Global Rebalancing
Cultures of crisis
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Global Rebalancing

* Cultures of crisis *

Maastricht, 17 juni 2010

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The facts of global inequality are well known. The share of global household income of the richest 5 percent of the world population is 48.80 and that of the poorest quarter is 0.92 (2002). The cultures of global stratification that enable and sustain this divide are fairly well known too. The North-South divide is based on 200 years of colonialism, on an international division of labor and on stereotypes. In brief, Eurocentrism, or the west knows best, Orientalism, or the east is backward and despotic; and the natives are poor because they are lazy. Culture here is taken in the sense of discourses and imaginaries as well as patterns of expectations, habitus and the everyday unconscious. A précis is in Table 1.

Table 1 Cultures of global inequality

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<thead>
<tr>
<th>North-South</th>
<th>Cultures</th>
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<tr>
<td>1800-2000</td>
<td>Eurocentrism, Orientalism</td>
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<td>1950-2000</td>
<td>Developed-developing countries; GDP</td>
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<td>1980-2000</td>
<td>Washington consensus; market conformity indices</td>
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<td>1993-2000</td>
<td>Clash of civilizations, West v the rest</td>
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Let us take two major ongoing processes, the 2008 economic crisis and the rise of emerging societies, and ask how are these affecting the conditions and cultures of global inequality? How does the entry of new forces change the global equation? Will the East-South turn be more progressive than the pattern of North-South relations? What opportunities and cultures of emancipation are emerging? These questions are both thought experiments, not necessarily designed to get straightforward unambiguous answers, and paying-it-forward on times to come. My approach combines cultural studies, development studies and globalization research.

We have entered a period of crisis. The world majority and the majority in the global south have been living in crisis all along – the crises of livelihoods, of social inequality and ecological risk. During thirty years’ predominance of Anglo-American capitalism, the inequality between and within societies deepened – with East Asia as the main exception. With the dominance of Anglo-American capitalism came crises in peripheral
economies – the tequila crisis, baht crisis, Russian crisis, Latin American crisis, Argentine crisis. The main comparison now is with the previous major crisis, the Asian crisis of 1997/98. This time crisis comes to the headquarters, comes as a product of the very accumulation model that has been upheld as the model to follow for three decades. Politically in each setting the crisis weakens the cards of the party of ‘fast growth’ and ‘money talks’. Crisis comes as the epitome of an accumulation ethos and political style that has ruled for decades; the climb down is largest in the US and UK. Let’s look briefly at cultures of crisis in the United States as a case in point.

Panel 1 USA
Let us first go to Swifty’s, an upscale bar in Manhattan’s upper Westside, and listen in on the conversation. Here belt-tightening ‘doesn’t mean cooking your own dinner, it means flying commercial instead of chartering a jet to fly to Aspen for the Columbus Day weekend. (Not that they couldn’t afford the $80,000 round trip, I heard several say, but it just didn’t ‘feel right.’).’ 1

We stay in Manhattan and attend the court auction of Bernie Madoff’s estate. It includes a collection of more than forty watches including 17 Rolexes, one of which valued at ca $87,500, several Audemar Piguets and Jaeger-LeCoultres, and five designer fur coats. 2 In case you were wondering what were the reasons: these are reasons to cheat friends, colleagues and charities.

The 2008 crisis introduces a culture of thrift. The glam and bling of the ‘roaring nineties’ have made place for a post-bubble credit squeeze, joblessness (8 million jobs lost), ongoing home foreclosures and federal government, states and cities strapped for funds. On new battle lines marketing companies fight back a public mood of frugality. 3 After decades of tax cutting, states rediscover taxes and try to fix budget holes by cutting public services and taxing private services. Privatizing prisons (California), selling toll roads and state lotteries (New Jersey) are to pay for public higher education.

Crisis has led to 10 percent unemployment overall (an effective rate of 17 percent) while unemployment among African Americans is 17 percent (effectively 25 percent) and over 50 percent of black children live in poverty. For communities of color the subprime mortgage crisis represents the greatest loss of wealth in American history. Following the recession,
per December 2009, median white wealth slid 34 percent while median black wealth dropped 77 percent. 4

On the streets, the crisis comes with palpable anger in forms such as the tea party movement, an upsurge of rightwing militant movements (by 240 percent over past years) and extreme views in media, demonstrations, town meetings (on healthcare) and Congress. The ripples of ‘recreational hate’ and ‘sadism looking for a story’ are sprawling wider.5 While anger is not ostensibly directed against minorities, ‘race’ is a subtext of the tea party movement (essentially, whites don’t want to pay for minorities’ health insurance). The bailout of banks, a major cause of anger, concerns betrayal of a deep kind: the helper of past years (provider of credit, mortgages and home equity loans) turns out to be a thief and to be rewarded for it! ‘The message here is rich people being rewarded for bad behavior.’6 Credit expansion had been the solution for American dilemmas since the eighties. If Main Street wasn’t doing well (deindustrialization, offshoring, outsourcing) Wall Street came to the rescue. If median wages didn’t rise since the seventies, though productivity and consumer spending did, easy credit was the reward and the solution. The crisis marks the end of an era, the final breakdown of a dream. Now ordinary folks must rhyme their faith in market forces with market failure.

