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Marginalisation and Peripheralisation of the EU? Multidimensional Crises and War in Ukraine as Catalysts for Changing Models of Contemporary Capitalism

Abstract

This article examines the impact of the war in Ukraine on the evolution of contemporary models of capitalism, with a particular focus on the European Union through the lens of Comparative Political Economy. The analysis builds upon Andreas Nölke's framework for classifying dominant varieties of capitalism, originally applied to institutional changes following the COVID-19 pandemic, extending its relevance to the context of Russia's aggression against Ukraine in 2022. The study identifies key catalysts and structural factors driving transformations in capitalism, emphasising their crisis-inducing effects within the EU, which are further analysed within the framework of global megatrends, interpreted through Dani Rodrik's concept of the "trilemma". The analysis highlights a critical concern; without the establishment of a new development paradigm and the creation of a new model for European capitalism, the EU risks becoming the greatest loser in the ongoing global rivalry. However, the divergent interests and limited development trajectories of many Member States pose significant challenges to achieving such a transformation.

Keywords: Models of Capitalism, Global Rivalry of Superpowers, Structural Changes, European Capitalism, War in Ukraine

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The following article reflects the geopolitical situation as at 31 December 2024.

Introduction

This article aims to explore selected aspects of global crises and examine the impact of the war in Ukraine on transformations in contemporary models of capitalism, with a particular focus on the European Union (EU). The analysis is grounded in the principles of Comparative Political Economy (CPE), which posit that markets are inherently shaped by political rules and regulations that establish the structural framework for economic activity. While economics centres on the pursuit of wealth and politics on the exercise of power, the two domains are deeply interconnected, resulting in complex, multidimensional interdependencies between states and markets, including in the international context.¹ The article is organised into four sections, the first of which outlines the theoretical context, specifically the typology of contemporary capitalism proposed by Andreas Nölke (2022) in the aftermath of the COVID-19 pandemic. Nölke identifies five distinct models: classical liberal capitalism; cosmopolitan technocratic capitalism; national social-democratic capitalism; authoritarian capitalism; and alternative capitalism. While the author of this article offers critical observations on this typology, he also presents arguments supporting its relevance for analysing global transformations, particularly those triggered by Russia's aggression against Ukraine in 2022. In the second section, key catalysts of change and asymmetries in capitalist transformations that influence the current situation within the EU are analysed. This analysis incorporates global megatrends and is framed using Dani Rodrik's (2011) concept of the "trilemma". The third section examines the identified varieties of capitalism, evaluating their capacity to serve as models and their potential for future development. Finally, the conclusion highlights the effects of multidimensional crises, alongside the war in Ukraine, on the ongoing transformations in contemporary capitalism.

Theoretical Framework

The findings of Comparative Political Economy (CPE) offer valuable insights into specific aspects of global crises and the transformative effects of the war in Ukraine on the models of capitalism. In this regard, it is important to revisit crucial conceptualisations of capitalism typologies

¹ "The term «free market» does not imply freedom from politics. Many kinds of political regulation concerning contracts, consumer and producer protection, taxation, working conditions, and so on make up the framework within which the «free market» functions" (Jackson, Sørensen, 2006, p. 187).

that have significantly shaped research in this domain. Among the most widely recognised frameworks are: Esping-Andersen's (1990) tripartite typology of the welfare state, which categorises liberal, conservative, and social-democratic capitalism; Hall and Soskice's (2001) dichotomous typology of liberal market economies and coordinated market economies; and Amable's (2003) classification of five types of capitalism: market-based economies, social-democratic economies, Asian capitalism, Continental European capitalism, and South European capitalism. The common foundation for these conceptualisations is the Weberian ideal-type methodology, regarded as a scientific construct grounded in a theoretically-justified selection of phenomena and characteristics, systematically analysed through empirical indicators.

The scientific debate surrounding these typologies, along with the research they have inspired, has generated some of the most significant intellectual contributions in recent years across the fields of political economy, political science, and economic sociology. Indeed, Andreas Nölke, in his book "Post-Corona Capitalism: The Alternatives Ahead" (2022), proposed a new typology of capitalist models emerging in the aftermath of the COVID-19 pandemic, and although the work does not address the implications of Russian aggression against Ukraine starting in 2022, it does highlight the importance of path dependencies and institutional architectures that shape political and social responses as well as systemic transformations during structural crises. Nölke identifies and characterises five principal macroeconomic varieties of capitalism: classical liberal capitalism; cosmopolitan technocratic capitalism; national social-democratic capitalism; authoritarian capitalism; and alternative capitalism.

Classical liberal capitalism – most prominently observed in the United States (under Republican governments prior to Donald Trump's presidency) and the United Kingdom (especially during Prime Minister Margaret Thatcher's tenure) – is predicated on the centrality of markets and private ownership, coordination through price signals, and the evaluation of enterprises based on shareholder value. This variety is marked by relatively minimal state intervention in the market, aside from support for emerging technologies and defence, as well as significant openness to foreign competition and investment. It also features a highly-developed financial market, particularly with regard to venture capital funds, and the prominent role of institutional investors. In the classical liberal capitalism model, the labour market is characterised by low employment protection, weak trade unions, decentralised wage negotiations, and minimal active employment policies. Social protection is relatively limited, relying on

means-tested benefits and a predominantly private pension system. The education system is marked by low public spending, a competitive and elitist higher education structure, heterogeneous vocational education, and an emphasis on basic skills.

Cosmopolitan technocratic capitalism shares similarities with classical liberal capitalism but, due to its supranational nature, often necessitates various forms of regulation and power delegation to establish frameworks for cooperation in global production, trade, and finance. The expansion of value chains within this model is intrinsically linked to political processes such as economic liberalisation, the establishment of guarantees for foreign investors and multinational corporations (MNCs), advancements in technology, and the modularisation of production. This conceptualisation of capitalism is predominantly propagated by international organisations, including the World Trade Organization (WTO), the International Monetary Fund (IMF), and the World Bank (WB). On a regional scale, it is also promoted by European Union (EU) institutions, which operate based on relative voting power. These institutions include the European Central Bank (ECB), where influence is determined by the value of contributed capital, and other institutions such as the European Council (EC) and the European Parliament (EP), which allocate influence according to population size. Within the EU, Germany aligns most closely with this model of capitalism. At the national level, its principles are upheld by independent central banks and other technocratic institutions, such as regulatory agencies that function autonomously from democratic electoral processes. This variety of institutional solutions prioritises intellectual property rights, which are critical to global trade, and tax policies that confer significant advantages to large enterprises and foreign investors (dividend repatriation and tax optimisation strategies).

National social-democratic capitalism emerged in the countries of Scandinavia following World War II. This particular model emphasises social equality, the advancement of women's and minority rights, parliamentary democracy, and the central role of the welfare state. Societies operating within this variety of capitalism recognise that both parliamentary democracy and the welfare state function most effectively at the national level. Consequently, they often approach supranational institutions with caution. For instance, Denmark and Sweden refrained from joining the Eurozone, while Norway opted against EU membership. Economies are characterised by a high degree of coordination through mechanisms beyond traditional market signals, including the significant influence of trade unions, cooperative employer-employee relations,

concentrated ownership structures, and substantial public investments in policies and research and development. Centralised and coordinated wage negotiations are combined with active employment policies and robust social protection systems. Additionally, the model prioritises high-quality vocational, primary, and secondary education, tailoring curricula to develop specific skills. It is important to distinguish this variety of capitalism from the programs advanced by certain left-wing political parties that veered toward cosmopolitan technocratic capitalism (e.g., the policies of Tony Blair's government in the United Kingdom, Gerhard Schröder's chancellorship in Germany, and Barack Obama's presidency in the United States).

