Introduction: The Global Financial and Economic Crisis of 2008–2009 in Comparative and Historical Perspectives

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Introduction

The future course of the world financial and economic crisis is still wide open. Whilst in the last quarter of 2009 many proclaimed an early end to the worldwide recession, the drastic deterioration of the economic situation on the periphery of the euro zone in the spring of 2010 and the U.S. and European debt crisis of 2011 again heralded considerable uncertainty. What followed was a plethora of protectionist measures, and a veritable currency war erupted in 2011. It is therefore still too early to make a final assessment of how the crisis may have changed global social relations. The articles in this volume, finalized in summer 2011, can therefore offer no more than an interim assessment and identify the first basic trends. What is nevertheless clear is that the worldwide social impacts of the crisis are already considerable and are affecting the very foundations of the prevailing world order—namely world economic power relations, the institutional structures of international politics and the way they are perceived socially.

The scale of the crisis fallout so far can only be properly assessed if the perspective of emerging and developing countries is also taken into account. The fact is that the crisis began in the core countries, but in the world's peripheral regions it caused a pronounced reversal in economic development and poverty reduction. Although individual emerging countries, China in particular, are posting remarkable overall economic growth and have bounced back more quickly from the effects of the crisis than others, developing and emerging countries on average suffered a greater decline in growth rates compared compared to the pre-crisis period than did OECD countries in the year 2009. Especially hard hit by the social consequences were the poorer segments of the population, which in many cases had already been compelled by the 2008 food crisis to sacrifice their scant economic reserves. The World Bank (2010, 41) estimated that the global recession drove 50 million people below the absolute poverty line in 2009 and expected that another 64 million would be added to that figure in 2010.

Along with the material consequences of the crisis, the institutional and non-material impacts must also be considered. For in the light of its acute repercussions on the material living conditions of most of the world's population, global political

institutions have clearly failed. Not only did the relevant international organizations fail to foresee and avert the looming crisis in time, but they were also in no position to implement concerted global economic stimulus measures. Despite this, the thorough reforms needed in these organizations have still not materialized. The planned realignment of quotas and restructuring of executive bodies at the International Monetary Fund (IMF) and World Bank are more symbolic than substantial in nature. A sufficiently strict new system of international financial market regulation is still lacking.

On the other hand, at the nonmaterial level of expectations and regarding the scope for world social identification, the crisis has effected a transformation that has been further magnified by the lack of institutional reforms. Although the neoliberal paradigm of free-market fundamentalism seems to have failed, no consensus has so far emerged regarding alternative proposals. There is now a heightened perception amongst developing countries that the core countries' self-interest in greater world economic integration is regrettably matched by their patent lack of global solidarity in times of crisis. Hence, the core countries invested billions in bailouts for their financial institutions and stimulus packages to grow themselves out of recession as quickly as possible, whilst the developing countries, caught in the crisis through no fault of their own, had yet again to resort to reimbursable International Monetary Fund loans with fiscal conditionalities attached. It is hardly surprising, therefore, that the governments of developing countries are aspiring more than ever towards alternative forms of regional integration rather than greater global integration.

Thus, the crisis is not proving conducive to the harmonious coexistence of peoples in the world society. Instead, it is aggravating the potential for conflict—one of the World Bank's long-standing concerns. The 2002 World Development Report already pointed out that the frustration of developing countries over global inequalities and the skewed distribution of world political power had rarely been greater (World Bank, 2002, 110). For Nuscheler (2005, 133, our translation), the gap between the world's well-to-do minority and its poor majority, combined with the continuing political domination of developing countries, is the "the most dangerous conflictual mix of the 21st century." The crisis has further exacerbated these inequalities and the frustrations associated with them.

Crisis causes and dynamics

The immediate reasons for the crisis are sufficiently well known. The short-term trigger factors include the real estate boom in the United States that was financed with unsecured loans, as well as the worldwide spread of highly complex credit derivatives. Yet regulatory shortcomings in government supervision of financial markets also played a pivotal role. The financial oversight bodies had left it largely up to the private rating agencies to undertake the risk evaluations that have fed into the calculation of capital requirements for financial institutions since the adoption of

the revised Basel Accord (known as Basel II). Besides, the capital requirements prescribed in the Basel Accord applied only to commercial banks, not to their special purpose vehicles or to insurance companies and hedge funds also present on the credit market. The incomplete Basel regulations, therefore, constituted excellent incentives to commercial banks to transfer risky loans to their special purpose entities and increasingly to transform them into complex securities (Münchau, 2008, 77 ff.). Warren Buffett was not wrong in describing these financial instruments as financial weapons of mass destruction.

