

Steven Durlauf: Hello everyone and welcome to the Inequality Podcast. This is Steven Durlauf. Today it's my great pleasure to introduce Sven Beckert, is the Laird Bell Professor of History at Harvard University and he's the co-director of the program on the study of capitalism. That's a very appropriate title because Sven is one of the world's leading historians in what is referred to as the new history of capitalism which represents—at least for my days as an undergraduate—a profound change in the organization of history away from, shall we say, events such as the Civil War, countries such as the Soviet Union, and thinking about phenomena. Nature's of history, which are international in their nature and have to do with the many dimensions that stick to us together as a species. In the context of historians of capitalism I should say there's controversies with respect to economic historians and historical economists and part of what I hope will be communicated today is the fundamental differences in many of the ways that Sven and others think because any discussion of inequality obviously needs to incorporate all these different perspectives. And so Sven it's really a pleasure to have you and thanks so much.

Sven Beckert: Great to be here, thank you for having me.

Steven: Thank you for sending me the advanced copy of what I'm going to receive in the mail from Amazon on Tuesday which is *Capitalism: A Global History*. It is extraordinarily readable. I will also say it is quite long and so Sven I actually really want to ask me to identify the three or four broad messages you'd like every listener to have before we get into some more detailed conversation.

Sven: Right, so the book is the result of eight years of research and writing and of course a much longer period of thinking about the history of capitalism. I started thinking about the possibility of writing the book and I was motivated in writing this book because when you look at the world today and if you look at our lives today in the United States, but also in other parts of the world, then certainly capitalism is kind of a major fact of our lives. It structures some of the largest structures that we inhabit—let's say the labor market or our consumption or production and other such things—but it also structures some of the most intimate aspects of our lives. So it's a powerful presence within our lives and in order to understand where we are and to understand the world around us I think we must come to terms with capitalism. We must develop an understanding of capitalism. And I think the book's three main contributions would be, for one, I see capitalism as historical. It is a logic to economic life that has a beginning that spread quite slowly. It is a radical departure from other forms of the organization of economic life. The second—the book is, as the subtitle says, the book is global. So much of thinking about capitalism has been centered on the European continent or maybe the United States. I mean quite commonly histories of capitalism begin with industrial revolution. They begin with Manchester and then they

might take the story into the United States as well and continental Europe. Or better versions of the Eurocentric version of the history of capitalism begin with, let's say, the city of Florence and then take it to Amsterdam and then to London and Manchester and New York. But no matter what, much of the narratives, much of the stories, much of the analysis of capitalism that we have focus on a very small part of the world and a small subset of the human population. And this is in my reading completely inadequate to understanding the history of capitalism. So I argue—I begin the book and the port of Aden disentangling the merchant community of Aden in the year 1150. Capitalism was born global, it begins global. And at any moment in its history, it is deeply embedded within global networks and global connections. And can only be understood from such a global perspective. This becomes more strikingly clear when we think about the present because nobody in their right mind would think about the world economy today and only look at Europe and the United States. Everybody would think that we must consider other parts of the world. And that's of course exactly right. But this is not just right for the present, but we need to understand that capitalism even at its most hierarchical, even at its most Eurocentric point in the 19th century was always embedded in global connections. So this is the second contribution. And maybe the third contribution that I should emphasize here is that I believe that the best way to understand capitalism is from a historical perspective. What a historical perspective allows us to do is to see that the capitalist logic, structuring economic life is not natural. It has a moment in which it emerges and we can trace its spread. And of course, from a historical perspective, we can also see that while capitalism has a core—I'm sure we're going to talk about this later—but it changes dramatically over time. And it's also very different in different parts of the world at the same moment in time. So capitalism, I argue, is rather undogmatic and understanding it from a historical perspective allows us to see how it constantly shifts its shape and is embedded within very different forms of labor, for example, very different forms of territorial regimes and also very different forms of politics.

Steven: So maybe we can take up the question of whether capitalism is natural and there I wanted to turn to talk about Parsons' idea of evolutionary universals. I think many economists, including me, would ask you the question which is whether or not there are forces that tend to lead societies over time towards capitalism. And so that would be distinct from saying that is natural in some sense, but nevertheless, it is a stable steady state to use these sorts of jargon that we tend to use.