Authoritarian capitalism has gained significant influence since the second decade of the 21st century and is often described as “populism” or “illiberal democracy”. This model is characterised by strong personal leadership that emphasises the restriction of civic and political freedoms. Key features of this system include a weakening of the separation of powers, the erosion of the rule of law, constraints on media freedom, diminished pluralism, and limitations on women's rights and the rights of minorities (including ethnic minorities, LGBTQ+ individuals, and migrants). Countries within this category typically exhibit a strong aversion to supranational authorities and multilateral agreements, viewing them as constraints on the sovereignty of the nation-state. Some of these countries are marked by a large public sector, substantial state intervention in the market, and the dominance of large corporations. Trade unions are generally weak, cooperation between employers and employees is minimal, and the scope of the welfare state varies, often with a pronounced emphasis on pro-family policies. Certain nations also feature low protection for external shareholders, underdeveloped financial markets, and a lack of active legal frameworks (property and civil rights). Public spending tends to be low, and vocational education is often underdeveloped. This model of capitalism, in its various forms, is notably influential in countries of the Global South, such as China and Russia. However, its characteristics have also manifested in Global North countries, including the United States during the presidency of Donald Trump (2017–2021), Hungary since 2010, and Poland under the governance of the Law and Justice party (2015–2023) (Nölke, 2022; p. 204; Sadurski, 2022).

Alternative capitalism. Nölke does not explore the potential emergence of socio-economic and political development models beyond capitalism, although he does not rule out such a possibility in the long term. He argues, however, that no significant event, including

the COVID-19 pandemic, has yet served as a transformative impetus in this regard (Nölke, 2022, p. 4).² Similarly, it is unlikely that the war in Ukraine will constitute such a turning point. Nevertheless, the financial crisis of 2007–2009 and the pandemic have catalysed discussions around alternative models of capitalism. These include proposals from post-materialist movements that challenge the paradigm of economic growth (e.g., the degrowth movement), advocate for new ecological policies (e.g., the Green New Deal), or promote concepts such as universal basic income. Proponents of these alternative models typically oppose systemic inequalities and top-down policies imposed by elites. As compared to other varieties of capitalism, these ideas have not achieved hegemonic status in any nation. However, elements of these alternative frameworks have gained traction in certain regions, particularly in Southern Europe (as exemplified by movements including the Spanish Podemos party).

Akin to other typological approaches, this conceptualisation has notable limitations. Nölke (2022, p. 4) underscores that it primarily focuses on countries in the Global North, often neglecting, despite the extensive literature and his own publications (e.g., Nölke et al., 2020; Nölke, Vliegenthart, 2009), critical distinctions within this group, including the unique features of Mediterranean capitalism and the post-socialist states within the European Union. This omission may stem from the relatively limited economic potential of these regions. Furthermore, the categorisation of “authoritarian capitalism” tends to overgeneralise, grouping together countries with fundamentally different political and economic systems (for instance, placing the United States and China in the same category), which obscures critical distinctions between them. The foregoing is supported by external measures such as The Economist’s Democracy Index, which, at the time of Nölke’s publication, classified the United States as a “flawed democracy” – alongside India, Brazil, Poland, and Hungary – while categorising China and Russia as “authoritarian regimes” (Economist Intelligence Unit, 2022, p. 4).³ Despite the critical observations, this paper’s author found Andreas Nölke’s typology to be

² Researchers continuing the Marxist and Weberian traditions debate scenarios for transcending capitalism, suggesting that new economic systems may emerge within the dominant global frameworks. However, these scientists argue that such transitions are likely to be gradual, unfolding over decades (Nölke, 2022; Streeck, 2017; Wallerstein et al., 2013).

³ Similar observations apply to Asian capitalism, which diverges significantly from its Western counterpart. Empirical research identifies five distinct varieties within Asian capitalism: post-socialist; advanced city; emerging Southeast Asian; advanced Northeast Asian; and Japan (Witt, Redding, 2014).

a valuable framework for further analysis⁴. It highlights contemporary varieties of capitalism that demonstrate the greatest efficiency and ideological appeal. In contrast, other regional economic models, such as Latin American capitalism or African capitalism, lack the “specific weight” required to significantly influence global transformations in models of capitalism, largely due to their limited resources and peripheral positioning in the global economy.

Global Catalysts for Change in the EU

Several factors and global trends have been identified as driving the transformation of contemporary capitalism. The accumulation of these forces within a relatively short timeframe necessitates significant changes. A European Policy Centre (EPC) report highlights key structural elements of globalisation that are contributing to this shift, including: changes in the nature of power, particularly the increasing prominence of the Global South in its relations with the Global North; the resurgence of policies cantered on “strong” leadership; the growing influence of non-state actors, particularly MNCs; and the diminishing distinction between domestic politics and an increasingly volatile international political landscape. Global trends have exerted particularly strong influence in areas such as climate change, digitalisation, demographic shifts, and the erosion of democracy and freedoms (Borges de Castro, 2022, p. 5). These trends have manifested through a series of crises in highly-developed countries, which serve as significant indicators of their impact. Notable examples include the financial crisis in the United States (2007–2009) and the Eurozone (2008–2012), the migration crisis in the European Union (2015), the United Kingdom’s withdrawal from the EU (2020), the coronavirus pandemic (2020–2022), Russia’s aggression against Ukraine (2014, and again since 2022), and a series of ecological disasters, including major droughts, typhoons, wildfires, and floods.

The International Monetary Fund (IMF) identifies several structural factors contributing to global economic shifts, including the risk of abandoning multilateral international agreements. This trend is

⁴ Another framework for categorising the diverse varieties of capitalism involves the identification of four main types of emerging market capitalism: 1) a dependent type, originally envisaged for Central and Eastern Europe (CEE), also discussed in a Latin America context; 2) a hierarchical type, modelled after Latin America economies, but also in East Asia and Turkey; 3) a statist type, found East Asia, India, and temporary in Brazil; 4) a patrimonial type, as depicted for the Arab world as well as Russia and other former SU countries (Schedelik et al., 2020, p. 4).

driven by the escalating rivalry between the United States and China, increasing military conflicts worldwide, rising military expenditures, the costs associated with protectionism, and the uneven economic recovery following the COVID-19 pandemic.⁵ These phenomena generate high transaction costs and impede GDP growth. They also contribute to a partial reversal of global economic integration, a process referred to as “geoeconomic fragmentation”. Key manifestations of this fragmentation include a decline in international trade in capital, goods, and services since 2019, as well as the imposition of trade restrictions, such as higher tariffs. Investment flows, which previously supported national specialisations that enhanced global economic productivity, are no longer as effective. This shift is compounded by the erosion of the global payment system, which is fostering an increase in so-called “financial regionalisation”. Consequently, the level of risk in economic transactions rises, as does uncertainty in financial markets, alongside the depletion of currency reserves by central banks. One notable example of this trend is the evolution of the interbank settlement system operated by the Society for Worldwide Interbank Financial Telecommunication (SWIFT). Following Russia’s aggression against Ukraine in 2022, the country was partially excluded from the SWIFT network, which has promoted the development of alternative financial solutions, such as the growing financial cooperation among BRICS countries (IMF, 2023, p. 4 et al.).

