Waiting Game

When does capitalism end?

COREY ROBIN

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Late capitalism is an ambiguous term. Lateness may imply death or an ending, as when we speak of my late grandfather or the late afternoon. When the German social theorist Werner Sombart first used the term in the early twentieth century, late capitalism did mean the end of capitalism. Yet 'late' in the superlative also suggests up-to-date or state-of-the-art, pointing not to the demise of something but to its refinement and advance. Surveying the same developments as Sombart, the Austrian Marxist Rudolf Hilferding claimed that the emerging economy of the twentieth century was simply 'the latest phase of capitalist development', a phrase echoed by Lenin, who took pains to remind his followers that 'there is no such thing as an absolutely hopeless situation' for the bourgeoisie.

Despite its popularity in recent years, especially since the 2008 financial crisis and the left-populist insurgencies that followed, late capitalism is not an idea that lends itself to revolution or a vision of progress. It may express a wish to be rid of capitalism. But mostly it works as a theory of turning points that never turn – or worse.

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Traditionally, the socialist left has believed that capitalism is prone to crises – not simply the ups and downs of the business cycle but increasingly wrenching dislocations that cannot be resolved within the constraints of the system. With time, these crises must come to an end, 'either in a revolutionary reconstitution of society at large', as the canonical formulation has it, 'or in the common ruin of the contending classes'. Though hardly a deterministic vision of the future – the 'common ruin of the contending classes' is a serious possibility – such a theory of revolution depends on a theory of crisis.

According to Sombart, late capitalism eliminated this crisis tendency. Government regulation of the market and the firm; the growth of management bureaucracies; the rise of labour unions, social insurance and labour legislation; corporate concentration and coordination – all of these developments attenuate 'the cyclical oscillations of the economic system'. Without a hint of revolution or ruin, late capitalism turns capitalism into a 'disappearing or retreating economic system'. Capitalism will end, in other words, just not with a bang.

Adorno never takes this last step – toward the end of capitalism – but he does retrace virtually all of Sombart's moves. In an influential 1968 address, he noted that late capitalism 'has discovered resources within itself' that the first generation of Marxists did not imagine capitalism had: improvements in the living standards of the masses, the absorption of the working class into the middle class, the managed growth of industrial economies, and the end of those crises that once traumatized workers and owners alike. Through these measures, late capitalism postpones the end of capitalism '*ad Kalendas Graecas*', that is, forever. Capitalism will never end.

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Ernest Mandel's *Late Capitalism* (1972) is the most serious and sustained reflection on the topic. It begins from the premise that the state-managed growth and redistribution of the postwar era – *Les Trente Glorieuses* or the Golden Age – that Sombart and Adorno took for granted is about to end. Mandel's late capitalism is what comes after Sombart's and Adorno's late capitalism. Far from overturning the operating principle of capitalism – the competitive quest for ever-higher rates of profit through the production of commodities and exploitation of labour – late capitalism is its 'most extreme expression'. Instead of massaging antagonism and pacifying workers, late capitalism is the moment when conflict 'assumes an explosive form' and leads 'to a spreading crisis'. It's the 1970s, and 'the mass revolutionary movement of the international working class' is 'approaching'. How does Mandel know?

Economic growth and increases in the profit rate are never slow, steady or assured, says Mandel. But neither are they random. They come in 'long waves' of four to five decades: from 1793 to 1847, 1848 to 1893, and 1894 to 1939. Prior to the onset of the wave, a vast pool of capital lies idle, waiting for channels of profit and investment to open. Then, suddenly, and for different reasons – labour becomes cheaper because of war, unemployment or migration; raw materials are discovered and seized through imperial conquest; new markets are created in untapped continents or spheres of social life like the household – profit becomes possible. The wave is set in motion.

As the wave builds, profit and growth come faster and faster; booms grow long, busts get short. Capital invests in and spearheads transformative technological innovations, not simply machines that reduce the need for human labour but, more important, machines that build the 'motive machines' (the steam engine, the combustion engine, the computer) that drive and direct production on a mass scale. The more labour is saved by these machines, the more profit there is to be had.

Then, as the wave crests, profit and growth slow; now it is the booms that are brief, the busts that are long. Some of the causes of the deceleration are contingent – decreases in international trade or new competitors offering cheaper prices – but the most persistent cause is the very thing that once made investment profitable: the machine production of motive machines. The productivity that can be extracted from workers is unpredictable. It is a function of the capitalist's power, the workers' consent, and the presence or absence of other workers more desperate than they ('the industrial reserve army'). What machines can do, by contrast, is fixed by the design of the machine itself. The more dependent the capitalist is on the machine, the less variable his profit will be. When enough competitors have those machines, there's less extra profit to be extracted from them. When profits stagnate, investors flee. The wave crashes and recedes.