According to Frank Rich, the rage in America is about changing demographics: ‘By 2012, the next presidential election year, non-Hispanic white births will be in the minority. The Tea party movement is virtually all white…. When you hear demonstrators chant the slogan “Take our country back!,” these are the people they want to take the country back from.’7 The rage is layered and reflects multiple crises – economic crisis, demographic crisis (the gradual shift from white Anglo-America to beige-brown-mixed America), a crisis of governance (impasse in Congress) and crisis of national identity (the United States is no longer number one). In some respects this is similar to anti-immigrant sentiments and anti-Muslim hysteria in Europe. In Europe people are angry because the welfare state is shrinking; in the US the tea party is angry because the welfare state is expanding. In both countries rightwing forces deflect economic and political problems on minorities and target minorities as vulnerable groups, before and after crisis.

Let us conclude our visit with brief notes. First, the unit, the United States is deceptive and breaks down by class and ethnicity; the experiences of the top 1 percent, the majority middle class, and communities of color
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are radically different. Second, the impact of crisis is far more dramatic in America than in Europe; the US has deindustrialized to a much larger extent, the public sector that can buffer the impact of crisis has been hollowed out by tax cuts, and free market ideology dominates.

‘Playbooks are not readily available when it comes to new systemic themes.’ This leads many to revert to backward-looking analytical models, the thrust of which is essentially to assume away the relevance of the new systemic phenomena’.

Mohamed El-Erian, 2010

Now we shift our gaze to the global scene. Not too long ago it may have been sufficient for many purposes to view the world as split between North and South, core and periphery, developed and developing, rich and poor countries, industrial and agro-mineral economies. This is the classic international division of labor that goes back to colonial times. In the 1970s this began to change with multinational corporations investing in low-wage countries in Latin America, the Caribbean and Asia, which was then termed the ‘new international division of labor’. Dependency theorists argued it was a fad, a fantasy; investors would flee again once labor cost rose; dependent capitalist development brings only under-development. A new branch of studies began to critically examine the semi-periphery as a formation in-between the core and the periphery that acts as a periphery in relation to the core (exporting commodities, adopting its cultural styles) and as a core in relation to the periphery (exporting finished products, setting cultural standards, acting as regional police). Immanuel Wallerstein (1984) argued that the emergence of the semi-periphery gave the world-system a more stable structure: rather than the polarized core-periphery, North-South, rich-poor field, balancing forces in-between give the overall structure greater resilience. Table 2 summarizes the three way division.

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<tr>
<td>North</td>
<td>East and South</td>
<td>South</td>
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<tr>
<td>Core</td>
<td>Semi-periphery</td>
<td>Periphery</td>
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<tr>
<td>Developed</td>
<td>Developed and developing</td>
<td>Developing</td>
</tr>
<tr>
<td>Rich</td>
<td>Rich and poor</td>
<td>Poor</td>
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<td>Post-industrial</td>
<td>Industrial (and agro-mineral)</td>
<td>Agro-mineral</td>
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In the twenty-first century the semi-periphery has come of age and global dynamics are radically changing. The 2008 crisis accelerates this process. ‘The noughties of the 21st century’ notes Martin Wolf ‘now have the same fin-de-regime feeling as those of a century ago.’

No doubt, the next big thing in globalization and global studies is the rise of the emerging societies, under various headings such as the rise of the second world, the ‘rise of the rest’, the BRIC (Brazil Russia India China), SICS (systemically important countries, or BRIC plus Mexico, South Africa, Turkey and South Korea) and so forth. Emerging societies are rising in trade, business, multinational corporations, finance and international influence (cf. Agtmael 2007, Prestowitz 2005, Sirkin et al 2008). The share of emerging societies in global GDP has risen from 21 percent in 1999 to 36 percent in 2010. The BRIC are ‘the only developing economies with GDPs of more than $1 trillion per year’ and ‘have provided 45 percent of economic growth worldwide since the financial crisis began in 2007’. Together their foreign reserves are six times the assets of the IMF.

Consider a sampling of headlines, writings on the wall:

- Why brands now rise in the east
- Consumption starts to shift to China, India and Brazil
- Developing countries underpin boom in advertising spending
- Architecture firms go east for work
- Bankers sense shift in capital flows
- Emerging market debt is the new safe haven
- Emerging economies set to play leading investment role
- Benchmark expert watches market weight shift eastwards
- U.S. cities seek to woo Chinese investment
- It was the emerging markets, most notably China, that pulled the world back from the brink of financial meltdown.

What is at stake in these changes? First, it is ‘the rising influence of rising affluence’. This is where the big new growth markets are, so in business, finance, commodities, transport, advertising, technology, architecture, this is the big story, the next great frontier that inspires enthusiasm in business schools. New iconic buildings arise in Kuala Lumpur, Taipei, Seoul, Beijing, Dubai, new museums, new biennales, new art markets, record sales of luxury goods. Shanghai chic sets a new tone. Major retailers, global brands, diamond traders, architects, advertising agencies, universities, bankers, all head east. Major international cultural events – the Olympic
Games, the World Cup, the World Expo – are drawn to emerging societies. Maybe the refrain is simply ‘follow the money’ but in the meantime our global horizons are changing.

