

**Capitalism in a New
Geopolitical Order**
Conclusions and Summary
from the Work of
Glasshouse Forum 2007–2011
**Kay Glans &
Johanna Laurin Gulled**

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Why Glasshouse Forum?

Glasshouse Forum began as an initiative by the private investment company Proventus AB through the Concerned Capitalists Foundation in 2007. Proventus had previously carried out mainly in-house intelligence gathering and macro analysis and felt the need to broaden perspectives, linking other concerned capitalists to such a project. Besides Proventus, Glasshouse Forum has had Carl Bennet AB and Hassenfeld Family Initiatives as financiers. Too often the problems of the market economy were debated by actors who did not fundamentally accept the system, and we were of the opinion that it was the actual practitioners of capitalism who should take the initiative for a critical scrutiny. The radical Left has an overly coarse picture of the market economy, but its stereotyped criticism could not for example predict the global crisis that began in 2007. Neoliberals for their part have an uncritically positive picture of market mechanisms. If there were problems, it must be because deregulation had not been pursued far enough.

Glasshouse Forum wanted to offer a platform for critical analysis from the inside of capitalism so to speak with focus on long-term political and social consequences. We chose not to define ourselves as a think tank, since that word has increasingly become synonymous with a lobby organisation, and we refrained from being policy-recommending as an organisation. Our goal was to occupy a place on the European scene, provide an arena for critical reflection on the merits and demerits of capitalism and as regards disseminating the findings, to act as a content provider to the international quality press and through our publications reach a broader intellectual audience. With the benefit of hindsight, we can state that we underestimated the resources that this project would require, but above all we overestimated the number of concerned capitalists.

It is irrefutable that this type of critical voice was, and still is, needed, although in our opinion, the issues have shifted due to the global credit and economic crisis. Now it is less about pointing out problems – they have become obvious – and more about understanding and predicting the reactions that are to follow. However, when we began Glasshouse Forum in 2007, we were still living in

the age of triumphant capitalism, and the most victorious model was the Anglo-Saxon. After the Cold War, the USA was in a historically unique power position, above all militarily, but also economically and culturally. An American hard power was supported by a strong soft power, a cultural influence on a global scale. The American economy, minimally regulated, with its demands for a flexible workforce and geared for shareholder value, was seen as the model that other countries must imitate if they were not to lose out.

An interesting debate has been carried out in the past decades about “varieties of capitalism”.¹ Considerable variations can be found among the capitalist systems in different countries. There is a big difference between the Anglo-Saxon variants and the Continental and Nordic, not to mention the Asian variants. There are also significant differences between Germany and France. But the general feeling before the so called Great Recession was that most models were living on borrowed time and that the world would converge towards the Anglo-Saxon variety of capitalism. This conviction was strengthened by the fact that the USA had won the Cold War over the communist planned economies, above all by being much more economically dynamic. The planned economies resulted in petrified societies, and this was considered proof that the state lacked the ability to steer an advanced economy and run companies itself. There were of course opposing views, but this was the predominant idea around the millennium rollover.

The world would be Anglo-Saxon in its economics and democratic in its politics: did the outcome of the Cold War not show that those who wanted to keep pace with economic and technological development had to adopt liberal democracy? Dictatorships can perhaps hold their own in certain development phases, but more advanced stages required on the one hand a combination of the ability of the market economy to allocate resources and generate new ideas; and on the other hand the free debate of democratic systems and the opportunity of continual feedback and rectification. The market has also been attributed a kind of political-pedagogical function. This has been called the Starbucks Theory: once people have grown used to choosing between different sorts of coffee in a Starbucks, they will soon want to choose between political parties. If

advanced capitalism eventually produces democracy, then the West need only integrate authoritarian states into the global economy to change their systems. The West trades, and gets democracy as part of the bargain. This conviction was linked to the notion of the diminishing importance of the state due to globalisation. National governments would successively lose their influence over the economy. This feeling was shared by both left and right. The best-known left-wing variant of this is Michael Hardt and Antonio Negri’s book *Empire* (2000), which puts forward the idea that the world is dominated by an empire which cannot be pinpointed in individual nations. For this reason too, authoritarian states would be weakened and become obsolescent. The areas which they could control would constantly shrink.

Many considered also that the long economic boom in the USA, which lasted from the beginning of the 1990s, showed that the West had put the major crises behind it. The advanced economies had entered a state which among others the current Chairman of the United States Federal Reserve Ben Bernanke, in a speech in 2004, referred to as “the Great Moderation”.² The structure of the economy and its way of functioning, along with knowledge of how it should be run policywise, had developed to the degree where significant instability was no longer seen as a risk. All these notions and convictions about the market’s rationality and self-correcting ability were brusquely capsized by the financial crisis of 2007–2008. This was also a crisis for a whole discipline of economics in its neoclassic form. To be able to pursue a discussion, it was necessary to look back to John Maynard Keynes or to outsiders among economists. Self-examination among economists has however been fairly moderate, and there is no sign that this has made any lasting impression upon for example economics teaching.

We are not claiming that we foresaw the crisis in the exact form that it took, but we did question this confidence in the economic and

1) For a review of this debate, see Gregory Jackson and Richard Deeg, “How many varieties of capitalism”, MPIfG Discussion Paper 06/2, http://www.mpifg.de/pu/mpifg_dp/dpo6-2.pdf

2) See <http://www.federalreserve.gov/boarddocs/speeches/2004/20040220/default.htm>

political stability of capitalism. Perhaps it was so successful that it even undermined the institutions which it needed in the long term for its own stability. An alternative view to the Starbucks Theory, which implicates that economy and culture must sooner or later go hand-in-hand, can be found for example in the work of the recently deceased sociologist Daniel Bell, who stressed that different realms of society could operate according to different principles. This indicates that it is not out of the question for this political system to be authoritarian while the economic system can accommodate the demands of market mechanisms for freedom to experiment and evaluate. This also means that different realms can end up on a collision course and undermine each other.

As early as the 70s, Bell asserted that modern consumption capitalism was undermining itself.³ As producers we were still expected to adhere to the Protestant ethic by possessing a capacity for deferred gratification; as consumers, with the help of credit cards, we were hedonists wanting instant gratification. Just think if we became hedonists in the producer sphere, and if this demand for immediate gratification spread to other areas. The cry “All of it – now!” might also be heard in the boardrooms, in politics and in human relations. All the talk of quarterly capitalism had driven the fear that inability to make long-term decisions had become an increasingly dominant feature of modern capitalism. Critics have held that the work ethic and hedonism are perfectly compatible, as can be seen in the new upper-class which combines self-interest with a good deal of the ideals of the counterculture.⁴ However, when it comes to the corrupting influence of credit, one must nevertheless concede that the credit crisis and the subsequent crisis have proven Bell right; large groups have borrowed for consumption in an unsustainable way. Not least American households must now return to the tradition of saving before they consume, and they cannot in the same way as before keep the wheels of the world economy rolling. Perhaps he was also right in assuming that consumer behaviour could spread to areas where it did not really belong, such as the intimate sphere and politics.

That so many have borrowed for consumption is also connected to the fact that real income levels have not kept pace with pro-

ductivity rises. During the 30 golden years from 1945 on, they did keep pace; rising income increased buying power, increasing demand which stimulated productivity.⁵ As Thomas I. Palley said in an interview in *LookingGlass* No. 3/2009, Glasshouse Forum’s newsletter: “Before 1980, US growth was driven by a combination of full employment and rising wages based on rising productivity. That combination created a virtuous circle in which full employment and strong wage-based consumption created an incentive to invest, which in turn spurred productivity growth and higher wages. After 1980 the US abandoned that paradigm. Wages stagnated and growth was instead fuelled by debt and asset price inflation. This pattern lasted much longer than expected. Financial innovation was very important because it kept growth going by enabling more debt and fuelling speculation that increased asset prices.”

