

Introduction: The Transformation

EVERY FEW HUNDRED YEARS in Western history there occurs a sharp transformation. We cross what in an earlier book (*The New Realities* (1989)). I called a "divide." Within a few short decades, society rearranges itself—its worldview; its basic values; its social and political structure; its arts; its key institutions. Fifty years later, there is a new world. And the people born then cannot even imagine the world in which their grandparents lived and into which their own parents were born.

We are currently living through just such a transformation. It is creating the post-capitalist society, which is the subject of this book.

One such transformation occurred in the thirteenth century, when the European world, almost overnight, became centered in the new city—with the emergence of city guilds as the new dominant social groups and with the revival of long-distance trade; with the Gothic, that eminently urban, practically bourgeois, new architecture; with the new painting of the Sieneese; with the shift to Aristotle as the fountainhead of wisdom; with urban universities replacing as the centers of culture the monasteries in their rural isolation; with the new urban Orders, the Dominicans and Franciscans,

emerging as the carriers of religion, of learning, of spirituality; and within a few decades, with the shift from Latin to the vernacular and with Dante's creation of European literature.

Two hundred years later, the next transformation took place in the sixty years between Johannes Gutenberg's invention in 1455 of printing with movable type and Martin Luther's Protestant Reformation in 1517. These were the decades of the blossoming of the Renaissance, peaking between 1470 and 1500 in Florence and Venice; of the rediscovery of antiquity; of the European discovery of America; of the Spanish Infantry, the first standing army since the Roman legions; of the rediscovery of anatomy and with it of scientific inquiry; and of the general adoption of Arabic numerals in the West.. And again, no one living in 1520 could have imagined the world in which their grandparents had lived and into which their parents had been born.

The next transformation began in 1776-the year of the American Revolution, of James Watt's perfected steam engine and of Adam Smith's Wealth of Nations. It came to a conclusion almost forty years later, at Waterloo-forty years during which all the modern "isms" were born. Capitalism, Communism, and the Industrial Revolution emerged during these decades. These years saw the creation-in 1809-of the modern

university (Berlin), and also of universal schooling. These four decades brought the emancipation of the Jews-and by 1815, the Rothschilds had become the great power, overshadowing kings and princes. These forty years produced, in effect, a new European civilization. Again, no one living in 1820 could imagine the world in which their grandparents had lived and into which their parents had been born.

Our period, two hundred years later, is such a period of transformation.

This time it is not, however, confined to Western society and Western history. Indeed, it is one of the fundamental changes that there no longer is a "Western" history or, in fact, a "Western" civilization. There is

only world history and world civilization-but both are

"Westernized." It is moot whether

this present transformation began with the emergence of the first non-Western country, Japan, as a great economic power-that is, around 1960-or with the computer-that is, with

information becoming central. My own candidate would be the American G.I.

Bill of Rights after World War II, which gave every returning American soldier the money to attend a university-something that would have made absolutely no sense only thirty years earlier, at the end of World War I. The G.I. Bill of Rights-and the enthusiastic response to it on the part

of America's veterans- signaled the shift to the knowledge society. Future historians may well consider it the most important event of the twentieth century.

We are clearly still in the middle of this transformation; indeed, if history is any guide, it will not be completed until 2010 or 2020. But already it has changed the political, economic, social, and moral landscape of the world. No one born in 1990 could possibly imagine the world in which one's grandparents (i.e., my generation) had grown up, or the world in which one's own parents had been born.

The first successful attempt to understand the transformation that turned the Middle Ages and the Renaissance into the modern world, the transformation that began in 1455, was not even attempted until fifty years later: with the Commentaries of Copernicus, written between 1510 and 1514; with Machiavelli's *The Prince*, written in 1513; with Michelangelo's synthesis and transcendence of all Renaissance art in the ceiling of the Sistine Chapel, painted between 1508 and 1512; and with the reestablishment of the Catholic Church at the Tridentine Council in the 1540s.

The next transformation- the one that occurred some two hundred years ago and was ushered in by the American Revolution- was first understood and analyzed sixty years afterward, in the

two volumes of Alexis de Tocqueville's Democracy in America, published respectively in 1835 and 1840.