Speculative credit booms (frequently based on novel financial instruments) in combination with monetary expansion have played a decisive role – and that applies not only to the present financial and economic crisis. As Charles Kindleberger (1978) already stated over 30 years ago in his economics history classic and in reference to Hyman Minsky's (1977, 2008) theory of systemic fragility, this mechanism has been central to most of the national and international financial crises of the past 200 years. The extensive historical and empirical literature produced over the past 10 to 20 years on the various financial and debt crises has also substantiated the close link between credit booms, banking crises, and debt and economic crises, with the various economic, institutional, and political factors being in part differently weighted by individual authors (cf. in particular Pfister and Suter, 1987; Eichengreen, 1991, 2002; Suter, 1992, 2009; Sturzenegger and Zettelmeyer, 2006; Reinhart and Rogoff, 2009, 2010; Thompson and Reuveny, 2009; Marichal, 2010).

Critical observers have now concluded that the gaps so far observed in government supervision of financial markets are not merely accidental, but deliberate policy. Joseph Stiglitz, for example, points out that the dereliction of duty by government financial oversight authorities occurred under the influence of massive lobbying by the financial sector (Stiglitz, 2010; see also Martinelli's contribution to this volume). The theoretical rationale was supplied by the economics institutes of the world's elite universities, which propagated the naive belief in the free market's unlimited capacity for self-regulation (Martinelli, in this volume). To the benefit of the increasingly influential financial sector, it was at the same time overlooked that systemically important major enterprises were enjoying oligopolistic advantages on financial markets, whilst individual market players lacked access to full information.

But how can we account for the increasing economic weight of the financial sector that underlies its growing political and social influence? The answer to this key question lies in the growing intranational and international inequality which has led, together with insufficient demand for the output from the real economy, to the "financialization" of the economy, that is to say, the flight of capital into financial speculation (Bello, 2008). The only explanation for the bloating and disconnection of financial markets from the real economy is that owing to globalization, the profits accruing to the owners of capital have risen much faster than the income and purchasing power of the masses. The flight into the increasingly unregulated financial sector has thus proved clearly more profitable than traditional investment in ex-

panding the production sector with its stagnating outlets (Wallerstein, 2000). The above-cited literature on historical, financial, and economic crises shows that such phases of "financialization" have also been observed in the run-up to earlier (global) financial crises (Suter, 1992, 2012; see also Chase-Dunn and Kwon's contribution to this volume).

If the danger of future world financial and economic crises is to be reduced, stricter regulation of financial markets is therefore indispensable, though not enough. It does not solve the basic problem of limited outlets for production capital. Trade unions and nongovernmental development organizations are therefore calling more than ever for regulatory measures that also have a global redistribution effect, for example, a worldwide financial transaction tax. Not only would this curb high-risk speculation but would also generate funds that could be used for development financing and measures to stimulate global demand (as well as for climate protection). Although individual enlightened governments—including the German and French Governments—do support the introduction of such a tax, the international policy debate is still focusing on a considerably less profitable banking levy for the (defensive) prefinancing of future crisis measures.

Crisis fallout at the periphery of the world-system

Macroeconomic data, such as Gross Domestic Product (GDP) growth rates, would suggest that the developing countries have weathered the global recession relatively well. Table 1 shows that average economic growth of 1.9 percent in crisis year 2009 placed them in marginally positive territory, which contrasted starkly with the negative growth rate of industrialized countries (–3.4 percent). However, it is mainly the continuing high growth rates of China and India that account for these gratifying averages. These two highly populous economic heavyweights have continued

Table 1: GDP growth in different world regions, 2007 and 2009

	Growth in 2007 in %	**Growth in 2009** in %	**Difference 2007–2009** in percentage points
World	3.9	–2.2	–6.1
High-income countries	2.6	–3.4	–6.0
Developing and emerging countries	8.1	1.9	–6.2
Developing and emerging countries without China and India	6.2	–1.8	–8.0
Latin America and Caribbean	5.5	–2.1	–7.6
Middle East and North Africa	5.9	2.8	–3.1
Eastern Europe and Central Asia	7.1	–6.4	–13.5
Sub-Saharan Africa	6.5	1.8	–5.7
South Asia	8.5	6.2	–2.3

Source: World Bank (2010, 3) for 2007; and World Bank (2011, 2) for 2009.

their economic catch-up process vis-à-vis the industrialized countries and have also gained in world political importance. The picture changes if they are left out of the analysis. It becomes clear that on average the economic performance of the poorer countries has declined almost as sharply as that of the rich industrialized countries.

