treating the state as an abstract, unitary entity, she turns her attention to the specific mid-level economic bureaucrats who shaped China's reform trajectory. These officials, often bound together by similar career experiences, generational backgrounds, and social networks, formed alliances as well as rivalries. Under the pressures of promotion and departmental interests, they gradually articulated distinct policy preferences. Through processes of interdepartmental competition and cooperation, these preferences coalesced into relatively coherent – and sometimes conflicting – policy paradigms. Instead of being imposed from above or emerging spontaneously from below, China's reform pathways were shaped "from the middle" by bureaucrats maneuvering within institutional rules. In so doing, they profoundly transformed China's economic order and state–market relations.

The body of the book traces this process across three stages – *Genesis*, *Consolidation*, *Effervescence* – and links specific bureaucratic groups to the emergence of five economic paradigms: *decentralization*, *recentralization*, *enterprise restructuring*, *financialization*, and *industrial competitiveness*. Crucially, these paradigms did not replace one another in a linear fashion but rather emerged at different times and persisted simultaneously, overlapping and generating tensions. In the early years of the reform (1978–1989), *circulators* (bureaucrats in finance, commerce, and early financial sectors) joined forces with *local generalists*, promoting *decentralization* through the lens of "circulation–fiscal balance." This decentralization paradigm unleashed growth potential but also triggered inflation and instability. In the 1990s, under the pressure of the 1989 crisis, central

fiscal and macroeconomic *technocrats* rebuilt fiscal and monetary authority through the tax-sharing reform and the institutional strengthening of the central bank, thereby establishing the *recentralization* paradigm. At the same time, *enterprise managers* – who had gained experience in factory management under Mao and in local industrial restructuring in the 1990s – applied organizational methods of consolidation to broader economic restructuring. Beginning with state-owned enterprise mergers, they extended this logic to macroeconomic management, shaping the *enterprise restructuring* paradigm. Fiscal and financial *reformers* initiated early experiments with the *financialization* paradigm, introducing capital markets and debt instruments into the policy toolbox. In the 21st century, financialization deepened further. At the same time, *industrial technocrats* – particularly those in the Ministry of Industry and Information Technology – promoted an *industrial competitiveness* paradigm. This was exemplified by strategies such as *Made in China 2025*, which sought to promote upgrading in global value chains. As Wang emphasizes, the coexistence of and contradictions among these paradigms reflect the surprising incoherence of China's developmental strategies, which explains why the "China model" resists easy definition.

The book's theoretical contributions are threefold. First, Wang introduces the original concept of a "market with bureaucratic characteristics," adding to the literature on state–market relations by highlighting how markets can be deliberately constructed to serve state purposes. She identifies three ways in which bureaucrats actively shaped markets: As a tool for the center to integrate localities and break regional fragmentation; as a means to rebuild central authority and cultivate new constituencies of

policy support; and as a mechanism to overcome fragmentation within the bureaucratic system itself.

Second, Wang places bureaucratic agency at the center of state analysis. Rather than viewing bureaucrats as faceless executors, she highlights their role as active policy innovators. Through the analytical triad of *location–trajectories–network*, the book shows how bureaucratic "small societies" formed policy alliances across organizational boundaries and how career trajectories shaped policy preferences. This sociological perspective turns bureaucrats into entrepreneurial actors, providing new theoretical tools for understanding policy innovation and state capacity under authoritarianism.

Finally, the book systematically reconstructs China's multiple policy paradigms and situates them within broader theoretical debates in economic sociology. The identification of five paradigms challenges any linear narrative of reform. Instead, Wang develops an analytical framework of "paradigmatic coexistence," which better captures the inherent complexity and contradictions of China's economic governance. This perspective also resonates with classic debates in the field. Polanyi's (2001) notion of embeddedness stressed that markets are always constructed through social and political arrangements. Wang extends this insight by showing how markets in China were deliberately engineered to resolve bureaucratic dilemmas and reinforce state authority. By tracing the emergence and coexistence of competing paradigms, Wang's work echoes Blyth's (2002) theory of ideas and policy paradigms but adds a distinctive dimension: These struggles were not only intellectual but also shaped by bureaucratic careers and organizational rivalries. Finally, Wang's account of the financialization paradigm recalls

Krippner's (2012) analysis of how states deploy financial markets to manage fiscal and political pressures, though in China this financialization is embedded in an authoritarian bureaucracy.