Sven: I mean, we can observe in history how there's a logic of the organization of economic life emerges and spreads. Was it kind of the necessary outcome of prior human history and prior forms of the organization of economic life? I think that's really hard to tell. I wouldn't want to venture a guess here except to say that the logic that structures capitalist

economic life is quite old and it remains quite limited to particular spheres of economic life for a very long time. I think in some ways it is striking how slow revolution of capitalism unfolds and also how great resistances it encountered in the process of its expansion. So I don't think it's natural. I think what is universal in human societies as far as I can tell, people have always traded in all human societies and they have always been in, one way or another market. So this is not kind of an invention of capitalism. It's not peculiar to capitalism, but this is quite common in many different human societies. But the core logic of capitalism, which is that privately owned capital is productively invested for the production of more capital. If we take that to be kind of the core of what the capitalist economic logic is about, then this is a relatively recent development in human history. And it contrasts with two other logics that were quite dominant on planet earth for a very long time. One is the economic logic of tributary rule of, like let's say European feudalism in which the local lord has the inherited power to press the peasants to part with some of their production. And that certainly also leads to wealth. It does lead in some minor ways also to economic growth. It certainly also leads sometimes to technical innovation. But it's a fundamentally different economic logic and it has also fundamentally different results from the capitalist revolution. And second, we see in many parts of the world we see an economic logic that is focused on subsistence production, growing the food that your family wants to eat and producing the textiles that they need to wear. And maybe you produce also for your neighbors and maybe you produce also for the neighboring village and exchange some of the products of fewer endeavors. But it's an economic logic that is focused very much on maintaining the family and small communities. So I think these were the kind of two dominant economic logics in the world before the advent of capitalism. And capitalism is really a radically departure from either of them. And as a result, it encountered great resistances. It encountered great resistances from elites because feudal elites were often not particularly eager to have their ability to squeeze the peasant shared by other forms of economic power. And of course, subsistence oriented producers often went to great lengths trying to protect the ability to produce their subsistence and resisted, for example, being turned to industrial workers in factories. So that's a very long way of saying that, no, I don't think that this is kind of the natural way of organizing economic life. It's really a revolutionary departure from other ways of organizing economic life. And you know, everything that the world we live in today is really a result of this kind of revolutionary departure from previous forms of economic life.

Steven: So I should say, Talcott Parsons did not list capitalism as an evolutionary universal. If memory serves me correctly he listed markets. And I mentioned that because, you know, much of the logic of general equilibrium theory, which is, you know, still the fundamental organizing principle, I think of thinking about economies in the way that you're doing is that

markets have efficiency properties. And you know, as reviewing Kenneth Arrow's Nobel Prize speech and to see what he had to say about this. And that's actually what he emphasized, was looking at economies over time and seeing the movement of resources and responses to price signals. That is not equated to capitalism in the sense—in the way that you were describing it. And I think that's a very important message. Again, I'm speaking as an outsider. So I may know the words and not know the music.

Sven: I do agree, you know, that markets are—have a very long history and maybe are more or less universal. But, but of course, in different societies, markets have also different places within them. So the way, for example, how the feudal lord gains access to wealth is not through market mechanism. The way how, you know, families organize their reproduction is not necessary through market mechanism, even though both the feudal lord and the substantive oriented families would have also engaged in some forms of markets. But markets would be relatively confined to a small part of the totality of the economic life. And that is of course totally different from now when, you know, much of our economic lives are mediated by markets. You know, almost everything we consume is purchased on markets and what we produce is sold on markets. So this is a totally different world from the world of, let's say, 12th century Europe.

Steven: Yeah, and I appreciate that emendation because what I was trying to extract is general themes is one, the idea that markets have a role as independent of the state, but the society is capitalist. And then second, both with reference to markets and with reference to capitalism, any argument that they are an evolutionary universal sense—I said there's some sort of selection across time—It's not clear how constraining that is. I mean, the heterogeneities in capitalism doesn't give us much guidance in terms of what it is exactly that is just being selected for. And those seem to be essential themes in the book. Might you say a bit more about your view of, and I mean, I asked you openly to be critical of how economists talk about capital. An idea that I've taken from my efforts to understand your work and others, is that you think of capital as process, whereas if you look at the models, I write down, capital is a thing. It's a machinery. It's a bunch of stuff. And so I was hoping you could elucidate the historians perspective.