Even more revealing, of course, is the comparison of 2009 and 2007 growth rates (see also Table 1). It shows that the decline in growth rates in relation to the pre-crisis period have been even more pronounced in the global South than in the countries where the crisis began. Hence, 2009 economic growth in developing countries lagged behind the pre-crisis period by all of 6.2 percentage points (–8.0 without China and India), whilst in the industrialized countries, the difference was "only" –6.0 percentage points. While the long-term macroeconomic process, by which developing and emerging countries are catching up on industrialized countries, has only slowed, not stopped, the truly global scale of the crisis has been confirmed. In per capita terms, the UN calculated that in 2009 only 14 developing countries achieved growth beyond the 3-percent threshold required for successful poverty alleviation (United Nations, 2010, 5). In southern Africa, average income fell for the first time in 10 years (World Bank, 2010, 154).

As such, there can be no talk of the periphery, supposedly disconnected from the world economy, having been only "mildly" impacted by the crisis. Instead, the crisis substantiates theoretical misgivings that accelerated world market integration heightens the risk of external shocks that can, on the one hand, wipe out earlier growth and, on the other, affect the poorest, most vulnerable population groups the most. As Table 2 shows, in comparison with their individual economic performances, developing countries are on average more strongly integrated into the world economy than industrialized countries. Their share in overall world trade and global foreign direct investment (FDI) is indeed negligible, yet their economic activities show above-average concentration on the world market. It is no surprise, therefore, that the crisis-driven decline in export opportunities and FDI inflows caused a sharp growth reversal especially in developing countries with a particularly strong foreign-trade orientation.

Several chapters in this volume nevertheless show that some differentiation between various macroregions, and individual countries within those regions, is in order when it comes to the impacts of the economic crisis. Bizberg's study, for in-

Table 2: Trade and foreign direct investment in percent of GDP, 2005

	Trade in % of GDP	**FDI** in % of GDP
High-income countries	45	21
Developing and emerging countries	55	26

Sources: Worldbank, World Development Indicators 2010 On-line (Trade); Unctad, FDI Stats 2009 On-line (FDI).

stance, clearly shows that in Latin America the various countries have reacted to the crisis with widely varying measures. Similarly, Leka Essomba and Kam highlight in their contributions the diversity of crisis impacts across countries within Central Africa. As Amacker et al. assert, a comparison of Latin American countries also shows appreciable variations in the impacts of the crisis and the way they are perceived by households in precarious economic conditions. Emerging countries, like China and India, have weathered the crisis considerably better than the core countries and by the same token have stood apart from the poorer developing countries. The process of economic differentiation outside the OECD area and the growth in global importance of individual emerging countries have thus accelerated further (but see Hung, in this volume, on China's insecure long-term economic prospects).

Yet even in emerging countries, like India, which continue to record high overall economic growth, the social impacts of temporary decreases in growth were dramatic. Initial qualitative studies show that, particularly amongst export-oriented small and medium-sized companies in labor-intensive processing industries, the crisis led to business closures or to radical job cuts (WIEGO, 2009; ODI, 2010; see also Fauzan and Purnomo's contribution to this volume on the impact of the crisis on the export-oriented furniture industry in Indonesia). Those affected first and foremost were unskilled workers, mainly women and young people. Moreover, the crisis provoked a sharp decline in remittances from guest workers abroad (Ratha et al., 2010), which in many places represented the main source of income for the lower echelons of the population. In developing and emerging economies, the global recession combined with the repercussions of the 2008 food crisis, which had forced numerous families to liquidate their savings and means of production. It therefore quickly became a veritable development crisis. Despite this, numerous industrialized countries have seized on the crisis as an opportunity to postpone urgently needed increases in development aid indefinitely.

We have no statistical data so far regarding the impact of the crisis on income distribution in emerging and developing countries. Yet the popular notion that the crisis has led to income decline mainly amongst financial speculators in the upper class and brought about a leveling of income disparities falls somewhat short. After all, the lower income strata too have been impacted by the real economic consequences of the crisis, perhaps even disproportionately so. The falloff in public revenues and, where it did take place, additional government spending for economic stimulus programs may, however, be offset in many places by raising forms of taxes that target mainly the middle classes, for example, by increasing the regressive value-added tax on consumer goods. The relative weight of these different factors in the distributional effects of the crisis is likely to vary from country to country.

International policy failure

The worldwide impact of the current economic and financial crisis once again illustrates the need for well-functioning global governance. The increasingly dense web of cross-border economic relations harbors risks of worldwide scope that call for globally coordinated policies (see Martinelli, in this volume). At the same time, the respective measures must be suited to the problems in a variety of contexts and must be sufficiently legitimate to be implemented by all countries effectively and with the requisite degree of ownership. This presupposes that decisions of global concern are worked out jointly, equitably, and in accordance with democratic principles by all potentially concerned countries.

