AMERICAN AFFAIRS JOURNAL › Annotations

The New Class War

MICHAEL LIND

The Cold War has been followed by the class war. A transatlantic class war has broken out simultaneously in many countries between elites based in the corporate, financial, and professional sectors and working-class populists. Already this transnational class conflict has produced Brexit and the election of Donald Trump to the American presidency. Other shocks are likely in store.

None of the dominant political ideologies of the West can explain the new class war, because all of them pretend that persisting social classes no longer exist in the West. Neoliberalism—the hegemonic ideology of the transatlantic elite—pretends that class has disappeared in societies that are purely meritocratic, with the exception of barriers to individual upward mobility that still exist because of racism, misogyny, and homophobia. Unable to acknowledge the existence of social class, much less to candidly discuss class conflicts, neoliberals can only attribute populism to bigotry or irrationality.

Like neoliberalism, mainstream conservatism denies the existence of classes in the West. Along with neoliberals and libertarians, conservatives assume that the economic elite is not a semi-hereditary class but merely an ever-changing, kaleidoscopic aggregate of talented and hard-working individuals. Meritocratic capitalism is threatened from within by a "new class" consisting of progressive intellectuals—professors, journalists, and nonprofit activists—who are said to be vastly more powerful than CEOs and investment bankers.

Marxism at least takes classes and class conflict seriously. But classical Marxism, with its secularized, providential theory of history and its view of industrial workers as the cosmopolitan agents of global revolution, has always been deluded.

Fortunately, there exists a body of thought that can explain the current upheavals in the West and the world very well. It is James Burnham's theory of the managerial revolution, supplemented by the economic sociology of John Kenneth Galbraith. Burnham's thought has recently enjoyed a revival among thinkers of the center and center-right, including Matthew Continetti, Daniel McCarthy, and Julius Krein. Unfortunately, Galbraith's sociology, along with his economics, remains out of fashion.

In their politics, Burnham and Galbraith could hardly have been more different, despite their shared friendship with William F. Buckley Jr. The patrician Burnham was a leader in the international Trotskyist movement before becoming zealously anticommunist and helping to found the post–World War II conservative movement. Galbraith, in contrast, was a passionate liberal throughout his life.

Yet both believed that a new ruling elite had displaced the old bourgeois and aristocratic estates. Burnham, following Adolf Berle and Gardiner Means's *The Modern Corporation and Private Property* (1932), coined the term "the managerial elite" in his worldwide bestseller *The Managerial Revolution* (1941). Later, in *The New Industrial State* (1967), Galbraith called the same group the "technostructure." In his memoir *A Life in Our Times* (1981), Galbraith wrote: "James Burnham, partly because he was a stalwart right-winger well out of the political mainstream and partly because he was not a certified academician, never got full credit for his contribution. In early editions of *The New Industrial State* I was among those in default."

In his essay "Second Thoughts on James Burnham," George Orwell provided a succinct summary of Burnham's thesis:

> Capitalism is disappearing, but Socialism is not replacing it. What is now arising is a new kind of planned, centralized society which will be neither capitalist nor, in any accepted sense of the word, democratic. The rulers of this new society will be the people who effectively control the means of production: that is, business executives, technicians, bureaucrats and soldiers, lumped together by Burnham, under the name of "managers." These people will eliminate the old capitalist class, crush the working class,

> and so organize society that all power and economic privilege remain in their own hands. . . . The new "managerial" societies will not consist of a patchwork of small, independent states, but of great super-states grouped round the main industrial centers in Europe, Asia and America. These super-states will fight among themselves for possession of the remaining uncaptured portions of the earth, but will probably be unable to conquer one another completely. Internally, each society will be hierarchical, with an aristocracy of talent at the top and a mass of semi-slaves at the bottom.

The thesis of this essay is that the theory of the managerial elite explains the present transatlantic social and political crisis. Following World War II, the democracies of the United States and Europe, along with Japan—determined to avoid a return to depression and committed to undercutting communist anti-capitalist propaganda—adopted variants of cross-class settlements, brokered by national governments between national managerial elites and national labor. Following the Cold War, the global business revolution shattered these social compacts. Through the empowerment of multinational corporations and the creation of transnational supply chains, managerial elites disempowered national labor and national governments and transferred political power from national legislatures to executive agencies, transnational bureaucracies, and treaty organizations. Freed from older constraints, the managerial minorities of Western nations have predictably run amok, using their near-monopoly of power and influence in all sectors—private, public, and nonprofit—to enact policies that advantage their members to the detriment of their fellow citizens. Derided and disempowered, large elements of the native working classes in Western democracies have turned to charismatic tribunes of anti-system populism in electoral rebellions against the selfishness and arrogance of managerial elites.

This essay will conclude with speculation about the possibility of new cross-class settlements among dominant managerial minorities and subordinate working-class majorities in developed nations. These new settlements, if they emerge, will have two characteristics. Like the older settlements, they will be negotiated at the nation-state level, not at the transnational level. And just as the older social settlements were influenced by the world wars and the Cold War, so future cross-class settlements among managers and workers will be influenced by whether the geopolitical context is one of great-power peace or great-power rivalry.

The Managerial Elite: Past and Present

While Burnham and Galbraith included engineers and scientists in the new elite, they were not describing a technocracy run by PhDs. The most important managers are private and public bureaucrats who run large national and global corporations and exercise disproportionate influence in politics and society. Some are independently wealthy, but most are salaried employees or fee-earning professionals. Most of today's billionaires were born into this upper-middle class, and their descendants tend to disappear back into it in a generation or two. Actual hereditary aristocrats who survive in the modern West are anachronisms who, for the most, part avoid ridicule by disguising themselves as hard-working professionals and managers.

To many in the 1940s and since, Burnham's description of New Deal America, Nazi Germany, Imperial Japan, and the Soviet Union as variants of the managerial society seemed outlandish. But since the collapse of Communism, in democratic and authoritarian states alike, the global norm in both developed and developing countries has been some version of the mixed economy with substantial private and government sectors.

How big is the managerial elite? A rough surrogate is higher education. Only around a third of Americans have bachelor's degrees. But many of these are degrees from low-ranked colleges whose holders are best understood as belonging to the upper strata of the working class. Using professional and graduate degrees as a surrogate for membership in the managerial elite would make it no more than ten or fifteen percent of the population.