Sven: Capital for me is yes, in some ways it is a process. It's accumulated wealth that is being invested to increase itself, to increase the total stock of capital. And this can take a whole variety of forms historically. Obviously, that is one of the most important processes through which capitalism shifts its shape. It draws on—it invests capital in radically different ways from 17th century Barbados to 20th century Detroit, let's say. But it is a process in which the principle goal is not so much to produce more sugar or to produce more cars to stay with the two examples that we just discussed, but to increase the capital itself. That is

kind of the aim of the process of investing. And of course, one of the results of that is also that we will have more sugar and more cars in the process.

Steven: So I was hoping you could talk about the arguments in the book concerning the role of institutions and economic growth and development. And of course, you know, my colleague James Robinson who won the Nobel Prize last year. And you had a number of criticisms, though, of course, you cite the work as source material. And I'm hoping you could outline your thinking about the way economists talked about institutions.

Sven: That's a great question. I do emphasize in the book very much the importance of institutions. I think this is I think crucial to the creation and dynamic of capitalist economies. James and others have contributed in really important ways in allowing us to see and to understand the importance of these institutions. So I agree with that. As a historian, I also have two criticisms. And the first one is that of course, these institutions themselves have a history. They have, you know, they emerge in a particular kind of historical context. They don't just drop out of the sky. It's not that, you know, people in some parts of the world were, you know, for unknown reasons, able to create institutions that people in other parts of the world were not. It is itself historical how these institutions come about. And it's important to disentangle the process of their production. So this is my first criticism, which I think they don't fully do. And my second criticism is perhaps that they are, you know, institutions that are important to the history of capitalism that are that we wouldn't applaud, you know, that we wouldn't find particularly attractive. And so, for example, institutions that focus on processes of dispossession or institutions that focus on processes of enslavement, which is just another form of dispossession, I think are quite crucial to the history of capitalism as well. And they are kind of institutions also, but they don't feature very much in this institutionalist literature. So, you know, to reiterate, I think, yes, we need, we need to think about capitalism as an institutional order. I'm in complete agreement. I'm also in complete agreement that many of the institutions that are emphasized as being important by economists, I totally agree that they're important. But I think they are also, they have a history that in itself, we need to understand. And then of course, there are also institutions that are quite important to the density of capitalism that are less attractive than, let's say, secure property rights or the ability to transfer money across large distances or insurance or other such things.

Steven: For what is worth, I take those all as very friendly criticisms because they say that any body of research is incomplete and these are the directions that they need to be enriched.

Sven: No, no, I think that's exactly true. I would probably emphasize more the agreement that we have than the disagreement.

Steven: Yes.

Sven: But of course, you know, as a historian, you know, my basic argument is everything has history and we kind of need to disentangle that history.

Steven: And for what it's worth, I think within economics, there's something of a conflict between what I will call economic historians and historical economists, that really have to do with the richness of the way that history is modeled. And so there's inevitable tension that if one wants to have an abstract, you know, low-dimensional interpretation of something, many of the ages, much of history has to be, has to be sheared off. And so I think that there's probably inevitable trade-offs there, but that's a base statement that the approach is needed co-existing, co-thrive.

Sven: No, and there's exactly, I think there's a place for it all. I do cite many economists in the book as you might have noticed. I think some of the more quantitative research that I myself not really practicing, but it is really important. It has allowed us to see certain things and to understand certain things through kind of systematic analysis of historical documents. That is really quite crucial. So I don't see a fundamental—it's a different approach, but it does kind of engage with the same kinds of questions and we can certainly very much learn from one another. Of course, economics as a discipline, as you know yourself quite well, once upon a time was more open towards thinking about issues such as political economy more broadly speaking. And in some ways, maybe some of my work is indebted to that tradition of thinking about economic life that goes back to the 18 century, to the 17th century and beyond. I think we can learn from our ancestors. But there's a place for everything.

Steven: So I wanted to turn to some of you brought up which is the coexistence of productive institutions, which is the theme of the working economics with despicable ones. And in particular, ask you to talk about your views on slavery and economic development, the industrial revolution.

