I.

Gerald D. Feldman, whom we remember and honor with this lecture, did pathbreaking research on German businessmen, their motives, strategies, and achievements. Take his outstanding biography of Hugo Stinnes, for example. He analyzed the changing structures and strategies of firms, particularly of large-scale managerial corporations. Take his impressive monograph on the Allianz and the German insurance business during the Nazi period as a case in point. Gerald Feldman analyzed the communication, competition, and cooperation between market actors, he dealt with prices and markets, their expansion and their organization. He wrote about capital accumulation, innovation, and market success as well as about market failures, market crises, and government interventions which tried to regulate and even to replace the market, for instance in World War I. Consider his seminal *Army, Industry and Labor*. Gerald Feldman knew a lot about social, cultural, legal, and political conditions of markets and firms. He also dealt with noneconomic consequences of economic processes, that is, with class relations or with the political impact of economic disturbances. Consider his comprehensive analysis of the German inflation and its devastating impact on German society between 1914 and 1923.1

The relations between business and the state, but also between economic calculation and morality, were central to his work as a historian and his concerns as a person. In his penetrating study on German and Austrian banks and insurance companies during the Third Reich, he analyzed the differences and tensions between businessmen and Nazi rulers, as well as the convergence and cooperation between them. He made clear that there were many different characters, motives, and preferences involved. The degree of cooperation between businessmen and political rulers varied. Individual cases differed and latitudes existed, though within politically defined constraints. But Feldman also made very clear, in his concrete, detailed, sober, and sometimes sarcastic way, that business and Nazi rule were

basically compatible and structurally complicit. In his last lecture, at the University of Glasgow in January 2007, he quoted the German banker Hermann Josef Abs, who wrote in 1942: “... we will always do that which is politically determined and economically wise.” Feldman showed in detail how even the most immoral purposes could be pursued and enacted in a cool, correct, “rational” business way. He concluded his lecture with the words: “For the banks and bankers what was front and center was not the forced or slave labor that one could see, let alone the mass murder that one could smell, but rather the opportunities offered by Auschwitz and its expansion. In the end, one could write off the failure of such investments, the Third Reich itself, and the unpleasant and unspoken memories of complicity.”

Entrepreneurs, managers, capitalists, their motives, actions and achievements, markets, prices and competition, firms, their structures and strategies, noneconomic conditions and consequences of business behavior and economic processes, the intricate relationship between business and state as well as between economic rationality and morality—Gerald Feldman dealt with all of these things—that is, he dealt with central dimensions of capitalism in twentieth-century history. But, as far as I know, he did not use the word “capitalism,” or at least not in any more than a marginal or casual way.

II.

With this conceptual decision he was in very good company. During the last decades—in the West—the large majority of (non-Marxist) economic and social historians and the overwhelming majority of (non-Marxist) economists have either not used the concept at all or only in passing. To the extent that reasons were given for this decision against the concept, we mainly find two arguments. On the one hand, scholars regarded the term “capitalism” as too broad and vague, in contrast to “industrialization,” for instance. On the other hand, people rejected it as too ideological, partisan, and not sufficiently scientific. “Let’s face it, capitalism does have a negative connotation,” said a member of the Texas Board of Education recently. “You know: capitalist pig!” When revising the social studies curriculum, the board replaced the word “capitalism” with “free-enterprise system” throughout. The concept was not always rejected in this way, nor is it ubiquitously avoided today. On the contrary, the concept of “capitalism” has a remarkable history and is experiencing something like a comeback.


The term “capital” is very old; the term “capitalist” has existed at least since the late seventeenth century. But, at least in French, German, and English, “capitalism” is, semantically, a product of the nineteenth century. It emerged largely as a critical, sometimes polemical concept used in critical treatments of the market economy and bourgeois society, particularly by more or less socialist authors, in the second third of the nineteenth century. Karl Marx did not use the noun “capitalism” more than in passing, but he wrote much about the “capitalist era” and the “capitalist mode of production.” His analysis, his critique, and his predictions have influenced the use of the concept ever since the 1870s. When the German economist Richard Passow surveyed the literature in 1918, he observed, allegedly, 111 slightly different meanings of “capitalism,” and he interpreted this broad spectrum of definitions as an indication of the vagueness of the concept, which he did not like.