Capitalism was skilful in creating prosperity, but distributed it unevenly. There were signs that the middle class was shrinking or becoming poorer, and such a development could have political repercussions, as could income differentials in general. As long as it looked as though everybody was becoming better off, the majority could perhaps accept that those at the top were becoming considerably wealthier, but once the illusion of prosperity evaporated when the housing bubble burst, it became obvious that everybody was not becoming better off: there were winners and losers. Something similar applied to globalisation. Its proponents said that everybody was gaining from it, but many, in particular employees in manufacturing industries in the West, experienced in everyday life that they were losing from it. Perhaps they were getting more and cheaper goods, but they had to take on debts in order to buy them. Was there even a connection between income differentials and globalisation? The world was globalised before the First World War, and income differ-

3) Daniel Bell, *The Cultural Contradictions of Capitalism*, 1976.

4) See for example David Brooks, *Bobos in Paradise: The New Upper Class And How They Got There*, 2000.

5) See for example Michael Kumhof and Romain Rancière, “Inequality, Leverage and Crises”, IMF Working Paper WP/10/268, November 2010.

entials were considerable then too, not least in the USA. But the Great Depression in the 30s was followed by the Great Compression, a period of regulatory measures that reduced the differentials. It lasted until the end of the 70s. It was followed by a wave of deregulation, and income differentials have successively increased since then.

We chose to initiate four sub-projects which attempted from different perspectives to isolate the problem of triumphant capitalism: the possibility that it might be de-stabilising itself and giving rise to or generating reaction towards the open society.

- A consumed society?
- Globalisation and the middle class in the West
- Short-termism in the long run
- The return of the capitalist-authoritarian great powers

A consumed society?

The project “A consumed society?” began with a brainstorming session in London in January 2008. Had something really happened to our consumer habits and had it influenced other areas besides consumption? Criticism of the destructive effects of affluence has been a feature of intellectual debate since Antiquity and returns regularly. The participants were Benjamin R. Barber, CivWorld/DEMOS, Rachel Briggs, Demos (moderator), Eric Clark, journalist, Karin M. Ekström, University of Gothenburg, Jukka Gronow, Uppsala University, Neal Lawson, journalist, Michele Micheletti, Karlstad University, Aseem Prakash, University of Washington-Seattle, Lucia A. Reisch, Copenhagen Business School, Robert Weil, Proventus, Richard R. Wilk, Indiana University, and from the Glasshouse Forum secretariat, Kay Glans and Johanna Laurin. We established that there is considerable confusion about the terminology of consumption and that fundamental clarification was required in order to turn the discussion into something more constructive. One proposal from the meeting was to produce an anthology on consumption, and Glasshouse Forum chose to develop the idea.

Karin M. Ekström and Kay Glans were appointed editors, and Routledge expressed interest in publishing this anthology. It is now in print under the title *Beyond the Consumption Bubble*. It shows that a great deal has indeed happened, but that the significance of a great many phenomena has been overestimated – the more the world changes, the more it is the same. The anthology was edited in a spirit of pluralism, and there is a polemic element between the different contributions. Nevertheless, a number of bearing themes can be distinguished.

The French sociologist Gilles Lipovetsky argues in “The Hyperconsumption Society”, that we now live in an era of hyperconsumption. Consumption is no longer organised around the household, but around the individual. Class habits, norms and practices that earlier exerted pressure towards conformity have lost their capacity to do so. The new style of consumer is erratic, nomadic, volatile, unpredictable, fragmented and de-regulated. Brand names rather than class habits guide us and have become central to our self-definition. Whatever problems this may bring, however, it is not the moral disaster that it is often assumed to be, Lipovetsky says. Even though hyperconsumption has many faults, it has not destroyed morals, altruism, or the value of love.

The fear that the world will be dominated by a single culture is also largely unfounded, Rickard Wilk argues in “Consumption in an Age of Globalization and Localization”. The notion of a global monoculture is founded on the belief that globalisation is something new and that the world was previously dominated by local, indigenous cultures. However, mass consumption has been global for hundreds of years without making the world homogeneous. Many of the cultures that to Western observers seemed “timeless” traditional cultures were in fact the product of a long interaction with empires and colonial powers. And we are no more materialistic in the sense that we place things above relations. Neither should we place things and relationships in opposition to each other, Daniel Miller argues in “Consumption Beyond Dualism”. People live within a field of relationships to other people and to material things. One is not at the expense of the other. People are oriented towards a few core relationships, the people and things that really matter to them.

Material objects are viewed as an integral and inseparable aspect of all relationships.

The erosion of the traditional constraints surrounding consumption has given the individual greater freedom, but perhaps also a greater responsibility. Many of the functions that earlier belonged to society seem to have been transferred to the individual. In “Selves as Objects of Consumption” the sociologist Zygmunt Bauman contends that today even Utopia is privatised. With the help of bioengineering, social engineering has been transformed into an individualistic project for improvement, an endless shopping spree for the seemingly perfect mix of personal characteristics. This privatised Utopia undermines our willingness and ability to act as citizens and work for the collective good and long-term goals. However, it is unjustifiable to regard the roles of citizen and consumer as mutually exclusive, argues Frank Trentmann in “Consumers as Citizens: Tensions and Synergies”. Citizens do not always act for the public good and people consume for a variety of reasons. The roles often overlap and reinforce each other. Consumption has historically been related to civic activism, for instance in the organisation of boycotts. As Franck Cochoy reminds us in “Political Consumption Revisited. Should We Resist Consumers’ Resistance?”, the methods used in political consumerism are not new. They have been used before during periods when the political institutions have been slow to respond with relevant regulations to a new situation. The most recent surge in political consumerism has been a response to the difficulties in regulating a globalised economy, but in the long run the only viable strategy is to create relevant institutions.

The conviction among economists and many others is that the economy will more or less collapse if people start to consume less. However, if the entire world starts to consume like the West does, we will soon face an environmental disaster, Neva Goodwin concludes in “If US Consumption Declines Will the Global Economy Collapse?”. If the USA ceased to be the global engine of demand, it would in fact have several positive consequences. The brain drain would not deprive the rest of the world of the talented people they need. Trade would be more regional, adjust to local demand and as a consequence, the strain on the environment would lessen. We

would consume fewer, more basic goods and more services, rather than accumulating status goods. More labour would go into such things as food production, education and care. And consuming less would not necessarily make us less happy.

How will consumption develop? To some extent it depends on what happens with income inequality, if we follow the arguments of Robert H. Frank in “Relative Deprivation, Inequality, and Consumer Spending in the United States”. What we perceive as a necessary level of consumption is based on a comparison with other people. Spending decisions are driven not by income alone, but also by the spending of others. Even if you enjoy a very high standard compared to other countries and other times, you can still feel a relative deprivation if people around you are significantly better off. If a small group at the top becomes very much wealthier, as in the USA during the last decade, it puts great pressure on the rest of the population to consume more, even more than they can afford. This has been the case with the middle class in the USA.

That takes us to the project “Globalisation and the middle class in the West”. (See page 17.)

Follow-up interview with Gilles Lipovetsky, February 2011:

Gilles Lipovetsky, University of Grenoble, is the author of “The Hyperconsumption Society” in the Glasshouse Forum/Routledge anthology *Beyond the Consumption Bubble*.