Are the managers a class as well as an elite? In a purely meritocratic society, the ranks of the managerial elite might be refilled completely by upwardly mobile individuals in each generation. In the United States, however, the majority of American college students come from the minority of families in which one or both parents have college degrees. In other Western democracies as well, membership in the managerial class appears to be mostly hereditary, though partly open to talent from below.

Whatever you call this post-bourgeois elite—the managers or the technostructure—its power base is in the core of what Galbraith called "the bimodal economy"—capital-intensive, science-based, high-tech industries like manufacturing and the business and financial services which they rely on. Increasing returns to scale produce a tendency for immense size in these industries, which tend therefore to be dominated by efficient oligopolies or monopolies. Galbraith called this "the planning system," referring to the private planning done within huge corporations that partly replaces markets with internal administration. Something like the older economy of small, owner-operated businesses and competitive local markets continues to exist around the managerial-industrial core, in what Galbraith called "the market system." The economic historian Alfred D. Chandler Jr. confirmed Galbraith's analysis, using the terms "core" and "periphery" for Galbraith's planning and market systems. For Galbraith and Chandler as well as for Burnham, industrialization changes the landscape forever, like the eruption of a volcano in the middle of a plain filled with small villages.

The managerial theory of society is an elitist theory, not a pluralist one. In Burnham's words:

> From the point of view of the theory of the ruling class, a society is the society of its ruling class. . . . Political history and political science are thus predominantly the history and science of ruling classes, their origin, development, composition, structure and changes.

The private, public, and nonprofit sectors in modern developed nations do not have separate and distinct elites that can be counted upon to check each other. Instead, the private sector tends to dominate the public sector through campaign finance, and the nonprofit sector through donations. Even in the absence of these methods of elite coordination, the fact that almost all of the personnel of elite institutions of all kinds belong to the managerial-professional class and have similar educations and shared outlooks produces a common mentality, tending toward Orwellian groupthink among corporate executives, investment bankers, elected politicians, civil servants, and nonprofit leaders. Managerial dominance is reinforced by lateral mobility at the top levels of society. Diplomats become investment bankers, investment bankers become ambassadors, generals sit on corporate boards, and corporate executives sit on nonprofit boards.

Neither Burnham nor Galbraith believed that the managerial elite was innately evil or illegitimate. Indeed, both thought that dynamic, large corporations and competent bureaucracies were necessary for technological innovation and economic growth. And they did not believe that managers formed a single global ruling class, any more than capitalists and feudal landlords had in the past. Both Burnham's managerial elite and Galbraith's technostructure were rooted in particular nation-states, even if those acted merely as springboards for the geopolitical and economic ambitions of particular groups of managers.

While neither sought to reverse the managerial revolution, both Burnham and Galbraith worried about the concentration of wealth, power, and prestige in the new elite. As realists, they believed that the power of the managerial class could only be checked by what Galbraith called "countervailing power" and what Burnham, following the Italian theorist Gaetano Mosca, called "the juridical defense." Both phrases refer to actual social balances of power, not merely the paper checks and balances of written constitutions.

National Industrial Consolidation

The replacement of entrepreneurial capitalism by large-scale modern managerial capitalism took place relatively rapidly in North America and Western Europe around the turn of the twentieth century. In the United

States, the prohibition of cartels combined with a permissive attitude toward mergers and acquisitions produced what historian Naomi Lamoreaux has called the first great merger movement of 1895 to 1904. In a single decade, 1,800 enterprises—most of them in the manufacturing industry—were consolidated into only 157 firms.

Following the wave of consolidation, the structure of the American economy was remarkably stable between World War I and the late twentieth century. In both 1917 and 1973, 22 of the largest 200 firms were in the petroleum industry, and many of them were the same firms. Likewise, in both 1917 and 1973, 5 of the biggest 200 corporations were in the rubber industry, and 4 were the same (Goodyear, Goodrich, Firestone, and Uniroyal). Machinery companies—many of them the same—accounted for 20 of the 200 biggest firms in 1917 and 18 in 1973. In transportation equipment and food products there were similar continuities. Even John D. Rockefeller's Standard Oil lived on, in the guise of various "baby Standards" created from the court-ordered breakup of the company in 1911, including some like ExxonMobil that grew into global Leviathans.

A 1972 study showed that the level of industrial competition was still similar in all mature industrial economies. In Britain, for example, between 1909 and 1970 the share of all net manufacturing output of the hundred largest firms grew from 16 percent to 45 percent.

This global pattern cannot be explained in terms of the peculiarities of American corporate law or politics. When Chandler studied 379 manufacturing companies with more than twenty thousand employees in 1973, which were then divided roughly equally between the United States and abroad, he discovered that the ratios were amazingly similar: 22 transportation equipment companies in the United States and 22 abroad; 20 electrical machinery companies in the United States compared to 25 abroad; 24 chemical companies in the United States compared to 28 abroad; and 14 petroleum companies in the United States compared to 12 abroad. All of this demonstrates that, in every modern economy, firms in Chandler's "center" and Galbraith's "planning system" that are characterized by increasing returns to scale tend to be both large and, if successful, long-lasting, compared to the smaller firms in Chandler's "periphery" and Galbraith's "market system," in which size produces few or no competitive advantages.

National Political Settlements during the Cold War

From the emergence of managerial capitalism through World War I and the Great Depression, the societies of the North Atlantic were rocked by clashes among corporate elites on the one hand and angry workers and family farmers on the other. The bloodiest labor violence was in the United States, where the armed forces repeatedly crushed strikers. In the 1921 Battle of Blair Mountain in Logan County, West Virginia, state officials used planes to bomb armed strikers from the air.

To obtain social peace and mobilize national populations during World War II, the United States and its allies like Britain brokered business-labor pacts and promised welfare benefits to veterans. In the ensuing Cold War, every major industrial democracy devised some kind of "settlement" or compromise among business and labor interests within the nation.

The postwar settlements were a combination of employer-specific welfare capitalism and universal or means-tested, social-democratic welfare states. In West Germany, welfare capitalism took the form of "codetermination," or union membership on corporate boards. Japan, following intense labor conflict after 1945, developed a system of corporate paternalism and lifetime employment for many workers. Organized labor was weak in the postwar United States, but the "Treaty of Detroit" negotiated among automobile companies and unions was a successful example of informal business-labor corporatism. Low levels of legal and illegal immigration, and social pressure on married mothers to exit the work force to become homemakers, strengthened the bargaining power of mostly male workers by creating tight labor markets.

