Introduction

What does the global triumph of capitalism mean? How has it changed capitalism and the world? What implications do the changes bring to our life? The world was shocked when on June 23, 2016, more than 30 million voters decided in a referendum that the UK should leave the European Union.1 Was such a choice a response to globalization, and, if yes, why such a response and why in the UK? No less shocking was the controversial rise of Donald Trump from the right as well as the unanticipated popularity of Bernie Sanders as a self-proclaimed socialist in the 2016 US presidential election;2 in France, Marine Le Pen’s National Front, an ultra-Right-wing party, gained a remarkable number of votes in the 2015 regional elections.3 Why does a political trend

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of de-globalization such as that advocated by these Rightist politicians surface in leading industrial democracies from whence global capitalism started its global conquering years before? What is troubling the political world in which democracy has well established itself for centuries?

It is not difficult to see close linkages between the above developments and what has happened in another end of the world, where, as the Global South becomes increasingly and profoundly involved in the global economy, ethnic nationalism, cultural localism, religious fundamentalism, violent terrorism, and political authoritarianism have gained leverage to challenge fundamental principles, political practices, and even the bottom-line preservation of democracy. Economic prosperity, technological progress, and global connections in various aspects of human life, ironically enough, are marching hand in hand with a mounting of strife, hatred, and conflicts across civilizations, nations, groups, and within society. What exactly are the linkages between the resistance in the Global South to globalization and the de-globalization impulse in the Global North? How are these various conflicts relevant to the global triumph of capitalism? Why is such a triumph impotent to deal with those vital challenges?

Moreover, the globe that human beings take as their home is in also crisis, as its basic ecological system has been plagued and shaken with the acceleration of deterioration. The global triumph of capitalism has stimulated the rapid increase of human capacities to acquire wealth from nature, but, paradoxically, it has caused huge ecological predicaments such as climate change and environmental degradation that are seemingly beyond the management and abilities of our governance systems at either the state or the global level and in the form of either democracy or non-democracy. Why does globalization worsen such disasters at such a pressing pace? How can we diagnose and improve the governance systems in this global era to meet such challenges? Would a concentration of public power be more effective than democracy in rescuing the world from these crises?

All of these are big questions that require a systematic exploration of the big picture of globalization. This book is exactly such an attempt and aims to provide a coherent, macro theory of global capitalism with possible explanatory power to help systematically comprehend the institutional nature of the global triumph of capitalism and the various aftermaths brought by this triumph to human economic, social, and
political life. In doing so, it joins the ongoing discussion of globalization by suggesting a new political economy of global capitalism, a political economy with three key features.  

First, as a systematic treaty of globalization from an institutionalist perspective, this monograph defines globalization as the worldwide institutional triumph of capitalism whose origins lie in the ideological conciliation and institutional collaboration between the state and the market, and seeks to sketch a grand picture of globalization by depicting the major institutional features that frame global capitalism in a wider setting. It highlights an observation that globalization is unfolded with two contradictory but overlapping trajectories of grand institutional change: On one hand, the shaping of the state-market nexus as the institutional backbone of globalization leads to the rise of the economic state, which commits the world to intensive economic competition for materialistic development; on the other hand, two great splits have emerged, one between capitalism that has gone global and democracy that remains confined within boundaries of the sovereign state, and another between all national economies that have now combined the market with state command and the global market that operates with the absence of effective authorities of global governance, both leading to a breakdown of the historical and institutional match between pre-global capitalism and political democracy. Global capitalism, therefore, lives in an institutional circumstance that is fundamentally different from those in which it arose in its early stages and under which it competed with communism during the Cold War; it is exposed to two political matches, either democracy or authoritarianism, but a variety of factors incline to empower political authoritarianism to the degree that capitalism depends on “effective authoritarianism” while nation-state democracy is impotent to govern global capitalism. This is a grand transformation of human institutions, which leaves the fate of human societies greatly vulnerable and uncertain.