We are far enough advanced into the new post-capitalist society to review and revise the social, economic, and political history of the Age of Capitalism. and of the nation-state.

This book will therefore take new looks at the period we are leaving behind. . . and some of the things it sees from its new vantage point may come as distinct surprises (they did to me).

To foresee what the post-capitalist world itself will look like is however, risky still. What new questions will arise and where the big new issues will lie, we can, I believe, already discover with some degree of probability. In many areas we can also describe what will not work. "Answers" to most questions are still largely hidden in the womb of the future. The one thing we can be sure of is that the world that will emerge from the present rearrangement of values beliefs, social and economic structures, of political concepts and systems, indeed, of worldviews, will be different from anything anyone today imagines. In some areas-and especially in society and its structure-basic shifts have already happened. That the new society will be both a non-socialist and a post-capitalist society is practically certain. And it is certain also that its primary resource will be

knowledge. This also means that it will have to be a society of organizations. Certain it is that in politics we have already shifted from the four hundred years of the sovereign nation-state to a pluralism in which the nation-state will be one rather than the only unit of political integration. It will be one component-though still a key component-in what I call the "post-capitalist polity," a system in which transnational, regional, nation-state, and local, even tribal, structures compete and co-exist

These things have already happened. They can therefore be described. To do so is the purpose of this book.

POST CAPITALIST SOCIETY AND POST CAPITALIST POLITY

Only a few short decades ago, everybody "knew" that a post-capitalist society would surely be a Marxist one. Now we all know that a Marxist society is the one thing the next society is not going to be. But most of us also know-or at least sense-that developed countries are moving out of anything that could be called "capitalism." The market will surely remain the effective integrator of economic activity. But as a society, the developed countries have also already moved into post-capitalism. It is fast becoming a society of new

"classes," with a new central resource at its core.

Capitalist society was dominated by two social classes: the capitalists, who owned and controlled the means of production, and the workers-Karl Marx's "proletarians," alienated, exploited, dependent. The proletarians first became the "affluent" middle class as a result of the "Productivity Revolution"-the revolution that began at the very time of Marx's death in 1883, and reached its climax in every developed country shortly after World War II. Around 1950, the industrial worker-no longer a "proletarian" but still "labor"-seemed to dominate politics and society in every developed country. But then, with the onset of the "Management Revolution," the blue-collar workers in manufacturing industry rapidly began to decline both in numbers and, even more noticeably, in power and status. By the year 2000 there will be no developed country where traditional workers making and moving goods account for more than one sixth or one eighth of the work force.

The capitalist probably reached his peak even earlier-by the turn of the century, and surely no later than World War I. Since then, no one has matched in power and visibility the likes of Morgan, Rockefeller, Carnegie, or Ford in the United States; Siemens, Thyssen, Rathenau,

Krupp in Germany; Mond, Cunard, Lever, Vickers, Armstrong in Great Britain; de Wendel and Schneider in France; or of the families that owned the great zaibatsu of Japan: Mitsubishi, Mitsui, and Sumitomo. By World War II they had all been replaced by "professional managers" (The best account of this shift, though it is limited to manufacturing in the United States, is Alfred D. Chandler's *The Visible Hand* (Cambridge, Mass.: Harvard University Press, 1977)) - the first result of the Management Revolution. There are still a great many rich people around, of course, and they are still prominent in newspaper society pages. But they have become "celebrities"; economically, they have almost ceased to matter. Even on the business page all the attention is being paid to "hired hands," that is, to managers. And such talk of money as there is is about the "excessive salaries" and bonuses of these hired hands who themselves own little or nothing.

Instead of the old-line capitalist, in developed countries pension funds increasingly control the supply and allocation of money. In the United States, these funds in 1992 owned half of the share capital of the country's large businesses and held almost as much of these companies' fixed debts. The beneficiary owners of the pension funds are, of course,

the country's employees. If Socialism is defined, as Marx defined it, as ownership of the means of production by the employees, then the United States has become the most "socialist" country around-while still remaining the most "capitalist" one as well. Pension funds are run by a new breed of capitalists: the faceless, anonymous, salaried employees, the pension funds' investment analysts and portfolio managers.