These corporatist systems of welfare capitalism made the welfare states of the period from the 1940s to the 1970s much smaller than they would have been otherwise. Wage compression brought about by unions in the welfare-capitalist system made it easier for payroll taxes to fund entitlements like public pensions, which in turn were smaller than they might have been because of the widespread existence of private employer pensions.

The post-1945 settlements in the West and Japan demonstrate countervailing power and juridical defense in action. The result was the golden age of capitalism from the 1940s to the 1970s, combining high growth with a more equal distribution of its rewards than has ever existed before or since.

Multinational Corporate Consolidation

Following the fall of the Berlin Wall in 1989, the national settlements brokered by government among managers and labor in Western nation-states were shattered by the emergence of a new pattern of global industrial production and corporate organization.

What the economist Peter Nolan has called "the global business revolution" of the 1990s and 2000s, producing oligopolistic transnational corporations, was the equivalent of the great merger wave of the 1900s that produced oligopolistic national firms. In *Capitalism and Freedom* (Anthem, 2008), Nolan observes:

> By the early 2000s, within the high value-added, high technology, and/or strongly branded segments of world markets, which serve mainly the middle and upper income earners who control the bulk of the world's purchasing power, a veritable "law" had come into play: a handful of giant firms, the "systems integrators," occupied upwards of 50 per cent of the whole global market. The top two firms accounted for 100 per cent of the entire global market for large commercial aircraft and 70 per cent of the carbonated soft drinks market; the top three firms accounted for over 80 per cent of the gas turbine market and for 70 per cent of the farm equipment market, for over 60 per cent of the mobile phone market, and over 50 per cent of the market for LCD TVs; the top four firms accounted for over 60 per cent of the elevator market; the top five firms accounted for over 80 per cent of the digital camera market; the top six firms accounted for over 70 per cent of the auto industry market and the top ten firms accounted for over 50 per cent of the pharmaceutical market.

By the time the Great Recession began with the financial crash of 2008, many global industries were dominated by a few large corporations. Ninety-five percent of microprocessors (chips) were manufactured by four companies: Intel, Advanced Micro Devices, NEC, and Motorola. Two-thirds of the glass bottles in the world were made by only two firms, Owens-Illinois and Saint-Gobin. Half of the world's cars were made by four companies: GM, Ford, Toyota-Daihatsu, and DaimlerChrysler. In business services, Microsoft dominated 90 percent of the market for personal computer operating systems. In 2007, the top two firms controlled 86 percent of the global market in the financial information industry and 77 percent in electronic games, while three firms dominated 71 percent of legal publishing and 62 percent of the global market for artificial joints.

Below the level of transnational corporations, now called "original equipment manufacturers" (OEMs) or "systems integrators," a similar process of consolidation took place at the level of suppliers. On the verge of the Great Recession in 2008, three firms—GE, Pratt and Whitney, and Rolls-Royce—dominated the world market for jet engines. Sixty percent of tires were made by three multinational corporations: Bridgestone, Goodyear, and Michelin.

The emergence of global oligopolies as a result of expansion, mergers, and alliances corresponded to a trend toward transnational production. From one-third to one-half of trade was intrafirm trade or transnational production by a multinational enterprise with suppliers in multiple nations. The Apple iPhone became an iconic product with components from all over the world. Apple iPhone 5S and iPhone 6 models included components from China, the United States, Japan, South Korea, Taiwan, Germany, France, Italy, the Netherlands, and Singapore.

While supply chains were regional or global, most major multinationals continued to be rooted in a single nation-state—most often the three largest developed industrial nations, the United States, Japan, and Germany. In the developing world, most weak nations were assigned low-value-added production on the terms imposed by North American, European, and littoral Asian firms and investors. China, India, Brazil, and other populous developing countries, however, were able to use control of corporate access to their large internal labor forces and consumer markets to pressure foreign capital into promoting projects of national industrial development, by means including local content requirements and technology transfer agreements.

The Economics of Global Arbitrage

It is widely assumed that globalization since the 1990s is responsible for unprecedented productivity growth. In fact, productivity growth has been much lower in the era of post-1989 globalization than it was in the post-1945 era characterized by less integrated national economies and far lower levels of immigration. One reason may be that, in the era of globalization, the new transnational oligopolies have pursued profits by methods other than technology-driven productivity growth. The most important of these corporate strategies have been selective arbitrage and selective harmonization.

Global arbitrage has come in two forms: labor arbitrage and tax-and-subsidy arbitrage. Labor arbitrage includes both relocation of industrial production from high-wage developed nations to low-wage developing countries, and large-scale immigration of both unskilled and skilled workers to the global North. Such labor arbitrage does not encourage, and may even retard, technological progress, which involves the substitution of new technologies or new techniques for expensive labor or natural resource inputs. There is no incentive to make production technology more efficient when profits can be increased merely by closing factories in high-wage areas and locating them in low-wage areas, be they poor, anti-union Southern states in the United States or foreign nations like Mexico and China.

Tax-and-subsidy arbitrage is the practice whereby firms take advantage of differences in tax rates and subsidies in different countries in order to similarly boost profits without boosting productivity. Companies that evade taxation by incorporating in tax havens like the Cayman Islands, Panama, or Ireland do nothing to increase productivity. Neither do transnational companies that relocate to China to enjoy not only low-wage, unfree labor but also ample subsidies of various kinds, including subsidized electricity and tailor-made infrastructure and worker education programs.

Perhaps the iconic product of the era of globalization is the Apple iPhone. According to Konstantine Kakaes in MIT's *Technology Review*, producing every single component of the iPhone in the United States, in addition to assembling it in the United States, would at most add $100 to the cost of the device. But Apple's profit margin would be much smaller than is the case with its present production of the iPhone in six factories using unfree, low-wage labor in China (plus a factory in Brazil, a concession to Brazilian import substitution policy).

In addition to illustrating global labor arbitrage, Apple has mastered the arcane art of tax-and-subsidy arbitrage as well. According to the European Union, the government of Ireland allowed Apple to channel profits from several-dozen nations through two Irish companies, one of which was a "head office" with no employees. As a result, according to the European Commission, Apple recorded profits of around €16 billion, of which only €50 million were taxable in Ireland, giving the company €15.95 billion of untaxed profit.