The crisis has nevertheless led to the strengthening of precisely those international bodies that are the most lacking in democratic legitimacy. Examples are the informal G20 and the International Monetary Fund (IMF). The G20, for instance, has now mandated itself to act as the "premier forum for our international economic cooperation" (G20, 2010, Preamble) though not a single low income or lower-middle income country is represented in it, despite these countries being home to the bulk of the world's population who are affected by global economic relations. This means that the proposal by the Commission of Experts of the President of the UN General Assembly on Reforms of the International Monetary and Financial System to study the introduction of a representative World Economic Council along the lines of the Security Council (with rotating national representation; United Nations, 2009, §21ff.) is off the agenda for the time being. The IMF for its part is experiencing not just a veritable renaissance as lender of last resort but has received an expanded financial market supervision mandate from the G20.

The rationale given for this political strengthening of the G20 and the IMF is that, unlike the UN, the homogeneity of interests of its leading members renders them sufficiently capable of acting to devise rapid and effective crisis responses. The fact is that the predominance of the most powerful core countries in these bodies is precisely what partly accounts for the failure to detect the crisis early and to contain it effectively enough. By reason of the U.S. political supremacy, the IMF, for example, was unable to point emphatically enough to the U.S. high foreign and domestic indebtedness (reaching 100 percent of the country's GDP in 2011) and impose the corresponding cures. Similarly, the European Union was not able to prevent the European debt crisis of 2011—despite the introduction of debt ceilings in order to limit federal indebtedness and to maintain financial stability. Most EU countries (and not only those of the European periphery) largely surpassed the agreed debt level of 60 percent of the country's GDP. The G20 for its part lacked the political will to set up a global fund for economic stimulus measures from which developing countries too might have been able to benefit. The United Nations Economic and Social Council (ECOSOC, 2009, 15 ff.) has calculated that such a global stimulus program would also have enabled the industrialized countries to recover much

more rapidly from the crisis than the current juxtaposition of national rescue packages solely in those countries that have the required resources.

The IMF's prominently announced rescue packages, in contrast, are insufficient as bailout programs for developing and emerging economies that find themselves in crisis. They entail reimbursable loans of relatively short duration and, except for the credit lines for the poorest developing countries, carry considerable interest rates. Besides, IMF loans are often still tied to fiscal conditionality (Herkenrath, 2010; Van Waeyenberge et al., 2010). The sole exception to this conditionality is the new Flexible Credit Line (FCL) with which the IMF is rewarding individual emerging countries *ex post* for their restrictive pre-crisis budget policy. In the remaining cases, the IMF continues to demand from its clients the same drastic austerity measures that already showed an unintended recessionary effect during the Asian crisis (Krugman, 2009, 115 ff.).

Yet the crisis has so far not led to any thorough democratic reform of the IMF. The reforms decided in April 2008 (recalculation of basic votes and quota formula) have fallen far short of the expectations of emerging and developing countries. High-income countries by World Bank classification still hold a quota share of some 67 percent and a voting majority of about 65 percent—although their share of the world population is a mere 15 percent. The 6-percent quota realignment planned for 2012 to favor hitherto underrepresented emerging countries will change very little in this regard, particularly as the alignment will be partly at the expense of other emerging and developing countries. The introduction of a double-majority system for crucial decisions by the Executive Board (i.e., a country majority in addition to the current voting power majority) is indeed up for discussion, but seems to have little chance of success. On balance, therefore, the crisis has not led to any real reforms to the system of global governance but merely to the marginal upgrading of the status of selected emerging countries, which have now been admitted to the G20 and have witnessed a slight increase in their voting weight at the IMF. It is no surprise, therefore, that the IMF itself is now facing increasing competition from regional liquidity funds and must reposition itself vis-à-vis those regional initiatives (Suter, 2009; Vols and Caliari, 2010).

Demise of neoliberalism?

The crisis has nevertheless had major implications for the ideological hegemony of the neoliberal globalization project. Neoliberal free-market fundamentalism long laid claim to having found a simple recipe for a more just world: the world economy should be rid of market interventions by incompetent governments and even the developing countries could ultimately realize their growth potential. International free trade, it was argued, would strengthen the entrepreneurial drive to innovation particularly in developing countries, and unregulated inflows of foreign direct investment would provide recipient countries not just with fresh capital but also with

additional job creation opportunities, new technologies and a modern corporate and work culture. Had things evolved in accordance with these neoliberal promises over the past quarter of a century, economic globalization should have brought the developing countries untold prosperity.

The crisis makes it clear, however, that the neoliberal cheerleaders' model world has a fatal design flaw. International free trade increases not only entrepreneurial propensity to innovation but also the vulnerability of the economies concerned to price shocks emanating from world market conditions. As Harvard economist Dani Rodrik was able to demonstrate in the 1990s, such sporadic price shocks often trigger growth-inhibiting conflicts over resource allocation, and when government safety nets fail in openly trading developing countries, world-market-driven price fluctuations translate into protracted and deep-seated social crises. The consequential costs to the economy of such crises often turn out to be just as high as the gains from growth secured during earlier periods of prosperity (Rodrik, 1999). This means that open trading generates only negligible prosperity, if at all, but increases social inequality. Research by World Bank economist Branko Milanovic (2005) shows that, over the past two and a half decades, segments of the lower classes in industrialized countries also benefited from trade opening, whilst in developing countries it was almost exclusively the upper classes.

