

The Deepening Crisis

Governance Challenges After Neoliberalism

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Introduction

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In much of the world, one can simply say “the crisis,” and what is understood is the financial crisis centered on New York, London, and other major markets for capital and debt. This is so even though there are other serious social problems. Some of these—like the degradation of the environment and global climate change—are arguably more momentous. As important as it is to understand the crisis in global finance, it is also important to recognize that the financial crisis is only one dimension of a larger cluster of crises that coincide to produce turbulence and turmoil in global affairs. The current crisis thus includes a deep—though not fatal—disruption of financial markets and capital accumulation globally. But it also includes severe environmental challenges, wars and other security threats, and disarray in global governance. The economic issues raised by financial crisis are necessarily entangled in politics, large-scale social change, and basic issues of cultures and civilizations. Indeed, the struggle to cope with financial crisis reveals problems in politics and global governance and threatens to derail action on environmental concerns. While volume 1 in the Possible Futures series focused on the financial crisis itself, volume 2 focuses on these entanglements.

In this regard, the current concatenating crises remind us of something we should have known all along. Economics is always entwined with politics; both are also always matters of social organization and

culture. It is only under ideological influence—and through mental habits encouraged by the divisions of academic disciplines—that we ever forget this. If neoliberalism reinforced the idea that “the economy” was properly separate from government interference, the financial crisis reveals this to be nonsense. The crisis is not merely financial, not confined to markets, and not just an aberration within otherwise smooth capitalist growth. Market meltdown coincided with two major wars and the insecurities produced by terrorism and insurgency. It came on the heels of two decades of massive Chinese accumulation of Western, especially US, debt, and recovery from it is shaped by shifts in global economic power. And the crisis and the response to it both reflect intensified globalization and boom markets—each of which was influenced by the fall of Communism, the process of European unification, and a global fashion for deregulation and privatization.

Not only to understand the crisis but also to understand what futures are possible in such a troubled world, it is important both to bring forward new analyses and to situate new developments in historical context. The financial crisis is part of a larger historical process restructuring relations among countries, regions, and civilizations. This was furthered by the end of the Cold War and the rise of neoliberalism with its celebration of minimally regulated private accumulation. Yet major new economic powers like China have succeeded partly by insisting on state-led strategies of economic development. It is important to see how both the nature of the crisis and the possible paths out of it are shaped by wars, the decline of American hegemony, the rise of China and other powers, and shifting geopolitics stretching back to the end of the Soviet Union and beyond. Likewise, both China and Russia are acutely conscious of the importance of geopolitics, even though this was marginalized in much Western academic discussion for many years. At the same time, it is also important to see what possibilities are opened by innovations in global governance institutions—and what possibilities may be foreclosed by the increasing severity of environmental degradation and potentially destabilizing climate change.

The possibilities are informed by new technologies that not only remake markets but remake global social movements. They are informed by geopolitical realignments that may eventually produce a new, multi-lateral world but in the meantime have produced new security threats and

diplomatic challenges. And they are informed by new religious mobilizations and solidarities—linked on some occasions to terrorist attacks and on others to dialogues among the world’s civilizations.

Our multiple crises—finance and much more—are crucially crises of governance but also crises of imagination. We struggle to develop the categories and ideas, even the vocabularies, with which to grasp how both global conflict and cooperation are shaped by religion, by regional integration and power struggles, by new media, and by transnational flows of people and money, as well as by efforts at transnational governance.

Meeting these new challenges is partly a matter of governance, within states, in collaboration among states, and in both old and new nonstate organizations, as David Held and Kevin Young lay out in chapter 1. Complexity and risks have escalated across several domains. In each—especially finance, environment, and security—there are a series of deficiencies. These are more than mere short-term failures, and though they are influenced by ideological distortions, they have broader and more basic sources. Held and Young approach these in terms of capacity and responsibility. As problematic and limited as recent efforts to achieve improved financial governance in the wake of the crisis are, they nonetheless point to the possibility that political attention can be focused on needed reform. This is urgent because problems are growing in both their potential impact and the extent to which they are interlinked. But institutional means for addressing them are severely underdeveloped.