But equally important: the real, controlling resource and the absolutely decisive "factor of production" is now neither capital nor land nor labor. It is knowledge.

Instead of capitalists and proletarians, the classes of the post-capitalist society are knowledge workers and service workers.

THE SHIFT TO THE KNOWLEDGE SOCIETY

The move to the post-capitalist society began shortly after World War II. I first wrote of the "employee society" even before 1950 (See for example, *The New Society* (1949)). Ten years later, around 1960, I coined the terms "knowledge work" and "knowledge worker." And my *The Age of Discontinuity* (1969) first talked of the "society of organizations." Post-Capitalist Society is thus based on work done over forty years. Most of its policy

and action recommendations have been successfully tested.

Only with the collapse of Marxism as an ideology and of Communism as a system, (Both anticipated in *The New Realities*, written in 1986-7, several years ahead of the actual events.) however, did it become completely clear that we have already moved into a new and different society. Only then did a book like this become possible: a book that is not prediction but description, a book that is not futuristic but a call to action here and now.

The bankruptcy-moral, political, economic-of Marxism and the collapse of the Communist regimes were not "The End of History" (as a widely publicized 1989 article proclaimed-Francis Fukayama's "The End of History," *The National Interest* (Summer 1989).) Even the staunchest believers in the free market surely hesitate to hail its triumph as the Second Coming. But the events of 1989 and 1990 were more than just the end of an era; they signified the end of one kind of history. The collapse of Marxism and of Communism brought to a close two hundred and fifty years that were dominated by a secular religion-I have called it the belief in salvation by society. The first prophet of this secular religion was JeanJacques Rousseau (1712-1778). The Marxist

Utopia was its ultimate distillation-and its apotheosis.

The same forces which destroyed Marxism as an ideology and Communism as a social system are, however, also making Capitalism obsolescent. For two hundred and fifty years, from the second half of the eighteenth century on, Capitalism was the dominant social reality. For the last hundred years, Marxism was the dominant social ideology. Both are rapidly being superseded by a new and very different society.

The new society-and it is already here-is a post-capitalist society. This new society surely, to say it again, will use the free market as the one proven mechanism of economic integration. It will not be an "anti-capitalist society." It will not even be a "non-capitalist society"; the institutions of Capitalism will survive, although some, such as banks, may play quite different roles. But the center of gravity in the post-capitalist society-its structure, its social and economic dynamics, its social classes, and its social problems-is different from the one that dominated the last two hundred and fifty years and defined the issues around which political parties, social groups, social value systems, and personal and political commitments crystallized.

The basic economic resource-"the means of production," to use the economist's term-is no longer capital,

nor natural resources (the economist's "land"), nor "labor." It is and will be knowledge. The central wealth-creating activities will be neither the allocation of capital to productive uses, nor "labor"-the two poles of nineteenth- and twentieth-century economic theory, whether classical, Marxist, Keynesian, or neo-classical. Value is now created by "productivity" and "innovation," both applications of knowledge to work. The leading social groups of the knowledge society will be "knowledge workers"-knowledge executives who know how to allocate knowledge to productive use just as the capitalists knew how to allocate capital to productive use; knowledge professionals; knowledge employees. Practically all these knowledge people will be employed in organizations. Yet, unlike the employees under Capitalism, they will own both the "means of production" and the "tools of production"-the former through their pension funds, which are rapidly emerging in all developed countries as the only real owners; the latter because knowledge workers own their knowledge and can take it with them wherever they go. The economic challenge of the post-capitalist society will therefore be the productivity of knowledge work and the knowledge worker.

The social challenge of the post-capitalist society will, however, be the

dignity of the second class in post-capitalist society: the service workers.) Service workers, as a rule, lack the necessary education to be knowledge workers. And in every country, even the most highly advanced one, they will constitute a majority.