A Londoner notes, ‘Spend two days in Seoul and London starts to look and feel like a sleepy, stagnant backwater’.\(^\text{15}\) The avant-garde architect Jacques Herzog who designed Beijing’s Bird’s Nest Stadium, observes, ‘I think we may be able to learn from China, Brazil and India, to see how society is able to transform’.\(^\text{16}\) So what is also happening is a revitalization of modernity and staging new modernities and new spheres of cultural influence (first regionally such as the ‘Korean wave’ in East Asia) (Nederveen Pieterse 2009b).

Second, it is a reconfiguration of the world economy. A ‘new geography of trade’ has taken shape in relations between Asia, Latin America, the Middle East and Africa. In development studies this is the theme of the Asian drivers (Kaplinsky and Messner 2008). When during the postwar boom (1950-1970) industrial countries in the west and Japan were drivers of world economic growth, commodity prices were high, commodity exporting countries prospered and it was a period of relatively equalizing growth globally. When postindustrial consumer societies propelled the world economy during 1980-2000 it was a period of unequal, polarizing growth between and within countries. With industrializing economies again driving the world economy, rising commodity prices enable a pattern of relatively equalizing growth globally (structurally similar to the period 1950-1970). The East-South turn again redirects the overall pattern towards global redistributive growth.

Emerging societies are increasingly fulfilling core functions on the world stage – acting as development role models, providing stable markets, loans, aid and security, with China as a leading force. Emerging societies don’t just play this role in relation to developing countries; some of their model, creditor and stabilizing functions unfold at a global level.

The role of emerging societies in international finance has been growing too. Sovereign wealth funds from Asia and energy exporting countries provide credit on a world scale and to international financial institutions. There has been a remarkable reversal of the creditor-debtor relation between the United States and Asia and Mid East oil exporters, remarkable because it unfolds in international finance, the central powerhouse
of western influence, and the sector through which the US sought to shape emerging economies. Besides, finance is traditionally the terrain in which hegemons retain their lead when it fades in economic, political and military domains (cf. Arrighi 2007). There has been a reversal, too, of classic economic postures – the world’s leading protagonist of free trade now is China, not the United States!

Third, it portends a reconfiguration of the world order, though so far this is only dimly visible on the horizon. The unipolar world is no more nor is the world of the big powers, as indicated in the shift from the G8 to the G20 in the wake of the 2008 crisis. Global governance is ‘still lost in the old Bretton Woods’,17 the voice of the newcomers is barely being heard and the G20 may be a step back for it expands the rule of big countries over small.18 The G20 is a provisional formation and it will take time before transformation takes shape. Other elements of change range from the Shanghai Cooperation Organization to new cross-regional formations such as IBSA (India Brazil South Africa).

There are now three sets of relations to consider. First, relations within semi-peripheral countries between industrial and agro-mineral sectors, between rich and poor and between urban and rural populations; the second set of relations is between the core and semi-periphery, between old and new forces. The third is relations between the semi-periphery and periphery, between East and South or South and South, such as relations between China and Africa; which is the theme of a growing literature. All are important; the first set is the theme of a recent volume (Nederveen Pieterse and Rehbein 2009). In this discussion I focus on the second theme.

Why is this theme important? The present juncture is an in-between condition. The old hegemony is no more, its frailties pose global risks; a new constellation isn’t yet available although some contours are visible on the horizon. Current trends can be read in two ways, towards refurbishing the old order or the emergence of new logics, which can be simplified as a tale of two scripts. One is global plutocracy with Anglo-American capitalism and financial markets in the west back in the lead, emerging markets joining the club and the G20 as the de facto governing board of the IMF. The main instrument for achieving this is ‘global rebalancing’, which functions both as ideology and policy. The second script is emancipatory multipolarity, considering that countries representing the majority of
the world population have come to the global head table. Let us consider as a guiding image the global situation as a giant seesaw or teeter totter. The middle position is multipolarity – not just New York, London, Tokyo matter but additional centers such as Beijing, New Delhi, Sao Paulo, Seoul, etc. The middle position is highly unstable and constantly oscillating (see Fig 1).