There were indeed differences of definition. While Marx had stressed the surplus value of contractual labor, relentless capital accumulation, and the dynamic class antagonism between workers and the bourgeoisie as major criteria of “capitalism,” Max Weber together with Werner Sombart emphasized the “rational” organization of business and work in the enterprise (separate from household and politics) as major features of modern capitalism. Joseph A. Schumpeter defined capitalism as “that form of private property economy in which innovations are carried out by means of borrowed money, which in general ... implies credit creation.” There were many other positions and nuances.4

But if one looks closely at these definitions, one will see that they were not that far apart from one another. At least structurally, they had much in common: Usually, authors used the concept to identify basic experiences of their time, perceived as modern, new, and different from more traditional socioeconomic relations, which had been less prone to growth and fast change and which had been based on non-market principles, that is, on feudal, corporate, or household principles. Using this present-related categorization, historians like Henri Pirenne and social scientists like Lujo von Brentano and Richard Tawney applied the concept to older historical periods, in which they found beginnings, less mature variations, and preceding stages (Vorstufen) of modern capitalism. Or, the concept “capitalism” was used to contrast the existing system with the idea of, and then, the beginnings of socialism. In other words, “capitalism” was a concept

of difference. It gained its vigor from contrasting the present with the past and an imagined future. In the late nineteenth and early twentieth century, the concept was not only used as a political catchword or as a key concept of social criticism, but also as an analytical concept, within socialist and radical parlance as well as in the texts of authors who were anything but anticapitalist intellectuals or activists.5

But the critical, polemical, pejorative connotations of “capitalism” did not disappear, especially in German. They became even more pronounced under National Socialism, whose ideologues liked to present themselves as anti- or postcapitalist. The Cold War was a war about concepts, too. In the sphere of Soviet dominance, “capitalism” became not only a central concept of social analysis, but also a semantic instrument for attacking the West and legitimizing the communist order. In Western countries, as well, intellectuals on the Left and Leftist movements could build on a long tradition of anticapitalism. Sometimes, “capitalism” became the explanation for everything bad in the world; the concept was extended, inflated, and overcharged. Its analytical power sometimes disappeared behind its polemical use in political-ideological battles. Those who did not share this type of anticapitalist, antibourgeois, sometimes anti-Western attitude often reacted either by avoiding the word or by treating it with suspicion or outright hostility.6 There was also another reason for the decline of “capitalism” as an analytical tool. The more economics became a specialized, analytical science with strictly defined parameters and sharply defined theories, the less its practitioners felt the need for a broad concept like “capitalism,” which, after all, aims at bringing economic and social analysis together, frequently within a historical perspective.7

There were always authors in different disciplines who continued to use the concept of “capitalism” in a nondogmatic way—think of Fernand Braudel and Eric Hobsbawm or Albert Hirschman and Immanuel Wallerstein and outsiders like Karl Polanyi. The concept remained less instrumentalized and politicized in English than in German.8 But the space for a productive use of the concept was narrow; other concepts like “industrialization,” “modernization,” and “market economy” fared much better.

In the last two decades, however, the intellectual climate has changed. The Cold War is over. The anticapitalist mood of many intellectuals, so vividly analyzed by Schumpeter and Hayek, has not disappeared but has lost much of its vigor and self-confidence. Nowadays, the

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6 For a review of literature about capitalism by Marxist and non-Marxist authors up to the late 1960s, see Maurice Herbert Dobb, “Kapitalismus,” in Sowjetsystem und Demokratische Gesellschaft: Eine vergleichende Enzyklopädie, vol. 3, ed. C. D. Kernig (Freiburg, 1969), 538-63.


concept of “capitalism” is clearly not reserved for positions on the Left; it is much less a flag or a political signal than it used to be for decades. It is possible now to use “capitalism” with positive connotations, as the Deutsche Bank Research did, for instance, in a 2007 report entitled “Die glückliche Variante des Kapitalismus” (The happy version of capitalism), a comparative analysis of attitudes towards capitalism in different countries. Economists who are clearly not on the Left do not necessarily avoid the concept. Take recent books by Barry Eichengreen and Werner Sinn, for example. The concept can be used in neutral ways, with a comparative interest in observable “varieties of capitalism,” or with a sense of deep ambivalences inherent in capitalism, as in Joyce Appleby’s recent historical synthesis. An article by Hartmut Berghoff deals with the “Mittelstand and German Capitalism”; Jerry Z. Muller just published on “Capitalism and the Jews.” Historians interested in global history develop viewpoints and questions that invite the rediscovery of comprehensive concepts. It is difficult to discuss globalization without mentioning capitalism. The recent financial and economic crisis has not only reinforced critical assessments of capitalism, it has also renewed interest in the analysis of market crises, and as a consequence, “capitalism and its history” have become more frequent topics of discussion and deliberation even among economists. The crisis has raised interesting questions which historians might want to address. Those who, like this author, deplore the increasing distance between economic historians and other historians have reason to hope that the concept of “capitalism” might serve as a bridge that invites economic historians to incorporate social, cultural, and legal dimensions, while encouraging social, cultural, and other historians to take the economy more seriously than they have done ever since the “cultural turn” that has influenced the discipline since the 1980s.