Glasshouse Forum: Does the economic crisis signal the end of hyperconsumption?

Gilles Lipovetsky: It is true we are witnessing the end of the age of the reckless hyperconsumption that devours non-renewable, polluting energy. However, the inevitable transformations that are being seen (less waste, clean energy, ecoconsumption) do not merely signify the advent of a post-consumer culture. Behaviours will develop that integrate ecological requirements. Nevertheless, let us not fool ourselves: this will not give birth to a culture of frugality, but one of sustainable hyperconsumption. Will we cease craving novelty, storing music, travelling, going to concerts or to amusements parks, watching the latest films, playing the latest video games? We will have fewer energy-guzzling products but greater consumption of services and cultural products. More and more, we will consume anywhere, anytime. Nothing will stop our frenetic neophilia, rooted in the detraditionalisation of culture and economies based on perpetual innovation. The taste for luxury brands is certainly not waning – on the contrary. Spending on body and health products will continue to grow: medicalisation of consumption and lifestyle has become one of the major trends of the hyperconsumption society. There is another crucial factor: hyperconsumption is not merely a focus on the “disposable” and on an ever-shortening road to product obsolescence, it is also the near-total merchandising of lifestyles. Everything that was previously considered outside the system of tradeable commodities is now ensnared in it. This will continue.

In addition, in a world of general disorientation that accentuates the isolation of the individual and ill-health, consumption will compensate our feelings of incompleteness; it is also what enables us to counteract a certain everyday drudgery through mini high spots and shopping sprees. It has become untenable not to “please one-

self”. The hyperconsumer struggles against downtimes in life, seeking to “rejuvenate” perceptions of time, revitalising it with novelties comparable to adventures. Under these conditions, the arrival of a new culture of frugality, ending the shopping spree, is a myth.

Globalisation and the middle class in the West

Let us start by pointing out that if we look at the world as a totality, it has become more equal, since large groups in China and India have reached a higher material standard. However, the gap between rich and poor has widened in most developed countries and much evidence point to the fact that, in the long term, things will get a lot worse for the middle class in the West, as the new phase of globalisation with “tradable skills” means that, to a completely different extent, the middle class competes with labour in Asia.

It is a central question whether the Western world is converging on the Anglo-Saxon model, with other countries following US trends in income differentials. Glasshouse Forum published a comparative overview in 2008, *Towards an Hourglass Society? Income Differentials and the Fate of the Middle Class*, edited by Kay Glans and Johanna Laurin. In “Globalization and American Income Polarization”, Gary Burtless at the Brookings Institution in Washington DC found that until the beginning of the 1990s, the proportional income gap between Americans increased at the top and bottom of the income distribution. Then the inequality trends changed course. The trend toward lower earnings in the bottom ranks of the wage distribution came to an end in the mid-1990s. While the gap between high-income Americans and the middle class continued to grow, the gap between middle class Americans and those at the bottom narrowed. Wage gains at the very top far outpaced those of ordinary workers. The trend during the 80s can be partially explained by competition from low income countries affecting low skilled workers. The subsequent differences are more difficult to explain as a consequence of increased globalisation. The widening gap is due above all to top earners out-distancing the others. If it were due to increased economic integration, we would

see the same trends in Japan and France, which as yet we do not see.

In some ways, Sweden is a contrast to the USA, because it has such a strong tradition of equality and is one of the world's most dedicated welfare states. Has the national tradition of equality been affected by global market exposure? Are low income earners losing ground due to competition from the low income countries? Or has the middle class fallen behind the highest earners, as is happening in many other countries? In "Income Distribution in Sweden Since 1990", Daniel Waldenström, specialist on Sweden's income structure, looks at what has happened since the beginning of the 1990s. Developments in Sweden over this period were investigated as regards both labour income and disposable income, to differentiate between developments on the labour market and those due to political measures. The vast majority in Sweden have enjoyed increases in real income, which sets Sweden apart from many countries. The increase has however been greater at the top than at the bottom, partly because unemployment has been higher in the latter stratum. Those who have been on the labour market have marginally lost out relative to the middle of the income distribution. Relations within the upper half of the income distribution have been relatively stable, in particular as regards dispersion of reported labour incomes. If one takes return on capital into account, the picture is a different one. The upper stratum has experienced a large increase and has increased its lead. Some of this return can however be disguised salary. In this increased concentration of income to the top stratum, Sweden is following an international trend.

In continental Europe it seems that the middle class is losing ground. As Stefan Hradil at the Johannes Gutenberg University points out, primary income distribution (the income that people get from the labour market, assets etcetera) is becoming more unequal. Secondary income distribution (income after redistribution by the welfare state) is also becoming more unequal, but very moderately so. The reason behind the growing income inequality is not globalisation but technological development, which demands that people have more and more qualifications. Globalisation only accelerates this process. The German middle class was growing in the 70s and even 80s, especially among qualified personnel in the service sector.

The integration of society was to a considerable extent enabled by this growing middle class. It bound society together. People could move upwards and they had the impression that it was a just society. But there has been a dramatic decline in the German middle class, from 62 per cent of the population in 2000 to 54 per cent in 2006. As the middle class is shrinking, the chances of upward mobility for the lower classes are diminished.

Camille Landais, researcher at the Paris School of Economics, reports that top incomes have increased substantially in France over the last eight years, whilst average and median incomes have shown only a slight increase. This indicates that the situation in France may come to resemble that in the Anglo-Saxon countries. In France there are social and fiscal restrictions. CEO salaries have, for example, incurred the same social security contributions as other salaries, which has prevented large salary increases. But these restrictions are now disappearing. In France salaries have been very stable over the past 20 years, apart from top salaries. Nor has there been any major change in redistribution of wealth. On the other hand, low-income earners have begun to catch up with the middle class, at the same time as one can see a major increase in top salaries. This may create a feeling of inequality.

This is the picture we found before the economic crisis, or at least before the effects of the crisis became visible. We see the same tendency in all countries, that the gap between the top earners and the rest is increasing, but clearly national traditions have a great impact on the general picture. Would the crisis change this picture? We followed up this study with the conference "Inequality in a Time of Contraction", held at Stanford University in November 2009. Anthony Atkinson, Senior Research Fellow at Nuffield College, Oxford, and Honorary Fellow of the London School of Economics, and perhaps the leading authority on the development of inequality, gave a comparative overview of income differentials. He pointed out that inequality had risen not only in Anglo-Saxon countries like the UK and the US, but also in traditional welfare states like the Nordic countries and Germany. The Great Depression resulted in what has been called the Great Compression, a reduction of inequality, but Atkinson called attention to the fact that recent crises, like the Asian

financial crisis of 1997, have on the contrary led to increased inequality. That may very well be the case now as well; it all depends on how unemployment develops.

Have things become a little clearer by the spring of 2011? If unemployment is the decisive factor, then the situation will most likely differ between countries. So far the crisis seems to indicate that the varieties of capitalism will continue, and that we will not see a convergence. Germany, for example, has chosen a different road from the USA. German businesses have not made their employees redundant, but have provided assistance to let them work shorter hours, which has kept down unemployment and enabled the country to react quickly to the economic recovery. A reasonable interpretation seems to be that capitalism will retain its variants without trying to emulate the USA. The difference may even increase with the growing influence and prestige of China's state capitalism. The Chinese regime would appear short-termistic as regards consideration given to the environmental consequences of economic development, but in other areas seems capable of long-term strategic actions to favour its companies' global position, while getting them to bring their own interests in line with the national perspective.