Methodologically, the book is equally ambitious. By systematically analyzing bureaucratic career data, policy documents, and rare in-depth interviews, Wang manages to "open the black box" of China's policy-making processes. She demonstrates how specific career trajectories shaped policy preferences and how bureaucratic networks forged paradigms through interdepartmental competition. Given the opacity of elite politics in China, such access to biographical data and interviews with high-level officials is extraordinary. Through years of archival accumulation and fieldwork, Wang provides detailed empirical evidence that moves beyond abstract speculation, rendering visible the concrete networks and preferences of economic bureaucrats.

The book also leaves space for further reflection. While Wang focuses on bureaucrats, the making of markets in China also depended on entrepreneurs, social forces, and international capital. Existing studies have underscored the agency of entrepreneurs and societal actors (Nee 1989; Tsai 2002), as well as the transformative impact of globalization and foreign capital (Breslin 2016; Gallagher 2011). Incorporating these dimensions could provide a more complete picture. Moreover, while Wang emphasizes bureaucratic diversity and agency, bureaucratic behavior was also strongly shaped by institutional constraints such as cadre evaluation, Party appointments, and factional politics (Shih et al. 2012). Integrating individual variation with structural constraints could enrich our understanding of policy formation. Finally, although the book situates China within the

East Asian political economy tradition, its discussion of globalization and transnational institutional environments remains relatively underdeveloped, suggesting fertile ground for future research.

Overall, *Markets with Bureaucratic Characteristics* offers a compelling framework for analyzing China's economic policy-making. Its most significant theoretical contribution lies in uncovering the "middle-out" mechanism: Reforms were neither purely top-down designs nor spontaneous bottom-up improvisations, but rather the product of mid-level bureaucrats whose careers and ministerial interests drove policy innovation. Equally important, the book highlights the coexistence of multiple paradigms – decentralization, recentralization, enterprise restructuring overlapping with financialization and industrial competitiveness – that mark China's path as distinct from other East Asian experiences. With rich data, careful analysis, and theoretical ambition, Wang has produced a landmark work that will be indispensable for scholars of Chinese political economy, comparative development, and global economic sociology.

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Jamee K. Moudud · 2025

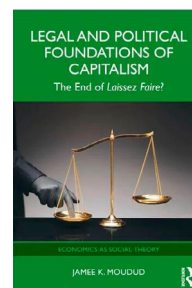
Legal and Political Foundations of Capitalism: The End of Laissez Faire?

New York: Routledge

Reviewer **Sarah Höne**

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With *Legal and Political Foundations of Capitalism: The End of Laissez Faire?*, as part of the series Economics as Social Theory, Jamee K. Moudud engages closely with the legal and political foundations of capitalism, centering the discussion around

the element of law and legal institutionalism. By focusing on the relationship between law and the economy, Moudud discusses and delineates the foundation for the intellectual project of Law and Political Economy (LPE) and thereby creating a new foundational framework for a *political* political economy (pp. 235, 252). In doing so, he is also acutely dismantling the predominant narrative of understanding the economy as a closed system that is able to create equilibria no matter the institutional, historical, or political context. Challenging this perspective by laying out its underlying contradictions and irrationalities is one of the main contributions of Moudud's book, confronting the reader with the unequal power relations inherent in the economic system, bound by law and frozen by politics.