See Stefan Bergheim, Die glückliche Variante des Kapitalismus (Frankfurt, 2007); Barry Eichengreen, The European Economy since 1945: Coordinated Capitalism and Beyond (Princeton, 2007); Peter A. Hall and David Soskice, eds., Varieties of Capitalism: The Institutional Foundations of Comparative Advantage (Oxford, 2001); Joyce ...
III.

If we want to use the concept of “capitalism,” we have to define it in order to liberate it from a long tradition of vagueness and political instrumentalization. Based on the discussions I have sketched here and on a selective reading of pertinent literature,10 I propose to define capitalism as an economic system, or a type of economy, distinguished by three sets of criteria.

First, capitalism is based on individualized property rights and decisions. These decisions lead to results—both gains and losses—that are ascribed to individuals, that is, to individual persons, groups, associations, or firms.

Second, in capitalism, the coordination of the different economic actors takes place primarily by means of markets and prices, competition and cooperation, demand and supply, and the exchange of commodities. The commodification of resources and products is central, including the commodification of labor, largely in the form of contractual (“free”) labor for wages and salaries.

Third, capital is central to this type of economy. This entails the investment of savings or returns in the present with the perspective of higher gains in the future, the importance of profit as a major yardstick of success, and accumulation with the perspective of change and growth. Accepting uncertainty and risk is implied, as are the notions of profitability and its systematic control over time. In this regard—capital, investment, profitability over time—it makes sense to see borrowing and credit, including speculation and limited liability, as central to capitalism, as Schumpeter did and some modern economists do. It is in exactly this respect, too, that one can see double-entry bookkeeping as an important feature of capitalism, as Werner Sombart did. This thesis continues to be discussed on empirical grounds.11 From this same perspective, it also makes sense to see the systematic (“rational”) organization of business and labor within the modern firm as the central characteristic of modern capitalism, as Max Weber and many others in this tradition did. Marx and Weber, convincingly, regarded the distinction between the employer, who holds decision-making power based on individualized property rights, and the employees, who are without ownership rights or decision-making power, but “free” on a contractual basis, as central elements of this “rational” systematic organization. The class difference was built into the essence of capitalism.
This working definition of capitalism is an ideal type, a model that can be used even though one knows that historical reality is never fully identical with it but corresponds to it in different ways and to various degrees. This definition sees capitalism as an economic system with certain institutions and rules, with some autonomy, some logic of its own. To be sure, capitalism has always been dependent on noneconomic conditions: law, culture, social relations, family, even religion. And, of course, capitalism influences social relations, culture and politics. But in order to grasp this complex and changing relationship it is necessary to define capitalism as an economic system with noneconomic conditions and consequences, that is, neither as a social or cultural system nor as a historical epoch.

Historians differ a lot from one another, but most of them have a few things in common. They prefer findings that are space-specific and time-specific. They are interested in change over time. They take context seriously. I will therefore deal with capitalism in space and time. First, I will discuss some spatial dimensions of capitalism in a long-term perspective. Second, I will investigate crisis and change in capitalism in the nineteenth and twentieth centuries. I will compare the Great Depression of 1929 and the Great Recession of 2008 in order to discuss some very recent changes in capitalism and place our present experience in a historical perspective. Finally, I will address changing contexts, including the changing nature of Kapitalismuskritik.

IV.