4 There is a huge body of literature on globalization; thus here it is impossible to list even only the major publications in this regard. For some useful overviews of the debates around globalization, see, for instance, David Held and Anthony McGrew, Globalization/Anti-Globalization: Beyond the Great Divide, Cambridge: Polity, 2007, 2nd ed.; Andrew Jones, Globalization: Key Thinkers, Cambridge: Polity, 2010; Barrie Axford, Theories of Globalization, Cambridge: Polity, 2013.
Second, it further provides a comprehensive investigation of how globalization has transformed the intrinsic dynamics of capitalism as embodied and operated in its three fundamental elements, namely, capital, labor, and consumption, and their complicated mutual interactions. The global triumph of capitalism also signifies capitalism’s encounter with its global limit; joined by the information revolution and institutional factors, this has altered the movements of capital, labor, and consumption, often resulting, on one hand, in the concentration of capital and the disproportional accumulation of wealth, the high organization of production, commerce, and finance in terms of their networking and coordination, and the powerful commercial promotion of products and its shaping of social mentality, and, on the other hand, the increasing but still limited fluidity of labor and the deformation of labor’s strength, a plummeting and even a pauperization of the middle classes, and the dispersion of consumers’ power to the degree that a new anarchy of consumption is created. In summation, this book explores how its global reach has refashioned capitalism further in the direction of capital’s concentration along with labor’s dispersion and consumer’s atomization that structurally and institutionally strengthens the domination of capital over others.

Third, by experimenting with a methodology termed “inter-institutionalism” that emphasizes the interplays of different sets of institutions to motivate and constrain human behavior, it highlights interconnections and interactions between the two layers of exterior and interior institutions listed above with which global capitalism operates, and analyzes how all of these rudimentary changes wrought with the global triumph of capitalism point to making democracy socioeconomically undermined, institutionally dysfunctional, and politically impotent, thus, reciprocally lending global capitalism a “nude” status, in other words, existing without a political “shell” to overcome various crises of public affairs.

The major, perhaps the most important, consequences of these transformations, it argues, are rising inequalities in particular and,

5 Though many general treatments of globalization do not include labor or consumption, let alone parallel them with capital, there should be no dispute over the fundamental significance of these three elements to capitalism. For a brief discussion, see James Fulcher, Capitalism: A Very Short Introduction, Oxford University Press, 2004, pp. 14–16.
accordingly, the victimization of democracy in general, as globalization has been unfolded at the cost of rights, power, and the influence of average citizens in political economy.⁶ This is not a rationalization of a theme of globalization against democracy; by contrast, the central argument of the book traces the major contemporary troubles that perplex and challenge human societies to an institutional root that is deeply embedded in the negative effect of capitalist globalization over democracy. It is not, however, simply a moral denouncement of capitalism; rather, it emphasizes the necessity for and urgency of institutional innovations in the political realm to revitalize democracy, re-connect democracy with capitalism, and rewire the political-economic logic between democracy and the market in order to remedy the inability and often the absence of participatory public power in steering global capitalism.

The Age of Global Capitalism, the Age of Great Transformation: The Global Triumph of Capitalism as Both Expansion and Limit

Capitalism has gained its global triumph since the late twentieth century in many senses, but observers and analysts have often either neglected or misread its most significant dimension, namely, the institutional triumph of capitalism. This triumph, in this book’s interpretation, means that as nearly all states have embraced the market as their fundamental economic institution, the market, as the rudimentary institution around which capitalism is originated, organized, and operated, has overcome its institutional obstacles and competitors to become virtually the only choice worldwide for not only organizing human material life but also influencing every aspect of human activity.⁷ As the world is, in reality,


⁷ David Harvey, a major contemporary critic of capitalism, sees such a development as “almost all states” embracing neoliberalism. David Harvey, *A Brief History of Neoliberalism*, Oxford University Press, 2005, p. 3. The current book, however, defines it as the embracement of the market in
divided into territories belonging to different state sovereignties, this
global triumph of capitalism is firstly, therefore, a geographic and terri-
torial expansion crossing state borders to reach every corner of this
globe, leading to unprecedented developments in commerce, technology,
transportation, and communication and their profound aftershocks in
shaping a so-called global village. The more important global triumph
of capitalism, however, is institutional in a double sense: the market
triumphs over any contending institutions, especially the state-planning
economy, to become the globally adopted fundamental institution
through which human beings now organize their economic activities; it
also substantially expands into other spheres of human activity, where
other human institutions once dominated but where these institutions
have now become collaborators in various ways with the market, driving
and defining human life in tandem.