The Politics of Global Arbitrage

Even as they have exploited opportunities for international labor and tax-and-subsidy arbitrage, firms in the post–Cold War era of globalization have promoted selective harmonization of laws and rules, when it has been in their interest to do so. In the second half of the twentieth century, successive rounds of negotiation under the auspices of the General Agreement on Tariffs and Trade (GATT) and, more recently, the World Trade Organization (WTO) effectively reduced most traditional tariff barriers. By 2016, when the WTO effectively terminated the failed Doha Development Round of global trade talks, the United States and other leading industrial nations had shifted the emphasis from removing barriers restricting the cross-border flow of goods to harmonizing laws and regulations through "multiregional trade pacts" like the North American Free Trade Agreement (NAFTA), the Trans-Pacific Partnership (TPP), and the Transatlantic Trade and Investment Partnership (TTIP), in the interests of transnational investors and corporations reliant on transnational supply chains.

The areas chosen for arbitrage and harmonization reflect the interests not of national working-class majorities but of the managerial elites that dominate western governments. Harmonizing labor standards or wages would undercut the labor arbitrage strategy, while transnational crackdowns on tax avoidance would thwart the strategy of tax arbitrage by transnational firms. Instead, the emphasis in harmonization policy has been on common industrial standards, the liberalization of financial systems, and intellectual property rights, including pharmaceutical patents. These kinds of harmonization benefit transnational firms, investors on Wall Street or in the City of London, and the holders of intellectual property rights in Silicon Valley and the pharmaceutical industry.

In many cases, this kind of regulatory harmonization makes sense—standardizing product safety measures, for example. But the new regulatory harmonization agreements produce a "democratic deficit" in two ways.

First, they remove whole areas of regulation from the realm of ordinary legislation, replacing it with "legislation by treaty." Favorable laws and regulations that corporate lobbyists are unable to persuade national democratic legislatures to enact can be repackaged and hidden in harmonization agreements masked as "trade" treaties. These treaties, often thousands of pages long, tend to be drafted in secret by committees involving corporate lobbyists and may be ratified by legislatures without careful scrutiny.

Worse, most of these contemporary regulatory harmonization agreements include “investor-state dispute settlement” (ISDS) provisions that allow individual corporations to sue national governments that change the rules in their countries after the passage of the treaty in private tribunals, dominated by corporate lawyers, with no appeal mechanism. If Congress enacts a statute that adversely affects the interests of Acme Inc., then Acme has few options, other than paying lobbyists and making campaign donations. But if Congress ratifies a treaty, and later changes a provision by passing a new law, Acme can sue the federal government for financial damages. The United States has yet to lose a case to ISDS, but other countries have, and some believe that the prospect of corporate lawsuits has a chilling effect on new laws and regulations of which particular corporations disapprove.

None of this is to imply that the transnational managers of the West and littoral East Asia who control the new global oligopolies are more selfish or less public-spirited than the managers of national corporations during the Second Industrial Era. On the contrary, in personal terms, today’s managerial elite is for the most part less bigoted and often quite philanthropic. The point is simply that the American, German, and Japanese corporations of half a century ago were constrained by kinds of Galbraithian countervailing power and Burnhamite/Moscian juridical defenses that have crumbled. Thanks to globalization, itself a voluntary policy choice enabled but not required by new technology, today’s transnational firms have much more bargaining power in their dealings with workers and democratic nation-states.

Globalization: Hobson’s Imperialism?

That the post–Cold War pattern of globalization has been chiefly motivated by opportunities for international arbitrage and tax-and-subsidy manipulation—rather than compelled by the logic of modern technology or the pressure of free-market forces—is suggested by the fact that a strikingly similar pattern of globalization was envisioned by the British social philosopher John A. Hobson more than a century ago, when technology was quite different. In *Imperialism: A Study* (1902), Hobson speculated that, if the Western industrial nations refrained from military conflict with one another, they might collaborate on the common project of the economic development of Asia in general, and China in particular.

Western capitalists, Hobson suggested in the racialist language of his time, might buy the acquiescence of Western working classes in the transfer of manufacturing from Europe and America to Asia by allowing them to share in the rents obtained by the exploitation of impoverished Chinese labor:

> In a word, the investors and business managers of the West appear to have struck in China a mine of labour power richer by far than any of the gold and other mineral deposits which have directed imperial enterprise in Africa and elsewhere; it seems so enormous and so expansible as to open up the possibility of raising whole white populations of the West to the position of "independent gentlemen," living, as do the small white settlements in India or South Africa, upon the manual toil of these laborious inferiors. . . . Such an experiment may revolutionise the methods of Imperialism; the pressure of working-class movements in politics and industry in the West can be met by a flood of China goods, so as to keep down wages and compel industry [of Western workers], or, where the power of the imperialist oligarchy is well set, by menaces of yellow

> workmen or of yellow mercenary troops, while collaboration in this huge Eastern development may involve an understanding between the groups of business politicians in the Western States close enough and strong enough to secure international peace in Europe and some relaxation of militarism.

Hobson's lurid prediction of "yellow mercenary troops" being used to suppress Western workforces, like similar turn-of-the-century Yellow Peril prophecies, has not materialized. But his other predictions, translated into modern language, have come to pass. The claim of neoliberal ideologues that Western industrial workers who lose their jobs to offshoring in China and other low-wage countries would obtain new and better jobs in the "knowledge economy" was precisely a promise that, in the postindustrial West, most workers would share the intellectual property rents of the knowledge economy, rather like "independent gentlemen," while Asian proles and peasants labored in factories. In the pages of the *Economist* and other propaganda organs of the managerial oligarchy, the claim that the lower prices of Chinese consumer goods outweigh the harm done to the Western working class by partial deindustrialization is routinely repeated, more than a century after Hobson's prediction.

Hobson envisioned a dystopian future for a deindustrialized West ruled by a class of transnational managers and investors:

> We have foreshadowed the possibility of an even larger alliance of Western States, a European federation of great Powers which, so far from forwarding the cause of world-civilisation, might introduce the gigantic peril of a Western parasitism, a group of advanced industrial nations, whose upper classes drew vast tribute from Asia and Africa, with which

> they supported great tame masses of retainers, no longer engaged in the staple industries of agriculture and manufacture, but kept in the performance of personal or minor industrial services under the control of a new financial aristocracy.

Hobson further warned: “The greater part of Western Europe might then assume the appearance and character already exhibited by tracts of country in the South of England, in the Riviera, and in the tourist-ridden or residential parts of Italy and Switzerland, little clusters of wealthy aristocrats drawing dividends and pensions from the Far East, with a somewhat larger group of professional retainers and tradesmen and a large body of personal servants.” The “little clusters” of rich rentiers and their professional retainers and menial servants bring to mind today’s increasingly stratified “global cities” like London, New York, and San Francisco, embedded in nation-states with large tracts of derelict, former industrial zones.