In the introductory chapter, the aim of the intellectual journey to be undertaken is laid out and guided by the following questions:

First, what does economic regulation mean? Second, what is the relationship between [legal] institutions [...] and the economy? Third, how does one theoretically analyze the nature of property rights, money, corporations, and power? Fourth [...] how does rethinking the relationship between law and the economy challenge conventional ideas about the nature of economic regulation? (p. 9)

While aiming to create a new theoretical framework to understand the role of institutions, Moudud draws on several theoretical traditions: Firstly, Original Institutional Economics (OIE) understands the economy as being embedded in and shaped by (legal) institutions. This is in line with the tradition of American Legal Realism, which theorizes law and economy as being mutually constitutive and shaped by politics, power, and social historical context, making law

likewise not a fixed and neutral set of rules. Secondly, the New Institutional Economics (NIE) approach, on the other hand, views law as an external constraint to economic behavior and as reducing the role of institutions to create incentives in a framework of rational choice and utility maximization. This is echoed by the Law and Economics tradition in how it analyzes law based on economic efficiency. The LPE approach rejects the NIE and Law and Economics tradition and builds on the first in that it intensifies the focus on law as a decidedly social institution and its built-in structural tension within a political community by offsetting private against social cost.

One of the core theoretical assumptions, inherent in a neo-classical and liberal understanding of the economy, to be countered is Hayek's (1982a) argument that law is pre-political: Law, as private law, thus arises "bottom up" as a spontaneous order, while legislation, as public law, operates "top down" as regulation by government. Like other liberal thinkers, Hayek argues that a juridical order may exist without a political order, as these legal structures evolve naturally. Consequently, structured economic interaction does not require (state) intervention, which may even disrupt this balance (Hayek 1982b).

The second chapter discusses a theoretical foundation of property rights based on Hohfeld's (1913) definition of legal relations and pointing to the legal economic nexus (following Samuels 2007), which creates a contextually dependent and contested situation in shaping political communities. On this basis, Moudud concludes (very unsurprisingly for a sociologist) that the economy is embedded in and deeply intertwined with society. He elaborates further on Hale (1923), echoing that law is not the result of a natural process

but a social construct that mediates conflicts and economic power imbalances. Thus, a resulting distribution depends on an individual's relative power position. Consequently, legal structures in that sense emerge as an interdependent (double entry) relationship between more than one individuum.

Chapter three elaborates on firms' power within society and the contested terrain of burdening society with social cost as a result of private profit-seeking, focusing on law as the regulative backbone of economic activity. Moudud incorporates the insights from Kapp's social cost theory and argues that firms systematically externalize harms onto society, since profit maximization incentivizes shifting costs (Kapp 1978). Against the neoclassical and Hayekian belief in market efficiency, Kapp advanced substantive economics, which situates the economy within society and prioritizes human needs over profit and embedding economic decisions in substantive rationality, where institutional safeguards are essential to protect social rights and prevent long-term harm.

These protections of social rights are dealt with in detail in chapter four, which takes a deep dive into the constitutional political foundation of the economy. In comparing the US, German, and South African constitution, Moudud connects the dots between the obligation of democracy to enhance social rights under the restriction of a state's budget and the level of monetary sovereignty, where the former is highly dependent on the latter's elasticity.

Chapter five explores the hardwiring of the monetary system, following Desan's (2014) analysis that money is a politically constructed legal institution, shaped by sovereign authority and state-backed enforcement. Together, their analyses reveal money's dual nature: It is both a shared so-

cietal resource and a mechanism of control that entrenches systemic inequalities. These insights situate money as more than an economic tool – it is a legal and political project, shaping markets, social relations, and global power structures.

Chapter six incorporates the previous theoretical assumptions and links them to a process of de-democratization in constituting an authoritarian liberalism following Heller's (2015 [1933]) and Polanyi's (2018 [1935]) insights on fascism and contrasting it with an Austro-Chicago liberalism in a Hayekian tradition. This results in a convincing explanation of how authoritarianism is enmeshed with a liberal understanding of the economy, whereby supposed liberty is traded off against social welfare, a dynamic that highlights the "Orwellian nature of their notions of liberty" (p. 225).