Sven: Yes, that's a very big question that as you know, I've written about previous to this book and that I'm engaging again in this book as well though from a very different perspective because now I focus mostly on an earlier time period. I focus mostly on the 16th and 17th centuries and I focus on also on a different commodity previously had looked a lot at cotton. And now I'm focusing mostly on sugar production and look, I mean, maybe in a nutshell to radically summarize this argument. I think I would say that coercive labor regimes such as slavery are crucially important to a particular moment in the history of capitalism. So they are like everything in capitalism, they are historical. They are not universally important to capitalism in a kind of abstract way. Historically, they are

important in a specific way at a particular moment in the history of capitalism and that is especially beginning in the 16th century and then into the 19th century. So we can show that how, you know, for example, the involvement in the Caribbean slave economy was extremely important for French economic development, for Dutch economic development, for English economic development. But it was even important for parts of the world that were far removed from the Atlantic Ocean such as I write a fair amount about central Europe and its links to the slave economy in the Caribbean. But we also now increasingly know how deeply emerged, for example Swiss merchants were in the slavery economy. So we can show that in all kinds of ways and the book does so in great detail, by the way, drawing partly on the research of the quantitative research of economic historians. But the question of course remains, why is that so? Why does slavery become important to the history of capitalism? I think that links to some of the things that we discussed before namely that the capitalist logic and the power of merchants in economic life is a radical departure from previous forms of economic life. And it's also of course a radical departure from previous, the previous power of land holding elites, let's say in the European economy. And because capitalism is such a drastic departure in the logic of economic life, it encounters tremendous resistances. We have discussed that before and these resistances come, let's say from regular people from peasants and other such people. But they also very much come from the elites. The elites are often quite invested in keeping structures of economic life, let's say, and the European countries saw it as they had been for many centuries. Because that resistance is so great, I think one of the decisive things that happens in the 16th century and 17th century for the history of capitalism is that European merchants, European capital owners, in conjunction with European states, are kind of getting around these resistances that they encounter in the European continent by going into the Atlantic, by going abroad. They go to the islands off the coast of West Africa, the Canaries, the Cabo Verdes, Sao Tome, other such islands. And then of course with Christopher Columbus, they go into—across the Atlantic, they go into the Caribbean and to South and then eventually also into North America. And now here we have a word that is totally different from the word of European agriculture because there is a huge differential in power among these European states and European capital owners on the one side and on the other side indigenous societies and their rulers and their merchants. They do encounter opposition, but the opposition is not as powerful as it is on the European continent. And so they can now—for the first time they can shape a word that follows entirely this capitalist logic. You know, they don't encounter powerful feudal lords who would protect their land, so they just take the land from indigenous people and they are able to mobilize labor on a massive scale because they have the power to enslave Africans and to bring them to the Americas and have them grow crops there. So in a weird way, I think the importance of slavery to this particular moment in the history of capitalism is

rooted in the fact that the capitalist revolution itself is still quite weak. And therefore it flourishes in some ways in parts of the world in which resistances both from elites and from commoners are more easily overcome. This is the particular role I think of slavery in the history of capitalism. Of course, by the end of the 19th century, this entire world and the power relations within this world has completely shifted. And so at this point, the massive mobilization of labor through the payment of wages or other forms of labor and mobilization have become much more possible.

Steven: So I wanted for the listeners to emphasize that what Sven said is really a very different way of argumentation that my perception of the debates with the economics. And so you should correct me. There's a lot of disagreements. I would say between historians of capitalism and economic historians about the role of slavery in economic developments. The economist view, to simplify, comes down to two issues. Number one, what fraction of investments were made that were profits from slavery and the argument that's typically made is, well, it may have had some contributory factor, but it was not fundamental. And the second is to say, well, under the counterfactual of no slavery, everything happens anyways. I'm oversimplifying that, but there's really two points I want to emphasize that you brought up. Starting with the second, whether or not that's true, this is the history we have. And so some vague counterfactual or 85 years later, you have similar events that occurred in 1790 is not necessarily a statement that slavery wasn't integral to the development of capitalism. And after all, you know, part of what defines modernity. And the second is that the mechanism that was described is so fundamentally different. You didn't say to me, well, I went to the ledgers and this is the fraction of investments in this location in Manchester. It's definitely profoundly different, which is the political institutions that undergird the emergence of modern capitalism were sensitive to, I guess, the term is hinge events. In other words, this was the capability of merchants to move into a different world, experience different rules and then come back and influence the political system. And that strikes me as a very important distinction between the way—both in the way economists reason versus historians. Am I doing you justice?