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<th>Global plutocracy</th>
<th>Multipolarity</th>
<th>Emancipatory multipolarity</th>
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<td>Anglo-American capitalism back in the lead, emerging markets join the club, G20 as governing board of IMF</td>
<td><strong>Global rebalancing</strong></td>
<td>Countries representing the majority of the world population come to the global head table</td>
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Here I will discuss global rebalancing and argue that it is a misleading discourse – although it could be meaningful if we consider it also from the point of view of the new forces. I will reflect on analytics and methods and argue that elements of both scripts, global plutocracy and emancipatory multipolarity, will likely be combined. I will close with the theme of cultures of crisis as a research agenda and as a way to get past macroeconomics to ground our understandings in everyday experience in different parts of the world.
Global rebalancing
The major post-crisis script, discussed in the G20, Davos and the business media is global rebalancing. If global imbalances were the underlying cause of crisis, managing crisis means addressing the imbalances. In the US, UK and EU – where this is the dominant discourse – rebalancing means that China should appreciate its currency, the renminbi, and surplus countries (East Asia and oil exporters) should fund the IMF so the IMF resumes its role of managing world economic stability (e.g. Wolf 2010). General prescriptions, which involve not just policy changes but structural changes, are that Asia should export less, save less and consume more and the US should consume less, save more and export more. Protectionism is the threat behind this agenda. While the US and EU put steady pressure on China to appreciate its currency, China accuses them of protectionism and ‘restricting China’s development’. The situation is reminiscent of the 1985 Plaza Accord in which the G5 agreed on an appreciation of the Japanese yen and devaluation of the US dollar. Now, however, China has learned from the Japanese experience, the US has less leverage and China, as the US’ major creditor, expresses its concern about American deficits and fiscal policies.

The argument of rebalancing presents several problems. It affirms the idea of equilibrium; it upholds an abstract model; and the emphasis on global rebalancing diverts the attention from domestic reform. The dominant ideas of rebalancing reflect the perspectives of the rich countries, the world viewed through the lens of the advanced economies, and seek to restore a balance that may be unrecoverable. It also assumes more advanced global governance than is realistic both in view of existing imbalances and the past record.

If equilibrium models don’t apply generally, they apply even less in the world economy. Imbalances have been at the foundation of the contemporary world economy, such as the slave trade, the imbalance between colonial and colonized countries and the unequal exchange between metropolitan and dependent zones, between producers of manufactured goods and suppliers of raw materials. So balance has no precedent in the world economy, imbalance is common and balance is the ideal. Meanwhile the actual significance of an appreciation of the RMB is contentious. ‘Global rebalancing’ is code language for shifting the burden of reform on China and other emerging societies: keep the ‘free market’ in the west courtesy of regulation in the east. It implies there is little need for reforming western
ways for there are external remedies. The likely meaning of rebalancing is dynamic imbalance, or transitions from one type of imbalance to another.

Global plutocracy?
Will there be a global convergence of capitalisms on the western model? Will western capitalism gobble up emerging markets and will emerging societies join the club of big powers as franchises of western ways with different interior design? This is under discussion worldwide. I will present perspectives on both sides of the equation.

Sir Martin Sorrell, chief executive of the British global marketing group WFF, expects adjustments and the end of the era of super consumption, but the pendulum will swing back, albeit with a different geographic balance of power and the rise of a new capitalism with an Asian-Pacific, Latin American flavor. The tenor is: let regulations come, they will fail again, incorporate the new capitalism and the London City will be back in business. Others observe a merger of elites, with business elites and ruling elites west and east forming a new global ‘superclass’ (Rothkopf 2008). Think of Mittal and the steel industry, think of Tata buying Jaguar and Land Rover, of Lenovo buying IBM Thinkpad and IBM investing in India. The transnational capitalist class argument and world-system analysis broadly argue along similar lines. According to the ‘neoliberalism everywhere’ thesis along the lines of David Harvey, Mike Davis, Patrick Bond, the most advanced form of capitalism, which is neoliberalism, dominates and therefore capitalism = neoliberalism (e.g., Harvey 2005, Westra 2010, Petras 2009). Scholars who in the 1980s argued that the semi-periphery wouldn’t fly, such as Samir Amin and James Petras, now typically dismiss emerging societies as neoliberal economies, in other words, theirs is a script in which western capitalism always wins.

In fact, this is how Goldman Sachs’ idea of the BRIC operates. From the original 2001 research paper ‘Building Better Economic Brics’ to 2003 ‘Dreaming with Brics’ and the 2005 idea of N-11 or ‘Next Eleven Nations’ to emerge as major economies, it was not just a matter of selling the BRIC as a portfolio category to investors but also to recruit local talent: ‘Goldman is trying to raise a new generation of local leaders.’ This project, of course, hinges on the value of the brand and since Goldman Sachs’ indictment for fraud in April 2010 the brand has been slipping fast.
This illustrates how contingent scripts are – contingent on paradigms, ideologies, politics, institutions, data sets, contingent on expectations of continuity. Each stakeholder tends to project its expectations forward. Let us unbundle the dynamics. In contention are narratives of crisis, frontiers of regulation and developments in emerging societies.

In American elite views, the crisis is a systemic failure, no one’s fault, and Wall Street wizards are needed to unwind the mess.21 A dominant view in Wall Street is that crisis has been brought about by a ‘savings glut’ in Asia; remedy: cut savings in Asia, borrow less in the US. An additional factor is financial excess and deregulation in the west; remedy: regulate banks. Then, a broad (though not uniform) expectation in Wall Street and London is that rebalancing will converge on dominant institutions and will restore the balance that existed prior to crisis.