In the economically highly advanced OECD countries, the dangers of external price shocks were minimized by not deregulating foreign trade relations simultaneously across all sectors of the economy. Neither was such deregulation accompanied in those countries by the overall government spending cuts also prescribed by neoliberalism, but instead it went hand-in-hand with expansion of the public sector (Bornschier, 2008, 188 ff.). In the developing countries in contrast, government safety nets remained chronically weak and were even further downsized in the wake of neoliberal reforms. Heterodox market interventions by governments, such as those that helped the East Asian "tiger economies" to succeed (Herkenrath, 2003), are not foreseen in free-market fundamentalism, although individual countries such as Costa Rica may well continue to implement them.

The upshot of a quarter of a century of neoliberal globalization policies, therefore, seems rather sobering. Instead of the promised generalized prosperity, the outcome has been the exacerbation of international and intranational income disparities (Milanovic, 2001), food supply emergencies, and ultimately a global financial and economic crisis in 2008—and all of this with dramatic social repercussions mainly on the poorest segments of the world's population. At 1.4 billion, the absolute number of poor people remains very high and poverty reduction to date is still well short of the UN Millennium Development Goals (Chen and Ravallion, 2008, 19). The UN Commission of Experts, under the leadership of Joseph Stiglitz, estimates that the current financial and economic crisis could well drive a further 200 million people below the poverty line in the years ahead (United Nations, 2009, §4).

In the meantime, however, the same Commission of Experts has tabled a number of proposals for making global financial markets and the world economy not only safer but also more equitable in the future. In addition to the above-mentioned World Economic Council, they include the introduction of a new world reserve currency, new taxes for development financing, regulated insolvency proceedings for overindebted states, and measures to curb capital flight from developing countries to the tax havens in the global North. While these measures together do not yet amount to a "grand theory" of equitable economic and political globalization, they nevertheless refute the notion that the *de facto* failure of currently existing neoliberalism has left behind an ideological vacuum. What is missing is the political will to implement already existing proposals.

Four preliminary conclusions

On balance, the likely impact of the global financial and economic crisis can be summed up in four preliminary conclusions. *First*, economic reversal with partly disastrous developmental consequences has occurred not only in the countries where the crisis originated, but also in developing and emerging countries. Despite massive reversal as compared to the pre-crisis period, emerging countries, such as China and India, continue to show very high overall economic growth rates and also to gain in world political influence.

Second, the crisis highlights the failure of world political institutions which, given the political supremacy of the interests of systemically important countries, are not exactly in a position to contain global risks. Yet the crisis has so far not led to corresponding institutional corrections, but rather to the strengthening of regional integration initiatives.

Third, the crisis has triggered much more reflection on alternatives to the neoliberal globalization project—no longer within left-leaning civil society organizations alone, but now also in specialized world political entities.

Fourth, the lacking political will of the "leading" industrialized nations to put the relevant proposals into practice could cloud North-South relations and make it impossible for the peoples in the South to develop a stronger self-perception as part of a harmonious and inclusive world society. The current neoliberal order of world economic integration and its institutional support organizations are now in the grip of a severe crisis of legitimacy.

Overview of the contributions

The 16 contributions included in this volume are arranged into three parts. They deal with three core issues of the complex and multifaceted nature of the current crisis: firstly, the long-term dynamics and mechanisms of the recent global financial and economic crisis (and world development in general); secondly, the economic,

social, and political impacts and consequences of the crisis in the different world regions at local, national, and regional levels, as well as the policy responses to the crisis (part II), and thirdly, the perceptions and interpretations of the crisis, that is, the crisis framing by different individual and collective actors, notably by individuals and households that are particularly affected by the crisis, by social movements and international organizations, as well as the mass media (part III).

The five contributions in the *first part* of this volume address the recent global crisis and world development from an evolutionary, comparative, and systemic perspective. *Alberto Martinelli*, for example, points out in the first chapter on "Some Neglected Aspects of the Global Crisis" that the global financial and economic crisis by no means resulted from mere chance and unpredictable events but is essentially systemic in nature. Although it does not herald the demise of global capitalism as such, the current crisis is the traumatic manifestation of the many contradictions of current globalization, particularly the contradiction between increasing global interdependence and the lack of effective global governance. As Martinelli demonstrates in his contribution, before the onset of the worldwide recession global finance had developed at an unprecedented rate and for the most part in new, unregulated forms. The lack of coordinated national regulations and global rules for global finance was in turn caused by two mutually reinforcing factors, the cultural hegemony of the neoliberal conception of the self-regulating market and the massive lobbying efforts by representatives of the financial industry. Continuous political pressure in the interest of global finance not only prevented the passing of new rules for new products, but also weakened previously established systems of institutional control.