Sven: No, I think that's a beautiful somewhere you put it almost better than I was able to put it myself. Exactly true. I think, you know, obviously a capital that came out of this slavery complex, the slavery trade and the production of slave-grown agricultural commodities that infuse the European economies and that in some ways also provided, then, investment capital for other undertakings. But I think you're absolutely right. I think we pretty much know that this was a small share of the total. And we also know something else, namely that the early industrial revolution was not particularly capital intensive. So it was certainly not a problem. If the industrial revolution would have been just about the availability of capital, then it could have as well happened in China or India or elsewhere. I



mean, there was no reason of why that would have happened in the United Kingdom. So yes, that's exactly true. And the counterfactual, you know, as a historian, of course, I can only try to come to terms with what actually happened and to explain it. Would a different word be preferable? Yes, of course, we all agree on that. That would have been beautiful. That would have been much better. But this is in fact not the word that emerged in the 15th and 16th centuries. And so I think our task is to explain the world as it actually unfolded. But to push this a little further, it's also true that, you know, capitalism as a form of economic logic is not as such dependent on slave labor. I mean, I totally agree with that too, because if we, you know, if we look at the world post 1880s, there is obviously a lot of dynamic in the global capitalist economy without plantation slavery. So, so I think again, we need to be very historically specific. We need to exactly be aware of what moment in the history we're actually looking at and what it is we need to explain.

Steven: I want you to talk about the great divergence, which of course for growth economists and economic historians, the fundamental thing to explain and, you know, the views you have on that.

Sven: Yeah, that is obviously one of the most important questions to explore and obviously generations of scholars have tried to come to some kind of understanding because even though the book argues, of course, centrally that capitalism was born global. It is always a world economy. It always needs to be understood from a global perspective. But when we do so, we also need to explain why the European continent came to play such a prominent role within this capitalist world economy by the 18th century and then well into the 20th century. So, so this is one of the key kind of puzzles that we need to explain. And there are, of course, an unending number of possible explanations for that ranging from the climate to geography to religious preferences to institutions to the availability of capital to the structure of families. There's a like a never ending fund of ideas of why this European divergence occurred. And maybe the first thing I should say is that I think the quest to identify just one factor is let's say—difficult. It's unlikely to succeed.

Steven: You can say something stronger. I 100% agree.

Sven: It's a fool's errand to identify. And you know, it's wonderful. Max Weber thinks it's Protestantism. You know of course that kind of inspires the debate and maybe for that reason, it's a great thing. But in the end, I don't think it's going to explain that. Ken Pomeroy has made an important contribution to this debate because he has shown that, you know, in some ways assumptions about Europe apart of Europe being categorically different since time immemorial from China and to some degree also from India are clearly mistaken. You know, vibrant commercial economies, both in India and China. There is certainly a thriving manufacturing sector, actually much bigger manufacturing sector, in