The foundations for such transformations are encapsulated in Dani Rodrik’s concept of the “trilemma” (2011). According to the researcher, the growing tensions among the rules of transnational markets, political democracy, and national economies have been a defining characteristic of globalisation since the late 20th century. The trajectories of change within these three dimensions are neither harmonious nor aligned; instead, the directions of development for market hyper-globalisation, liberal democracy, and the national economy are asymmetric, divergent, and frequently contradictory.⁶ One notable example is the uneasy relationship between market hyper-

⁵ In addition to the war in Ukraine, several other areas of local conflict and tension possess the potential to escalate into regional or global conflicts. These include the Middle East, particularly involving Islamist groups and Israel, Taiwan and the South China Sea, the Korean Peninsula, the Western Balkans, the Arctic, and the growing rivalry between superpowers in outer space.

⁶ Rodrik (2011, p. 200) distilled the dilemmas inherent in balancing globalisation, democracy, and national economic priorities into three distinct options: (1) limiting democracy to reduce the costs associated with international transactions, often disregarding the adverse effects imposed by the global economy; (2) restricting globalisation to preserve democratic legitimacy and sustain domestic economic growth; (3) globalising democracy at the expense of national sovereignty.

globalisation and democracy. Rodrik's "trilemma" concept highlights hyper-globalisation as a primary driver of democratic crises, contributing to a sense of disempowerment among citizens and undermining development in many nations. Over a decade before the 2007–2009 financial crisis, Rodrik warned that globalisation had overextended its reach. He identified several risks, including the increasing insecurity of labour relations, the erosion of workers' bargaining power, the shrinking middle class, and the intensification of societal polarisation, as well as the conflicting interests among nations occupying different roles within the international division of labour.

These tendencies contribute to the delegitimisation of both national and international institutions, exacerbating inequalities, dismantling social protection systems, fragmenting social cohesion, creating imbalances in international trade and capital flows, and driving large-scale migrations (Rodrik, 1997). The successive crises since 2007 have intensified criticism of these phenomena in democratic countries. Such criticism manifests in what Karl Polanyi termed the "counter-movement" – political responses to the detrimental effects of a self-regulating market that undermines the economy, society, and the natural environment. In the 1930s, these dynamics manifested as nationalist dictatorships and fascism in Europe, while in the United States, they led to the New Deal. The economic benefits of the post-World War II period subsequently fostered a state of prosperity in Western Europe.

A hypothesis can be formulated that one of the syndromes of these phenomena is the emergence of growing political divisions, expressed as a double "revolt of the peripheries", a trend also observable within the European Union: 1) in the national dimension – conflicts arise between the "winners" and "losers" of globalisation, exemplified by mass social protests such as the Arab Spring in North Africa and the Middle East, the *indignados* movement in Spain, and Occupy Wall Street in the US (Castells, 2012); later examples include the Yellow Vest protests in France and farmers' demonstrations across the EU; 2) in the international dimension – a growing challenge to the hegemony of the Global North – primarily the United States – accompanied by the increasing influence of the Global South, particularly led by China and Russia. This double "revolt of the peripheries" is often co-opted by populist, authoritarian, and nationalist leaders. These leaders exploit societal discontent to consolidate power, frequently undermining democratic institutions, the rule of law, media freedom, and civil society as well as weakening the influence of domestic and transnational capital⁷. Contemporary reactions

⁷ A common precursor to authoritarian tendencies in democratic states is the enactment of laws that classify non-governmental organisations (NGOs) receiving financial support from Western countries as "foreign agents", subjecting them

to the extremes of globalisation increasingly manifest as governance by “strong leaders,” oscillating between forms of “illiberal democracy” and “populist authoritarianism” (Sadurski, 2022).

The rise of such “strong power” has been facilitated by exceptional circumstances in recent years. Both the coronavirus pandemic and the war in Ukraine have contributed to the erosion of some core institutions of the neoliberal economic and political order, such as the freedom of individual movement across borders and the transnational openness for the movements of goods, ideas and legal regulations. These trends are often likened to the political climate preceding the two World Wars of the 20th century, driven by the intensifying conflict of interests among key states, competition for strategic resources, and struggles for spheres of influence (Bohle, Greskovits, 2012). They represent varied responses to globalisation, described as “illiberal democracy” (Zakaria, 1997), “neonationalism” (Piketty, 2022), “anti-liberal counter-revolution” (Zielonka, 2018), or, in its more moderate form, “communitarian capitalism” (Nölke, 2022). The emergence of these tendencies reinforces Rodrik’s “trilemma”, which highlights the divergences and contradictions inherent in globalisation and the competing principles underpinning its reproduction. Within the framework of the trilemma, the most striking manifestation of the divergence between market hyper-globalisation, democracy, and the development of national economies is the concentration and centralisation of capital on a global scale, largely controlled by the international business elite. These dynamics are intensified by the process of financialisation, which is closely linked to advancements in telecommunications technologies that facilitate the expansion of capital markets. As economic power is swiftly converted into political influence at the transnational level, capital elites exhibit a vested interest in perpetuating market hyper-globalisation. This deepening of globalisation enhances their capacity to operate within and beyond state authorities, often resulting in the supranational power of large corporations overriding the decisions of sovereign states and disregarding the interests of local communities (Nölke, 2022, pp. 121–124, Rothkopf, 2007; Beck, 2005).

Researchers drawing on John A. Hobson’s theory of imperialism argue that the erosion of state power in favour of capital’s dominance is rooted in the alignment and pursuit of shared interests among elite groups. “The world’s rich were able to benefit at the expense of the world’s workers and

to various sanctions. Another indication of such tendencies is the introduction of regulations targeting LGBT+ communities, often portraying them as being contradictory to traditional values.

retirees because the interest of American financiers was complementary to the interests of Chinese and German industrialists. (...) Businesses across the world use international competition as an excuse to push for lower wages, weaker environmental and safety regulations, preferential tax regimes, and regressive transfers”.⁸ The active participation of key nations such as China, India, Brazil, Indonesia, South Africa, and Saudi Arabia in market reforms and global trade has shifted the balance of power in ways unforeseen by the Anglo-Saxon architects of globalisation. The elites and societies of the Global South have become increasingly assertive, articulating their own ambitions and interests. The rising share of global GDP accounted for by countries in the Global South has directly challenged the dominance of the post-war triad comprising the United States, Western Europe, and Japan. In response, Western Hemisphere nations have sought to defend their positions by forming new economic alliances that exclude China and Russia, such as the Trans-Pacific Partnership (TPP) in Asia, and the Transatlantic Trade and Investment Partnership (TTIP).

However, due to internal opposition to globalisation, the US has withdrawn from several key international initiatives. In parallel, Beijing and Moscow have begun constructing a “world without the West”, primarily through the establishment of new organisations, with BRICS at the forefront.⁹ These countries are actively challenging the global governance framework that was established during the US hegemony in the 1990s, contributing to the breakdown of “positive cooperation” between the Global North and South (Leonard, 2022; Klein, Pettis, 2020).¹⁰ The war in Ukraine represents a new

⁸ Klein and Pettis (2020, p. 224–225), in their analysis of global development financing and trade policies of the United States, China, and Germany, highlight that the post-war economic system was established during a period when the US accounted for nearly half of global GDP. Today, however, the US share of global GDP has decreased to approximately half of its post-war level, while the combined economies of the rest of the world are now three times larger than that of the US, which signifies a relative decline in the economic power of this country.