The chapter by *Christopher Chase-Dunn and Roy Kwon* on "Crises and Countermovements in World Evolutionary Perspective" compares the recent global financial crisis and the contemporary network of global countermovements with earlier crises, periods of collapse, and global conflict. Employing three different long-term time horizons (50,000 years, 5000 years and 500 years) the authors develop the essential similarities and differences between the different crises. They conclude that, despite decreasing world trade and foreign investment and despite the rather slow economic recovery in the wake of the current crisis, a clear new wave of economic deglobalization and protectionism has not yet emerged (as was the case in the 1930s). Furthermore, despite the failure to establish a new global regime of financial governance, it has been possible to prevent the collapse of the global financial system and stock markets so far, due to the interventions of (core) governments and central banks. The authors finally describe the emergence of protest movements and leftist regimes, both in the global South and in the core, and the similarities and differences of this New Global Left with earlier global countermovements. They conclude that a strong global coalition of progressive, anticapitalist forces that could reshape the institutions of global governance has not yet become effective.

The chapter by *Jeffrey Kentor, Eric Mielants and Peter Grimes* on "The Current Economic Crisis, the Longue Durée, and Regional Dominance" also places the debate on the current economic crisis in a long thousand-year time frame. Employing world regions as the relevant unit of analysis and based on Angus Maddison's historical Gross Domestic Product (GDP) data, the authors demonstrate a long-term cycle of regional economic hegemony shifting from Asia to the West and returning to Asia. Asia was the dominant economic power for more than 800 years (between the eleventh and twentieth centuries), whereas Western Europe and its offshoots became dominant only around the turn of the twentieth century; by 2008 Asia once again surpassed the West in terms of world GDP. The authors argue that the recent economic and financial crisis has to be understood in the context of this transition of regional hegemony from the West to Asia, and should not be interpreted as an "imminent end of capitalism." Furthermore, the authors hypothesize that hegemonic leadership based on a single nation-state (as in the case of the United States) will be replaced by hegemonic leadership based world regions or regional alliances.

Focusing on the post-Cold War era, the chapter by *Mario Apostolov* on "The Post-Cold War World in Economic Crisis: Impact on World Society" describes the evolution of world society between the 1980s and the current global economic crisis. The author highlights the importance of growing economic, political, social, and cultural imbalances and polarizations that have characterized the development of the world economy and of world society during the past thirty years, eventually leading to the outbreak of the global crisis in 2008–09. Mario Apostolov concludes that the current crisis can only be overcome when these structural imbalances are adjusted and when global production, innovation, revenues, and wealth are more equally distributed within world society.

Finally *Ben Selwyn's* contribution on "Development within or against Capitalism?" critically discusses Amartya Sen's *Development as Freedom* against the background of world development in the context of the global economic crisis. Selwyn argues that Sen's vision of freedom as both the goal and means of development, and Sen's critiques of narrowly defined growth-based conceptions of development are not compatible with his theoretical and methodological framework and his commitment to the model of the capitalist market economy. According to Selwyn, a more coherent approach to Sen's understanding of development as freedom has to be rooted in a Marxist conception of a political economy of labor, promoting mobilization and reform from below, which may eventually result in a transformation to a postcapitalist system where development truly is a process of the continual expansion of freedom for all.

The *second part* of this volume includes seven chapters presenting case studies on crisis impacts and policy responses in different world regions. These case studies address crisis consequences in various domains and at both local (or national) and regional level. The case studies demonstrate that crisis impacts and reactions to the crisis considerably differed across world regions, but also within regions from

country to country. From a world-system perspective, possible explanatory factors include a country's position in the core, the semiperiphery or the periphery of the global division of labor. Therefore, the case studies are arranged by region and world-system position, starting with the emerging semiperipheral Asian countries (China, Indonesia), followed by the (old Western) core (and semicore) countries (Australia, United States), the African periphery (Central Africa) and the Latin American semiperiphery (Argentina, Brazil, Chile, Mexico).

The first chapter of part II by *Ho-fung Hung* on "Global Crisis, China, and the Strange Demise of the East Asian Model" presents the case of semiperipheral China, whose recent economic ascendancy has been based on its rapid export-oriented industrialization and accumulation of foreign exchange reserves. As Ho-fung Hung argues, China's growth has been dependent on a policy-induced agrarian crisis, which created a large rural labor surplus and suppressed the rise of manufacturing wages in the export sector. Yet the same agrarian crisis also hindered the increase of domestic consumption, forcing the Chinese economy to depend on the U.S. market for its exports. As the global financial crisis brought an end to the debt-financed consumption spree in the United States, it also precipitated the demise of China's current export-led growth model. According to Hung, the continuous rise of China as the new center of global capitalism will therefore hinge on whether the Chinese government can use the global crisis as an opportunity to shift to a new model of development driven by domestic private consumption.