China and India than in Europe. There is a degree of monetization of economic life. So I take all of his observations to be quite important. In the end, Ken Pomeranz as you know, emphasizes the importance of colonialism and good luck namely the luck to find coal that is near industrial centers in Britain, but not in China. Certainly these factors do play a role. But it of course raises then the point of why, you know, I mean, you can't do anything about where the coal is located. But you know, I mean China could have built economies on the eastern coast of Africa as well, for example. So in a way, it just begs the question. Unlike Ken Pamaronz, I tend to see what sets Europe apart is, you know, you find notes of capital, what I call islands of capital in the years before the middle of the second millennium. You find them in many, many different parts of the world, you find commercial life in many, many different parts of the world. So this is not what sets Europe apart. You could argue that, you know, you find more vibrant merchant communities, even in some parts of the world outside the European continent. But what's happening in Europe, I think, unlike what's happening anywhere else, is that in Europe by the 15th century, there is a kind of merging of the interests of these merchants on the one hand and on the other hand states, state power. They meet one another and they meet one another partly because both of them ironically are relatively weak. The merchants have a huge problem, the Europeans have a huge problem because they really wanted to trade with, you know, the most dynamic parts of the world, namely with India and China. But to get there, they need to deal with the merchants in the Muslim world, which kind of sit between India and China on the one hand and Europe on the other hand. So they are trying to find a way around them. They try to cut them out of their business. And what they do is in order to do that, they move into the Atlantic world because they believe that if they just travel far enough into the Atlantic world, they are going to arrive, you know, in India. On the other hand, you have European states who are less stable, let's put it, than the Chinese Empire. They are in kind of permanent warfare with one another, which is very resource intensive. And in order to secure these resources, they need to be nice to the merchants. They need to somehow convince them to make them loans or they tax them, you know, in some ways to get the resources they need to fight wars. And of course, for these states now, the discoalition with the merchants and the step into the Atlantic world is also an effort to secure resources that would enable them to survive in the interstate conflicts of the world. So I think what to me, you know, if you would push me, what is kind of the main reason for this great divergence is kind of unlikely coalition between state power and the power of merchants. And that creates a kind of totally new dynamic because it does enable what we discussed earlier. It does enable like to push this logic that we discussed in great detail. It enables the merchants to push that logic into new geographic spaces and sets the whole system into motion. So, you know, I guess I'm gravitating in that way to a somewhat more old fashioned argument that sees the divergence actually slightly earlier, even though I agree with the

Pomeranz, you know, it's not like that the European continent is vastly wealthier in 1700 than China. But there is a kind of institutional difference. So maybe this is, you know, the correlation, it's an institutional difference that is quite decisive in setting the European continent on a different trajectory from that of China or India.

Steven: I think one of the issues which you brought in having monocausal explanations of any sort and more generally is a lot of the discussion is additive. It's A plus B plus C. And the way I would translate what you said into algebra, is it's a nonlinear system. Everything's interacting and you hit certain inflection points where it's this combination that puts you on a branch, which is, if you want to call it path, depending on—there's lots of jargon for it, is extremely unlikely to disappear. And that that to me is a central philosophy, shall we say, to kind of think about the historical development that differentiates a lot of the formal ways that economists talk.

Sven: Yes, I think change is kind of clustered, it's not continuous. Institutions because we discussed that earlier, are really quite decisive. Yes, just like a monocausal explanation, I think doesn't do justice. We need to in a way we have a huge problem on our hands, namely that this is a huge departure in human history. You know, it's kind of surprising in some ways that the world developed in this particular way. It's also I think kind of unlikely. And therefore we need to—what we need to be able to see is that the whole diversity of factors in a kind of unlikely way come together at this particular moment in time that allow for this radical departure in human life to appear. If the European states would have not dependent on merchant capital, it would have drastically limited the sphere of action of European merchants. And it might, you know, maybe none of this would have ever happened.

Steven: So a fundamental theme that I took both from the book and other writing of yours that I've had the opportunity to study is the role of capitalism is actually in pattering inequality. And what I mean by that, let me just step back as an economist perspective. I think formal models of dynamics, be they growth dynamics intergeneration mobility dynamics, one of the essential divisions between them were models in which the mechanisms that generate inequality. In some sense, they're stable. In other words, there's reasons why contemporary inequality will dissipate across time, whereas there's other mechanisms where they're going to amplify. And much of what I took from, as I said, I've learned from you and other historians is to focus on the amplification. Neoclassical growth models, for example, you know, the Robert Solo, etc. The key logic was diminution that was the issue of decreasing returns to capital, etc. And so what's, you know, endogenous growth theory emerges, you know, via Paul Romer to Acemoglu of Johnson and Robinson is asking the, well, that may be true for Europe, it's between 1950 and today, but how do you explain the persistent inequalities and that leads to other mechanisms. And so I really

wanted you to just to take a chance to elaborate on your views of the way the capitalism has shaped the patterns of inequality, you know, and in particular the persistence of them.