Thus, one of the limits to the idea that a new Keynesianism coupled with modest financial regulation can be a sufficient response to global financial crisis is simply that the old governance institutions are inadequate to the new policy needs. This is clear inside individual states: think of the governance challenges posed by massive stimulus spending, much of it based on untested public-private partnerships with inadequate provisions for effective contracting or oversight.¹ It is an issue posed for the European Union, whether one considers it an interstate federation or a sort of superstate—and it has proved a very difficult issue as some member states seek aid and others seek more financial autonomy (see chapter 6 by Della Sala). And the issue appears as both an incentive for the development of other regional organizations (ASEAN, SAARC, AU, OAS, etc.) and a challenge to their efficacy. The issue is equally challenging at a global level. It is an issue not just for the IMF or the WTO but also for

the host of organizations set up among private corporations, often within industries, to help govern and stabilize their relations with each other. As Held and Young point out, in every domain there are numerous actors but weak structures of authority among them and thus weak capacity for concerted collective action. Considerable inertia complements active efforts to retain existing institutions—which of course serve some interests, even if not the broadest global interests.

Held and Young hope for a world coalition of liberal, social democratic, and progressive reformers; nongovernmental organizations; “elements of geopolitically resurgent states, such as Brazil, India, China, and Russia; and finally, those diverse economic forces that desire a more stable global economic order,” all inspired by the idea of cosmopolitanism. It is worthwhile to connect this discussion to three of the chapters in volume 1 of the *Possible Futures* series. Immanuel Wallerstein predicts something similar—a search for middle ground between the enlightened wing of Davos’s World Economic Forum and the more hierarchical wing of Porto Alegre’s World Social Forum.² Wallerstein is perhaps less sanguine than Held and Young about the prospects for such a coalition, let alone successful global institutions built on it. It is also important to ask (in the spirit of Nancy Fraser’s chapter in volume 1) in what proportion this would shift to global governance the ambiguity of national welfare states that administer social support in often conservative rather than emancipatory ways.³ And we may ask (in the spirit of Manuel Castells’s chapter in volume 1) whether new governance capacities will be exercised to shore up the old economy or to create a facilitating context for creativity and the new economy.⁴ Of course, still more questions remain: Will world powers learn to work together to create a new world order, or will they be locked in new patterns of global conflict? How strong will attempts to create international regulatory systems be? How readily will nation-states evade them? Can the numerous other actors be more effectively organized?

The pursuit of stable and effective governance, like the pursuit of stable economic growth, runs into a variety of specific complications in contending with different sets of issues, each also basic to human life and global affairs. Environmental degradation poses many of the most basic and most challenging. It appears in the entanglements of politics, economics, ordinary social life, and troubled ecologies in various localities from the Niger Delta to Brazilian rainforests to Lake Baku.

In chapter 3, Michael Watts takes up this theme with special attention to the wave of famines, droughts, and partially climate-shaped wars in Africa. He lays out the impact neoliberalism has had in Africa—weakened states, subjection to global markets with relatively weak local institutions—but though Africa is in many ways an extreme case, the issues appear on every continent. Africa is, among other things, a sort of laboratory for the invention and circulation of development ideas and practice—and for ideas about how to deal with environmental challenges. So while Watts’s chapter focuses on environments in Africa, it informs us more generally about the issues shaping the prospects for sustainable development worldwide. These are issues of governance, as Held and Young suggest, but also of governmentality, the generation of rationalized regimes for constituting the relationship between material conditions and human life. Under both colonial rule and postcolonial structures of unequal exchange and continued domination, Africa exemplified the relationship among development (or its lack), population growth, hunger, and conflict. The lessons have often been bleak, but they do not have to be, and significantly there are signs of both growth and effective reform in parts of Africa even during the ostensible global crisis. Moreover, hidden in the stories of conflict and rapacious rulers there are also lessons about resilience. It would be a mistake simply to predict Africa’s future as an extension of its past, and in any case, as Watts reminds us, we should be conscious of the limits to predictive modeling as we think about the contemporary crisis as a complex of potential tipping points.