Exploring the example of the local furniture industry in Jepara, Indonesia, the chapter by *Achmad Uzair Fauzan and Herry Purnomo* on "Uncovering the Complexity: An Essay on the Benefits of the Value Chain Approach to Global Crisis Studies" demonstrates how an emerging semiperipheral country and its export sectors are severely hit by the economic crisis. Employing a value chain approach, the authors develop a typology of the local export-oriented furniture industry highlighting the complexity and diversity of crisis impacts on, and reactions of, (local) furniture producers, (local, regional, national) intermediaries, and (national and international) buyers depending on their structural location within the global value chain. On the one hand, the authors show the disastrous consequences of the crisis for production levels and revenues and, on the other hand, the diversity of the responses. Thus, producers at the lower level of the value chain, for example, were able to respond quickly to the crisis by shifting to the local market or working with different partners, whereas producers at the upper levels of the global value chain often had more problems with crisis adaption due to their complex and less flexible structures. They generally reacted by cutting production costs through layoffs which resulted in heavy job losses for the local economy.

The chapter by *Jenny Chesters and John Western* on "The Impact of the Global Financial Crisis on Australia" examines how a country which is usually placed at the semicore of the world-system, located between the emerging new Asian semiperiphery and the old Western core, has dealt with the crisis. Based on their analysis

of crisis impacts on employment and incomes, the authors argue that Australia and similar countries "may be less affected by economic downturns and, in fact, may even be able to improve their position within the hierarchy during periods of stagnation." In the case of Australia, the contributors' comparative analyses of survey data from 2006/07 and 2007/08 show that, at least at the beginning of the global crisis, employment rates stayed relatively high and incomes remained mostly stable. Other examples of countries in this zone of the world-system that have weathered the crisis relatively well include Canada and Norway.

The chapter by *Tobias Straumann* on "Financial crisis and Political Change: The Great Depression in the United States in Historical Perspective" explores how crises affect politics. Employing a comparative historical perspective, the author examines the impact of financial crises on regime change in the United States. Straumann demonstrates that the rise of the U.S. Democrats during the Great Depression of the 1930s was exceptional, since the historical evidence during the nineteenth and early twentieth centuries rather suggests that the party in power during the economic downturn was punished at the elections. The author explains the political dominance of the Democrats during the crisis of the 1930s with the unusually robust economic recovery (related to the suspension of the gold standard in 1933) that legitimated the New Deal policies. Straumann concludes that the sluggish economic recovery of the U.S. economy in the current crisis explains why Obama and the Democrats did not succeed in the mid-term elections of 2010 (and will probably not in the upcoming 2012 elections)—despite the interventionist and expansionary financial and economic policies of the Obama administration.

The crisis experiences of African countries at the periphery of the world-system are explored by two thematically closely related chapters focusing on Central Africa: *Armand Leka Essomba's* contribution on "The Central African Subregion Facing the Global Economic Crisis: Deficits of Governance and Dynamics of Integration" and *Christian Brice Kamga Kam's* chapter on "The Effect of Global Financial Crisis in the CEMAC Area and Policy Responses in the Light of the European, American and Asian Answers." Both authors demonstrate that the consequences of, and the reactions to, the current crisis in Africa have to be understood in the context of a series of past (local and regional) economic, political, and social crises that seriously affected the continent and the Central African subregion during the past 30 years: from the economic stagnation and debt crisis of the early 1980s, with the consequent structural adjustment programs, to the food crisis of 2008. As noted by both authors, the Central African countries were mainly indirectly affected by the crisis, i.e., by declining export demand, falling commodity prices and the drop in remittance inflows, and not by a collapse of the financial and banking system itself. Furthermore, the two contributions highlight the diversity of crisis impacts across the different countries within the Central African region. Thus, economies which are highly dependent on exports to core countries (e.g., oil producers like Equatorial Guinea or Gabon) have been more severely hit by the crisis than the less integrated

low-income countries (e.g., Central African Republic) or countries with a more diversified economy and export structure (e.g., Cameroon). In his contribution Leka Essomba demonstrates that the crisis has contributed to a strengthening of regional integration within Central Africa. However, as noted by Kam, in contrast to the core countries, the governments of the Central African countries have not yet developed specific policies and institutional responses to the current crisis in order to actively promote recovery and stimulate economic growth within their region.

