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Mahutga, Matthew C

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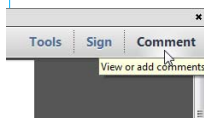
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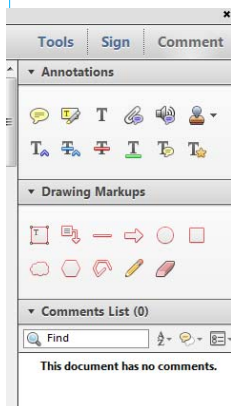
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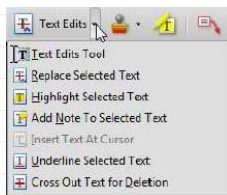
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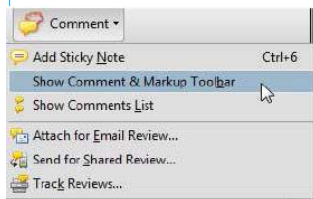
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Book Review

“What Capitalism Needs: Forgotten Lessons of Great Economists”

by John L. Campbell and John A. Hall. Cambridge University Press, 2021. <https://www.cambridge.org/us/academic/subjects/sociology/political-sociology/what-capitalism-needs-forgotten-lessons-great-economists?format=HB>, 256 pages.

Reviewer:

In *What Capitalism Needs*, Johns Campbell and Hall argue that to heal capitalism’s current woes, we need more “social cohesion” and “state capacity.” The authors develop these ideas by deriving a sociology of capitalism from five classic economists—Adam Smith, Fredrich List, John Maynard Keynes, Joseph Schumpeter, Karl Polanyi and Albert Hirschman. Both variables operate at multiple levels. Domestically, social cohesion involves the provision of voice to the governed, a shared sense that the social mobility game is fair, egalitarianism, and civility. Internationally, it involves entrenched hegemonic leadership, multilateralism, and geo-political peace. State capacity really refers to the policy domain: domestic states with capacity rely on experts, engage in flexible policy making, and have adequate policy tools. Internationally, state capacity involves (again) hegemonic stability, dense networks of transnational organizations and multilateral policy making. To sustain their argument that both variables are well past their peak globally, Professors Campbell and Hall engage in an historical discussion of the immediate post-war period through the Covid-19 crisis.

Chapters 2 and 3 review known but underappreciated economic history. At the end of WWII, a US-centered economic order institutionalized economic cooperation in the West via the Bretton-Woods exchange-rate system, the General Agreement on Tariffs and Trade (GATT), the World Bank and the International Monetary Fund. And broadly but with variation, Keynesianism. On the heels of these institutional foundations, the developed core of the world-economy experienced a period of high economic growth, relatively harmonious relationships between labor and capital and declining income inequality (chapter 2). This was the golden age of both social cohesion and state capacity: “an international economic order combining free trade and capital mobility . . . with domestic Keynesian-style stabilization policy . . . [that was] rooted in high levels of social cohesion and state capacities at the domestic and international levels” (63). This golden age began to break down by the late 1970s, when stagflation precipitated the abandonment of the gold standard and what is now widely

referred to as “neo-liberalism.” Financial crises in Latin America and Asia in the 1980s and 1990s, the subsequent imposition of the Washington Consensus, and the global financial crisis of 2008 (Chapter 3) followed. Chapters 4 and 5 try to illustrate how this historical arc led to bad outcomes through eroding social cohesion and state capacity by discussing rising inequality, right-wing populism, and responses to Covid-19.

Although few would disagree with the argument that social cohesion and state capacity are *good* for capitalism or any other form of social organization, there are problems of conceptualization and operationalization, as well as with the degree to which these two variables are (even proximate) causes or rather effects of dramatic structural changes to the world economy touched upon only briefly in the text. With respect to conceptualization and operationalization, both social cohesion and state capacity take on a rather expansive set of meanings and indicators. Examples of social cohesion (or rather the lack thereof) include Denmark’s refusal to adopt the Euro, the Occupy Wall Street movement, the German immigration shock of 2015, waning US hegemony (or the hegemon behaving badly), conflict within the NATO block, Brexit, and so on. Similarly, social cohesion can be achieved equally well by corporatist labor relations (Japan), or by “repressing opposition to the ruling party, cracking down on student political activities, emasculating the unions, preventing strikes, and handing out harsh penalties for minor infractions of the law” (Singapore) (61). Some examples of state capacity are rather intuitive, such as the discussion of the South Korean developmental state *a la* Peter Evans or the comparison between the policy responses of Ireland and Denmark to the 2008 financial crisis. But more often neo-liberalism is taken as *prima fascia* evidence for the erosion of state capacity. Deregulation is taken as an inability to act rather than a choice not to. Ironically, perhaps the most obvious example they give of reduced state capacity comes in their discussion of the Trump administration in Chapter 5, but Trump was hardly neo-liberal. Moreover, this conflation of a particular policy response with state capacity obscures the fact that, for example, free trade has been achieved only by a massive influx of policy capacity at the international level via the World Trade Organization, itself the consummation of the “golden age” of state capacity outlined in earlier chapters.

With respect to the degree to which social cohesion and state capacity are truly causes of contemporary crises or rather manifestations of these crises linked to common exogenous causes, Professors Campbell and Hall avoid strong claims. They very much want to suggest that with the right levels of cohesion and capacity, governments can turn lemons into lemonade. But they also admit that “the dynamics of capitalism can affect both” social cohesion and state capacity (29). For causally oriented social scientists, this tension is a bit uncomfortable. The social sciences have accumulated ample evidence to show that the structural changes emerging out of the twilight of the golden age and touched upon briefly in the book (globalization, technological change) cause both rising inequality and political polarization/right-wing populism. Arguably, both globalization and technological reduced social cohesion and state capacity by eroding their social basis: the high levels of political power enjoyed by labor movements and

parties achieved during the golden age. If the important story here is about how economic structure impacts political power, then social cohesion and state capacity are more likely dependent or, perhaps, moderating variables. It might have been useful to discuss how we can remanufacture social cohesion and state capacity in the absence (or service) of structural change.

But these small criticisms are well-intentioned. Graduate and undergraduate students will benefit from reading this book. It forces the (particularly younger) reader to think deeply about where we came from and how we got here. It provides a wealth of case study information about countries in Europe, North America, Asia, and Latin America. It invites a deeper and much needed dialogue between Sociology and Economics, even though it does lampoon “mainstream economics” unnecessarily in the opening pages; something that has become a bit of a trope in economic sociology. And it does so by punctuating the key historical arcs to the story, a common characteristic of these scholars’ excellent research.

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