According to Mandel, the fourth wave of capitalism began in 1940, crested in 1966, and is now crashing across the globe. During the first half of the wave, capital found its opportunities in the rearmament of the Second World War and the Cold War; the diffusion of industrial methods throughout all spheres of the economy and across the globe; increasing automation from the digital revolution; and the cheap labour created by the suppression of wages under fascism and the Second World War.

By the 1960s, however, the combination of trade unions and actually existing socialism had raised the price of labour in the capitalist world and shut off the rest of the world to capitalist investment. Global industrialization of the production of capital and consumption goods (and not simply, as in the nineteenth century, the extraction of raw materials) meant that productivity levels and profit rates were converging across regions, nations and industries. The main place to find that extra bit of profit was in the 'technological rents' embedded in a firm's legal monopoly over its technological innovations or the lengthy start-up time (and resources) it would take competitors to develop those innovations. This was late capitalism: large multinational corporations, operating throughout a genuinely global and competitive economy, chasing technological rents across the world.

Mandel clearly hoped that capitalism had reached the end of the line. Amid the global strike wave and increasing inflation of the late 1960s and early 1970s, it seemed that late capital, unlike its nineteenth-century forebear, had nowhere to go. All the usual fixes – state intervention, monopoly control, easy credit – no longer worked. A decline in the profit rate was inevitable. The longed-for crisis, and resultant revolution, were at hand.

There was, however, one other possibility. Why, if there was no more profit to be found in the machine, could employers not get more labour from their workers without paying them more? Labour may have gotten accustomed to the steadily increasing wages and higher living standards of the postwar era, but that was no law of nature. What if capital could persuade, or force, labour to settle for lower wages and standards of living? Unless it was able to 'break the resistance of wage-earners' and raise its profit rate, capital would never be spared the long stagnation that was coming. Mandel reassured himself with the thought that declaring war on workers was 'unthinkable' without a massive unravelling and reversal of the postwar settlement. Only the fascists had ever been able to break the workers' movement like that. Born and bred in Keynesian comfort, the working class would never stand for it.

As it happens, they did, and retrenchment is what they got: not a revolution of the workers but the counterrevolution of Paul Volcker and Ronald Reagan, along with the introduction of a vast industrial reserve army of poor workers in Asia and elsewhere. The stagnation was long and the fall in real wages longer. That was the late capitalism that Mandel glimpses in stray passages of his work, and that we have all come to live with.

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'Capitalism will not die a natural death', wrote Walter Benjamin. At moments of deceleration or defeat, many on the left have hoped otherwise, envisioning capitalism's collapse as an inevitable consequence of its operation. At the end of the nineteenth century, Karl Kautsky, one of German socialism's foremost theoreticians, declared that 'irresistible economic forces lead with the certainty of doom to the shipwreck of capitalist production'. In the early decades of the twenty-first, Kautsky's more jaded successor, Wolfgang Streeck, still claims that 'capitalism is facing its *Götterdämmerung*' because of its tendency to self-destruction. Utopianism has never been the fatal flaw of the left. What truly undermines its capacity for political realism is this belief in the saving power of catastrophe.

On the contemporary left, there is hope that climate change may finally bring capitalism to heel. That, too, is an old fantasy. At the end of *The Protestant Ethic and the Spirit of Capitalism* (1905), Max Weber plaintively wonders how long the iron cage of capitalism will hold. The only hope of release lies in the finitude of fossil fuels: capitalism will dominate its denizens 'until the last ton of fossilized coal is burnt'. This, according to Sombart, was a line Weber liked to repeat in private conversation. Sombart was unimpressed. Not only was there hydraulic and tidal power; there was also solar power, which had been used, as early as 1902, on an ostrich farm near Los Angeles. The only question for capitalism was whether this could be turned to profit. Evidence from Egypt, Peru, Chile and South Africa suggested it could. There are no hopeless situations for the bourgeoisie.

But hidden in the Marxian canon of crisis and collapse is a lesson for the left. The rate of profit, Marx wrote,

is only settled by the continuous struggle between capital and labour, the capitalist constantly tending to reduce wages to their physical minimum, and to extend the working day to its physical maximum, while the working man constantly presses in the opposite direction. The matter resolves itself into a question of the respective powers of the combatants.

More than a dictate of economics, profit is a question of power. Unlike a machine, the power of workers, concerted, cannot be determined in advance. How much power the workers can exercise – and how much profit the capitalist can extract – is an open question, answered only in the struggle itself. In the early days of late capitalism, capital learned that lesson. Whether we are in the last or merely the latest days of capitalism will be determined by whether and how labour learns it, too.

Read on: Wolfgang Streeck, 'How Will Capitalism End?', NLR 87.