Short-termism in the long run

The financial crisis was a result of severe structural problems; lack of regulation and short-sightedness of many of the actors, or at least short-sightedness in regard to companies and society. Many probably left with large bonuses after having taken decisions that were unsustainable. This is part of a more general feeling that short-termism has come to dominate much of economic life in the West. Options that will bring short-term gains are favoured over options that will generate greater wealth in the future. Glasshouse Forum's project "Short-termism in the long run" tried to find out whether short-termism had become more frequent, and if so, what could be done. Short-termism has received surprisingly little academic attention. As usual, we started with a brainstorming discussion, this time in Stockholm in the summer of 2008. The participants were Rachel

Briggs, Hostage UK (moderator), Maria Grafström, Uppsala University, Jaan Grünberg, Uppsala University, Gregory Jackson, King's College London, Lars Magnusson, Uppsala University, Geny Piotti, Max Planck Institute for the Study of Societies, Xavier Ragot, Paris School of Economics, Shiva Rajgopal, University of Washington, Lennart Schön, Lund University, and Paul Windolf, University of Trier. The discussion revolved around the following questions: What proof is there that short-termism really exists? What drives the development? Do we see a convergence on an Anglo-Saxon model of shareholder value? What consequences does short-termism have for businesses, employees and society at large? General conclusions from the discussion were: 1. The definition of short-termism is unclear; the concept needs to be defined more precisely. 2. The problems of measurement are many and in part major. It is, for example, difficult for an outsider to prove value destruction as a result of short-termism. 3. Short-termism is a multidimensional phenomenon created in interaction between a large number of actors, for example owners, managers, the media, analysts, professional valuers and rating institutions.⁶

After the meeting, Glasshouse Forum commissioned Professor Gregory Jackson, one of the participants in the round-table discussion, and Anastasia Petraki, Bath University, to write a report that summarised research to date and to formulate a theoretical framework for understanding short-termism and its relation to corporate governance. *Understanding Short-termism: the Role of Corporate Governance* (2011) contends that short-termism is caused by a self-reinforcing shortening of time-horizons produced by the interaction between on the one hand shareholders – pension funds, private equity, hedge funds – and on the other managers. Short-termistic behaviour is amplified by gatekeepers mediating these relationships – securities analysts, credit rating agencies, auditors. Short-termism should therefore be regarded as a social process, in which a given behaviour is reinforced by the reaction of others.

6) See *An Edited Transcript from a Round-Table Conference on Short-Termism*, eds. Kay Glans and Johanna Laurin, 2008.

It reflects the complex interaction between the incentives and orientations of different stakeholders.

This relational character of short-termism helps explain why it is both hard to measure and difficult to address through simple policy instruments aimed at one group of stakeholders. No single policy in isolation is likely to curb short-termistic behaviour among managers, shareholders and gatekeepers at the same time. The report puts forward the following policy recommendations: Managers' remuneration needs to be tied to long-term performance. Excessively high levels of managerial pay must be countered and the use of equity-based incentive schemes must be limited or tempered with explicit long-term vesting periods. Managers also need to have longer employment tenures. Fund managers must also have their compensation schemes linked to the long-term interests of the principals. A speculation tax would also be helpful. The flow of information must be improved so that factors such as quarterly earnings reports are not perceived as crucial.

The return of the capitalist-authoritarian great powers

These three projects came together in “The return of the capitalist-authoritarian great powers”, which focuses in several dimensions on the relation between capitalism and democracy. We wanted to put to the test the conviction that authoritarian capitalistic states, such as Russia and China, might of their own accord be democratised as their economic development progresses. If they are successful as authoritarian regimes, these states may even present alternatives to both Anglo-Saxon capitalism and liberal democracy. They can also assert that strong state governance holds a solution to part of the problems we have identified. It can create a redistribution policy, and be capable of long-termism, since these state capitalisms regard the economy in a national perspective and can restrain individual players from acting from self-interest. Credible or not: there is today a challenge to liberal capitalism – state capitalism.

In his essay from 1989, “The End of History?”, the American political scientist Francis Fukuyama asserted that there are no longer

any rivals to democratic capitalistic society. The fall of communism had made it evident that whoever went down that road would lose out in economic, technological, and ultimately, military development. The world was converging into a single political and economic society. The theory announcing the end of history is now twenty years old and has not aged particularly gracefully. In that time, Russia, backed by high oil prices, has become increasingly authoritarian and stronger and has turned to great power politics. The Chinese economy has leapt forward at the same time as the Communist Party has kept its grip on society. Either we have underestimated the time it takes to establish a robust democracy, or there is something basically wrong with the suppositions of Fukuyamaism about the relation between the economy and democracy. Have we perhaps drawn hasty conclusions about the 20th century?

In our experience, the most rewarding work approach is to always be one step ahead of the general debate and systematise the knowledge that exists. By working with a combination of academic expertise and opinion formers in round-table discussions and reports we have been able to combine trustworthiness with impact. The project “The return of the capitalist-authoritarian great powers” can serve as an example of how we have worked.

As its starting point it takes an essay by the Israeli historian Azar Gat, published in *Foreign Affairs* (July/August 2007) in which he states that we are witnessing the return of the authoritarian regimes built on capitalist foundations. To some extent Russia, and even more so China, appear to be demonstrating that one can achieve strong economic growth without democracy. Has China found its own road to modernity, which can in the future continue to combine an authoritarian political regime with a capitalist economy? Is there a Chinese model, and whom can it inspire?

The first round-table talks in this project took place in Maison Louis Carré near Paris in April 2008. Participants were Yevgenia M. Albats, The Moscow Higher School of Economics, Rachel Briggs, Demos (moderator), Azar Gat, Tel Aviv University, Johan Lagerkvist, Swedish Institute of International Affairs, Mark Leonard, European Council on Foreign Relations, Edward Lucas, *The Economist*, Diana Pinto, historian and writer, Gideon

Rachman, *Financial Times*, Daniel Sachs, Proventus, Robert Weil, Proventus, Sten Widmalm, Uppsala University, and Feng Zhang, Foreign Policy Centre in London. An edited transcript of the talks is available in the publication *An Edited Transcript from a Round-Table Conference on Authoritarian Capitalism* (Glasshouse Forum, 2008). The general conclusion reached was that there are major differences between Russia and China. Russia certainly presents a complex challenge, above all to Europe, which is dependent on Russia's energy production, but the nation's resurrection was largely illusory and in the long run Russia has entered a downward trend. China is a different matter: a gigantic nation whose economic development is based on industrialisation with an increasing degree of value adding processing. China also provides inspiration to a number of countries, particularly in Africa.⁷

The secretariat of Glasshouse Forum wanted to delve deeper into the issue of whether there is a Chinese model and if so how it should be classified. The idea was to organise an intellectual summit between Chinese intellectuals and representatives for the West. The aim was to obtain a clearer picture of developments in China and the different ways in which they are interpreted, and from that, to go on to a constructive dialogue from a Western perspective. The continuity from the previous round-table talks was provided by Azar Gat, Tel Aviv University, Gideon Rachman, from the *Financial Times*, who moderated the discussions, and Feng Zhang, The Foreign Policy Centre in London. Other participants from the West were Vivienne Shue and Timothy Garton Ash, both from Oxford University and St Anthony's College, Oxford, and Simon Long, *The Economist*. The representatives from China were Zhiyuan Cui, Tsinghua University, Beijing, and Shaoguang Wang, Chinese University of Hong Kong, both renowned representatives for the Chinese "New Left", Wei-Wei Zhang, Fudan University, Shanghai, Daniel A. Bell, Tsinghua University, Beijing, and Yongnian Zheng, National University of Singapore.