With these two fundamental expansions, namely, the capitalist cov-
 rage of the globe both geographically and institutionally, the latest
wave of globalization in the post–Cold War era has differentiated itself
from earlier waves of globalization and, accordingly, made global
capitalism distinctive from pre-global capitalism. Global capitalism,
gen eral, while viewing neoliberalism as just one form of the various expressions
of the state-market nexus – a point that will become clear in later discussions.
Numerous publications have examined these aspects of globalization and their
aftershocks. For a concise introduction, see Manfred B. Steger, *Globalization:
There is, of course, a historical process of globalization, but the institutional
definition of globalization contributed here distinguishes the current incarnation
of globalization from earlier waves of globalization. This institutional
perspective of globalization, accordingly, is different from historical perspectives
on globalization. For globalization in history and globalization in various
historical perspectives, see, for instance, A. G. Hopkins ed., *Globalization in
World History*, New York: W. W. Norton, 2002; Geoffrey C. Gunn, *First
Globalization: The Eurasian Exchange, 1500–1800*, Lanham, MD: Rowman &
Littlefield, 2003; Robbie Robertson, *The Three Waves of Globalization:
Jürgen Osterhammel and Niels P. Petersson, *Globalization: A Short History,*
translated by Dona Geyer, Princeton University Press, 2005; Peter N. Stearns,
*Globalization in World History*, London: Routledge, 2010; Stephen Broadberry
and Kevin O’Rourke eds., *The Cambridge Economic History of Modern Europe,
Vol. II: 1870 to the Present*, Cambridge University Press, 2010; John M. Hobson,
“Orientalization in Globalization: A Sociology of the Promiscuous Architecture
of Globalization, c. 300–2010,” in Jan Nederveen Pieterse and Jongtae Kim eds.,
*Globalization and Development in East Asia*, New York: Routledge, 2012,
pp. 12–35.
The Age of Global Capitalism and Transformation

therefore, is not simply a convenient term in use; it has specific but profound meanings for redefining capitalism.\(^\text{10}\) Among these meanings, this book emphasizes three, all being institutional but referring to different domains in which capitalism runs as a set of institutions, as will be briefly presented immediately below.

First of all, this book would like to emphasize the limit that capitalism has encountered with its global triumph. This is in contrast to the prevailing celebration of the institutional unbinding of the market with globalization. The limit is primarily geographic and spatial,\(^\text{11}\) which is easy to understand as capitalism is now global in the sense of extending its coverage everywhere, so much so that few regions are untouched by the complex networks of the capitalist market and flows of capital, goods, services, information, and people along with global market channels,\(^\text{12}\) implying a fundamental limit to the continuous discovery of possible new frontiers for expansion. This limit is simultaneously institutional, because, having nearly reached the end of its extensive expansion, capitalism that is by nature expansive encounters a basic dilemma of being expansive but having nowhere to expand to.\(^\text{13}\)

Logically, introverse restructuring follows, and, accordingly, institutional reconfiguration takes place. This is a great transformation of capitalism; from pre-global to global, capitalism has been under fundamental changes in both its external and internal logics. The second and third institutional meanings of globalization that help to redefine capitalism in its global incarnation, therefore, refer to, on the one hand, the

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\(^{10}\) The emphasis on “global capitalism” as a conceptual entity does not mean any justification of the ignorance of the internal diversity and richness of capitalism in its global age. Instead, this author pays close attention to varieties of capitalism (VofC), a well-developed theme in comparative political research. In a similar vein, there are many different types of the state, of which this book is fully aware, but that never prevents social scientists from employing the state (at least since Max Weber) as a useful concept of analysis. To this author, this is a question of a level of analysis.

\(^{11}\) Outer space? At this stage it is not practical, and in the foreseeable future it will not become significant enough to change the nature of the market in terms of its current global boundaries.


restructuring of the connections between capitalism and other human institutions, primarily the state, and, on the other hand, the reshaping of the movements of and interactions among the immanent elements of capitalism, namely, capital, labor, and consumption. To investigate how capitalism is reconfigured along these two fundamental external and internal logics will be the central content of this book; the later sections of this introduction will accordingly summarize why the global triumph of capitalism inevitably brings about such reconfigurations and will outline the updated institutional portrait of global capitalism.