The challenges of managing natural resources well are played out very visibly—and worryingly—on an African stage. But they are also global challenges, and they intersect with global environmental concerns. This is not just a matter of fossil fuels and minerals but of arable land and clean water. And the competition involves not just rapacity of the world’s rich and overconsuming countries, like the United States, but the desire of many poorer countries, like China and India—and for that matter South Africa—to grow and the desire of others that have one major resource, like Arab oil producers, to trade it for a range of others.

As if resource competition and the actual or potential devastation of various ecologies were not challenging enough, there is also the global problem of climate change. In addition to those who deny the increasing scientific consensus that climate change is happening, there are many

who cling to hopes that some technological solution will appear and perhaps even more who simply can't bear to focus on an issue with such dire implications and so few promising nondisruptive lines of action. Yet as William Barnes and Nils Gilman suggest in chapter 2, climate change may be even more powerful than capitalist crises in bringing the modern era to a point where the choice is starkly one of transformative change or a descent into barbarism.

The potential for global warming (and the range of extreme weather-related conditions that may be associated with it) is finally being discussed. But it is discussed mainly as a matter of technology to mitigate it and economic measures to reduce it. The latter amount mostly to a variety of incentive systems like carbon trading, each designed to reduce the production and emission of environmentally damaging chemicals. The economic crisis has made many of these measures seem long-term and therefore optional, a matter for future attention, whereas efforts to restore growth demand immediate focus. But there is also a deep disproportion between the proposed mitigating measures and the potential for damage from climate change. As Barnes and Gilman summarize, "The human carrying capacity of the planet may decline by an order of magnitude. Short of thermonuclear war, modern civilization has never faced a more dire existential threat."

What Barnes and Gilman seek to explain is the absence of political will to face this threat. They describe the failure of the Copenhagen summit, held under the shadow of financial crisis, and they reveal the surprising faith of many environmental activists in financial measures like "cap and trade." This reflects the desire to mobilize the existing economic structure to meet the environmental challenge, and thus it incorporates the irony that cap and trade would involve the creation of new financial instruments and markets largely under the auspices of the bankers and traders widely held responsible for the financial crisis. Even many radical Greens seem captive to the economic orthodoxies of finance capitalism. But coming to terms with climate change requires a shaking of economic orthodoxies and renewal of political will similar to those needed to address financial crisis itself. And there is a further shared problem: the difficulty of imagining the decline of existing forms of production as desirable—and the still greater difficulty of acting politically on the basis of such an understanding. Barnes and Gilman find historical

inspiration—and tempered optimism—in progressive forms of populism from the nineteenth century, what they call “producerist republicanism,” and hope something like this may become part of a more forward-looking, environmentally focused social democracy. As they note, however, moving away from wishful thinking toward realism is, in this domain as in many others, “terrifically challenging.”

The issues of security and conflict are also sharply challenging. The financial crisis has been exacerbated by the massive cost of the two wars that the United States mounted in response to the 9/11 terrorist attacks. Whether this was a well-considered response or not, and whether or not the wars have been well conducted, they have had two extremely important consequences: they have enormously increased US debt, and they have severely limited US political options—with regard to both domestic and international policy. There is here an echo of the Vietnam War, shaping conflict of an earlier generation and crucial component of the 1970s crisis. As Mary Kaldor notes in chapter 5, it was against the background of its Vietnamese engagement that the United States first ran an external trade deficit in 1971 and that the system of fixed exchange rates tied to gold was abandoned.

Addressing the relationship of war to economic crisis, Kaldor goes on to show other linkages between the “war sector”—organized for destruction—and the more productive economy. Each has a role in shaping technological transformation, for example, as the military funds technologies of potentially large civilian importance, like the Internet. Kaldor argues, though, that continued dominance of an older organizational style in the military (despite expensive technologies) is holding back an overall economic-technological transition. She connects this to the long cycles of neo-Schumpeterian theory (discussed in volume 1) but also to the many other faces of war in the contemporary era, including the “new wars” conducted partly by means of spectacular violence and the problems of governing chronically insecure spaces.⁵ Kaldor ends on a note of hope about a transition “from a war paradigm to a law paradigm” that would transform world militaries into forces for peacekeeping, policing, and humanitarian action. This of course raises the full range of questions about the transformations of geopolitics that might make for more attractive futures.