The venue was again Maison Louis Carré outside Paris, and the meeting took place on 23–24 February 2009. Less than a year had passed since the previous meeting, yet it seemed like another era. What had occurred in between was of course the economic crisis,

which had begun in the US financial system and quickly spread to the real economy then worldwide. The first reaction was that it meant a crisis for the Anglo-Saxon model, and would perhaps have consequences for the standing of liberal democracy. We must not forget that the strong position of democracy is largely due to its economic and military successes.

Is there a Chinese model, both as part of self-understanding and as an inspiration to others? Several participants had major reservations over this. Vivienne Shue warned that models are always simplifications and are rooted in dreams of something primal. In reality, all models are hybrids. China has assiduously borrowed from both the West and Asia. If one compares a Western model with a Chinese model, there is also a risk of simplifying the road that the West has taken towards modernity – one must not forget that the modernisation of the Western states encompassed slavery and imperialism and that it was not a straight road.

Azar Gat mentioned that industrialisation in the West occurred before the introduction of democracy, and industrialisation would perhaps not have been possible if the people had had their say, since the burden on large groups is so tangible. The Chinese government stifles opposition to modernisation, and perhaps this is the only

7) To complement Azar Gat's essay and the round-table discussion, Glasshouse Forum commissioned two special studies. In *The Limits of the China Model* (2008), Johan Lagerkvist argues that we will not see a new ideological Cold War between China and the West; nor will there be a return to the authoritarian capitalist great powers. Economic modernisation leads to pluralism and equal opportunities for more people and China will not prove to be an exception to this. But for various reasons the process is delayed longer than that which seems desirable from the perspective of the West.

According to the established modernisation theory, economic growth leads in the long term to a liberal democratic system. *Tolerance and Democracy in Liberal and Authoritarian Market Economies* (2008), by Sten Widmalm and Sven Oskarsson, provides a complementary empirical elucidation of the question of the return of authoritarian capitalist states and a critical discussion of the modernisation theory. What other factors apart from economic development are significant for the growth and upholding of a democracy?

possible course. In the case of India one might suspect that industrialisation and urbanisation are impeded since the majority want to avoid the pressures. Gat considered that it was too early to speak of a Chinese model; it lies farther ahead in the future, when China has become more developed. As yet however, we know very little of the future China. How will it react when its comparative advantages diminish? Will it become protectionist and isolate itself in its own gigantic economy?

Shaoguang Wang pointed out how difficult it is to clearly define the Chinese model. If one manages to clearly define it, then it is not the Chinese model. However, we can assume that it will be different from in the West and that it will be socialist in the sense that it will emphasise a combination of socio-economic equality and economic growth. Shaoguang Wang said that China is still searching for a model, one that would certainly be socialist. China is much more socialist than is often realised in the West. Historically, socialism in China has meant two things: equality and not following the Western model. That applies today: socialism means economic development and shared prosperity.

Another reason to underscore the socialistic element is the scale of state and collective ownership in China. Publicly-owned enterprises today provide 40 per cent of China's GDP. The state-owned enterprises have performed much better in recent years and have returned profits amounting to 6 per cent of GDP. Surveys have repeatedly shown that socialist values are strong among the Chinese people in general. Zhiyuan Cui too stressed the importance of state ownership. State companies return profits that keep down taxes and public indebtedness. In that way, they also make good conditions for private enterprise. There is no conflict between state and private, as is often supposed in the West. The two sectors can compete against one another in a market economy. Zhiyuan Cui also expressed belief that the crisis in the West, which has driven the nationalisation of companies, will change the view towards state ownership.

If in fact there is a Chinese model then it is not certain that it is for export. Wei-Wei Zhang stressed that the Chinese have no ambitions to preach to others. Neither do they need to seek Western approval for their society. Simon Long doubted the exportability, by

referring among other things to the fact that China's position, both in time and space, has been of major importance to the country's development. The economic conditions that have prevailed in recent decades would not apply to anyone wishing to emulate China and one should not overlook the importance of geography when developing an export economy.

Timothy Garton Ash said that China would perhaps never become a model for others, but would simply be China. The great ideological challenge to come for Western universalism is perhaps that nations refrain from such model-ambitions and choose simply to be themselves.

The Glasshouse Forum secretariat had the feeling that this gathering of intellectuals from the West and China was somewhat unique and in order to share this with as many people as possible, we made a video documentation of the summit. The film "Is There a China Model?", which is about an hour long, was edited by Glasshouse Forum and produced by the Swedish production company Edinim. Both *The Economist* and the *Financial Times* reported from the summit and linked from their websites to the film.

The current global development is so overwhelming that it extends beyond the mental horizon of most Westerners. For a long time, the West has been economically, technologically and scientifically predominant, and it is hard to imagine things any different. Even if China's state capitalism is not for export, it will affect the world around. Its influence over the world economy is growing, even in Western countries, and will force a choice of position on the role of the state in the West.

Follow-up interview with Feng Zhang, February 2011:

Feng Zhang from the the Foreign Policy Centre in London participated in the round-table conferences on authoritarian capitalism in Paris in April 2008 and on the China model in February 2009.

Glasshouse Forum: “China’s peaceful rise” has been a phrase used to describe China’s foreign policy. A new Chinese anti-ship missile that has the potential to alter the balance of military power in the Pacific, is now operational. In the light of this, can we still talk about a “peaceful rising”?

Feng Zhang: It’s essential to recognize that “peaceful rise”, while containing a genuine Chinese desire to “rise peacefully” and not to re-take the violent path of past great powers, is also pre-eminently a propaganda device to reduce foreign suspicion of Chinese power.

Glasshouse Forum: With increased economic and military power, has the widespread belief of Chinese superiority over the West that we discussed at the Glasshouse Forum conference outside Paris in February 2009 changed in any way since then?

Feng Zhang: I think it’s likely that the sense of Chinese superiority, at least among a certain segment of the Chinese public, will increase with the continuing rise of Chinese power. There are, of course, other strands of public opinion that differ. But this “superiority school” may become influential.

Follow-up interview with Daniel W. Drezner, February 2011:

Daniel D. Drezner is the author of the Glasshouse Forum reports *White Whale or Red Herring? – Assessing Sovereign Wealth Funds* and *Alphabet Soup: The Political Economy of the Great Recession*.

Glasshouse Forum: In your report on sovereign wealth funds (SWFs), you found no examples to date – 2008 – of SWFs being steered by a political agenda. What is the situation like today? It seems that Chinese SWFs, hedge funds and private equity firms have become increasingly important actors on the global economic stage lately. Is there reason to believe that while the USA struggles with high unemployment and a toxic housing market, China and the oil-rich states in the Middle East see an opportunity for increased political leverage through their investments?

Daniel W. Drezner: On the one hand, the lax U.S. economy provides an opportunity for Chinese and Middle Eastern SWFs to try to get better deals in terms of cross-border M&A activity. And it is likely true that the down economy will reduce investment protectionism in the developed world. On the other hand, it seems that these pools of capital are more interested in developing in emerging markets. Because those markets are so thin, however, those investments are likely going to be in illiquid assets – like real estate – that do not generate any useful economic leverage.

In the wake of the superbubble – an era of deglobalisation and state capitalism?