The post-capitalist society will be divided by a new dichotomy of values and of aesthetic perceptions. It will not be the "Two Cultures"-literary and scientific-of which the English novelist, scientist, and government administrator C. P. Snow wrote in his *The Two Cultures and the Scientific Revolution* (1959), though that split is real enough. The dichotomy will be between "intellectuals" and "managers," the former concerned with words and ideas, the latter with people and work. To transcend this dichotomy in a new synthesis will be a central philosophical and educational challenge for the post-capitalist society.

OUTFLANKING THE NATION-STATE

The late 1980s and early 1990s also marked the end of another era, another "kind of history." If the fall of the Berlin Wall in 1989 was the climactic event that symbolized the fall of Marxism and Communism, the transnational coalition against Iraq's invasion of Kuwait in 1990 was the climactic event that marked the end

of four hundred years of history in which the sovereign nation-state was the main, and often the only, actor on the political stage.

Future historians will surely rank February 1991 among the "big dates."

There is no precedent for such

transnational action. At no earlier occasion did nations-without a single dissenter of consequence (and almost without dissent altogether)-set the common interest of the world community in putting down terrorism ahead of their own national sentiments, and, in many cases, ahead even of their own national interest.

There is no precedent for the all but universal realization that terrorism is not a matter of "politics" to be left to individual national governments, but requires transnational action.

It is widely believed, especially among so-called liberals in the United States, that the 1991 war against Iraq was mounted to protect the West's oil supply. Nothing could be further from the truth. Iraqi control of the oil wells of Kuwait-and those of Saudi Arabia as well-would have been very much in the West's economic interest; it would have meant much cheaper oil. For while Kuwait and Saudi Arabia have practically no native population and therefore no urgent need for immediate petroleum income, Iraq is heavily overpopulated, and, except for petroleum, almost totally without natural resources. It

therefore needs to sell as much oil as it possibly can, whereas Kuwait and Saudi Arabia are primarily interested in keeping oil prices high, which means keeping production low.

This, by the way, explains why the United States heavily supported Saddam Hussein's regime in Iraq, even before the Iran-Iraq War, and why it continued to do so until the very moment when Saddam attacked Kuwait and thus indulged in an overt terrorist act. It also explains, I suspect, why Saddam miscalculated; he must have been convinced that the United States would let him get away with flagrant aggression in order to ensure low petroleum prices. And everyone I spoke to in one major petroleum company was sure when Iraq invaded Kuwait that the U.S. government would not do anything but make a few disapproving noises.

In the four hundred years since the French lawyer-politician Jean Bodin (1530-1596) invented it (in his *Six Livres de la Republic*, published in 1576), the nation-state became the sole organ of political power, both internally and externally. And during the past two hundred years, since the French Revolution, it has also become the carrier of the secular religion, the belief in salvation by society. In fact, totalitarianism-Communist as well as Nazi- was the ultimate distillation and apotheosis of the doctrine of the

sovereign nation-state as the one and only organ of power.

Political theory and constitutional law still know only the sovereign state. And in the last hundred years this state has steadily become more powerful and more dominant, mutating into a "megastate." It is the one political structure we so far understand, are familiar with, and know how to build out of prefabricated and standardized parts: an executive, a legislature courts, a diplomatic service, national armies, and so on. Every one of the nearly 200 new countries that have been carved out of the former colonial empires since the end of World War II has been set up as a sovereign nation-state. And this is what every one of the various parts of the last of the colonial empires, the Soviet Empire, aspires to become.

And yet for forty years, since the end of World War II, the sovereign nation-state has steadily been losing its position as the sole organ of power. Internally, developed countries are fast becoming pluralist societies of organizations. Externally, some governmental functions are becoming transnational, others regional, in the European Community, for example; and others are being tribalized.

The nation-state is not going to wither away. It may remain the most powerful political organ around for a long time to come, but it will no longer

be the indispensable one. Increasingly, it will share power with other organs, other institutions, other policy-makers. What is to remain the domain of the nation-state? What is to be carried out within the state by autonomous institutions? How do we define "supranational" and "transnational"? What should remain "separate and local"?

These questions will be central political issues for decades to come. In its specifics, the outcome is quite unpredictable. But the political order will look different from the political order of the last four centuries, in which the players differed in size, wealth, constitutional arrangements, and political creed, yet were uniform as nation-states—each sovereign within its territory and each defined by its territory. We are moving—we have indeed already moved—into postcapitalist polity.