Nigel Lawson, former Chancellor of the Exchequer, asks ‘Will capitalism need to change in the future?’ The lesson of history is that the answer is ‘not really’. The economic cycle is endemic and inescapable, and everyone ... has always known this. What the current cycle does underline, however, is that a cyclical downturn associated with a collapse of the banking system is by an order of magnitude worse than a normal cyclical downturn’, so we need to re-install the separation between commercial and investment banking that was eliminated under the Clinton administration, and that is the extent of reform required.22

Reform is inevitable but there is ample pushback on the frontiers of regulation. Bank lobbyists spent almost $370 million in Washington over the past decade on lobbying and campaign donations to ward off tighter regulation of their industry.23 Gary Becker of the Chicago school cautions that the ‘cure’ should not destroy capitalism and a recession isn’t the right time to change the rules of the economic game (and the healthcare bill is flawed and voters will go back to limiting government).24 Wall Street voices claim that derivatives are necessary, insider trading makes markets function more smoothly, speculation is crucial to the functioning of financial markets and ‘government control’ is a nightmare that haunts investors.25 Business fights back ‘in defense of free enterprise’ by pointing out the problems and cost of government control, the mistaken idea that the recession has been purely a failure of markets and that market failures are readily overcome by government solutions.26 Tory historians such as Niall Ferguson counsel against creating yet another layer of government regulation.27
Reforms, then, should not go too far. The rise of emerging markets takes time and for all their shortcomings, western institutions and financial markets are best placed to manage the transition. Globalization is moving at mach speed and the financial crisis is just a small cloud over the road of rapid global innovation (Easterbrook 2009). Across the world the tide has turned in favor of regulation but ‘the skyscrapers are high and the regulators are far’. Institutions are resilient, paradigms are slow to give way, market forces are swinging back, herd behavior hasn’t ended, the rewards of discipline are unclear, and reform is distant.

Yet, if a return to normal may be likely in the short run, with it comes continuing economic frailty and financial instability. Counterpoints to the global plutocracy script are several. The ‘new normal’ anticipated in financial markets is slow growth in the west, more regulation and, following bailouts and stimulus, greater risk of sovereign debt (El Erian 2009).

If the rise of emerging markets is the next big thing, the ‘other big thing’ is finance and its sheer volume. In the US the FIRE sector (finance, insurance, real estate) employs 20 percent of the workforce, the largest sector of employment. In 1995, the assets of the six largest banks were equivalent to 17 percent of GDP; now they amount to 63 percent of GDP.29 In 2002 finance generated 41 percent of US corporate profits. The pay rate in the finance sector is 181 percent of median pay. In 2007 American house-
holds spent on average 20 percent of their disposable income on finance charges. It is a story of ‘banks gone wild’, especially in the US and UK, and ‘a financial sector that turned away from the business sector, then caused its self-destruction, and a business sector beset by short-termism’. The system is ‘heads you win, tails you win’. Paradigm rethink comes exactly when the easy money runs out (Goodman 2009; Cassidy 2009; Soros 2008; Wade 2008; Phillips 2009; Fox 2009).

When during the US Senate hearing of Goldman Sachs a senator exclaimed ‘this is gambling!’ it elicited an immediate indignant response from the Las Vegas casino industry: the comparison is insulting, for our industry, unlike theirs, is highly regulated; here a pit boss knows exactly what is going on but they don’t. Susan Strange’s ‘casino capitalism’ that was a daring critique in the nineties has now long been overtaken by (citing the business press) toxic finance, death wish finance and doomsday finance.

Several rebalancing policies are contradictory; while trying to fix domestic imbalances they add to global imbalances, or while fixing one problem they create another. (US stimulus spending remedies recession but increases US imports and adds to the external deficit; the ‘cash for clunkers’ program increased sales of cars of foreign manufacturers rather than cars manufactured in Detroit.)

Most accounts deal with financial crisis and gloss over economic crisis. They treat crisis as a liquidity crisis triggered by external circumstances (read: China) and overlook the deeper solvency crisis (Baker 2009), which in the United States is far more serious than in Europe and Japan. In the wake of crisis, western financial markets are about as appealing as the United States after hurricane Katrina. According to a trenchant diagnosis, ‘bankruptcy could be good for America’ for bankruptcy focuses the mind.

In sum, the weaknesses of the global plutocracy script are: the financial sector is vast, politically embedded and out of control; western institutions can possibly co-opt part of the emerging societies’ elites but not all and not the majority of the population; economic and financial surplus has shifted and the appeal of western institutions is receding.

The 2008 crisis as a crisis of permissive capitalism and unregulated financialization exposes the frailties of neoliberalism and Anglo-American capitalism on all levels – as ideology (laissez-faire), as paradigm (efficient
market theory), as economics (financialization, short-termism), as policy (cut government), as methodology (financial mathematics), institutions (accounting, rating agencies, regulators) and as culture (bonus culture, predatory CEOs). The 2008 crisis is part of a series from the collapse and bailout of LTCM, the collapse of Enron and other corporations to the sub-prime mortgage crisis and the Goldman episode.\textsuperscript{33}

**Emancipatory multipolarity? Global rebalancing plan B**

So we turn to scripts of multipolarity. In Asia and the global south global rebalancing holds different meanings. Thus, according to Ronnie Chan, a banker in Hong Kong, it entails:

- shift in moral authority in which the west no longer holds the moral high ground
- shift in decision making in the world economy in which emerging societies carry greater weight (as in the expansion of voting rights in IMF and World Bank)
- shift in the center of gravity of the world economy from the Atlantic to the Pacific
- gradual shift away from the US dollar as world reserve currency in favor of a basket of currencies and bilateral currency deals
- shift towards growing East-South or South-South economic cooperation.\textsuperscript{34}

Since in Asia the new normal means shrinking demand and rising protectionism in the West, free trade agreements in Asia have been rapidly expanding\textsuperscript{35} and trade relations between Asia, Latin America, Africa and the Middle East have been growing as rapidly. Part of this is the ‘new silk road’ connecting Asia and the Middle East (Simpfendorfer 2009, Nederveen Pieterse 2010). Because western markets are shrinking emerging societies must adjust their export-led models to domestic, regional and global south demand. Just as import dependence is unsustainable for the US, so is export dependence for Asia: ‘If the import-and-consume business model is dead, so too is export-and-save’.\textsuperscript{36} If domestic demand and domestic demand-led investment replace export-led growth, rebalancing in emerging societies may enhance opportunities for broad-based social development rather than fast-track growth, but this is a complex path.

Measured in financial assets emerging markets including the Middle East and Eastern Europe add up to about $25tr, the US about $54tr, the EU $42tr and Japan $26tr, so their total assets are less than those of Japan
and of course more disparate and dispersed. For western institutions this is a key point: emerging economies and their financial markets are too small to manage and absorb investments. But this also cuts the other way: the large financial markets are in the west but the surplus is increasingly in emerging societies and this is where economic trends are turning. Emerging markets have had ‘a good crisis’, their high growth has resumed, their domestic and regional markets are growing, they can borrow at cheap rates, their currencies are rising against the dollar and they have mostly young populations. The idea that western financial markets can absorb the emerging markets underestimates the growing discrepancy between financial institutions in the west and financial surplus in emerging markets. China and other emerging markets are turning away from Wall Street.

According to Martin Wolf, ‘Go east! That is the advice one would give an ambitious financier. This will change the nature of the financial industry. It will also change the philosophy of finance: for most emerging and developing countries, the financial industry exists to push the economy along a development path broadly determined by the state.’ 37 Another report notes, ‘within 15 years half of capitalization will be in emerging markets and asset allocation will reflect that’. 38

The idea that emerging societies can be incorporated in Anglo-American capitalism underestimates their different ways of organizing capitalism in view of the political and social pressures they face. With the lead model imploding under corporate scandals, toxic finance, fraud, feeble institutions, inept governance, aging populations, a looming mammoth fiscal debt, a massive overhang of sovereign debt and government eviscerated by tax cuts, the capitalisms in the East and South with their dynamic developmental states, emerge as more stable and more dynamic.

If economic and financial multipolarity is likely to remain, let us consider its democratic potential. In my view, the rise of emerging societies is likely to be on balance emancipatory in the sense of benefiting the majority of the domestic population and the world majority. Because the emerging societies are also developing countries for political (stability), social (cohesion) and economic reasons (domestic market, human skills), some degree of broad-based development and inclusive policies are likely. It was on these grounds, after all, that apartheid came to an end in South Africa. It isn’t possible to industrialize with the majority of the population dispos-
sessed and excluded. China, in response to major social and political unrest, abandoned fast-track polarizing growth and adopted the ‘harmonious society’ framework in 2003. India is headed for a similar crossroads with mounting challenges from Naxalites, dalits and Adivasis and crises of rural and urban poverty. To the extent that the rise of emerging societies is based on industrialization they face the main challenge of modernization: how to incorporate the peasant majority; which is the theme of a different discussion (see Nederveen Pieterse and Rehbein 2009). Past answers to this challenge have been fascism, Nazism, Soviet communism and Maoism, so the stakes are large.

**Cultures of emancipation**

Would the growing middle classes of Asia and Latin America welcome the emancipation of the poor majority for social or cultural reasons? Not likely. They will welcome it as long as it is essential to economic growth. As prosperity grows so does middle class conservatism. Cultures of stratification – race in Brazil and South Africa, ethnicity in Latin America, caste and religion in South Asia, intersecting with patriarchy and authoritarianism – display a pathos of inequality that may intensify rather than weaken with economic growth. In recent years prohibition of cross-caste marriage in India has been on the increase. Middle classes do not necessarily applaud the rise of the peasantry – like the red shirts from Thailand’s northeast on the streets of Bangkok or the Muslim militants in Pattani in the south. When the bourgeoisie rose the nobles lifted the draw bridge. When the peasants come to town the bourgeoisie closes its doors and shutters. Peasant cultural vocabularies aren’t particularly appealing or cool. President Suharto dismissed the protesters against his dictatorship as not being ‘alus’ (refined in manners, according to Javanese aristocratic priyayi style).