As our work with authoritarian capitalisms progressed and the economic crisis deepened, we began to also ask us questions about the role of the state in general, and especially in the West. When the state was forced to intervene to prevent the collapse of the financial system, then introduce a number of incentive measures to counter the recession that followed, it overturned the notion of the market being able to regulate itself. Once this illusion had collapsed, it was time to ask other questions about the role of the state and how it and the market should deal with one another. The main priority for us now seemed not to state the fact that capitalism could give rise to instability, for this had become obvious, but to try to understand the world that was taking shape. The global crisis clearly showed that the Western world, above all the USA, had been living in a giant consumption bubble, and was consuming beyond its means. We began to reflect on whether the phenomena we had thus far been discussing at great length were linked to the superbubble which had grown in the West over the last 25 years, and among other things had presupposed a large financial sector which could reward itself generously, and that it was so easy and cheap to borrow money.⁸

“...we have to start by recognising that markets are actually bubble-prone. They create bubbles. Therefore, they have to be regulated. I want to make it clear that I am not an advocate of over-regulation. I contend that markets are imperfect but I also recognise that regulators are even more imperfect. They are not only human; they are also bureaucratic and subject to political influences.”

Interview with George Soros
in *LookingGlass* No. 2/2009.

There is in this a parallel to the perceptions about the new economy, which was thought to function under completely different rules, but this turned out to be bubble-behaviour which quickly waned. How

much of the worked-up consumption culture that we discussed was a consequence of buying with borrowed money, which meant that the connection between work and consumption had therefore been temporarily suspended? What we perceived as a new stage was perhaps a product of the special hothouse climate created by the superbubble. If short-termism was linked in part to the Anglo-Saxon variant of capitalism, then with this crisis it was on the retreat. To what extent were the income differentials in the Anglo-Saxon countries a consequence of the financial sector's expansion and lack of regulation? These are hypotheses that can only be tested at a later date, but it is our belief that when the fallout from the crisis has dispersed we will see a world that is different in many ways, and that we will not take the established patterns as given.

Glasshouse Forum was a project that took shape during a transition between epochs. We believe the crisis marked a shift on three levels. Firstly, it meant the end of the neoliberal paradigm that had been predominant for three decades, even after the swift abandonment of many of its policy recommendations.⁹ In history, 30 years is often given as the time span of a generation, and the mentality can often change quite abruptly when one generation hands over to another. The presuppositions of the market's rationality and ability to self regulate had fallen from grace. The crisis meant the end of the post-war period, since the order that the Second World War had led to was now definitely dissolved. The Soviet Union had fallen, and now the USA was sliding from its hegemonic position and the world found itself in a much more fluctuating state. Secondly, that the post-war period is over has been particularly noticeable in Germany, which no longer acts with reference to the Second World War, but as any great power would do – by safeguarding its own interests. This has major consequences for the EU. The post-war period saw an ideological order in which many previously important ideas were quarantined, since they were associated – correctly or incorrectly

8) See George Soros, *The New Paradigm for Financial Markets*, 2008.

9) See for example James K. Galbraith, *The Predator State: How Conservatives Abandoned the Free Market and Why Liberals Should Too*, 2008.

– with national socialism. As shown by the emergence of what is called the Populist Right in Europe, this is changing. Thirdly, the crisis also means that the predicted shift of economic, political and military power towards Asia will happen much faster than expected. The question of the reach of the market now needs to be asked in a slightly different way in the era of triumphant capitalism. There are areas perhaps best run by the state.

“Insurance is clearly better run by the state, for the simple reason that universal coverage is always cheaper to administer than cherry-picking.”

Interview with James K. Galbraith,
LookingGlass No. 2/2009.

Chinese corporations have shown that it is not at all given that state companies are less successful globally than privately owned companies. Add to this that we now have good opportunities to evaluate the wave of privatisation that has occurred in the West. There are preliminary investigations from Great Britain which indicate that it is not crucial whether a company is state owned or privately owned, but that there is competition between different players.¹⁰ What must be included in such an investigation are the total costs of privatisation. If for example the privatisation of education raises socio-economic barriers, they are in a wider perspective extremely costly.

“We need some clear thinking on where we want the market and where we want the government. In many cases, the government will certainly be more efficient than the private sector. For example, in the case of social security and guaranteed student loans, the government can provide these services at a much lower cost than the private sector. On the other hand, it is likely that the private sector will generally be more innovative.”

Interview with Dean Baker,
LookingGlass No. 2/2009.

The central role of the state becomes central for other reasons too. Our conclusion from the project “The return of the capitalist-authoritarian great powers” is that authoritarian regimes on a capitalistic foundation, above all China, will remain in power for a considerable time and will even gain more drive in the future. This will also influence the global economic and political system. The crisis has meant an extreme weakening of the exemplary role of the West, both the USA and Europe. State capitalism could be described as a form of neo-mercantilism, a state-governed economy whose purpose is to safeguard specific national interests. It is above all China that represents this system, but it is growing in several parts of the world and will increasingly influence the global economy and global politics. State capitalism is not communism or central planning under another name; the state certainly plays a major role both as overall command and as business leader, but state capitalism affirms the market economy as a means to achieve political goals.¹¹

This new challenger has flown in below the political radar in the West, since both right and left have been convinced that the state was losing its importance. In 2009, three of the world’s four largest banks were Chinese state banks. The world’s large multinational energy companies together produce only 10 per cent of the world’s oil and gas and own about 3 per cent of the resources. State actors do not only dominate the energy sector. With the help of revenue from natural resources, they make their sovereign wealth funds (SWF) into global investors, whose power is steadily increasing.¹² State capitalisms have increased confidence in the ability of the state to regulate and steer the economy, and the global crisis has strengthened this trend. State capitalisms can be long-term in their efforts to promote the national economy and in some cases they can also mobilise the patriotism of their citizens.

10) See “Private sector ‘not yet better or cheaper’”, *Financial Times*, 18 October 2010.

11) See the Glasshouse Forum report by Orion A. Lewis and Jessica C. Teets, *A China Model? Understanding the Evolution of a “Socialist Market Economy”*, 2009.

12) See Ian Bremmer, *The End of the Free Market. Who Wins the War Between States and Corporations?*, 2010.

The state capitalist countries are powerful competitors to Western nations as well as global companies, and they will become increasingly significant and self-aware. It will not help to shut our eyes and hope they have disappeared when we open them again. Francis Fukuyama himself showed in the *Financial Times* (17 January 2011) that he has changed his standpoint. He does not believe that China will be democratised and instead asserts that there are certain advantages in not being democratic – in some situations, the Chinese regime is more resolute than for example the USA.

“China’s economy has in some ways benefited from strong state influence; when the government says lend, the banks lend. If last year’s stimulus programme proves inadequate, China is also in a better position to apply additional stimulus. This puts China in a strong position to recover from the recession, and that is in fact what is happening. As a result, we can expect China’s power and influence to grow.”

Interview with George Soros,
LookingGlass No. 2/2009.