It is true that authors have long differed on how to date the beginnings of capitalism. There are those who argue for continuity from the ancient world to the nineteenth and twentieth centuries (e.g., Lujo von Brentano), those who see the beginning of capitalism in the medieval world (e.g., Joseph Schumpeter), and those who stress the rise of capitalism as a modern phenomenon following the Renaissance and Reformation (e.g., Max Weber). We find similar confusion with respect to other complex phenomena and concepts such as “industrialization.” This confusion is caused by uneven and changing states of research, and, more importantly, by differing criteria of definition. It is also true that most authors are well aware of the transregional, increasingly global relations contributing to the rise of capitalism—from the Crusades and the long-distance trade of medieval merchants through European colonial expansion and especially the transatlantic economy of the early modern period to

12 Conceiving of capitalism as an economic system presupposes a certain degree of internal societal differentiation. In societies without it—in tribal societies and under feudalism, e.g.—one cannot expect to find capitalism in a developed form, although one may perhaps find elements, islands, or beginnings of capitalism.

imperialism, international trade, and globalization in the nineteenth and twentieth centuries. Despite the aforementioned differences, the bulk of the literature has basically supported the view that capitalism was originally a European and then a Western phenomenon before it started to extend into other parts of the world and become global in the twentieth century—a process that is still under way.

Historians continue to debate the particularities of capitalism in the Roman Empire. Its heavy reliance on slave labor, its continuous dependence on military means for providing income, resources, and growth, as well as low levels of market integration and enterprise continuity, mark a clear distance between Roman reality and the ideal type of capitalism presented above.

For the late medieval and early modern periods, we are accustomed to looking at the merchants and bankers of North Italian city states like Venice and Florence, the commercial families of South German cities like Augsburg, and the networks of cities around the Baltic Sea. These were forms of commercial capitalism based on long-distance trade and on a symbiosis with local or regional political powers. Although these places were islands of early capitalism in a basically noncapitalist environment, they developed sophisticated methods of capital transfer and accounting as well as the idea and practice of property shares with limited liability.

Next, overviews usually deal with the early modern global economy of the sixteenth to eighteenth centuries, mainly promoted and structured by West European overseas expansion: first dominated by southwest Europeans, later by the Dutch, and finally by the British. These were systems with strong capitalist elements, but again with a close symbiosis between capitalists and the holders of political power. We observe a dynamic mixture between noncapitalist forms of exploitation (coercion, enslavement, pillaging, violent destruction) and capitalist commerce, capital accumulation and speculation, increasingly through trade on the stock exchange since about 1600. This was a process full of gains and losses, bubbles and bursts, excitement and cruelty, that was barbarous and civilizing at once. The benefits and costs were unevenly distributed, under the hegemony of European adventurers, entrepreneurs, and rulers. In this period, capitalist principles slowly started to move beyond trade and to penetrate industrial production (mostly still in decentralized forms) and agricultural production, for instance, in the plantation economies of the Caribbean, in North American farming, and through the commercial
erosion of feudalism in some rural areas of Europe where lords were transformed into agricultural capitalists and entrepreneurs. In the late seventeenth and eighteenth centuries, England became the world’s most capitalist country.  

But the real breakthrough of capitalism came with industrialization, that is, with accelerated technological progress, the rise of the factory system, and a new organization of work since the late eighteenth century, and with the removal of feudal, corporate, and bureaucratic restrictions around 1800 in Western Europe, and later on further east. It was only with industrialization that the recruitment and allocation of work was thoroughly organized according to capitalist principles: labor markets emerged, contractual work for wages and salaries became widespread, and work became a commodity. Wage work became a mass phenomenon and, soon, a basis of social protest and labor movements. Only with industrialization did the centralized firm with fixed capital and a systematic organization of business become more frequent. Only with industrialization did capitalism become the dominant structure in the economies of a quickly growing number of regions and countries—soon to impregnate social relations, cultures, and the distribution of power. With the partial exception of eighteenth-century England, this had not happened before. Because of all of this, some historians see the history of capitalism as beginning only in the eighteenth century. They do not care to differentiate clearly between capitalism and industrialization, which, however, is essential.

In the nineteenth and during most of the twentieth century, the history of capitalism and the history of industrialization went hand in hand, so that we speak of industrial capitalism. This is frequently still true today, for instance, in Eastern Asia. But by the second half of the twentieth century, in some highly developed countries of the West, service industries had become so dominant that one is inclined to speak of postindustrial capitalism, usually with a great deal of emphasis on financial markets.