In the concluding section, the book proposes its theoretical framework as a theory of institutional change in recognizing "that property rights are socially embedded and that the profit motive is a powerful vehicle to simultaneously create wealth and social costs, leading to conflicts of interests" (p. 260). Hence, law is the battleground of politics when it comes to both constructing and reconstructing the political community. Along these lines, the questions raised in the introduction can be answered briefly as follows: (1) Economic regulation is the legal and legislative foundation of economic interaction, which are the situational determining factors of economic activities in interaction with a political community, as a contested domain. (2) The relationship between legal institutions and the economy is a deeply intertwined one, which relies on policy decisions and the challenging and reinterpretation of specific laws and constitutions. (3) The nature

of property rights is first a bundle of rights and second a coercive power within a political community. Money is created based on legal hardwiring and likewise a far from neutral instrument in exerting coercive power. Corporations are entities that challenge the constitutional and legislative norms in trying to reduce their private costs by burdening the political community with them as social costs. (Unequal) Power relations are the result of the legal design of the economic system, path-dependent, and historically grown, based on policy decisions in creating the legal foundation for (economic) interaction. (4) In rethinking the relationship between law and the economy, economic regulation becomes an inherent phenomenon of capitalism. Capitalism in that understanding is neither a neutral nor a spontaneous system, and the same applies to law. The economic system is structured, sustained, and changed through its legal institutions. Law therefore is not neutral; it is constitutive.

By synthesizing different authors and traditions, Moudud provides a detailed overview of more than a century of debate on law, politics, and economics, including a congruent overview of the theoretical fallacies (still) assumed by neoclassical economists. In consequence, his analytical framework likewise contradicts the analysis of law as a reflection of the economic bases and thus epiphenomenal. This categorization becomes blurry if one follows him in understanding the production process as being very much determined by its legal foundations in terms of the constitution of property rights (pp. 45f., 238f.). Because property rights condition economic interaction, law cannot be merely epiphenomenal to the economic base: It exists to constitute the base.

As Moudud himself states in the introduction, he positions his

work at the intersection of politics, law, and markets, explicitly rejecting Hayek's view by defining society as a political community – a stance that departs from many (neoclassical) economists. Yet his use of the term society remains oddly vague. While the book emphasizes the enmeshment of political, economic, public, and private spheres, the concept of society – though crucial to the argument – is not clearly defined beyond its identification with a political community bound by a political system. This is a bit puzzling, given the otherwise rigorous conceptual analysis.

Only briefly does Moudud address language (p. 250), and implicitly communication, framing language as institutionally embedded and thus contribute to the processes of change. The reader is inclined to connect the previously outlined theoretical foundation of capitalism with the concept of communicative reproduction of social (functional) systems. Understanding language as constitutive of social reality – and therefore of social inequities, inasmuch as it functions both as an element of and as the legislative foundation in Moudud's sense – would have added another layer to his theoretical framework.

Overall, Moudud's work critiques the Law and Economics paradigm underlying the Washington Consensus, as well as policies of the World Bank and IMF today, which treats law as pre-political and the economy as a closed self-contained system. In contrast, Moudud's book offers a clear alternative, which contextualizes and understands the significance of the design of the legal systems that implicitly or explicitly protect capital and maintain the capital order. His framework also helps to explain the global rise of extremist movements and authoritarian tendencies in times of alleged poly-crisis.

Finally, the book leaves the reader with a sense of unfinished business by offering only a vague idea of how the prevailing order of society can possibly be transformed. Yet this may not be its primary aim, and perhaps a task reserved for a future volume. Take, for example, the Berlin housing initiative invoking the Basic Law to expropriate large-scale corporations (Kusiak 2024): Despite strong public support and a successful referendum, the actual implementation is stalled. This begs the question, even if we accept Moudud's understanding of the legal and political foundations of capitalism, of how such knowledge can be translated into real, concrete change.

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