The final contribution in part II explores crisis impacts and government responses to the global crisis in the Latin American context. *Ilán Bizberg's* chapter on "The Global Economic Crisis as Disclosure of Different Types of Capitalism in Latin America" demonstrates the considerable diversity of the crisis reactions among the Latin American semiperipheries and that the responses of these countries have so far been highly path-dependent. Thus, his comparative analysis of the four cases of Argentina, Brazil, Chile, and Mexico, shows that the way these countries react to the current crisis has been shaped by the economic, social, and political institutions and organizations created in the past and has therefore also been strongly reflective of previous crisis experiences. While the current crisis may present an excellent opportunity to address flaws in the existing development model, not all countries have been able to seize this opportunity. According to Bizberg, the Mexican government, for instance, seems to have completely missed the chance to modify the economy's precarious dependence on export-oriented subcontracting and to fortify the internal market. In stark contrast, Chile used the crisis to finally correct the most unjust elements of the welfare reforms of the Pinochet dictatorship. Among other things, the Chilean government, while not abandoning an economic model oriented towards the external market or its liberal welfare policies, made access to the old contributory pension system more flexible and universalized a noncontributory pension for the poor. Last but not least, it also introduced fiscal incentives for companies to maintain and train their workers.

While the crisis has had calamitous consequences across the entire globe, perceptions of its impacts have been shaped not only by government officials and representatives of international organizations, but also by individual and household experiences, social movements, as well as the mass media. The four contributions in the *third part* of this volume, therefore, explore the crisis framing by these different individual and collective actors.

In the first contribution of part III, *Michèle Amacker, Monica Budowski and Sebastian Schief* conclude in their chapter on the "Financial Crisis in Chile and Costa Rica: Perceptions of Households in Precarious Prosperity" that Chilean households in precarious economic conditions do not seem to have perceived the global financial crisis as a crucial event impacting on their everyday situation. As the contributors' qualitative interviews reveal, "even when issues may be directly related to the financial crisis, (…) the general precarious circumstances appear more apt to explain the ups and downs of the interviewed households' trajectories than the global

crisis." The same seems true in the case of Costa Rica, which has long resisted radical neoliberal reforms and fared relatively well in the current crisis. In both countries, Chile and Costa Rica, households living in precarious prosperity appear to generally relate feelings of insecurity not to the current crisis, but to problems already existing before the crisis.

The chapter by *Mario Schranz and Mark Eisenegger* on "The Financial Crisis and the Media" analyzes the evolution of the dominant framing and crisis interpretation in the media. Based on a quantitative contents analysis of crisis reports in three leading daily newspapers in the United States, the United Kingdom, and Switzerland, the authors show that it was only in the second half of 2007 that the media started warning about the possible worldwide social and economic implications of what had previously been seen as merely a mortgage crisis in the United States or a crisis of individual financial sectors in the United States and Europe. Before that, a strongly events-driven and personality-focused reporting style had prevented the media from warning of the risks associated with a rapidly developing and increasingly globalized financial system growing out of political control. The blame for the crisis was for the most part put on the misbehavior of individual actors in the financial industry and politics. Only from the second half of 2008 onwards have the leading dailies in a majority of their crisis reports asked for stronger political regulation and clear limits to the reign of free markets.

The chapter by *Ligaya Lindio-McGovern* on "The Migrant Domestic Workers' Counter-Frames in the Context of the Global Economic Crisis" examines the collective responses of migrant domestic workers to the crisis and to unjust working and living conditions. Employing the analytical framework of framing, the author explores collective counter-frames of domestic workers' movements, including Asian and international migrants and domestic workers organizations. Engaged in discursive struggles and in organizing and mobilizing migrant workers, these movements provide alternative insights into the dominant ideologies and crisis interpretations, for instance, by framing wage cuts as a violation of migrant domestic workers' rights.

The concluding contribution to this volume, *Robert Cox's* chapter on "The Global Economic Crisis and Neoliberal Hegemony: Will There Be Any Radical Changes?" provides an analysis of the most important shifts in world power relationships. Cox argues that the current financial and economic crisis has accelerated important structural transformations in world power, since the core countries of the capitalist world-economy and their governance institutions have been most severely hit by the crisis. Cox highlights the transformations and shifts since the 1970s: the rise and demise of neoliberalism, the decline of American world leadership, the disintegration of the IMF-led "Washington consensus" of financial governance, and the evolution of the G20 including the so-called BRICs and regional institutions as dominant frameworks of international governance. Cox concludes that these transformations could lead either to a more plural world with several centers of world power and a continuously negotiated order, or to a continuation and deepening of the strug-

gle for global dominance between the declining U.S. hegemony and the emerging Eurasian powers of China and Russia, eventually resulting in an "almost inevitably catastrophic confrontation."

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