What happened in the nineteenth and twentieth centuries is usually described as a process of gradual, unequal, and partial expansion, starting from the “first industrial nation” (Britain) and Western Europe, moving into North America as well as to Central and Eastern Europe, reaching Japan in the late nineteenth century, and penetrating many other regions of the world in the twentieth. This is a story of relentless expansion and growth, of innovation and liberation,
of constant change—which tells us a lot about the transterritorial, border-crossing energy of capitalism. But it is also the story of tremendous inequality and exploitation, of cores and peripheries, of the destruction of traditional life-worlds interrupted and accelerated by wars, which have ushered in the rapid globalization of the present time.15

Much of this is known, but many questions remain open, and the balance-sheet still needs to be drawn up. For writing a future history of capitalism, two sets of questions seem particularly important. First, which insights will the progress of global history bring? Did capitalism really originate exclusively in Europe? Recent research seems to show that it is not always easy to distinguish between a capitalist Europe and a noncapitalist China or India in previous centuries. Were there equivalents to the European early beginnings of capitalism in China, India, or Tokugawa Japan before Western influences deeply affected those regions? How will the overall picture change once present-day capitalism under authoritarian or dictatorial conditions in Singapore, China, and Vietnam is fully incorporated? Second, to what extent do we have to focus on specific territories in order to explain the rise and dynamics of capitalism? Should we perhaps try to explain these developments in terms of relations—trade, migration, transfer of capital and knowledge, learning—between regions, countries, and even continents? Did something like the territorialization of capitalism take place during the nineteenth and early-twentieth-century industrialization and the rise of the nation-state, in contrast to the transterritorial commercial capitalism of earlier centuries, and in contrast to the present de-territorialization of finance capitalism? Research in the spatial dimensions of capitalism promises to produce new insights. Thorough comparison (stressing similarities and differences and explaining them) and the analysis of transnational relations, dependencies, and connections need to be combined.16
V.

Change is normal in capitalism and is part of its essence. It is change of a special kind, finding and creating something new while discarding and destroying something old. Josef Schumpeter’s description from 1943 is famous: “The fundamental impulse that sets and keeps the capitalism engine in motion comes from the new consumers, goods, the new methods of production or transportation, the new markets, the new forms of industrial organization that capitalist enterprise creates ... [This process] incessantly revolutionizes the economic structure from within, incessantly destroying the old one, incessantly creating a new one. This process of Creative Destruction is the essential fact about capitalism.”

Under capitalist conditions, economic growth comes in cycles. Boom and bust phases alternate. These ups and downs are also largely produced from within. They are explained in different ways by different economic theories. But they certainly have something to do with innovations, with rising and falling rates of returns, differentiated by branches, with expectations that fail, with over-investment and under-consumption, with limited knowledge and basic uncertainty, with the fact that in this system strategic decisions are decentralized and spontaneous, not centrally planned.

But there are, now and then, particular peaks and extraordinary declines, euphorias and crashes, bubbles which burst and lead to depressions. While there are competing theoretical explanations for such deep crises of capitalism (by Marx, Keynes, Schumpeter, Friedman, and others), there is also well-developed scholarly literature describing and analyzing such crises historically and systematically, including works by Hyman Minsky, Charles Kindleberger, Niall Ferguson, and, more recently, works by Carmen M. Reinhart and Kenneth S. Rogoff as well as Nouriel Roubini and Stephen Mihm.

Kindleberger began his survey of Manias, Panics, and Crashes with the highly speculative South Sea Bubble of 1720, in which Isaac Newton lost a gigantic fortune. Newton commented that he could calculate the motions of the heavenly bodies, but not the madness of people. For the period between 1810 and 1987, Kindleberger listed twenty such crises, thirteen of which began either in the United Kingdom or in the United States. All of these were basically crises that originated as crises of share prices, stock markets or banks, usually with deep repercussions on the “real economy,” that is, on production, employment,


and growth. There is a regular pattern: The crisis starts with the emergence of new and profitable opportunities in certain branches like railroads, IT, or housing; a euphoria follows, carried by the expectation of rising profits and leading to rising share prices; then comes a mania or bubble during which masses of investors are attracted by rising expectations of easy capital gains (including some swindlers); over-trading occurs until some, usually insiders, begin to discover that the expected profits cannot possibly justify the now exorbitant prices of shares and begin to take out profits by selling; share prices begin to fall, many others stampede for the exits, and this causes the bubble to burst—with serious to devastating consequences for those who lose property, for banks which default, credits which freeze, reduced trading, declining business, unemployment, and widespread distrust.