⁹ Other organisations that operate as parallel structures to Western institutions include the Eurasian Economic Union, the Asian Infrastructure Investment Bank, and the Shanghai Cooperation Organisation. For a broader overview on the subject of undermining the position of Western countries by other countries aspiring to the role of great powers, see Leonard, 2022.

¹⁰ The period following the 2007 financial crisis is widely regarded as the starting point for the breakdown of “positive cooperation” between the Global North and the South. During this time, the United States, along with China, began to deviate from established World Trade Organization (WTO) rules and implemented policies that subsidised industries deemed critical for future development while simultaneously adopting protectionist measures (Tordoir et al., 2024).

iteration of this breakdown, now transforming into a broader conflict often described as the China-US struggle for global economic and political hegemony and the (re)emergence of two rival blocks, this time one China-led and one US-led (Allison, 2017). This conflict has expanded the use of non-economic criteria in governmental economic policies,¹¹ further exacerbating the rise of nationalism and the erosion of international law, including the undermining of WTO rules through actions such as the confiscation of foreign assets. In this context, Rodrik's "trilemma" also applies to Europe. For instance, the rules of hyper-globalisation have highlighted the destructive power of prioritising the lowest production and service costs. Rodrik's perspective overlooked the EU's increasing dependence on external actors in the following critical areas: defence and emerging technologies from the US;¹² industrial production and exports from China; and energy resources from Russia. The international environment that once favoured the EU during the dominance of liberal economic rules has shifted, and now works to its disadvantage.

As highlighted in a Mario Draghi report titled *The Future of EU Competitiveness*, which was prepared for the European Commission in September 2024, the European Union is losing its economic position in the world amidst rising nationalism in the US and China. The EU's open economy, which adheres to WTO rules, is bearing the brunt of protectionist rivalry between these two global powers, with such policies spreading to other regions. The EU's share of global GDP is decreasing and has now fallen behind that of China's. The EU has been stagnant since the euro crisis, and the simultaneous challenges of energy transformation and decarbonisation – exacerbated by restrictions on imports from Russia – are pushing energy prices higher, further impacting its competitiveness.¹³

¹¹ Even prior to the onset of the US-China trade war, Western countries were under increasing pressure to bring production back to their home nations, a trend known as "reshoring" or "back-shoring". This shift was driven by rising labour costs in Asia, anticipated gains from automation, and various decarbonisation initiatives. The ongoing war in Ukraine since 2022 has further intensified the push for so-called "friendshoring", a strategy aimed at relocating production to countries that share similar political values.

¹² Enrico Letta, the former Prime Minister of Italy and author of a report for the European Commission on the common market, argues that the European Union has become a "colony of the United States," and contends that "Elon Musk and Mark Zuckerberg wield more power than many European leaders". Letta further adds: "I am concerned about Musk's dominance in space. The example of Ukraine has shown that whoever controls the satellites controls everything" (as cited in Bielecki, 2024).

¹³ Electricity costs for EU companies are 2 to 3 times higher than in the US, and the cost of natural gas is 4 to 5 times higher (Draghi, 2024, p. 2). Since 2022, the EU's dependence on Russian raw materials has been shifting toward new dependencies, which not only

Technologically, the EU has stagnated in sectors that dominated at the start of the 21st century. For instance, while automotive companies have been the largest investors in research and innovation within the EU for two decades, in the US, it is technology corporations that lead the way. “Only four of the world’s top 50 tech companies are European” (Draghi, 2024, p. 1).¹⁴

The EU’s lagging position is particularly evident in the areas of digitalisation,¹⁵ semiconductors, quantum technologies, biotechnology, renewable energy, and neuroscience. These sectors are crucial for driving future economic growth in alignment with climate policies and the goal of reducing excessive economic dependencies.¹⁶ As a result, the EU faces the risk of finding itself in a situation where strategic decisions impacting its citizens could be made in Washington, Beijing, or Moscow. Despite the EU’s highly-educated workforce, its relatively-efficient institutions, and substantial economic potential, it struggles to convert these advantages into global competitiveness. This is attributable to factors such as insufficient coordination across Member States, the fragmentation of resources at the national level, and limited collaboration between the scientific community and industry. As a result, the competitiveness gap, particularly in comparison to the United States, continues to expand. The Draghi report highlights that bridging this gap will necessitate substantial financial investments, estimated at approximately EUR 750–800 billion annually, or roughly 5% of the EU’s GDP.

These expenditures, akin to the NextGenerationEU initiative, would be financed through common debt instruments such as Eurobonds, alongside the mobilisation of private sector investments, including the support of “European champions”, as well as increasing the EU budget and revising its structure. Prioritising large-scale scientific and industrial

increase transaction costs (such as imports from the US) but also introduce political costs. These political costs are linked to the policies of Middle Eastern countries, some of which are members of BRICS, such as the United Arab Emirates.

¹⁴ According to the European Innovation Ranking, Switzerland is the most innovative country in Europe. On a global scale, South Korea, Canada, the US, and Australia are leading, while China has surpassed Japan and is steadily closing the gap with the European Union (EIS, 2024).

¹⁵ An example of the EU’s failure to remain competitive is its limitation of access to new digital technologies, such as fibre-optic networks, cloud computing, artificial intelligence (AI), the Internet of Things (IoT), and 5G networks. These technologies are primarily concentrated in large cities, leaving rural and less-developed areas at a disadvantage (DESI, 2024).

¹⁶ Comparisons show that “in 2008, at current prices, the American and Eurozone economies were roughly the same size. The US economy is now nearly twice as large as the Eurozone” (Zakaria, 2024, p. 41).

projects, particularly in emerging technologies, renewable energy, and nuclear energy development is recommended. Implementing these changes necessitates new forms of cooperation among the EU's Member States. This includes political reforms such as extending the scope of qualified majority voting in decision-making processes, simplifying and harmonising regulations, and deepening the single market to remove barriers to economic collaboration and capitalise on economies of scale, particularly in the services sector. Completing the economic and monetary union, as well as the capital markets union, is also highlighted as critical. Further integration is recommended in selected strategic sectors to bolster competitiveness, with a focus on industries such as defence, artificial intelligence, and telecommunications.¹⁷ Drawing on the concept of the “trilemma,” it can be argued that the EU's current actions align most closely with a selective globalisation model, which seeks to strike a balance between preserving democratic legitimacy and fostering economic growth.¹⁸ This shift in approach is reflected in the emergence of variously defined principles, such as “strategic autonomy”, “technological autonomy”, and “energy autonomy”. While a detailed discussion of the assumptions and feasibility of implementing the recommendations outlined in the aforementioned Draghi report lies beyond the scope of this article,¹⁹ it is important to note that their realisation faces significant challenges such as overlapping of divergent visions for the future of the European Union, the demographic crisis, climate change, and the complexities of energy transformation. For the first time in its history, the EU is entering a phase where economic growth will no longer be bolstered by a growing population. Aging societies and low rates of natural increase are leading to a shrinking proportion of young people in the labour market. These demographic

¹⁷ The arms industry exemplifies the EU's untapped potential. Enrico Letta highlights that while European taxpayers have contributed 140 billion euros to military support for Ukraine, a striking 80% of arms purchases were made outside the EU, primarily from the US, South Korea, and Turkey (as cited in Bielecki, 2024).