Sven: Again, I think a whole bunch of things need to be said. For one, I think we need to start out by saying that inequality is not an invention of capitalism. It's not like that, you know, before the advent of capitalism, there was no inequality. You know, they were stark in a qualities. The world was structured by a very small minority that owned almost all resources and a great majority of the people who owned almost nothing. Under capitalism, stock inequalities continued. Sometimes they sharpened, let's say, you know, some of the most unequal societies ever in human history, I think, with a Caribbean islands, in which a very small minority of plantation owners owned almost everything and the vast majority of people living on these islands and working in these plantations, almost nothing. This was, I think, maybe the theoretical maximum of inequality because any more inequality would have made it impossible for people to live, though, you know, obviously many of the enslaved didn't live. You know, we see with the emergence of industrial production and wage work, we see again a very different pattern of inequality emerge and we see in the 20th century that inequality under capitalism can actually drastically diminish and it can diminish through a whole variety of political interventions. So that is all to say that I don't think there's one inequality regime under capitalism, there are a diversity of inequality regimes under capitalism. And we need to, in some ways, study them in connection to one another, but because the logic of them is also sometimes quite different, we need to also study them on their own terms and separately from one another. What I think we can see is that inequality without political intervention, without kind of a state-directed redistribution of the wealth of societies tends to show as far as I can tell from looking at the historical record. It is really moments of political intervention, such as during the American New Deal, in which inequality diminished and sometimes diminished quite significantly, leaving the logic of markets and the logic of capitalism entirely to its own devices, seems historically speaking to create the world of stark inequality and maybe continuously sharpening the value of inequality. But we see that within capitalism itself there can also be different kinds of inequality regimes that are politically enforced and created and they have had very positive effects on economic development and economic growth. I mean, just think about, we had the lowest levels of social inequality in the United States, we had in the 1950s and 1960s. These were always, also, the moments of very significant economic growth and consistent economic growth. There is a diversity of inequality regimes, historically, possible and that I think should give us in some ways. We see, of course, today a sharpening of social inequality to levels that are almost absurd, just like unbelievable, almost. But we also know, it's not like that we don't know how to deal with that. We know how to address these issues in the broadest possible terms.

Steven: So can you talk about your, or at least outline your discussion of China? Again, I'm asking you to summarize massive sets of arguments, but obviously any argument about political regime and capitalism has to confront the fact that as far as I know, historically unprecedented growth rates have occurred only in one case, so this is it.

Sven: Now again, that goes back to our discussion of having to understand capitalism from a global perspective. Clearly, China is whatever you want to call the logic of its economy, but it is a major player in the global capital city. In the world economy today, China appears in this book throughout, not just when we talk about the 21st century, but we encounter Chinese merchants already when we talk about the 13th and 14th centuries exactly to make it in a way less surprising the history that we are seeing unfolding now. We need to think about the early moment in China's commercial history, the history of Chinese merchants, but also the history of early Chinese industrialization and all of that. We need to think about all of that as well. So as you already said, the economic development of China is off the charts. There is, you know, I have studied a 1000 years of the history of capitalism and I cannot think of any moment in that history anywhere on planet Earth that would be even remotely comparable to what has happened in China in the last 30 or 40 years. So for example, generations of historians have studied the industrial revolution as it unfolded in Great Britain. And clearly the industrial revolution in my reading was one of the most important events in human history. But if we consider, let's say, you know, the capital investment, the technological innovation, if we think about the number of people drawn into industrial employment, if we think about the growth in, if we think about economic growth or the growth of consumption, the British industrial revolution is a minor event compared to what has happened in China in the past 30 or 40 years. Never in the history of the world has been there such, such tremendous and long lasting economic growth. Never in the history of the world has there been comparable development in which so many people have been drawn into industrial production, I'll say growing production for markets. And never in the history of the world perhaps has there been such rapid technical improvement. So China is clearly, if we think about capitalism today, China is a fact that cannot possibly be ignored. Of course, China, you know, China is clearly part of the global capitalist economy. It I think in some ways to understand the newer liberal moment through which we all lived in the past 50 years in the United States and in Europe, we need to think not just about the history of economic ideas, which some people tend to do. We need to very much think also about the real economy and we need to think about the importance of China, which was clearly not neoliberal, but to see the importance of China enabling the neoliberal revolution in the United States and Europe. You know, we you see clearly in China, China is clearly part of the global capitalist world economy. That's a very uncontroversial fact to state, but economic change in China, you know, is at least to a

significant degree driven by the private productive investment of capital to produce more capital, which would put it into the history of capitalism. But of course, it is also at the same time China has still a very significant state sector and the state is very important in directing all kinds of economic activities. But you know, this is a sea change in global capitalism, not least because what we see now after this kind of 200 year long European moment in the history of capitalism, we see clearly that the kind of the center of the world economy seems to be moving now away from Europe and maybe even away from the United States and into Asia in general and into China in particular.