The occurrence of this mechanism is made more likely by the availability of easy money (from various sources), certain financial practices, reduced regulation, and perhaps government encouragement (as in the case of the U.S. housing market in recent decades). There are different institutional and psychological explanations which, to my mind, carry the following message: One can do a great deal to make such crises less likely, less numerous, and less severe, particularly through wise legislation and careful regulation; one can also learn from previous crises and hope for a changing culture in the financial part of the economy. But one cannot prevent such crises altogether, as long as one does not want to jeopardize the important positive functions the financial sector performs for the whole economy. This body of knowledge was all but forgotten before the last crisis hit. At least it was largely absent from the theories, recommendations, and predictions of mainstream economists as well as from the expectations and considerations of most economic and political actors.20

Looking at three of these crises—those of 1873, 1929, and 2008—I would like to add a historical perspective to the ongoing discussion with two observations, in particular: one concerning the possibly productive consequences of such crises, and another concerning what might be new in the present crisis.

The international crisis of 1873 was particularly severe in Germany, where it followed a tremendous boom that had been created by inflowing funds, reparations paid by defeated France to the newly established German Empire. This led to a stock market crash, bank failures, deflation, and reduced business activities for several years. It provoked a wave of Kapitalismuskritik—public outrage over
capitalism—usually with an antiliberal, frequently anti-Semitic thrust. A reshuffling of the domestic political scene took place—towards the Right. But after some years it also helped productive reactions to emerge. New forms of cooperation were invented, both among large industrial enterprises and between such enterprises and large banks; associations were organized, and there were other attempts towards market organization, supported by increasing government regulations and the beginnings of the rise of a welfare state in the 1880s. Later Rudolf Hilferding, the socialist theoretician, spoke of “organized capitalism.”

The world depression that started in 1929 was much deeper, more extended, and more comprehensive than all other economic crises in the nineteenth and twentieth centuries. Its effects were, as is well known, to a considerable extent quite dreadful: unemployment, poverty, deprivation, loss of status, social and political disorientation. Hitler’s move into power in Germany in 1933 had many reasons, but without this depression it probably would not have happened, and world history would have taken a different course.

But there were also productive reactions. Think of Roosevelt’s New Deal bringing elements of the welfare state to bear on the federal level, institutionalizing government regulations of different sorts, and reforming capitalism, in a way. Think, for instance, of the granting of new union rights, Social Security legislation, and the Glass-Steagall Act regulating banks (enacted in 1933 and repealed in 1999). Consider John Maynard Keynes, who completed his General Theory of Employment, Interest and Money in 1935. It was against the background of the Great Depression that Keynes developed his far-reaching policy recommendations, which became one basis of economic policy in the West during the third quarter of the twentieth century and again in the present. In my view, this can be seen as a positive structural change, although it was not without unintended consequences that manifested themselves in the 1970s and 1980s. One might add that the basic ideas of “Soziale Marktwirtschaft,” the highly coordinated “Rhenish Capitalism” of the Federal Republic of Germany, also originated in the years of the Great Depression among authors like Alfred Müller-Armack. These were productive responses to the crisis, which, in this sense, served as a dynamic factor for reforming capitalism and generating structural change.

Can we expect anything like this from the present crisis, which is now frequently referred to as the “Great Recession”? How does it compare...
to the previous crises? The parallels between the Great Depression of 1929 and the Great Recession have been widely remarked upon, both with regard to basic underlying mechanisms and with regard to the depth, speed, and global scope of the crises. No doubt the decline of the world’s equity markets, of international trade, and of the volume of industrial production, worldwide and in leading countries, in 2008/09 was such that it could only be compared with the crisis of 1929/30. Nevertheless, the differences between both crises are striking as well. Let me mention several of them.

First, there are differences in the initial economic conditions, among them the gold standard then as opposed to flexible rates of exchange now and nationalist protectionism then versus low trade barriers now. Social legislation providing for some protection is much more developed now than it was in 1929/30.