It is necessary to take the “global limit” thesis further, however, before we turn to the impact of the global limit on the external and internal logics of capitalism, from two angles in particular: political and historical. From the political-institutional angle, the global limit thesis emphasizes that the global triumph of capitalism has reshaped the relationship between the two intrinsic organizations of capitalism, namely, the market that supposedly carries free competition and the firm that institutes resource concentration and management efficiency to win competition. The global limit of capitalism obviously implies that the outward expansion of the market is virtually over; the firm has, accordingly, been restructuring in the direction of gaining a bigger share within the last frontiers of the global market. This book maintains, therefore, that global capitalism is greatly effective in promoting material wealth through the concentrative movements of various resources on a global scale, but, as such movements lead to monopoly and oligopoly, the spirit of free competition is institutionally undermined and restricted.

For a long time, there has been an intellectual tradition in studies of capitalism to depict its self-contradiction. For Max Weber, capitalism is torn between two competing ethical ideals: one is Puritan asceticism and self-denial, the other is a eudaimonism that seeks worldly happiness through wealth accumulation and property. In a similar way, American sociologist Daniel Bell has found “the cultural contradictions of capitalism” between the Puritan ethic of accumulation, which emphasizes work, discipline, and deferred gratification, and a hedonistic ethic of consumption for enjoyment, pleasure, and the limitless pursuit of

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A contemporary political philosopher, Steven B. Smith, affirms that “this tension still remains at the core of our capitalist system as we try to find a way to manage our contradictory impulses toward our urge to save and our urge to spend, our Calvinism and our hedonism.”

Here I would take this argument further to the institutional domain, where the market and the firm, as the two organizational bodies of the capitalist system, stand to explain why and how capitalism is torn in its fundamental institutions. I would maintain emphatically that there is an institutional resonance between the market mechanism and democracy as a political institution, on one hand, and between the organizational principle of the firm and authoritarian political institutions, on the other hand.

The global limit of capitalism has inevitably reshaped the dynamism of this intrinsic contradiction of capitalism and its institutional connections with democracy and authoritarianism; the trend of new movements in capitalism, this book would argue, increasingly possesses more political proximity with authoritarianism than with democracy.

From a historical-institutional perspective, the relationship between capitalism and democracy has been curiously complicated, but capitalism during the Cold War era was nevertheless mutually associated with and supported by political democracy. The end of the Cold War, which is viewed in this book as the watershed between the pre-global

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16 Smith, *Political Philosophy*, p. 176.
and global eras of capitalism, has transformed such an association, thus, as the next section will highlight, capitalism in its global expansion grows out of its “political shell” of democracy while it encounters the limit set by authoritarian states. Simply in this sense, global capitalism is not a geographic extension of pre-global capitalism because it inhabits a different institutional circumstance; a great transformation has been unfolding with globalization due to the fundamental changes in the relationships among capitalism, the state, and democracy, which, each long being a grand design and device for the order of human societies, have jointly framed the fundamental institutional structure of human life over the course of modern history since the Industrial Revolution and the French and American Revolutions.\footnote{For this order and its features, see Eric J. Hobsbawm, \textit{The Age of Capital, 1848–1875}, New York: Vintage Books, 1996 [1975], p. 1.}

Global capitalism, therefore, is an institutional concept, as capitalism in the wake of its global triumph is a distinctly new institutional version of pre-global capitalism, rather than simply being the globally enlarged geographic version. It is different from the Marxist notions of the “highest stage” of capitalism or “late capitalism”;\footnote{For example, V. I. Lenin (1939), \textit{Imperialism: The Highest Stage of Capitalism}, New York: International Publishers, 1990; Ernest Mandel, \textit{Late Capitalism}, London: Verso, 1999, 2nd ed.} it denies the linear approach that is inclined to extend the logics of pre-global capitalism into an understanding of global capitalism. The world has been fundamentally changed by the rise of global capitalism, and human thinking needs time, intelligence, and input to acknowledge and understand not only the details but also the big picture of its brave new world. This book is a humble attempt to do so through its efforts to synthesize, systemize, and theorize the political economy of globalization.

**Global Capitalism without a Political Shell: Why Is Globalization against Democracy?**

In depicting the institutional framework of global capitalism, this book identifies four features: the prevailing of the state-market nexus, the rise of the economic state, the emergence of the great disjuncture between global capitalism and state democracy, and the split between national mixed-economies and the ill-governed global market. As they will be