The rise of Islam in Turkey represents the emancipation of the peasants of Anatolia, migrating to the towns, settling in ‘gecekondu’, migrating to Europe, establishing enterprises, Muslim business associations, trade unions, and gaining electoral clout (Adas 2003). The middle class and feminist university professors of Istanbul were scared when a Muslim mayor was elected to Turkey’s ‘European city’. Now a Muslim prime minister and president head the government. Intense political and cultural battles (Kulturkampf) are ongoing between the Anatolian vocabulary of Islam and the secular urban middle class and Kemalist state and military, battles over power and the symbols of power, over headscarves, over public...
space, city squares and universities (Cinar 2005), in which Europe looks on frightened and askance and not understanding when it doesn’t recognize the face in the mirror. Similar frictions exist in several other countries. The Muslim Brotherhood in Egypt reflects the values of the fellahin, the peasants and rural migrants of Cairo’s slums and shantytowns.

So often the vocabulary of the previous wave of emancipation is taken as the standard for the next – as if all subsequent waves of emancipation should carry the banner of Voltaire and Diderot, of Marx or Che Guevara. As if secularism should be the touchstone for all newcomers to the gate – emancipation frozen in time, gilded, decorated and elevated on a pedestal, such as French laïcité. Paul Berman (2010) criticizes Muslim intellectuals for not upholding the values of universalism. Thinkers and policy makers across the west think that by condemning expressions of religion in the global south, especially Islam, they are defending the ramparts of civilization – rather than those of class snobbism, the Eurocentric conservatism of new Tories, and the fear of the privileged looking down on the barbarians at the gate, with Geert Wilders or Sarah Palin voicing their fears. Of course religion and ethnicity are the vocabularies of the world’s poor and peasant majorities – the poor attend the university of hunger and religion is the university of the poor where they take a second degree. Religion has been vital in decolonization movements, vital in the civil rights movement, in insurgency and counterinsurgency. Romanticizing the poor as more virtuous and uncritically applauding their movements is a mistake; condemning the poor and migrants for not meeting the cultural standards and dress codes of the world’s middle class is pettiness.

When now the world’s working class, clustered in the factory economies of Asia, is knocking on the door of the American middle class and reclaims its added value, it is condemned for its crass materialism – as if the makers of the west’s consumer goods shouldn’t also enjoy them.

Emerging markets also compete with one another and with light industries in developing countries and east-south relations are not exempt from unequal exchange, regional hegemony and big power aspirations. Yet, by comparison to North-South relations, the East-South turn on balance holds greater emancipatory potential. As industrializing countries they drive commodities demand, as in the 2003-2008 commodities boom, and because they are also developing countries and share colonial expe-
riences and frictions with institutions of the North, they have greater affinity with other developing countries and are less burdened by stereotypes. Manoranjan Mohanty, political scientist of Delhi University, reviews debates and social movements in India and China and finds that ‘the probable scenario is the simultaneous unfolding of both these trends – the rise of India, China and some other countries and their entry to the big power club and those policies being increasingly challenged at various levels and the demand for democratization growing in strength. … The ideology of domination is under attack everywhere... Today not only global hegemons are under challenge; regional hegemons are under even greater challenge. In South Asia, for example, not only Pakistan but even smaller countries like Nepal, Bangladesh would not accept any form of domination by India.’

Analytics
Let’s pause for general considerations. Let us be wary of totalizing scripts, whether they come from Davos or Porto Alegre, from the World Economic or the World Social Forum. For the sake of argument I have presented two extreme scripts; but either/or outcomes are too simple.

Layered processes produce layered outcomes – with different and combined patterns of transnational, regional, national and local cooperation, so different scripts coexist at different levels. Transnational cooperation occurs in international law (UN, ICC), institutions (WTO, IMF), finance (capital markets), technology (industrial standards), intellectual property (patents, licensing), trade and firms. Regional units such as the European Union, the Gulf Cooperation Council and ASEAN follow dynamics of their own. Transnational cooperation doesn’t simply overrule but because of institutional arbitrage (juggling the pros and cons of different regulatory environments) often reinforces institutional variation in capitalist organization in different countries. Then there is local variation, between say Wuhan and the Pearl River Delta in China. Hence capitalist convergence and divergence occur at the same time. Elites and business classes in different countries cooperate and follow their own ways; which brings us back to the classic thesis of combined and uneven development.

A parallel in cultural studies is that although many expect globalization to produce cultural standardization and McDonaldization, this happens only in some spheres; regional, national and local variations continue with dynamics of their own, combine with transnational culture and
generate new patchworks of difference, a situation I have described as ‘global multiculture’ (Nederveen Pieterse 2008, 2009b).

After all, everything is a matter of political struggle. It’s impossible to take politics out of the equation and with politics in the equation the outcomes are unpredictable. While there are overall patterns and trends, changing political tides can alter the equation.

Then there is the fallacy of units. We speak of ‘China’ and ‘the United States’ because that is how economic data sets pile up, but what matters are classes, strata and regions within and across these units. Contemporary technological, business and communication interweaving is such that national units are of limited purchase. Even so, nations are forums of social reflexivity and units of political decision making, and in each country there are multiple factions, for instance in China, the new right (neoliberal), the new left (green and social), the old left (Maoist) and the old right (Confucian) and the balance is continuously shifting.