The last of what might be called the "pre-modern" philosophers, Gottfried Leibniz (1646-1716), spent much of his life in a futile attempt to restore the unity of Christendom. His motivation was not the fear of religious wars between Catholics and Protestants or between different Protestant sects; that danger had already passed when Leibniz was born. He feared that without a common belief in a supernatural God, secular religions would emerge. And a secular religion, he was convinced, would, almost by

definition, have to be a tyranny and suppress the freedom of the person.

A century later, Jean-Jacques Rousseau confirmed Leibniz's fears. Rousseau asserted that society could and should control the individual human being. It could and should create a "New Adam." It could and should create universal human perfection. But it also could and should subordinate the individual to the impersonal, super-personal *volonte generale* (the general will)- what Marxists later came to call the "objective laws of history." Since the French Revolution, salvation by society has gradually evolved into the dominant creed-first in the West, then later (since the start of World War II) worldwide. However much it pretends to be "anti-religious," this is a religious faith. The means are, of course, non-spiritual: banning liquor; killing all Jews; psychoanalysis for everybody; abolition of private property. The goal however, is religious: to establish the Kingdom of God on Earth by creating the "New Man."

For more than a hundred years, the most powerful and the most pervasive secular creed promising salvation through society was Marxism. The religious promise of Marxism, far more than its convoluted ideology and its increasingly unrealistic economics, constituted its tremendous appeal, especially to intellectuals. There were

many reasons, for instance, for Eastern Jews to accept an ideology that promised an end to discrimination and persecution against them in Romania or the Russia of the tsars. But the most powerful appeal for them was Marxism's promise of an earthly paradise, that is, Marxism's appeal as a secular religion.

Communism collapsed as an economic system. Instead of creating wealth, it created misery. Instead of creating economic equality, it created a nomenklatura of functionaries enjoying unprecedented economic privileges. But as a creed, Marxism collapsed because it did not succeed in creating the "New Man." Instead, it brought out and strengthened all the worst in the "Old Adam": corruption, greed, and lust for power; envy and mutual distrust; petty tyranny and secretiveness; lying, stealing, denunciation, and, above all, cynicism. Communism, the system had its heroes. But Marxism, the creed, did not have a single saint.

The human being may well be beyond redemption. The Latin poet may have been right: human nature always sneaks in through the back door, no matter how many times the pitchfork tosses it out the front. Maybe the cynics are right in asserting that there is no virtue, no goodness, no selflessness, only self-interest and hypocrisy (although there are enough

witnesses to the contrary, as I remind myself in my darkest hours).

But surely the collapse of Marxism as a creed signifies the end of the belief in salvation by society. What will emerge next, we cannot know; we can only hope and pray. Perhaps nothing beyond stoic resignation? Perhaps a rebirth of traditional religion, addressing itself to the needs and challenges of the person in the knowledge society? The explosive growth of what I call "pastoral" Christian churches in America—Protestant, Catholic, nondenominational—might be a portent. But so might the resurgence of fundamentalist Islam. For the young people in the Muslim world who now so fervently embrace Islamic fundamentalism would, forty years ago, have been equally fervent Marxists. Or will there be new religions? (What is unlikely is easier to forecast than what is likely. We will not, for example, see the rejection of material values and of technology, that "return to the Middle Ages" which a Japanese writer, Taichi Sakaya, predicted in a bestseller of the mid-1980s (published in English in 1991 by Kodansha International under the title *The Knowledge-Value Revolution*). The worldwide spread of information and of technology is certain to make this impossible.)

Still, redemption, self-renewal, spiritual growth, goodness, and virtue—the "New Man," to use the traditional term—are likely to be seen again as existential rather than social goals or political prescriptions. The end of the belief in salvation by society surely marks an inward turning. It makes possible renewed emphasis on the individual, the person. It may even lead—at least we can so hope—to a return to individual responsibility.

THE THIRD WORLD

This book focuses on the developed countries: on Europe, the United States, and Canada, on Japan and the newly developed countries on the mainland of Asia, rather than on the developing countries of the "Third World."