Immigrants and Oligarchs

As we have seen, in the late twentieth century, Western managerial elites, by means of transnational corporations, were able to escape from their mid-twentieth-century social contract with national workers by offshoring production, or threatening to do so. Purely domestic companies, like hotels, restaurants, and construction companies, did not have this option. But they could benefit from immigration, because loose labor markets weaken the bargaining power of workers, just as tight labor markets weaken the bargaining power of employers. That is why, throughout most of history in the United States and other countries, organized labor has usually opposed large-scale immigration of any kind, while capitalists and corporate managers have often welcomed it.

Some Western countries have had formal policies of encouraging unskilled, low-wage immigration, like West Germany with its Turkish *Gastarbeiter* (guest workers). But for the most part, unskilled immigration has been the incidental result of other policies in particular nations. In the United States, most legal, unskilled immigrants have been low-income Mexicans and Central Americans who come on the basis of U.S. family reunification laws, in addition to the twelve million or so illegal immigrants, mostly from the same nearby countries. In Europe, asylum laws and refugee policies are the chief source of unskilled immigration. And some European countries have privileged immigration from former colonies. Whatever the particular regime, in every Western country the immigration issue pits the managerial elite against the working-class, native majority.

Scholars debate the economic effects of immigration to the United States. A recent National Academies of Sciences, Engineering and Medicine report tried to put a positive spin on its findings, but they were sobering: lower wages "for immigrants or native-born workers who have not completed high school—who are often the closest substitutes for immigrant workers with low skills," and the reminder that "first-generation immigrants are more costly to governments, mainly at the state and local levels, than are the native-born." The benefits of low-wage immigration, according to the report, go chiefly to the affluent consumers of labor-intensive services, while the costs fall on low-wage workers and taxpayers. The American media reflect the interests of managerial and professional elites in low-wage employees and cheap domestic servants, so the bad news was buried in mainstream reporting. “Immigrants Aren’t Taking Americans’ Jobs, New Study Finds,” declared the *New York Times* on September 21, 2016.

The real but limited negative impact of immigration on low-income workers and stressed government budgets might have been a minor issue in politics, but for two other factors. One is the combination of relatively high birth rates among some immigrant groups, like Latin Americans in the United States and Muslims in Europe, with low and declining native birth rates, which means that relatively small amounts of immigration can dramatically change the ethnic composition of a country in a few generations. Even if, in the long run, immigrants assimilate and merge with the native population, rapid ethnic change is disruptive and frequently viewed as a threat by natives.

The other factor is the modern welfare state. On both sides of the Atlantic, it was created in a period of low immigration and high native fertility after World War II. National welfare states take different forms, but they are all based on the principle of solidarity among members of the nation, who agree to work and be taxed to help their fellow citizens in order to be eligible for that same help in sickness or old age.

The incompatibility of the welfare state and mass immigration was noted by the libertarian economist Milton Friedman: “If you have a welfare state, if you have a state in which every resident is promised a certain minimum level of income, or a minimum level of subsistence, regardless of whether he works or not, produces it or not. Then [free immigration] really is an impossible thing.” His ideological opposite, Paul Krugman, agrees. Because “modern America is a welfare state” and “low-skill immigrants don’t pay enough taxes to cover the cost of the benefits they receive," Krugman concluded that the "political threat that low-skill immigration poses to the welfare state is more serious" than its other consequences. For his part, Friedman welcomed illegal immigration as a good thing because illegal immigrants are ineligible for welfare: "But it's only good so long as it's illegal. . . . Make it legal and it's no good. Why? Because as long as it's illegal the people who come in do not qualify for welfare, they don't qualify for social security, they don't qualify for the other myriad of benefits."

While using legal and illegal means to promote mass immigration, in order to discourage unions, suppress wages, avert inflation caused by tight labor markets, and to provide a buyer's market in nannies and gardeners, the managerial elites of North America and Europe also champion "diversity," which reduces the likelihood that workers of different ethnicities will unite in a common front against economic elites. In a letter in 1870, Marx wrote:

> Owing to the constantly increasing concentration of leaseholds, Ireland constantly sends her own surplus to the English labor market, and thus forces down wages and lowers the material and moral position of the English working class.
>
> And most important of all! Every industrial and commercial centre in England now possesses a working class divided into two *hostile* camps, English proletarians and Irish proletarians. The ordinary English worker hates the Irish worker as a competitor who lowers his standard of life. . . . His attitude towards him is much the same as that of the "poor whites" to the Negroes in the former slave states of the U.S.A. . . . *This antagonism* is the secret of the *impotence of the English working class*, despite its

> organization. It is the secret by which the capitalist class maintains its power. And the latter is quite aware of this. (Italics in the original.)

Similarly, Hobson (with his characteristic racist rhetoric) speculated that the economic elite might engineer mass immigration:

> Lastly, it is conceivable that the powerful industrial and financial classes of the West, in order better to keep the economic and political mastery at home, may combine to reverse the policy which has hitherto been gaining ground in the United States and in our white colonies, and may insist upon the free importation of yellow labour for domestic and industrial service in the West. This is a weapon which they hold in reserve, should they need to use it in order to keep the populace in safe subjection.

Because Hobson envisioned something very similar to the post–Cold War pattern of offshoring, transnational production, and mass low-wage immigration in the age of railroads, steamships, and telegraphs, today's pattern cannot be viewed as the predetermined result of new technologies like the Internet, global wireless telephony, and container ships. A number of different global economic orders are compatible with modern technology, just as numerous alternatives were compatible with the technology of Hobson's era. The technology needed for something like present-day globalization existed in the 1900s. But between 1914 and 1989, a necessary but not sufficient condition for this kind of managerial globalism was lacking: great-power peace.

From Super-Imperialism to Bloc Wars

Hobson's vision of a pan-Western syndicate of industrialists and investors exploiting the industrialization of China and the rest of the non-Western world was similar to Karl Kautsky's idea of a "super-imperialist bloc" of capitalist nations that would set aside military rivalries in the interest of shared profits from investments in developing countries. Whether sovereign great powers, absent the pressure of military compulsion, would ever volunteer to merge to that degree may be doubted. Today's transnational blocs emerged only in the shadow of two world wars and the Cold War.