¹⁸ Rodrik (2011, p. 138) treats this approach as a “thin version of globalisation, *a la* Bretton Woods”. To describe it, he cites a Chinese metaphor: “keep the windows open, but don't forget the mosquito screen. This way you get the fresh air but you also keep the bugs away”.

¹⁹ The most controversial issues revolve around proposals to expand the EU budget through additional joint borrowing and to reform its structure. Equally divisive are discussions concerning the extension of qualified majority voting in areas such as political decision-making, macroeconomic governance, and the identification of economic sectors that should be subject to greater coordination at EU level. Cf. Tordoir et al. (2024), Etienne (2024), Coeure (2024), Meyers (2024).

shifts are occurring at a faster pace in the EU than in other global regions,²⁰ resulting in reduced entrepreneurial dynamism and a decline in innovation potential.

Rising expenditures on pensions, healthcare, and social welfare are constraining the EU's capacity to fund developmental objectives. This fiscal pressure is compounded by a growing demand for labour migration from less-developed countries, a long-standing and contentious issue in many EU Member States. Such dynamics have bolstered support for anti-immigration, right-wing parties (Laqueur, 2007). At the same time, climate change and the energy transition require massive investments in renewable energy and nuclear power, with significant disagreements over funding mechanisms, implementation timelines, and cost-sharing. These challenges have cast doubt on the EU's ability to achieve climate neutrality by 2050, as envisioned in the European Green Deal and the Fit for 55 package. While some Member States may meet national climate targets, such as changes in their energy mix, realising most EU-wide goals appears increasingly uncertain (Pilszyk et al., 2023). The EU's pursuit of these goals faces additional challenges from external factors, including the re-election of Donald Trump as US President, whose policy agenda emphasises strengthening American industrial competitiveness and lowering energy costs for households through increased reliance on fossil fuels (Posen 24). Such a shift in US policy would likely exert pressure on the EU to reassess and potentially recalibrate its approach to climate neutrality.

Competing Varieties of Capitalism and the Weakening Position of the EU

A series of crises since 2008 and the war in Ukraine have triggered significant political changes within the institutional framework of capitalism. The financial crises undermined the dominant neoliberal economic model, which had been the cornerstone of Western economies since the late 1980s. This phenomenon was accompanied by a greater role for governments and central banks, leading to the adoption of unconventional economic policy tools – such as monetary and fiscal interventions, bond purchases, and stimulus packages. These measures were relatively short-lived, and after a few years of stagnation or recession,

²⁰ For instance, Italy, the EU's third-largest economy, is set to join Japan this decade as the second country in the world where one in three residents will be over the age of 65 (Bielecki, 2024).

there was a return to the established paradigm (Crouch, 2011).²¹ The consequences of the coronavirus pandemic and the war in Ukraine have proven far more severe. In the wake of COVID-19, rescue and anti-crisis packages reached unprecedented levels. Member States and the EU introduced a wide range of financial measures, including government stimulus packages (fiscal impulses, relaxation of fiscal rules), direct support from the EU budget, national financial anti-crisis shields, credit lines from the European Investment Bank, and the Recovery Fund. The primary focus shifted to bolstering public healthcare and addressing the disruptions to global value chains caused by lockdowns.

Market institutions in EU countries had already begun undergoing hybridisation and systemic transformation during the Eurozone crisis (Meardi, 2018), a process that was further accelerated by the COVID-19 pandemic and the war in Ukraine. The military conflict exacerbated an energy crisis, fuelled high inflation, and contributed to significant price volatility in global markets – including critical sectors such as pharmaceuticals, raw materials, and food. As a result, even traditionally liberal governments were compelled to adopt extensive interventionist measures.²² The urgency of crisis-induced challenges necessitated rapid policy responses, prompting fundamental shifts in economic and societal structures that could not be left entirely to market forces. This was particularly evident given the tendency of private capital to delay investment during periods of heightened uncertainty. This direction of change reinforced elements of coordinated capitalism, characterised by an increased concentration of state power, expanded budgetary expenditures, and intensified market regulation. Scholars have identified several defining features of this emerging “new

²¹ In the European Union, these interventions were regarded as temporary solutions, and soon the focus shifted back to the standard prescriptions. The actions of the *troika* (the IMF, ECB, and the EC) in Southern Europe and Ireland highlighted the resurgence of neoliberal policies, with an emphasis on debt repayment and maintaining inflation targets. The modest scale of stimulus packages in the EU, combined with austerity measures, is exemplified by the European Economic Recovery Plan, which amounted to merely 1.5% of the EU’s GDP. In stark contrast, the total cost of federal stimulus packages and monetary interventions in the US was roughly equivalent to the annual US GDP (Baszczak et al., 2022, p. 22).

²² The scale of interventions is clearly reflected in financial expenditures. In the most difficult period of COVID-19, i.e., up until mid-2021, the European Union allocated over 11% of its GDP towards rescue packages. In contrast, the United States spent approximately 27% of its GDP on similar measures (Baszczak et al., 2022, p. 24). This led to a significant increase in public debt across the EU, with many Member States experiencing unprecedented levels of debt accumulation.

interventionism,” which manifest to varying degrees across different contexts (Baszczak et al., 2022, pp. 46–47):

- a gradual shift away from rigid, universal rules toward treating fiscal policy as an instrument for responding to crises, as well as a tool for shaping economic development, including industrial policy;
- diminishing the autonomy of monetary policy, accompanied by an expanded role for central banks in responding to economic shocks, including broadening their scope of intervention, such as issuing green bonds to finance environmentally sustainable investments;
- a reallocation of public expenditures, with increased spending on national security and defence, often at the expense of rising inflation and budget deficits;
- securing energy resources from new suppliers;
- efforts to mitigate the adverse effects of disrupted or restructured supply chains, including significant price volatility and escalating transportation costs, etc.

A common denominator across various forms of capitalism is the increasing shift towards protectionism and statism, both of which have gained legitimacy due to exceptional circumstances. These circumstances, in turn, have also provided justification for populist and authoritarian actions, including the imposition of periodic restrictions on civil rights and the curtailment of political activities during the pandemic. The ongoing war in Ukraine since 2022 has further amplified interventions within Western countries, particularly in the realms of military spending, humanitarian aid, and aspects of so-called “war economy” in energy and critical technologies, the accessibility of communication routes, and strategic raw materials (e.g., heavy metals). Additionally, views on deindustrialisation and openness in international business are being re-evaluated. Governments and societies in numerous countries have come to recognise that one of the key effects of globalisation is the relocation of jobs to other regions, alongside the concentration of the most profitable economic activities within the hands of international business elites, financial institutions, and MNCs. Consequently, public support for globalisation has waned, with growing emphasis on national and local interests, which is evident in demands for the protection of domestic employment and the regulation of excessive tourism in popular destinations. These trends are increasingly influencing changes in capitalism and its varieties, as outlined by Nölke.