Economic crises have often become occasions for exacerbated ethnopolitical conflicts. Even without overt violence, there are often

new resentments of alleged outsiders—as indeed there are among some on the populist Right in Europe and America. But taking up the relationship of economic crisis to politicized ethnicity, in chapter 4, Rogers Brubaker offers the encouraging report that “nationalist and ethnopolitical responses to the [current] crisis have so far been surprisingly muted.” This is a surprise because, of course, there are numerous historical examples to the contrary. Still, Brubaker is cautious about assuming that the peaceful pattern will continue. The many examples of exclusionary nationalist responses to the current crisis are worrying, even if so far they have occasioned only minimal violence.

Brubaker’s account of why this should be so centers on political factors (institutions, idioms, opportunities, and struggles). These have given nationalist and ethnic concerns other forms of political expression besides violence. In addition, they have made overall political systems more supple and responsive. This is particularly a welcome development in central and eastern Europe, where memory of the 1930s worries many. Of course, nationalism and politicized ethnicity are broader global concerns, significant elsewhere in the European Union and in the former USSR, on China’s frontiers, in India and around Southeast Asia, in Africa, in the Middle East, and certainly in North America itself, where the crisis has exacerbated conflict over immigration and national identity. Since the 1990s, there has been much academic hope that identity-driven conflicts would fade, but this isn’t yet an evident trend.

Religious solidarities both overlap and crosscut ethnic and national ones. They offer some of the largest and most effective nexuses of global interconnections and examples of actually existing cosmopolitanism. At the same time, religious identity is often mobilized for violence, for attempts to dominate, and in attempts to produce doctrinal or cultural conformity. Religion is harnessed to state politics both when used to reinforce loyalty and when made the basis for movements to challenge existing governments. Yet, especially in the examples of Christianity, Islam, and Buddhism, it is not only transnational but also organized precisely to offer a supranational focus of solidarity. This makes it readily available as a source of criticism of the failures of existing states—whether explicitly secular or nominally religious. Such failures are all too apparent in the context of the contemporary crisis. But the same features make it possible for religion to become an important force behind transnational

movements for peace and social justice or, as in the case of Pentecostalism, for a combination of spiritual salvation with individual self-discipline and economic advancement. Until recently, social science largely neglected these dimensions of religion, focusing instead on whether or not modernization entailed secularization. As Adrian Pabst discusses in chapter 7, religions' connections to today's basic issues are much broader. In his view, "the task for religions is not to embrace particular modes of political or economic governance but rather to promote models that protect the sacredness of life and uphold hierarchically ordered virtues." Pabst sees religious communities both promoting needed civilizational values and also anchoring dialogue among civilizations. Here, too, the relationship between hope and geopolitics is basic.

It is telling that Vincent Della Sala's chapter 6 account of the contemporary European Union is one of a lost narrative and even doubts about the EU's *raison d'être* and prospects. European integration has been the greatest project of supranational integration and governance in the modern era. It has achieved peace on the continent—one of its main purposes. Europe has prospered enormously, though how much this is due to the EU is unclear. But whether or, more moderately, how well it holds together in the current context of crisis is in doubt. Della Sala offers a broad view of the EU's response to the economic crisis and relates his discussion to broader considerations about transnational forms of governance. Yet Della Sala is neither skeptical nor overly optimistic regarding the future prospects of the EU. What perhaps matters most for the purposes of this volume is his calm recognition that "European integration as the harbinger of peace and stability no longer captures the imagination of... Europeans." Does this also mean that the EU no longer offers an attractively institutionalized and more secure model for globalization?