Perhaps state capitalism is not mercantile in the classic sense, but economic nationalism can take different forms of expression, not least in competition for jobs. It has been a long-term strategy to attract overseas companies to China to access expertise, and it is not insignificant where the jobs are located. It may be worthwhile for the individual Western company to relocate manufacturing to China, but it strengthens competitors by transferring technology and know-how, and the dream of a breakthrough on the Chinese market in many cases remains a dream. The German business organisation Committee on Eastern European Economic Relations recently stated that German companies are more and more often losing the contest for a contract in eastern Europe to state-owned Chinese companies, which by being subsidised can offer a much lower price – so low that the motive behind the operation seems more geopolitical than strictly economic.¹³

Can one meet economic nationalism of this type without resorting to similar measures? What is happening in Europe today is that Chinese companies with strong state backing are striving to shut out the European manufacturing industry in order to boost the Chinese economy in general. It is a nationally cohesive effort which can be compared to a war effort with non-military means. There is a risk of escalation similar to an arms race. The actions of one state provoke countermeasures from others, etc. Eric J. Weiner says that China has acquired extensive control over the global economy and that SWFs in particular play a major role in this strategy which ultimately aims at political power.¹⁴

Escalating neo-mercantilism could mean that the world in some ways becomes deglobalised: the national perspective is growing and large groups are no longer as convinced that they are winning from globalisation. In Europe we can see how the EU has lost momentum, and perhaps we are approaching a general crisis, which will make the national perspectives stronger. It is not inconceivable that economic and political nationalism feed off one another. These nationalisms are driven not only by competition between collectives, but also by redistribution policy efforts. If you want the very richest to share their wealth, it is probable that a national context will be central. In the 20th century, we saw how the globalised era gave way to long-lasting deglobalisation, and one cannot discount something similar happening today. It is not as self-evident that everyone gains from globalisation. It has certainly increased material welfare as regards goods, but at the same time it has created extensive insecurity, and for many it may seem a reasonable trade-off to reduce material wealth in exchange for slightly more security.

13) See *Financial Times*, 14 October 2010.

14) See *The Shadow Market. How a Group of Wealthy Nations and Powerful Investors Secretly Dominate the World*, 2010.

Follow-up interview with Gideon Rachman, February 2011:

Can it be that we are on our way into an era of deglobalisation, a division of the world into regions? We asked Gideon Rachman, chief foreign affairs commentator of the *Financial Times*, and moderator of the Glasshouse Forum conference on the China model in February 2009.

Glasshouse Forum: In your new book *Zero-sum World* you argue that globalisation will regress in the coming year; that we are entering an era of deglobalisation. What are the main driving forces behind this development? What will the most important effects be on international relations in general and on China-West relations in particular?

Gideon Rachman: Well, I don't quite go that far. What I do say is that globalisation, particularly, viewed from the West is no longer obviously a "win-win". Protectionism is being rehabilitated in some quarters. But it may not culminate in actual trade sanctions. Current efforts in the US Congress have stalled. But longer-term, I think these pressures will come back – if US and EU unemployment doesn't drop. Also there are other symptoms of mild deglobalisation – viz. talk of "currency wars" and the increase in capital controls around the world. See Brazil. Also moves towards more restrictive immigration policies in Europe and the US.

Glasshouse Forum: You also argue that the rise in tensions between China and the USA is an obvious example of the growth of zero-sum logic in international affairs, in which one country's gain looks like another's loss. As regards military tensions; "China's peaceful rise" has been a phrase used to describe China's foreign policy. Can we still talk about a Chinese "peaceful rise"?

Gideon Rachman: Well, I'm sure the Chinese will do their utmost to keep it peaceful – since it is not in their interests to go to war. But, over the longer term, I think they regard US military domination of the Asian Pacific Ocean as something that will change, as China

begins to dominate its own backyard. The Chinese believe that US economic weakness and China's growing wealth, and trade ties to its neighbours, will do the job for them – without the need for conflict. This may happen – but a move from US to Chinese dominance of the region will be tense and full of risk. Long term, this will be the central issue in international relations – since China and the US are now the two largest economies in the world.

Glasshouse Forum: On the economic-political side, Chinese companies, SWFs, hedge funds and private equity firms have become increasingly important actors on the global economic stage lately. Is there reason to believe that while the USA struggles with high unemployment and a toxic housing market, China sees an opportunity for increased political leverage through its investments? If so, what does this mean for relations between China and the USA?

Gideon Rachman: The US will try to restrict Chinese investment in strategic industries but, as you suggest, may relent if investment is desperately needed.

Publications

Reports and books

Understanding Short-termism: the Role of Corporate Governance, by Gregory Jackson and Anastasia Petraki (January 2011)

Beyond the Consumption Bubble, edited by Kay Glans and Karin M. Ekström (Glasshouse Forum in cooperation with Routledge, December 2010)

A China Model? Understanding the Evolution of a “Socialist Market Economy”, by Orion A. Lewis and Jessica C. Teets (September 2009)

Alphabet Soup: The Political Economy of the Great Recession, by Daniel W. Drezner (June 2009).

Summary of the China-West Intellectual Summit in the booklet *Is There a China Model?* also containing a DVD with the film “Is There a China Model?” (May 2009)

Towards an Hourglass Society? Income Differentials and the Fate of the Middle Class, edited by Kay Glans and Johanna Laurin (December 2008)

An Edited Transcript from a Round-Table Conference on Short-Termism, edited by Kay Glans and Johanna Laurin (December 2008)

An Edited Transcript from a Round-Table Conference on Authoritarian Capitalism, edited by Kay Glans and Johanna Laurin (September 2008)

White Whale or Red Herring? – Assessing Sovereign Wealth Funds, by Daniel W. Drezner (September 2008)

The Limits of the China Model, by Johan Lagerkvist (September 2008)

Tolerance and Democracy in Liberal and Authoritarian Market Economies, by Sten Widmalm & Sven Oskarsson (September 2008)

Newsletters

LookingGlass was a newsletter written by Glasshouse Forum’s secretariat and fellow researchers. Its aim was to present and discuss topics taken up within the framework of Glasshouse Forum’s work and to provide an arena for critical reflection on the merits and problems of capitalism. *LookingGlass* contained in-depth reports, short interviews, essays, book reviews and presentations of recent Glasshouse Forum publications. The content mirrored in a flexible way the themes on which Glasshouse Forum was running projects, while *LookingGlass* also enabled explorative analysis of issues surrounding capitalism.

LookingGlass No. 1/2011 (Winter 2011)

Contents: Presentation of two new publications: *Understanding Short-termism: the Role of Corporate Governance*, written by Gregory Jackson, Freie Universität Berlin, and Anastasia Petraki, University of Bath, and the anthology *Beyond the Consumption Bubble*, published by Routledge in cooperation with Glasshouse Forum. Also in this issue: interview with Gregory Jackson on the financial crisis and short-termism.

LookingGlass No. 5/2009 (a special video & audio issue)

Contents: Videos and podcast from the conference “Inequality in a Time of Contraction”, organised by Glasshouse Forum and Stanford University on 12–13 November. Chris Giles, *Financial Times*, interviewed Anthony Atkinson, Richard Blundell, John Van Reenen, Richard Freeman, Kim Weeden, and Jonas Pontusson. Podcast with the final panel discussion with Richard Freeman, Robert Frank, Guillermina Jasso, Jonas Pontusson and Anjini Kandar.

LookingGlass No. 4/2009 (Autumn 2009)

Contents: What global order will arise when the USA climbs down from its current position of power? Interview with the Italian political scientist Giovanni Grevi who argues that the world will become both multipolar and more interdependent. Reviews of a number of recent books on deglobalisation and the economic crisis.

LookingGlass No. 3/2009 (Autumn 2009)

Contents: Continuing the debate on the nature of the Chinese system. Presentation of the report *A China Model? Understanding the Evolution of a "Socialist Market Economy"*, written by Orion A. Lewis and Jessica C. Teets. Interview with Thomas I. Palley on the origins of the Great Recession.

LookingGlass No. 2/2009 (Summer 2009)

Contents: The role of the state in the economy and the rise of protectionism as a response to the global crisis. Interviews with George Soros, James K. Galbraith and Dean Baker. Presentation of a new scenario report, *Alphabet Soup: The Political Economy of the Great Recession*, written by Daniel W. Drezner.