Classical liberal capitalism, most notably exemplified by the US, has been weakening since the 2007–2009 financial crisis, which exposed

the stark contrast between the promise of “wealth for all” and the reality of deepening economic and social inequalities²³. The growing Sino-American rivalry for global dominance, the COVID-19 pandemic, technological advancements, and the ongoing war in Ukraine are all reshaping its foundational rules. A temporary response to the financial crisis was significant state intervention to support businesses, followed by the protection of domestic markets through high tariffs, a policy initiated by President Donald Trump (2017–2021) and maintained, albeit in a milder form, by President Biden.²⁴ Over time, there has also been a shift in approach to the labour market and healthcare protection, with the introduction of social welfare packages and government subsidies.²⁵ The US-China rivalry has emerged as a key driver behind the revitalisation of US industrial policy, a trend further solidified by President Biden’s extensive government programs. These initiatives include investments in road and communication infrastructure (The Infrastructure Act), the semiconductor industry (The CHIPS Act), and subsidies for green technologies (The Inflation Reduction Act). The overarching goals of these programs are to stimulate investment in domestic production capacities, promote the procurement of critical supplies within the US, accelerate research and development efforts, and support the commercialisation of cutting-edge technologies (The Economist, 2023b).²⁶

These actions represent a departure from the principles of neoliberal capitalism. Donald Trump’s re-election in November 2024 marked a decisive continuation of this political shift, signalling a move away from the liberal international order, which no longer aligns with US interests. The most prominent economic message of Trump’s second term is a protectionist defence of the domestic market. This includes plans to introduce tariffs on all imported goods at a minimum rate of 10%, with some Chinese products facing tariffs as high as 60%. The aim of these

²³ A symbolic turning point in the demystification of the neoliberal creed can be traced to the bestselling book *Capital in the Twenty-First Century* (2013) by Thomas Piketty. The US continues to exhibit the highest income disparities, as measured by Gini coefficients, within the G7 group (The Economist, 2024).

²⁴ Costly anti-crisis and stabilisation programs are financed through borrowing. In the United States, public debt has reached levels not seen since 1946.

²⁵ US social spending was just 14% of GDP in 1990 but had risen to 18% by the end of 2019, thanks, in part, to more medical insurance for its poor and elderly (The Economist, 2023a).

²⁶ Since US regulations offer more competitive conditions for foreign investors compared to EU incentives – particularly in terms of formal requirements, tax breaks, and subsidies – capital from Western European countries increasingly flows into the US, thereby widening the developmental gap between America and Europe.

measures is to stimulate job creation within the US. Additionally, Trump promises to expand tax cuts, notably reducing the corporate income tax (CIT) from 21% to 15% and eliminating taxes on social security benefits. The anticipated improvements in the labour market and real estate sectors are expected to stem from a mass deportation program targeting immigrants without legal residency in the United States. Donald Trump also plans to distance himself from pro-environmental initiatives, following his withdrawal from the 2015 Paris Agreement on climate change during his first term. He has also expressed intentions to liberalise regulations within the mining sector. However, his unpredictable and chaotic authoritarian leadership style, coupled with announcements of radical changes in government officials and deep institutional reforms (such as curbing the autonomy of the Federal Reserve), as well as the uncertainties and contradictions within his electoral platform, casts doubt on the macroeconomic stability of these proposed actions.²⁷

There is growing concern about the potential for a right-wing populist shift in the US, which could undermine the very foundations of democracy (Diamond, 2024) and challenge the roles of existing alliances and international organisations (Feaver, 2024). Concerns are mounting regarding the US political system's possible evolution towards autocracy and oligarchy, exemplified by Donald Trump's close ties with the "billionaire class", particularly with Elon Musk, who has maintained frequent communications with Russian President Vladimir Putin (Reynolds, 2024).²⁸ A significant limitation of classical liberal capitalism lies in the dysfunction of the political system and the extreme social polarisation that weakens the US in its confrontation with Russia and China (Gates, 2023). Given the early stage of Trump's second-term

²⁷ For example, the imposition of high tariffs on imported goods can lead to increased inflation. Such a policy is likely to provoke reciprocal actions from trade partners, potentially harming US exports and causing a downturn in the stock prices of US corporations embedded in global supply chains. Conversely, the tax cuts implemented during President Trump's first term exacerbated the US budget deficit and widened wealth disparities. Furthermore, the proposed mass deportations of illegal immigrants are associated with considerable costs, including a potential decline in GDP, given the vital role immigrants play in labour-intensive sectors such as agriculture, manufacturing, and construction (Posen, 2024).

²⁸ The question of moving away from liberal democracy toward alternative political solutions has been the subject of considerable discussion. Timothy Snyder encapsulated this idea succinctly, stating: "The United States was once a democracy with elements of oligarchy, and today it is an oligarchy with elements of democracy" (quoted in Stasiński, 2016). This shift is often explored through lenses such as inheritance tax (Gates and Collins, 2003) or the growing political influence of large corporate businesses (Prechel, 2000).

administration, it remains difficult to predict the full extent of the political changes that may lie ahead.²⁹

This form of capitalism retains significant advantages in the US, particularly due to its deeply embedded democratic political institutions. Many of its proponents control some of the most innovative businesses, attracting top talent, holding a substantial share of global finance and venture capital, and leading breakthroughs in energy production, natural sciences, digitisation, and information technology (Zakaria, 2024). Additionally, advocates for a return to liberal capitalism are likely to include MNCs, which benefit from economies of scale, as well as countries that have greatly prospered from globalisation, such as Germany and India. Liberal traditions are also strongly represented in academic circles, think tanks, and influential foundations with substantial resources for promotion (Mazzucato, Collington, 2023). Furthermore, they are supported by the pervasive imperatives of consumerism and individualism.

Cosmopolitan technocratic capitalism began to lose its influence due to the limited assistance provided to indebted countries during the financial crisis, as well as the divergent trajectories of the COVID-19 pandemic, which exacerbated economic disparities and political challenges. Additionally, the fight against global warming – one of the central tenets of this model – has become increasingly unpopular among working-class and some middle-class groups, fearing that the costs associated with the green transition, such as the shift away from internal combustion engine vehicles, will reduce their standard of living. Such sentiments are also evident in the EU, particularly through movements such as the Yellow Vests in France and large-scale protests by farmers. The re-election of Donald Trump, who opposes decarbonisation, may further strengthen these tendencies within the Union. His support for radical right-wing movements could also fuel scepticism towards international institutions (such as the WTO, NATO, and the EU) and inspire actions to curtail the independence of central banks and other regulatory bodies across various countries (Feaver, 2024; Posen, 2024).

Financial crises, the COVID-19 pandemic, and the war in Ukraine have exposed significant vulnerabilities in cosmopolitan technocratic capitalism. Advocates of this variety – such as the IMF and the World

²⁹ Among the politicians surrounding Donald Trump, the media identify three distinct circles: a) primacists, who want to maintain America's global primacy and the liberal international order; b) prioritisers, who are convinced that America is overburdened with international responsibilities and should decide what its main priority is (e.g., the country's presence in Asia and competition with China); and c) isolationists who seek minimal US involvement in the world (Wójcik, Zalewski, 2024).

Bank, alongside EU institutions that enforced austerity measures – have become complicit in deepening crises within the Eurozone. Their austerity-driven policies, in particular, have contributed to reduced healthcare funding across several EU countries (Nölke, 2022). Moreover, the credibility and legitimacy of this model are increasingly challenged by the rising political influence of anti-migration and nationalist parties, which further erode its support. Crisis-driven and post-crisis governance practices, Brexit, lockdowns, the unprecedented expansion of state power, economic stimulus packages, periodic restrictions on civil rights, the suspension of the Schengen Agreement, and controversial interpretations of migrant rights, collectively challenge the core principles of cosmopolitan technocratic capitalism and its liberal, universal creed.

