The increasingly integrated global marketplace, but one that is vulnerable to new forms of contagion, inequality, and insecurity, presents, in contrast to the unbridled optimism of the early 1990s, a sobered reality, recalling older truths. Clearly the participants in the new global economy—consumers, investors, and lenders alike—need to maintain a clear-eyed assessment of perils and to keep in mind, even as they think about global markets, the realities and limits of national and regional politics, culture, and history. In short, the market consensus is best bolstered not by enthusiasm and a lowering of the guard, but by a measured prudence.

The market also requires something else: legitimacy. But here it faces an ethical conundrum. It is based upon contracts, rules, and choice—in short, on self-restraint—which contrasts mightily with other ways of organizing economic activity. Yet a system that takes the pursuit of self-interest and profit as its guiding light does not necessarily satisfy the yearning in the human soul for belief and some higher meaning beyond materialism. In the Spanish Civil War in the late 1930s, Republican soldiers are said to have died with the word "Stalin" on their lips. Their idealized vision of Soviet communism, however misguided, provided justification for their ultimate sacrifice. Few people would die with the words "free markets" on their lips.

Even without that extreme contrast, the moral appeal of socialism and state intervention is clear and explicit: altruism, concern, sympathy, and solidarity with fellow humans; dignity and social betterment; justice and fairness; hope. The market system cannot offer such direct appeals. Its moral basis is more subtle—and indirect—in terms of the opportunities and results it affords

Yet the essential morality of the market is twofold. The first is in the results that it delivers, in what it makes possible for people—which is based upon the premise that the pursuit (though hardly unfettered pursuit) of individual interest cumulatively adds up to the overall betterment of society. That was, after all, at the heart of Adam Smith's argument for self-interest. The second lies in the conviction that a system based upon rules, property, contracts, and initiative is more fair and provides against the arbitrary and unchecked power of the state and other entities. Those two premises are the bedrock of the market, and it is against them, over time, that the workings of the market will be evaluated. Neither of these premises implies that all values are market values, that human endeavor is to be judged only by what it fetches in the commercial arena. Large realms of activity are to be valued—and motivated—in terms that are distinct from dollars and cents. What is being said is that there are better and worse ways of organizing economies to achieve objectives. To choose the market focus is not automatically to embrace a money culture.

Yet if the market is seen to fail on these grounds—results, restraints, the quality of its rules—if its benefits are regarded as exclusive rather than as inclusive, if it is seen to nurture the abuse of private power and the specter of raw greed, if it does not contribute to higher standards of living, then surely there will be a backlash, a return to greater state intervention, management, and control. The state would again step forward to expand its role as protector of the citizenry against the power of private interests. This is not only a matter of what happens within nations. The backlash against globalization is premised exactly on the idea that there is something seriously wrong with the workings of the global marketplace, and that is where the focus of the debate is. On one side are those who say, though often with more emotion than data, that a globalized economy is fundamentally unfair and immoral, and that markets and capitalism are the enemy. On the other are those who say that the priority is to develop the new and appropriate rules for the new world that will enhance and broaden the benefits while dealing with the downsides.

In the meanwhile, in a vast drama, the general movement away from traditional state control of the commanding heights continues, leaving it more and more to the realm of the market. At the same time, the process of defining the regulatory roles of the state for the 21st century is at the center of national politics in many countries. This overall movement represents a great reconnecting—a conjoining of the beginning of the 20th and the beginning of the 21st centuries. The 20th century opened with markets ascendant and an expanding global economy, buttressed by a spirit of optimism. That economy was fractured by war, depression, nationalism, and ideology. Crisis and disaster, human need and suffering, and a profound sense of justice and dignity—these propelled the expansion of the state's responsibilities. The decades after World War II were years of recovery and then of great growth. Today's possibilities are built on those achievements of yesterday. But now, because of experience and reassessment—and also because of technology—the role of the state is being redefined, and the realm of the market is now expanding. Hard questions result: What services should the state provide? What is its welfare role? And how much less "mixed" will its economy be?

These changes signify the establishment of the first truly global economy, integrated and interconnected, in which work and production are networked around the world and in which everything from knowledge to commerce is taking electronic form. With all its benefits and all the hopes it sparks, this reassertion of the market will nevertheless encounter a host of new challenges and bracing tests. The opportunities it can create for people are enormous; yet there is clearly unease with its demands, its impact, and the reordering that it can impose. Risk will be a very evident part of this new world, as it should be. For out of risk emerge the innovation and the incentives—and the imagination—that carry the world forward.

Many forces have driven the shift form state control to market consensus. Yet fundamentally it rests upon a recasting of beliefs and ideas—away from the traditional faith in the state and toward a new view of the state, and toward greater credibility for the market. Perhaps, then, what will really determine whether this change will persist, or whether there will be a swing back, is the quality and character of the confidence that underpins the marketplace. Confidence is more likely to endure if it is anchored—if it is tempered by a realistic appraisal of risk and uncertainty, and of the benefits and limits of the market and its values. Within countries, where will fall the future frontier between sate and market? Will there be an increasingly integrated global economy, or will it be fractured again as new barriers go up? Those answers will be found in the cumulative judgments and experience that will orient beliefs and shape that balance of confidence—the very balance that, in turn, does so much to drive the wheels of ideas and history itself.