In *The Managerial Revolution*, Burnham predicted the division of the postwar world among three "superstates" based on the United States, Germany, and Japan—inspiring Orwell's Oceania, Eurasia, and Eastasia in his novel *1984*. Instead, following World War II, West Germany and Japan became semi-sovereign protectorates of the United States, while Britain and France, shorn of their colonial empires, became American dependencies as well. Bipolarity rather than tripolarity structured world politics from the 1940s to the 1990s.

Neoliberal globalization was possible only in the decades immediately following the Cold War, when the United States was the "sole superpower" and no credible "peer competitor" had yet emerged. In the 1990s, the United States and its European allies, along with Japan, South Korea, and Taiwan, functioned like the pan-capitalist blocs of Hobson and Kautsky, right down to the offshoring of much of their manufacturing to China. However, the rise of China is bringing that ephemeral moment to a close—and with it, almost certainly, an end to the present structure of global industry.

Hobson, in his bigoted style, acknowledged the possibility of the rise of a powerful industrial China and a consequent protectionist backlash in the West:

> Again, China, passing more quickly than other "lower races" through the period of dependence on Western science and Western capital, and quickly assimilating what they have to give, may re-establish her own economic independence, finding out of her own resources the capital and organising skill required for the machine industries, and . . . may quickly launch herself upon the world-market as the biggest and most effective competitor, taking to herself first the trade of Asia and the Pacific, and then swamping the free markets of the West and driving the closed markets of the West to an ever more rigorous Protection with its corollary of diminished production.

Populist Rebellions and Their Limitations

If I am correct, the post–Cold War period has come to a close, and the industrial democracies of North America and Europe have entered a new and turbulent era. The managerial class has destroyed the social settlements that constrained it temporarily in the second half of the twentieth century and created a new kind of politics, largely insulated from popular participation and electoral democracy, based on large donors and shifting coalitions within a highly homogeneous coalition of allied Western elites. Following two decades of increasing consolidation of the power of the managerial class, the populist and nationalist wave on both sides of the Atlantic is a predictable rebellion by working-class outsiders against managerial-class insiders and their domestic allies, who are often recruited from native minorities or immigrant diasporas.

Will the result of the contemporary class war among managers and workers on both sides of the Atlantic be a revival of fascism? In some countries in Europe, populist nationalist parties have emerged from tiny fringe fascist parties, or have attracted their supporters. But talk about Weimar America or Weimar Europe is based on a misunderstanding of history, which blames fascism on populism. In reality, despite their populist trappings, most interwar fascist movements were favored by military and economic elites as a way to block social democracy and communism.

It is not the Weimar republic but the banana republic that provides the most likely negative model. In many Latin American countries, politics has traditionally pitted oligarchs versus populists. A similar pattern existed in many Southern states in the United States between the Civil War and the civil rights revolution.

When populist outsiders challenge oligarchic insiders, the oligarchs almost always win. How could they lose? They may not have numbers, but they control most of the wealth, expertise, and political influence and dominate the media, universities, and nonprofit sectors. Most populist waves break and disperse on the concrete seawalls of elite privilege.

In the American South, most populist politicians gave up or sold out. In some cases, like that of Texas governor and senator W. Lee "Pappy" O'Daniel, a country music singer, they were simply folksy fronts for corporate and upper-class interests all along. The few populists who maintained some independence were those who could finance themselves, usually by corrupt means. Louisiana governor Huey Long could battle the ruling families and the powerful corporations because he skimmed money from state employee checks and kept it in a locked "deduct box." In Texas, anti-Klan populist governor James "Pa" Ferguson, along with his wife Miriam "Ma" Ferguson, who was elected governor after her husband was impeached on the slogan "Two Governors for the price of one," sold pardons to the relatives of convicted criminals. As billionaires who could finance their own campaigns, Ross Perot and Donald Trump could claim, with some justification, to be free to run against the national establishment.

Those who believe in liberal democracy can look on this kind of political order only with dismay. Most of the time, coteries within a nepotistic elite run things for the benefit of their class. Now and then, a charismatic populist arises, only to fail, sell out to the establishment, or establish a personal or dynastic political-economic racket. Formal democracy may survive, but its spirit has fled. No matter who wins, the insiders or outsiders, the majority will lose.

Alternatives to Populism

Is there an alternative to a Latin American or Southern future for the West, an endless clash of oligarchs and populists? If there is, it will take the form of a settlement like that of the post-1945 social contract in its spirit, though not in its details.

One possible new cross-class compromise between the managerial elite and the working-class majority in Western nations would take the form of the radical renationalization of industry. This seems to be what many populists on both right and left have in mind when they want politicians to "bring the jobs back"—that is, well-paid manufacturing jobs. But this would sacrifice benefits from supra-national economies of scale, which are real in industries like manufacturing, even if the recent pattern of offshoring has been driven by manipulative policies like labor arbitrage rather than a focus on productivity.

Because of the multiplier effect on the larger economy in which manufacturing is embedded, it is important for countries to acquire or maintain high-value-added manufacturing, even if only a minority of the workforce is formally employed in the sector. But most American workers are already employed in the nontraded domestic service sector. Their jobs and wages can be threatened by mass immigration but not by offshoring.

Radical de-globalization and the restoration of something like the largely autarkic national economies based on vertically integrated national firms of the 1950s and 1960s, then, would not be desirable, even if it were possible. At the other extreme is the fantasy of a new global settlement, with global labor unions and global government (or "governance") checking global corporate and financial oligopolies. Post-national global governance that promotes the shared interests of a transnational working class is even less likely to happen than radical renationalization.

This leaves two options for a new settlement, which might be called "neoliberalism plus" and a new developmentalism.

Neoliberalism plus, also called "inclusive capitalism," is the preferred response of the transatlantic managerial class to the populist revolts in Europe and America. Essentially, neoliberalism plus is Reagan-Thatcher-Clinton-Blair neoliberalism with more subsidies to the "losers" of globalization. The disempowerment of non-elite citizens by the oligarchic capture of politics and the destruction of unions would not be altered. But the masses would be bribed into acquiescence by means of higher wage subsidies, like the Earned Income Tax Credit (EITC) in the United States, or perhaps a universal basic income providing every citizen a poverty wage.