Second, a core section of capitalism has changed. There is the rise of what can be called “finance market capitalism.” Over the last decades, we have observed the continuous growth of liquid funds worldwide, very unequally distributed, incessantly floating around across borders, largely for speculative purposes. Over the last decades, we have also observed the continuous rise of a specific type of capitalist specializing in financial services and decisions: managers of funds, analysts, rating experts, brokers, private equity managers, investment bankers. Nowadays the large majority of shares, at the New York Stock Exchange for instance, are held by institutional investors, such as retirement or investment funds and banks. The managers of these institutions are usually professionals, globally oriented, with high expectations regarding returns, very competitive and mobile. They make crucial decisions regarding resources that are not owned by them but by shareholders and lenders. They accept high risks, but their personal liability is very limited (“moral hazard”). They have very indirect, mediated relations to the property they dispose of. They are managers, but they speak for the owners/investors and their profitability interests, which distinguishes them from the managers of industrial, commercial, and service firms. One does not speak any more of the regime—or the revolution—of the managers, but of investor capitalism, particularly of the power of institutional
investors, that is, investment funds. This is the sector where “short termism” and speculation have reached dimensions that could not have been imagined in the 1920s and 1930s. Before the recent crisis, the turnover rate of shares at the New York stock market was more than 100 percent, that is, investors kept their shares less than one year on average, whereas fifty years earlier the corresponding figure was around 10 percent. This finance-market-related part of capitalism is much larger, more apart from the rest, more global, more dynamic, and more powerful than in the 1920s and 1930s, and it is less regulated than it was twenty years ago. It is particularly strong in the United States and Great Britain. It is an open question whether adequate forms of regulation can be found and implemented (against resistance). They would have to be of transnational, global scope. Many of the present political debates and fights concentrate on this problem.

Third, the reactions to the crises are different. In the Great Depression of the 1930s, capitalism still faced the challenge of forceful and hostile alternatives, communism and fascism. These alternatives, now discredited, have become history. In the present crisis, no clear alternative to capitalism has emerged or been seriously advocated. In contrast to the Great Depression, governments are now forcefully reacting with huge bailouts, stabilization programs, and countercyclical stimulus packages. They have tried to avoid what are seen as the fateful government mistakes of the 1930s. They have learned from the Great Depression. They use public resources in order to rescue private firms that perform public functions and are regarded as too important to fail. Ben Bernanke, the chairman of the U.S. Federal Reserve, personifies this learning process as an author and actor.27

On the one hand, as a consequence of this, the present crisis appears to have been much shorter than that of the 1930s (although the future is not clear). The decline of most indicators was stopped and turned around to the positive after roughly ten months, whereas it took more than three years before such a turnaround of economic indicators was achieved in the 1930s, and then rearmament was a major stimulus with the next war imminent. So far, the social and political consequences, including unemployment, have been much less severe than in the 1930s. And the crisis has not triggered major political changes comparable to the shock waves that hit the political systems in the early 1930s, endangering and partly destroying democracy.28

On the other hand, in contrast to the 1930s, the accumulated public debt jumped from 65 percent of GNP to 78 percent in the United States


28 For the indicators, see Eichengreen/O’Rourke as quoted in fn. 23 above.
in 2008-09, and from 66 percent to 73 percent in Germany. The United Kingdom is expected to reach a deficit of 12-13 percent and a gross debt of 73 percent of GDP in 2010. Even without including Greece, Spain, Portugal, and Ireland in the calculation, in 2009 the Euro area had a fiscal deficit of 5.2 percent and an outstanding gross debt of 81.5 percent of GDP. In a way, the governments have absorbed, taken over, and shouldered the crisis of the markets. It is not at all clear whether they will find ways of dealing with this burden in the future. One also wonders how frequently such a rescue strategy could be repeated. Related to this is a final, perhaps most important, difference between the Great Depression of 1929 and the present crisis: a difference in the dominant attitudes vis-à-vis saving and spending.

Take the public debt—gross debt—of Germany, for instance. In the last year before the Great Depression, in 1928/29, it amounted to about 9 percent of GNP. In the last year before the present crisis, in 2007, this figure amounted to 62 percent (a tremendous increase, even before the crisis began). Or take the United States: This country was the world’s largest capital exporter in 1928/29, whereas it is the world’s largest capital importer today. The savings rate of Americans (private households) was nearly 5 percent in 1930, the rate reached more than 10 percent in the early 1980s, but declined to zero in 2005/07. Since some Americans are saving money, others are spending more than they have. The financial strategies of the large banks fit into this pattern, both in the United States and in Europe. Average bank capital is now equivalent to less than 10 percent, frequently less than 2 percent, of assets, compared to around 25 percent at the beginning of the twentieth century. In other words, average leverage (the proportion of borrowed funds) soared. It is known that tremendously high rates of leverage are one of the aggravating factors in the present crisis. The high leverages resulted from the fact that huge returns were not reinvested but distributed to shareholders.