There has been a resurgence of support for a prominent role of the state, often justified by patriotic or nationalist sentiments, with a primary focus on national security. A series of crises have exposed the shortcomings of technocratic capitalist institutions, highlighting the increasing divergence of goals between states and the rise of protectionism. Concurrently, due to geopolitical fragmentation within state blocs, reintegration efforts are taking place. However, these processes remain inconsistent and often contradictory. In the EU, this trend has manifested through macroeconomic stabilisation measures primarily led by the ECB, followed by national compensation programs for businesses and workers during the lockdown. However, such actions by Member States may ultimately contribute to the erosion of European integration, as they highlight the disparities between individual countries. The NextGenerationEU fund is too limited to effectively counter or reverse the growing divergence across Europe. This divergence is underscored by studies on economic, social, and territorial cohesion, governance quality, and other factors. They indicate a gap between the northern and western vs the southern and eastern European countries, which is a core vs periphery division (Cohesion in Europe, 2022).

The ongoing war in Ukraine since 2022 has underscored these divisions. The actions of NATO, the IMF, the World Bank, and the EU reaffirm the critical role of international organisations; without their support, Ukraine would struggle to defend itself against Russian aggression. However, the war has also demonstrated that the effectiveness of these institutions is largely contingent on dominant powers – most notably the US, as the leading force of the Global North, and China, which asserts leadership in the Global South. In the absence of their political will, international organisations face significant limitations, as evidenced by disputes over aid to Ukraine and the uneven implementation of sanctions against

Russia. Furthermore, despite professed unity, EU Member States diverge in their approach to supporting Ukraine. The war in Ukraine, alongside the broader consequences of multiple interconnected crises, suggests that the influence of cosmopolitan technocratic capitalism is becoming increasingly restricted to the Western hemisphere, particularly within the EU. The primary constraint on this variety of capitalism is the rising economic and political influence of Asian states, led by China, as well as the expanding cooperation among BRICS countries, which, coupled with ongoing geo-economic fragmentation, is emerging as a significant counterbalance to Western capitalism.³⁰

Moreover, centrifugal and isolationist tendencies are increasingly shaping the political landscape of Western countries, with Brexit and Donald Trump's second presidency serving as the most prominent examples. The main proponent of cosmopolitan capitalism in the EU – namely, Germany – faces structural problems that indicate the exhaustion of its development strategy due to technological delays, the war in Ukraine, and the country's heavy dependence on exports. These issues stem from the loss of access to inexpensive energy resources from Russia, a decline in export competitiveness, and the necessity to increase military expenditures. Germany's situation is further compounded by a lack of strong political leadership, an ineffective governing coalition, and a rapidly aging society. While labour migration helps alleviate demographic pressures, it simultaneously introduces new challenges related to social integration, welfare dependency, and labour market participation – factors that, in turn, contribute to rising support for anti-establishment parties (The Economist, 2024a).

National social-democratic capitalism. The COVID-19 pandemic further accelerated the ongoing evolution of capitalism toward a more communitarian model, a shift that had already been gaining momentum since the 2007–2009 financial crisis. This model emphasises the importance of supporting local values and resources, grounded in smaller communities that are closely tied to a robust and responsive nation-state capable of defending against both internal and external shocks. By prioritising democracy and the welfare state, this form of capitalism

³⁰ The BRICS countries position themselves as the primary rivals to the Western hemisphere, advocating for the interests of the Global South. Collectively, BRICS members account for 37% of global GDP and represent 45% of the world's population. Additionally, nearly 40 countries, including Türkiye, have expressed interest in joining the organisation. However, cooperation within BRICS remains constrained by low economic cohesion and divergent political interests among its members (Kozioł, 2024).

benefits from a shift toward community-oriented and organised economic systems. This concept has gained significant traction in response to the erosion of the liberal economic development strategy, with the coronavirus pandemic playing a pivotal role in ideologically reinforcing this shift. Countries with well-funded public healthcare systems demonstrated considerable stability and resilience during the pandemic, underscoring the importance of robust social safety nets in mitigating crises. This variety of capitalism, most deeply embedded in the Nordic countries, has been bolstered by a number of post-crisis developments, including the resurgence of industrial policy, which is partly driven by the need for nations to reduce dependence on distant, potentially unreliable collaborators and to repatriate capital closer to home or to countries with similar values. Such measures enhance the security of supply chains.

In social policy, this model is characterised by high taxation to sustain welfare state policies and reduce wealth and income disparities. A key feature is the state's active role in fostering innovation and directing public investments that integrate the green transition with mechanisms to ensure its costs are equitably distributed across different social groups. However, despite the emphasis on community-based values, it remains unlikely that such values will be significantly reinforced at the transnational level within the EU in the near future. In an era of intensifying superpower rivalry, national institutions responsible for managing economic and social processes are becoming increasingly significant (EU governments are, for example, seeking greater control over cross-border migration). Meanwhile, the rising costs associated with successive crises and expanding security expenditures are driving up public debt levels, potentially leading to a return to a modified form of austerity in the near future. Under such circumstances, national social democratic capitalism would be at risk of losing public support, shifting political expectations toward universal basic income, a welfare state model closer to alternative capitalism, or a return to classic liberal capitalism. The future viability of this model will depend largely on its ability to sustain high levels of competitiveness and innovation while simultaneously addressing the post-crisis rise in inequalities, including ensuring greater opportunities for social mobility and economic advancement. A potential threat to this variety of capitalism lies in the migration inflows exceeding the capacity for integration in these relatively small countries and their absorption into the labour market, which has already been a factor for some time, eroding the financial and social foundations of this progressive version of the welfare state.

Authoritarian capitalism now holds sway in many of the world's largest and most populous nations, particularly across the Global

South, and in smaller, low-income countries. This model encompasses roughly 40% of the global population, spanning regions including Asia, the Middle East, Africa, and Latin America³¹. Recent financial crises and the COVID-19 pandemic have weakened democratic institutions, simultaneously amplifying authoritarian tendencies across the globe. Authoritarian capitalism finds its appeal in advocating for organised, communal development, standing in opposition to the perceived failures of neoliberal economic policies and the crisis trends in Western countries. Leaders of authoritarian countries often mobilise support by emphasising the negative impacts of decarbonisation on low-income populations and less developed economies. They also criticise the hypocrisy of Western democracies which, during the COVID-19 pandemic, failed to deliver promised vaccines and later failed to prevent Israel's aggressive actions in the Middle East.³² The COVID-19 pandemic also served as a pretext for many governments to expand state control and restrict civil rights.

The global decline of democracy was particularly pronounced in countries governed by authoritarian capitalism, where political leaders exploited crises to consolidate control over the state and media, nationalise or renationalise assets, and suppress dissent. This variety of capitalism was also reinforced by economic stimulus packages, which, while intended to stabilise economies, have simultaneously created avenues for corruption, influence peddling, nepotism, and preferential treatment of specific regions, social groups, and businesses (Applebaum, 2024). The war in Ukraine exacerbated these trends in Russia and other states with similar governance structures, as well as in certain countries within the Western Hemisphere. Fragmentation, crises of both leadership and democratic institutions, and deep internal polarisation in these nations weakened their ability to counterbalance authoritarian capitalism effectively. The trajectory of Russia's aggression against Ukraine further illustrates that proponents of authoritarian capitalism are increasingly seeking to shape global rules, including through economic and political interference in other nations' systems.