This is not because I consider the less developed nations unimportant or even less important. That would be folly. Two thirds of the world's population live, after all, in the Third World; and by the time the present period of transition comes to an end (around 2010 or 2020), the Third World will house three quarters. But I also consider it highly probable that within the next decade or two there will be new and startling "economic miracles," in which poor, backward Third World countries transform themselves, virtually overnight, into fast-growth economic powers. It is even possible that there will be far

more such transformations than there have been in the last forty years, since we first began to talk about "economic development."

All the elements for rapid economic growth are present in the coastal, urbanized areas of Mainland China—from Tianjin (Tientsin) in the north to Canton in the south. They have a huge domestic market; a highly educated population with tremendous respect for learning; an ancient entrepreneurial tradition; and close ties to the "Overseas Chinese" in Singapore, Hong Kong, and Taiwan, with access to their capital, their trading networks, and their knowledgeable people. All this might be released in an explosion of entrepreneurial growth if Beijing's political and economic tyranny could be peacefully removed. Similarly, Latin America's larger countries offer an adequate domestic market. Mexico may already be in the "takeoff" stage. And Brazil might surprise everybody by the speed of its turnaround once it musters the political courage to follow Mexico's recent example and abandon the failed, indeed suicidal, policies into which it plunged after 1970. No one can possibly foretell what surprises the former Communist countries of Eastern Europe might produce.

But the developed countries also have a tremendous stake in the Third World. Unless there is rapid

development there-both economic and social-the developed countries will be inundated by a human flood of Third World immigrants far beyond their economic, social, or cultural capacity to absorb.

But the forces that are creating post-capitalist society and post-capitalist polity originate in the developed world. They are the product and result of its development. Answers to the challenges of post-capitalist society and post-capitalist polity will not be found in the Third World. If anything has been totally disproven, it is the promises of the Third World leaders of the fifties and sixties- Nehru in India, Mao in China, Castro in Cuba, Tito in Yugoslavia, the apostles of "Negritude" in Africa, or Neo-Marxists like Che Guevara. They promised that the Third World would find new and different answers, and would, in fact, create a new order. The Third World has not delivered on these promises made in its name. The challenges, the opportunities, the problems of post-capitalist society and post-capitalist polity can only be dealt with where they originated. And that is in the developed world.

SOCIETY, POLITY, KNOWLEDGE

This book covers a wide range. It deals with post-capitalist society; with post-capitalist polity; and with new challenges to knowledge itself.

Yet it leaves out much more than it attempts to cover. It is not a history of the future. Rather, it is a look at the present.

The areas of discussion-Society, Polity, Knowledge-are not arrayed in order of importance. That would have put first the short discussion of the educated person which concludes this work. The three areas are arrayed in order of predictability. With respect to the post-capitalist society, we know what has happened and why, we know what is going to happen and why-at least in outline-and a good deal is already happening. With respect to the post-capitalist polity, we have only programs so far. How the needed changes will be brought about is still conjecture. But we know what has happened and why; we can specify what needs to happen and why. With respect to the knowledge challenges, however, we can only ask questions-and hope that they are the right questions.

I am often asked whether I am an optimist or a pessimist. For any survivor of this century to be an optimist would be fatuous. We surely are nowhere near the end of the turbulences, the transformations, the sudden upsets, which have made this century one of the meanest, cruelest, bloodiest in human history. Anyone who deludes him- or herself that we are anywhere near the "end of history" is in for unpleasant surprises-

the kind of surprises that afflicted America's President George Bush when he first bet on the survival of the Soviet Empire under Michail Gorbachev, and then on the success of Boris Yeltsin's "Commonwealth of ex-Russian Nations."

Nothing "post" is permanent or even long-lived. Ours is a transition period. What the future society will look like, let alone whether it will indeed be the "knowledge society" some of us dare hope for, depends on how the developed countries respond to the challenges of this transition period, the post-capitalist period- their intellectual leaders, their business leaders, their political leaders, but above all each of us in our own work and life. Yet surely this is a time to make the future-precisely because everything is in flux. This is a time for action.