Taken together, the huge public debts, the soaring leverages, and the declining saving rates of households are indicative of a basic change that Ralf Dahrendorf, in one of his last essays, described as the problematic change from Sparkapitalismus to Pumpkapitalismus—a move from savings capitalism to the capitalism of easy credit. The reasons for this change are manifold. They include the rise of consumer capitalism, which, in other respects, has strengthened the legitimacy and acceptance of capitalism, provided a great deal to the people (not just to the elites), and helped to defeat communism.

30 Deutsche Bundesbank, Deutsches Geld- und Bankwesen in Zahlen 1876-1975 (Frankfurt, 1976), 4, 313; Sinn, Kasioker - Kapitalismus, 33; Ferguson, Ascent of Money, 258.
in the second half of the twentieth century. The tension between the need to save—that is, to defer gratification to the future—and the need to spend for consumption in the present in order to thrive was already analyzed in Daniel Bell’s *The Cultural Contradictions of Capitalism* (1976). In the meantime, this tension has intensified. It may, indeed, be a problem not only of capitalism, but of our culture at large in the wealthy countries of the West.31

John Maynard Keynes was fundamentally critical of too much saving. He wrote a great deal about how to spend more than one earns, at least in bad years. And in the long run, he said, we all are dead, anyway.32 If he were writing today, he would probably write more about what to do in order to counter the trend and to sometimes spend less than one earns. And he might be more concerned about the future.

VI.

In other words, historical analysis suggests that a simple return to Keynesianism will be neither possible nor sufficient. Will there be productive answers to the recent crisis and basic reforms of the capitalist system like those that occurred after the crises of 1873 and 1929? Instead of attempting to give a speculative answer, I would like to conclude by drawing attention to the importance of noneconomic contexts. A closer analysis would show that in both cases (1873 and 1929) it was not the capitalist economy per se, but the interplay between the capitalist crisis, strong waves of Kapitalismuskritik, and political actions based on social mobilization that generated partial solutions to basic problems and led to structural reforms. The central topics of Kapitalismuskritik in Western countries changed over time: In the late nineteenth century, the central issues were opposition to capitalist exploitation at the workplace and the underprivileged status of labor; in the crisis of the 1930s, protest against unemployment and destitution took center stage; and during the decades of the Cold War, the confrontation with the challenge of communism repeatedly exposed the dark sides of capitalism and increased the influence of those who advocated reform. The history of Kapitalismuskritik is as old and as important as the history of capitalism itself,33 and it has to be fully taken into account if one wants to understand the social and cultural meanings of capitalism and the mechanisms through which crises and reforms of capitalism were interconnected, usually in interdependent processes of intellectual criticism, the formation of public opinion, social mobilization, and political conflict. In this


sense, the history of capitalism is never just a matter of economic history, but of social, cultural, and political history as well.\textsuperscript{34}

At the present time, after the collapse of socialist-communist alternatives in the late twentieth century, fundamental criticism of capitalism is relatively weak. Nowadays Kapitalismuskritik no longer focuses on the threat of pauperization (\textit{Verelendung}), alienation at the work place, the destitution of labor, or the allegedly antidemocratic or even “fascist” potentials of capitalism. Instead, it focuses on increasing inequality, permanent insecurity, and the relentless pressure for change that is produced and required by capitalism. Capitalism is also challenged with regard to its compulsive reliance on permanent growth and expansion, which tend to erode and destroy the natural resources (environment, climate) and the cultural conditions (solidarity, meaning) that civilizations, including their economies, need for their long-term survival.\textsuperscript{35}

Whether these types of discontent with capitalism will be strong enough and whether the political system—on a global level—will be responsive enough to generate another round of basic reforms of capitalism in response to the recent, threatening crises remains to be seen.

Noneconomic contexts are of utmost importance if one wants to understand the history of capitalism as an economic system. On the one hand, it is clearly necessary to examine social relations, culture, mentalities, religion, and political power in order to comprehend why and how capitalism emerged in certain areas and periods (and not in others).\textsuperscript{36} On the other hand, it is equally indispensable to investigate the political, social, and cultural “embeddedness” of advanced forms of capitalism\textsuperscript{37} in order to understand why and how capitalist economies survive or fail. Finally, we need to explore the changing relations between capitalist economies, democratic or authoritarian polities, moral values, social community, and citizenship, as well as war and peace, in order to elucidate what Max Weber called the \textit{Kulturbedeutung} of capitalism—its place and meaning in history.\textsuperscript{38}

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