While something like this will undoubtedly be tried in many Western countries, the economics do not work. Bribing workers who have stagnant or declining incomes with new welfare subsidies requires an economically dynamic sector of the economy to make the bribes affordable. The neoliberal donor class, concentrated in elite rentier enclaves, assumes the permanent existence of high intellectual-property rents flowing from the rest of the world to tech tycoons, along with global financial rents flowing to money managers. These rents, it is assumed, will be so high and sustainable that the tycoons and money managers will gladly share them with the rest of the population in the nation-states in which they happen to reside.

But global innovation rents quickly disappear, as a result of lapsing patents, intellectual property theft, foreign success in indigenous innovation, and the commoditization of former cutting-edge industries. As for taxing financiers to subsidize far larger welfare states, this may work in cities like New York and London, but it cannot possibly work on the scale of nation-states, including continental nation-states like the United States, with a third of a billion inhabitants.

Nor can advanced manufacturing pay for the massive redistribution from the few to the many required by the neoliberalism plus strategy. High productivity in manufacturing and services is incompatible with neoliberal trade policies that allow the offshoring of both high-value-added production as well as low-value-added activities by corporations and tolerate the devastation of domestic high-value-added industries by subsidized imports from mercantilist countries like China. Even worse, in the nontraded domestic service sector, flooding the low-end labor market with poorly paid and poorly educated immigrants reduces the incentive of service industries to boost their productivity by investing in labor-saving technology or reorganizing their business models to minimize labor.

In other words, neoliberal economic strategy itself, because of its bias in favor of business models relying on cheap labor at home and abroad, tends to undermine the productivity growth needed to pay for the massive redistribution that, it is hoped, would align the interests of workers and managerial elites.

It is no coincidence that Reaganism-Clintonism and Thatcherism-Blairism coincided with prolonged asset bubbles, or that their most ardent proponents tend to be located in the City of London, Wall Street, and Silicon Valley. For a time, it is possible for stock-market booms, real estate frothiness, and other bubbles to fund redistributive taxation. But overbuilt welfare states that assume perpetual booms instead of slow, steady, and difficult productivity growth are destined to become insolvent.

Unlike the ephemeral innovation rents of the so-called knowledge economy, financial, property, and resource rents actually can become permanent. In earlier generations, successful merchants and industrialists often became bankers or aristocrats. If the children and grandchildren of today's IPO billionaires become landlords and moneylenders, they could transform into a new aristocracy in a kind of high-tech Western feudalism.

David Ricardo believed that in a three-way struggle among landlords earning rent, capitalists earning profits, and workers earning wages, landlords might eventually prevail. In an economy with low or no productivity growth, landlords, bankers, and other rentiers might displace the managers of the industrial sector as the dominant class. Just as managerialism succeeded bourgeois capitalism and feudalism, so managerialism in an age of technological and economic stagnation might give way in turn to what Peter Frase in *Four Futures: Life after Capitalism* (Verso, 2016) has called "rentism."

New Developmentalism

The term "developmental state" was first used by scholars like Chalmers Johnson and Alice Amsden to describe the post-1945 regimes of Japan, South Korea, Taiwan, and Singapore, which relied on export-oriented strategies as part of programs to industrialize and catch up with the West. But the concept of the developmental state deserves a far broader definition.

As the economists Erik Reinert, Ha-Joon Chang, and Michael Hudson, among others, have demonstrated, the mercantilism of Renaissance and early modern Western city-states, kingdoms, and empires was a version of the developmental state. From the Tudor era until the adoption of economic liberalism in the 1840s, England (the United Kingdom after 1707) was a classic mercantilist state, seeking to help its industries by providing them with a seller's market in high-value-added manufactured goods and a buyer's market in industrial inputs like commodities and labor. The British empire promoted this industrial strategy by forcing its Irish, North American, and Indian subjects to specialize in exports of raw materials to British manufacturers, who in turn enjoyed monopolies on the sale of finished goods to the colonies.

After Britain pioneered the Industrial Revolution, the United States and Germany successfully caught up with and surpassed the UK by means of import-substitution policies that protected their national markets for national firms. Not until the aftermath of World War II, when the United States briefly enjoyed industrial hegemony in a shattered world and lacked foreign competition, did Washington abandon its policy of infant industry protectionism.

A third variant of developmentalism was devised by Japan and "the Little Tigers" (South Korea, Taiwan, and Singapore) during the Cold War. Prevented from using tariffs by "unequal treaties" with Western nations before World War II and by the General Agreement on Tariffs and Trade (GATT) after 1945, these East Asian mercantilist nations used various nontariff barriers to preserve domestic markets for their national champions, while reaping the benefits of scale by exporting to far more open Western consumer markets. The catch-up strategy of post-Mao China is a version of this East Asian pattern.

Developmentalism has taken quite different forms, in Colbert's France and Walpole's Britain, Hamilton's and Lincoln's America, Bismarck's Germany, and contemporary East Asia. While methods vary, a constant has been the understanding of global trade not as a rule-governed arena in which firms should compete for customers with no regard for borders but as a zero-sum competition for global market share in high-value-added industries among rival states.

In liberal economic ideology, questions of trade and questions of national security are unrelated. But from the perspective of developmentalism, relative industrial capacity is the most important basis of relative military power. Great powers, if not lesser states, must constantly worry that the augmentation of the industrial strength of other blocs will also increase their relative military power. Even in periods of peace among great powers and the blocs they lead, each power must prepare for the possibility, however remote, of conflict with the others. Within a tightly integrated bloc of allied nations, transnational liberalization may be the order of the day. But relations between blocs are likely to be guided by the zero-sum logic of cautious, suspicious, military-inflected developmentalism.

With these dynamics in mind, we can speculate about the future of the world economy and its implications for new domestic settlements among managers and workers.

First, the rise of China, followed perhaps by the rise of India, is likely to produce a world order by 2050 in which most of the global GDP is produced inside the borders of China, India, the United States, and Europe —three colossal nation-states and one politically divided region. To update Orwell, the future blocs may be Eastasia, Southasia, Oceania, and perhaps Europa. The world will be truly multipolar.

In a world of competitive great powers and great-power blocs, the most familiar version of developmentalism (the East Asian export-oriented industrial strategy) will be impossible for political reasons. The United States tolerated one-sided trade with its East Asian satellites and Germany (whose mercantilism is real but more subtle) only because it needed their support in the Cold War and their economies were much smaller than America's. It will make no sense for the United States to tolerate similar mercantilist trade policies at the expense of American industries, particularly those relevant to defense, carried out by China—the only "peer competitor" the United States will face in the foreseeable future in the military realm.