Steven: So the last thing I wanted to ask you about is an argument at the end of the book that capitalism will have a finite life. And so to describe what you mean by this and maybe this is a place to say something about climate issues.

Sven: I don't predict the future. You know, this is a risky business, but there are two things to be said, maybe about this. The first one is the end of capitalism has been predicted for about 200 years. You know, in those 200 years, much of the kind of greatest impact of the capitalist revolution only unfolded in those 200 years. So this was obviously premature. And now there's also kind of a very common habit among many observers to predict the imminent end of capitalism. And I'm a little suspicious of these arguments. I think there is, you know, that capitalism obviously has a long track record of overcoming all kinds of crises in the past. Partly very serious crisis like the depression of 1929. And there is an enormous flexibility as we discussed, but there's also an enormous creativity within capitalism. So that speaks somewhat against that notion of an imminent end of capitalism. But then as a historian, I have to also say that capitalism is historical. We can trace its history. We can trace the moment of its emergence. We can trace its spread in society and across space. And if that is the case, of course, anything that is historical also as far as I can tell anything that has a beginning also has an end. But you know, when that will be what this will look like or what's going to come next, I really don't know. I mean, that's an interesting conversation to have, but maybe other people should focus on that. Of course, one of the very deep crises of contemporary capitalism is exactly the question of ecology. Because as we saw the capitalist logic itself is as such expansive. Standing still is not possible within capitalism. Capitalism is not conservative unlike what many people think about capitalism. Capitalism is a process of permanent and radical change. So far that expansive nature of capitalism has led to ever greater pressures on nature and on natural resources. Nature though has a different logic. Nature is not it cannot expand beyond all limits. It is finite. There's only so much faster fuels in the ground. There's only so much iron ore in the ground and all of these other things. There's only so much cotton that can be grown on planet Earth. So there is definitely attention between the basic logic of capitalism and the basic logic of natural life. Of course capitalism itself is very creative. It you know,

once upon a time the sugar that people in Europe and North America consumed were mostly grown by enslaved laborers in the Caribbean. When slavery came to an end and sugar production diminished there radically, new ways of producing sugar were propagated and invented and we produced then much more sugar than we had ever produced before without enslaving the cultivators. So there is you know enormous creativity within capitalism. Clearly we have technically the ability to for example lift with many fewer fossil fuels. We can do this. It's not like that we wouldn't know how to produce energy without burning fossil fuels. But then the question of course is what kinds of political decisions are being made to make that possible or not make that possible. If I would have to identify two issues that are really quite crucial in this entire history if we think about the present moment, then it's clearly the relationship of capitalism to nature that's number one. And the other one is the issue that we discussed before, namely you know, how much social inequality can our societies take, you know. I mean where are our limits to that.

Steven: Well Sven I'd love to talk to you for another two hours. I cannot thank you enough for just an absolutely delightful conversation. Very grateful.

Sven: Thank you so much Steven for having me and yes that was a fantastic discussion and maybe one day we can continue it in a different venue.

Steven: The Inequality Podcast is a production of the Stone Center for Research and Wealth and Equality and Mobility at the University of Chicago. I want to end the podcast with thanks to the people who really make it happen. First, I want to express deep appreciation to our producer and engineer Shane McKeon who oversees every aspect of the process of creating these podcasts and really does just a splendid job. Second, I'd like to thank our assistant director Nina Gray for production oversight and the role she plays in bringing the podcast to fruition. And finally I'd like to thank Grace Kolovo who's the executive director of the Stone Center who basically does everything in terms of making the center work. You may get in touch with us at [StoneCenter@uchicago.edu](mailto:StoneCenter@uchicago.edu). Thank you so much for listening.

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