In the context of examining contemporary crisis and possible futures, it is important both to recognize the continuing power of nation-states (China for instance, not just the United States) and to recognize the significance of phenomena typically obscured by the unreflective dominance of nation-states over social science knowledge. Take the issue of offshore capitalism, for example, addressed in chapter 9 by Vadim Volkov. The story of financialization (and indeed of globalization) in recent decades is a story not just of flows across national borders but of the establishment of headquarters, sites of legal incorporation, banks, and

other key parts of the corporate world in tiny countries like Cyprus or the Cayman Islands. This enables firms to use the capacity for instant financial transfers to evade the taxes, regulations, and laws of the nation-states in which they do business and to further distance financial capitalism from the “real economy.” Some previously secret activities can become more open because they can be registered in an offshore haven. Yet much conventional economic data simply ignores the rise of offshore capitalism or tacitly accepts the notion of financial “flags of convenience” (thinking that Cyprus is really a major investor in Russia is like thinking that Liberia really runs major shipping firms). At the same time, the notion of a legitimate, interstate, global economy is rendered more and more an illusion. Pressed by both post-9/11 security concerns and the current financial crisis, a number of tax and police agencies made an effort to stem the growth of offshore capitalism. After several publicized scandals, however, the campaign petered out. The tax havens proved integral to global finance, a perhaps unintended “freedom” offered by neoliberalism.

Environmental issues knit together countries that border bodies of water, are affected by airborne currents of pollution or radioactive fallout, or at the extreme suffer the effects of climate change in common. In a similar sense, religious communities and civilizations crosscut conventional political cartography. Offshore capitalism is also a matter of flows that would never be predicted by conventional political geography. Communication is central to all of these. Increasingly this means communication outside the circuits of traditional media.

Ravi Sundaram shows in chapter 8 that it is important not just to notice the global communication flows made possible by new media but also to recognize that these are increasingly challenging older ideas of property rights. Digital media have challenged near monopolies of certain producers and distributors. Backed by the United States and other states, some firms brand all “unauthorized” copying of “intellectual property” as piracy. At the same time, many corporations are remaking media in order to try to maintain a system based on private property—relying on dedicated applications rather than more open Internet access, for example. And of course, some of the same technologies that shape the circulation of music and videos are also at work remaking the flows of information and money in global capitalism—in both its legal and formal and its illicit, often offshore varieties. Struggles between ownership and access affect a

wide range of technologies, forms of cultural production, and products of scientific creativity. Brazil, for example, challenged the international intellectual property rights regime when it copied antiretroviral drugs, treating large numbers of Brazilians with HIV/AIDS and also forcing change globally. Whether the reassertion of private property in cultural goods dominates or the genie of massive unregulated copying and circulation is out of the bottle, the media matter enormously. Moreover, each of these scenarios (and their likely mixture) is unstable. There is no protection of private property interests that doesn't sharply limit access and perhaps more deeply undermine both creativity and circulation. There is no elimination of private property interests that isn't a deep challenge to capitalism.

Religion and the environment are both extraordinarily important themes in the modern world that until recently have not been central themes for social science. Communications has recently grown in prominence as an interdisciplinary field, but this comes after decades of being held as it were at arm's length by the conventional social science disciplines. Offshore capitalism is more and more basic, but it remains at the margin of conventional economics—or for that matter political science.

There are several reasons for this. In the pursuit of mathematically satisfying models, economists have often focused on certain abstractable characteristics of markets and related phenomena rather than questions of what was important in the real world. International relations has long been organized with a focus on relations among states that, drawing on a myth about how Europe resolved its religious wars, treated religion as essentially a domestic matter. Environmental concerns mattered only as they became foci of state power relationships (and thus didn't matter as long as states didn't act on such concerns). In less extreme form, most of the social sciences shared the two biases—even though they prided themselves on being more realistic than economics or international relations. That is, they gave the greatest prestige to work that improved answers to already established disciplinary questions, advancing cumulative knowledge on certain (often narrow) topics rather than asking whether the questions posed were adequate to understanding the contemporary world. And they took for granted that the world was structured into nation-states. Ironically this meant they often failed to study that structure itself—the issue of nationalism was marginalized by the very assumption

that nation-states were natural; the analysis of the world system itself was left to a small subfield, while most political scientists, sociologists, and others looked inside nation-states or occasionally compared them. History absorbed the nation-state framework into its very construction of objects of study. Anthropology and geography were partial exceptions and have generated important alternative perspectives as a result (though they have their own disciplinary biases, such as a widespread tilt toward particularism and sometimes relativism in anthropology).

In short, the issues raised in this volume share fitting awkwardly into the conventional disciplinary structure of social science—and yet being manifestly central to issues of governance and global futures.