Alternative capitalism. Austerity measures implemented during financial crises, followed by the COVID-19 pandemic, prompted the

³¹ According to the Democracy Index, out of 167 analysed countries, 59 of them (i.e., 35.3% of the world's countries) were classified as "authoritarian regimes", and are home to 36.9% of the global population. In contrast, only 24 countries (14.4%) were recognised as "full democracies", representing a mere 7.8% of the world's population (The Economist Intelligence Unit, 2024, p. 6).

³² Chinese so-called "vaccine diplomacy" and Russian vaccine deliveries to African, Latin American, Asian, and Western Balkan countries were strategically employed to showcase a fairer and more effective approach to global health cooperation.

search for alternative economic approaches. In countries of the Global North, the idea of universal basic income (UBI) gained some popularity as a potential means of decoupling individual productivity from access to national income while simultaneously addressing socioeconomic inequalities (Nettle et al., 2021). Interest in UBI was strengthened during the pandemic, as temporary economic stimulus programs provided targeted support to specific businesses, industries, and social groups. However, the financial burden of recovering from successive crises is likely to undermine the continuation of such distribution mechanisms (although technological advancements and productivity gains may, to some extent, support the viability of these programs). Additionally, the unexpected improvement in the natural environment during the pandemic bolstered calls for a revised ecological policy, providing compelling arguments for post-materialist movements, which challenge the traditional focus on economic growth and view it as excessively “technocentric”.

While new ecological policies have already become integral to the adjustments within variants of capitalism, proposals for reducing economic growth – often referred to as “degrowth” – are unlikely to garner significant social support. Their implementation would require a departure from the principles of economic management that form the core legitimacy of contemporary capitalist systems. Greater chances lie in the conclusions drawn from the disruption of global agricultural-food supply chains and the growing importance of local agriculture, which partially align with new geo-economic relations. Various proposals of differing significance have also emerged, such as increasing the role of the public sector in promoting innovation and solving climate problems and social inclusiveness (Mazzucato, 2013). Notable examples of this approach include modern monetary theory, which advocates for the state and central bank’s active role in money creation, or the use of public funds derived from the exploitation of natural resources (similar to Norway or Alaska), or changes in the division of labour within families, where the COVID-19 pandemic-initiated processes of reorientation resulting from digitisation. However, at the present stage of development, these concepts lack sufficient coherence to be regarded as clear foundations for an alternative capitalism. In the long term, however, this might change.

Conclusions

The war in Ukraine has acted as an accelerant for the ongoing transformations within contemporary capitalism, which were initially triggered by the consequences of the 2007–2009 financial crisis, the

Eurozone crisis, and the COVID-19 pandemic. Russia's aggression against Ukraine represents a form of proxy war that serves as a test for the capacities and potential of the United States, the European Union, and their allies, all of whom are now confronted by new centres of capitalism outside the Western hemisphere, such as China and various BRICS nations. This geopolitical rivalry is also influencing the ideological and strategic directions of global capitalism. The outcomes of this conflict are poised to further validate the systemic superiority and efficiency of the victorious side. This conflict is part of the broader global rivalry between the Global North and the Global South, characterised by the phenomenon of the so-called "rebellion of the periphery" in two key senses: that of the national, and the international. At the national level, the "rebellion of the periphery" highlights unacceptable divisions in the distribution of benefits within societies (most evident in Western democracies). At the international level, this rebellion manifests as a response to the deepening inequalities between the "winners" and "losers" of globalisation on the international stage.

These rebellions often manifest as forms of authoritarian populism, directed against ruling elites perceived as failing to address the growing challenges of deteriorating living conditions, illegal migration, social inequality, and related issues. On the global stage, the "rebellion of the periphery" presents a challenge to Western dominance, particularly that of the United States, which no longer accurately reflects the current distribution of global power, particularly due to the rising influence of the Global South. The relative weakening of Western powers, as evidenced by the decreasing share of the G7 and the EU in global GDP, plays a significant role in shaping the evolution of capitalism. Notably, the diminishing role of the Member States of the EU is increasingly driven by factors such as economic stagnation and internal divisions. Among the varieties of capitalism identified by Nölke, these trends appear to enhance the appeal of authoritarian capitalism, particularly as exemplified by China. In contrast, both classical liberal capitalism and cosmopolitan technocratic capitalism find themselves on the defensive, with successive crises significantly undermining their systemic appeal.

Capitalism, in its varieties, is undergoing a process of institutional erosion and hybridisation, with a significant characteristic of these changes being the increasing prominence of the state and public policies at the national level. Referring to Rodrik's concept of the aforementioned trilemma, it can be argued that states in the Western hemisphere are making deliberate choices – albeit to varying degrees and in different forms – to limit hyper-globalisation in the market in order to preserve

both democratic legitimacy and economic growth. Projects aimed at globalising democracy, particularly at the expense of national sovereignty (such as EU federalisation), encounter substantial social resistance, manifested in the rise of authoritarian, populist, and nationalist movements. These sentiments are particularly pronounced in the United States, where concerns over the excessive costs of America's international commitments played a significant role in mobilising the "rebellion of the periphery" during Donald Trump's presidential re-election campaign. In authoritarian countries, successive crises are used to strengthen arbitrary governments that try to counteract the negative effects of internal and external shocks by centralising power and limiting civil liberties.

It remains uncertain whether, or to what extent, the right-wing populist shift in governance will intensify authoritarian and oligarchic tendencies that diverge from the liberal international order. American proposals for increased protectionism and a departure from decarbonisation present a negative outlook for the European Union and pose additional challenges for reform, as highlighted in reports such as the one by Mario Draghi as cited in this paper. These developments suggest a potential weakening of cohesion within the transatlantic community, which could lead to further political and geo-economic fragmentation. Among the EU members grappling with multidimensional crises, the Nordic countries, which exemplify national social-democratic capitalism, have thus far managed the situation relatively well. However, in the broader realm of international relations, the growing importance and prestige of systemic models, represented by countries that are quickly gaining economic and political significance, are becoming more prominent. These nations are increasingly seen as role models or sources of inspiration for others, particularly those with substantial economic potential and a rising share in the global economy.

The challenge facing the European Union lies in the declining political significance of its Member States, stagnant economies, relatively small populations, and rapidly aging societies, all of which constrain their development prospects and diminish their role as global models. Even relatively successful examples, such as the Nordic countries, are limited by their size and economic potential, preventing them from playing a more influential role. This situation raises critical questions, such as "Will Europe be the World's Biggest Loser?" (Fisher, 2023), and prompts alarming statements from political figures, such as "Europe can die" (The Economist, 2024c), if it fails to develop a new geopolitical, economic, and social paradigm. Creating a new model of European capitalism is essential to addressing these challenges. Although various

varieties of such a model are under discussion (Tordoir et al., 2024; The Economist, 2023; Nölke, 2022; Webber, 2019; and Zielonka, 2018), the dominance of Eurosceptic and centrifugal forces within the EU has largely prevented these ideas from translating into effective action. Reversing this trend, especially given the diverse interests of EU Member States and their regional groups (“North”, “South”, “East”), presents a formidable challenge, as evidenced by the ongoing debates on the strategic dilemmas facing EU development, such as those presented by the team led by Mario Draghi.

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