LookingGlass No. 1/2009 (Spring 2009)

Contents: Release of the film "Is There a China Model?" documenting the China-West Intellectual Summit in Paris on 23–24 February. Also in this issue the essay "Towards a new austerity?".

LookingGlass No. 2/2008 (Winter 2008)

Contents: Presentation of the publications *Towards an Hourglass Society? Income Differentials and the Fate of the Middle Class* and *An Edited Transcript of a Round-Table Conference on Short-Termism*, edited by Kay Glans and Johanna Laurin. Also in this issue the article "The fall of Babylon" about the large financial sectors in the USA and Great Britain, the essay "Germany is Russia's natural ally", by Fyodor Lukyanov, editor of *Russia in Global Affairs*, and an interview with Polly Toynbee about the middle class in Great Britain, by Rachel Briggs.

LookingGlass No. 1/2008 (Autumn 2008)

Contents: Presentation of four new reports on authoritarian capitalism: *An Edited Transcript of a Round-Table Conference on Authoritarian Capitalism*, edited by Kay Glans and Johanna Laurin, *White Whale or Red Herring? – Assessing Sovereign Wealth Funds*, by Daniel W. Drezner, *The Limits of the China Model*, by Johan Lagerkvist, and *Tolerance and Democracy in Liberal and Authoritarian Market Economies*, by Sten Widmalm and Sven Oskarsson. Also in this issue, a report on the special relationship between Germany and Russia and reviews of a number of recent books on capitalism and authoritarian capitalism.

Events

12–13 November 2009: “Inequality in a Time of Contraction”. A Glasshouse Forum-Stanford University two-day international conference at Stanford.

12 May 2009: “The Impact of the Global Crisis on EU-China Relations”. Public seminar in Stockholm in cooperation with ECFR, including a screening of the Glasshouse Forum film “Is There a China Model?”.

23–24 February 2009: “China-West Intellectual Summit” in Paris. The summit brought together prominent intellectuals from the West and China.

11 December 2008: “China and Russia – authoritarian capitalist states?”. Public seminar in Stockholm based on the Glasshouse Forum report *Tolerance and Democracy in Liberal and Authoritarian Market Economies*. In cooperation with Global Challenge.

16–17 June 2008: Round-table conference in Stockholm on short-termism.

23–24 April 2008: Round-table conference in Paris on authoritarian capitalism.

24 January 2008: Round-table conference in London on consumerism.

In the media

26 May 2009: “Beware the Beijing model”. *The Economist* reports from Glasshouse Forum’s “China-West Intellectual Summit” and the film “Is There a China Model?”.

22 May 2009: “Meeting the Chinese new left at the Glasshouse Forum”. The *Financial Times* chief foreign affairs columnist Gideon Rachman writes on his FT blog about the Glasshouse Forum film “Is There a China Model?”.

14 May 2009: “Democracy: Europe needs to unite in order to be able to influence China” (“Demokrati: Om Europa ska påverka Kina krävs enighet”). Op-ed by Henrik Berggren in the Swedish daily *Dagens Nyheter*, reporting from the joint Glasshouse Forum/ECFR public seminar entitled “The Impact of the Global Crisis on EU-China Relations” including the screening of the Glasshouse Forum film “Is There a China Model?”.

25 February 2009: “Chinese views of the crisis”. The *Financial Times* chief foreign affairs columnist Gideon Rachman writes on his FT blog about the Glasshouse Forum “China-West Intellectual Summit” in Paris 23–24 February.

4 January 2009: “Capitalism without democracy?”. Op-ed in the Swedish daily *Upsala Nya Tidning*, referring to the Glasshouse Forum report *Tolerance and Democracy in Liberal and Authoritarian Market Economies*.

4 November 2008: “Wake up Left, you’ve won!” Article in the arts and culture pages of Sweden’s largest daily newspaper *Dagens Nyheter* by Kay Glans, Glasshouse Forum’s editorial coordinator.

23 September 2008: “Swedish development assistance put out of the running by capitalist dictatorships”. Opinion piece in Dagens Nyheter (the debate page “DN Debatt”) by Sten Widmalm and Sven Oskarsson, based on the Glasshouse Forum report *Tolerance and Democracy in Liberal and Authoritarian Market Economies*.

22 September 2008: Interview about Glasshouse Forum with Daniel Sachs, CEO of Proventus and founding partner of Glasshouse Forum, in the business section of *Dagens Nyheter*.

Organisation

Partners

Glasshouse Forum was funded by the Concerned Capitalists Foundation. Partners were typically independent and free-thinking capitalists who shared a commitment to encourage dialogue and debate on long-term issues. Our partners were Proventus AB, Carl Bennet AB and Hassenfeld Family Initiatives.

Board

The Board of the Concerned Capitalists Foundation consisted of Leif Pagrotsky (Chairman), Member of the Swedish Parliament, Daniel Sachs, CEO of Proventus, Michael Sohlman, Executive Director of the Nobel Foundation and Robert Weil, Chairman of Proventus.

Advisory Board (mainly active 2007–2009)

In order to guarantee the quality and relevance of the work and thus contribute to the forum’s mission, Glasshouse Forum appointed an advisory board with the following members: Andrew Apostolou, Senior Program Manager, Freedom House, Erik Berglöf, Chief Economist and Special Adviser to the President of the European Bank for Reconstruction and Development, Rachel Briggs, Director of the charity Hostage UK, Magnus Henrekson, Professor of Economics and Director at the Stockholm-based Research Institute of Industrial Economics, Eva Meyersson Milgrom, Senior Research Scholar at SIEPR (Stanford Institute of Economic Policy Research), Diana Pinto, historian and writer, and Gunnar Wetterberg, historian and economist, Head of the Research Department of the Swedish Confederation of Professional Associations (SACO).

Secretariat

Glasshouse Forum had a small secretariat based at the forum's founder company, Proventus, in Stockholm. The secretariat was appointed by the board of the Concerned Capitalists Foundation and consisted of Johanna Laurin Guller, head of Glasshouse Forum, and Kay Glans, editorial coordinator.

Contributors

Glasshouse Forum consisted of a large network of researchers and intellectuals from different disciplines, mainly from Europe and the USA, but also from China and Russia. The following people have contributed to Glasshouse Forum (institutional affiliation/connection at the time of participation in Glasshouse Forum):

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Stefan Hradil, Johannes Gutenberg-Universität, Mainz, Germany, interviewed in *Towards an Hourglass Society? Income Differentials and the Fate of the Middle Class*

Lisa Irenius, editor and writer, Sweden, interviewed Camille Landais in *Towards an Hourglass Society? Income Differentials and the Fate of the Middle Class*

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Fyodor Lukyanov, *Russia in Global Affairs*, Russia, author of the essay “Germany is Russia’s Natural Ally” in *LookingGlass* 2/2008

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Aseem Prakash, University of Washington-Seattle, USA, participant in the round-table conference on consumerism in London in January 2008

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Shiva Rajgopal, University of Washington, USA, participant in the round-table conference on short-termism in Stockholm in June 2008

Gideon Rachman, *Financial Times*, participant in the round-table conference on authoritarian capitalism in Paris in April 2008, moderated the round-table conference on the China model in Paris in February 2009

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Cass Sunstein, Harvard Law School and the White House Office of Information and Regulatory Affairs, USA, interviewed in *LookingGlass* 2/2008

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Polly Toynbee, *The Guardian*, UK, interviewed in *LookingGlass* 2/2008

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