Even before the election of Donald Trump, the United States was already acting as a declining post-hegemonic power with a reawakened sense of strategic economic nationalism. The failed TPP was sold to the American public as a way to defeat China in competition for markets in Asia, the counterpart to the Obama administration's "pivot" toward de facto military containment of China. The TTIP, which would have deepened Euro-American integration without Chinese participation, was motivated in part by a desire to balance the rising geoeconomic influence of China.

If the United States is growing less willing to act as "the patsy" (Martin Wolf's term), offering unreciprocated access to its markets for the goods of mercantilist states at the expense of its own producers, and if no other major nation or bloc is willing to be a similar "patsy," then the kind of parasitic export-oriented strategy pursued by Japan, the Little Tigers, China, and Germany cannot succeed. At the same time, classic import substitution strategies, like the radical renationalization strategy discussed above, are also rejected by the major economic powers, because they seek markets for goods and services beyond their borders to reap the benefits of scale in increasing-returns industries. By default, then, the economic system in a world of multiple great-power blocs is likely to resemble that of the European colonial empires.

There are differences, to be sure. The old colonial hierarchy, with industry monopolized by the metropoles and commodity production in the colonies, would be replaced by a new hierarchy, in which the metropoles reserve the higher links of transnational value chains for themselves while lesser allies and protectorates are ceded lower-value-added production.

Within the dominant nation in a military-economic bloc, it would be wise to design a new cross-class social settlement to reinforce rather than undercut the long-term productivity growth both of the nation and the bloc it leads. There would need to be two strategies, one for traded-sector industries like manufacturing with potential foreign markets, and one for nontraded domestic industries that can only be performed in situ, like nursing care and other personal services.

A new developmentalist strategy for traded-sector industries, by means of a mix of incentives and compulsion, should discourage corporations from seeking to boost profits by labor arbitrage, tax arbitrage, and financial machinations like stock buy-backs and corporate inversions. In times of great-power peace, a considerable amount of trade among the great powers might be permitted, but each great power would intervene rather than permit market forces or foreign industrial policy from eliminating critical industries, particularly those relevant to the military.

In the nontraded domestic-service sector, a new developmental state, in the spirit of Hippocrates, would emphasize doing no harm—no harm, that is, to the all-important high-value national traded sector. Tight labor markets for domestic service workers, achieved by immigration restriction, work-sharing, shorter workweeks, or other means, should be looked on favorably by policymakers, for several reasons. Higher market wages for service workers would mean a larger domestic market, a true mass market capable of supporting large-scale industries at home as a base for foreign expansion. At the same time, higher market wages in the domestic service sector would encourage automation and other kinds of labor-saving strategies, boosting service-sector productivity and perhaps increasing domestic demand for labor-saving machinery and software that can be produced in the nation or the bloc. If high wages lead to the replacement of fast-food workers by kiosks, the manufacture of the kiosks could become a new, capital-intensive, high-technology industry.

Competition and Countervailing Power

The decline of the liberal globalism that flourished briefly in the passing phase of post–Cold War American hegemony, as a result of the inevitable transition to multipolarity, may be dreaded by managerial elites, but the working classes of the West and the world may benefit.

History demonstrates that ruling classes of any kind are reluctant to share power with the ruled unless they are afraid of the ruled or afraid of rival ruling classes. The former—fear of the ruled—is a weak motive. Popular revolts seldom turn into revolutions, without the support of dissident members of a ruling class or of a foreign elite, like the French monarchy that bankrolled and supported U.S. independence for its own purposes.

The need to mobilize the population for war, or at least the need to obtain social peace in wartime, has been far more important as a source of democratizing reforms. From the Greek city-states to the Swiss cantons, citizen-soldiers have been able to use their contribution to defense to demand rights and representation. In the United States, the Emancipation Proclamation and the GI Bill were both wartime measures.

Following the end of the Cold War, the abolition in most Western countries of conscription and the shift by the United States and other countries to professional soldiers, mercenaries (contractors), and foreign proxies has reduced the importance of the citizen-soldier, even as offshoring and mass immigration reduced the bargaining power of the citizen-worker. Mass conscript armies are as unlikely to be restored in the United States and similar countries as mass-production assembly lines that can be crippled by strikes. And the kind of low-level warfare that the United States has engaged in since 9/11 requires little sacrifice on the part of most Americans, who conversely cannot use their sacrifice to demand a greater share of power and wealth.

Nevertheless, great-power competition, even in the form of limited cold wars, is likely to reward nations whose economic model is based on developing productive technology and raising the incomes of domestic worker-consumers, rather than engaging in labor and tax arbitrage, regulatory harmonization, and other schemes that boost profits without increasing productivity. In cold wars and trade wars, even if no blood is shed by the contenders, countries and blocs with empowered and patriotic workers are likely to do better than rival nations crippled by immiserated workforces and selfish, nepotistic, oligarchic elites.

In a geopolitical contest between the developmental model represented in different ways by Japan and China, minus their current "export-über-alles" mercantilism, on the one hand, and, on the other hand, the rentier-dominated oligarchic model represented by Brazil and Mexico, it would be foolish to wager on the latter. North American and European democracies cannot and should not emulate modern East Asian developmental states in every detail. Still, it should be a cause for concern that, since the Cold War, the United States and Western Europe have been moving along the spectrum, as it were, away from Asia toward Latin America.

Managerial elites are bound to dominate the economy and society of every modern nation. But if they are not checked, they will overreach and produce a populist backlash in proportion to their excess. By a misguided policy of suppressing wages and thus throttling mass consumption, unchecked managerial elites may inadvertently cripple the technology-driven productivity growth responsible for their rise and accidentally cause the replacement of managerial society itself by a kind of high-tech rentier feudalism.

Managerial society works best when there are not only concessions to national working-class economic interests—the bribes to the "losers" of neoliberalism—but also genuine economic bargaining power and political power wielded by the many. Far from undermining managerial regimes, Burnham's "juridical check" and Galbraith's "countervailing power" make them more legitimate and sustainable.

And as long as geopolitical conflict does not escalate into the horrors of world wars, restrained rivalry among great-power blocs is a price worth paying to preserve a politically diverse world. In the words of Hobson in 1902: "The hope of a coming internationalism enjoins above all else the maintenance and natural growth of independent nationalities, for without such there could be no gradual evolution of internationalism, but only a series of unsuccessful attempts at a chaotic and unstable cosmopolitanism."

This article originally appeared in American Affairs *Volume I, Number 2 (Summer 2017): 19–44.*