



The Deepening Crisis

Governance Challenges after Neoliberalism

Edited by

Craig Calhoun
and **Georgi Derluguian**

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POSSIBLE FUTURES SERIES

Series Editor: Craig Calhoun

In 2008, the World Public Forum convened a group of researchers and statesmen in Vienna to take stock of major global challenges. The magnitude of the global financial crisis was only just becoming clear, but the neoliberalism and market fundamentalism of the post-Cold War years had already taken a toll of their own.

Austrian Prime Minister Alfred Gusenbauer opened the meeting with a call to make sure the urgent attention the financial crisis demanded was not just short-term and superficial but included consideration of deeper geopolitical issues and governance challenges facing the global community.

In this spirit, several of the researchers present envisioned a project to bring together the analyses of leading scholars from a range of different countries, assessing not only the financial crisis but shifts in relations among major powers, trends in political economy, and the possible futures these opened. The group sought insight into emerging issues; it did not indulge the fantasy that the future could be predicted in detail.

The World Public Forum, created to facilitate a dialogue of civilizations rather than a clash, saw value in bringing high quality research to bear on public issues and possible futures. It provided financial support to the project including opportunities for many of the researchers to gather at its annual meetings on the island of Rhodes. This initial support was crucial to inaugurating the present important series of books.

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Edited by Craig Calhoun and Georgi Derluguian

VOLUME II

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Introduction

Craig Calhoun and Georgi Derluguian

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