Furthermore, we must factor in ideological noise and gaps between actual economic practices and how they are represented in international media which are biased towards dominant paradigms (Nederveen Pieterse 2009a).

**Methods**

Several points of methodological caution follow. Arguing continuity is easier than arguing trend breaks. Trend breaks invite the autopilot response: you’re exaggerating; changes aren’t nearly as large as you suggest. New data are not readily shared and once a different future door opens there is no playbook, so resistance is considerable.

Therefore assessing the degree of change is crucial. The usual recourse is to metrics. If you can’t count it, it doesn’t count. But metrics follow paradigms – in Hazel Henderson’s words, people measure what they treasure; data are theory-dependent; hence the problem of indicators. Indicators such as GDP measure economic activity from limited assumptions (Stiglitz 2010). Metrics matter, but quantitative data are qualitative assessments in disguise.

When it concerns system change assessing the degree of transformation is difficult because the criteria of assessment are contingent and are different when viewed from within or outside the box.
A possible remedy is to supplement the approach to global transformation by global multi-sited ethnography as a way to get past macroeconomics and to ground our understandings in everyday experience in different parts of the world.

This is the closing theme, cultures of crisis. In brief, this seeks to enter the social tissue of transformation more deeply by looking at different panels of global coexistence, comparing societies and strata placed differently on the spectrum of global imbalance, not just in metrics and generalizing judgments but also in experiential terms. Part of the culture of consumption in the west/production in Asia is the vanishing of the working class in the west (everyone is ‘middle class’), the emergence of a culture driven by marketing ploys and techniques, a culture of entitlement and rampant consumerism, choreographed by market gimmicks. How does crisis affect this culture? Does it enable greater sobriety and a green turn? Does it tone down the culture of celebrity and glamour, excess consumption and overheated real estate markets, and bring back a production ethos? How does crisis affect culture in emerging societies and developing countries? Wider understandings are that crisis and globalization interact: what is a threat for some is an opportunity for others; crisis and class interact: crisis transforms and is transformed by class relations; and crisis and culture interact. For these reasons we should not generalize about crisis. This is a research agenda I will pursue and promote at Maastricht University.

Maastricht University
I close with words of appreciation for colleagues and the university. My cordial thanks, first, to dean Rein de Wilde who has invited me for this chair and to Lies Wesseling, Wiel Kusters and Maaike Meijer for escorting me in, to the cordial environment of the Faculty of Arts and Letters, to my colleagues in development studies, Valentina Mazzucato, Chris Leonards, Veronica Davidov and Wiebe Nauta, to Sjaak Koenis, with special thanks for giving me feedback on a draft of this lecture and for agreeing to accept the blame for whatever is wrong with it, to Wiebe Bijker, Ihab Saloul, Sally Wyatt, Agnes Andeweg, Koen Brams, Luc Soete and many others for conversation and companionship and for your willingness to welcome a professor who visits but is not a visiting professor. Let me assure you that in companionship the old world is still quite ahead of the new world, and that applies to city life, too. I thoroughly enjoy the opportunity to hold a chair in the Netherlands because it reconnects
me with home turf, even though perhaps my Amsterdam accent isn’t quite what it used to be. I cherish joining Maastricht University because of its dynamic and international profile; indeed I come across Maastricht University students also at the University of California, Santa Barbara. I thank my home University of California for enabling me to hold this part time chair. I hope I contribute to the life of the faculty and I thank you all cordially for your attention.
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19. ‘Just as the crash was inevitable, so will be the pendulum swinging the other way. The teeth and claws of capitalism will be blunted, and we will see the return of forms of state corporatism familiar to those of us who lived and worked in the 1970s. We in business need to be philosophical: if taxpayers are required to bail out banks or other businesses, they should expect a say. The devolved Wales and Scotland were already operating on a Scandinavian model; we should expect more of the same. It is part of the hangover from the party, but probably not the cure for a punishing headache. Just as business is poor at government, so government is feeble at running business. At some point, the cycle will begin afresh. Henry Kravis of the private equity house KKR recently said that at least $300bn–$400bn of private equity money is waiting for deals. Eventually, low stock market valuations will become irresistible, and the gears of mergers and acquisitions will again crunch into action – albeit with considerably less leverage than before. Then the pendulum will begin to swing back. At the same time, another change is playing out. The geographic balance of power is reversing – returning to the east and south, from where it came two centuries ago. The new capitalism will have an Asian-Pacific, Latin American flavour – more orderly, more pragmatic and more flexible. Despite the rise of other regional economies, US innovation and ability to raise capital will be undiminished. The City can flourish again, too, if it is not hobbled by modern-day Keynesians and regulators... I am less optimistic about western Europe, where structural change seems difficult, if not impossible.’ Martin Sorrell, The pendulum will swing back, Financial Times, April 8 2009, 9.
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39 See e.g. Jagmati Sangwan, Khap panchayat: signs of desperation? The Hindu, 7 May 2010, with thanks to Sharada Srinivasan for the reference.
40 ‘There are big debates within both the countries today as to whether they just travel on the western path of industrial revolution or on paths that make their economic development consistent with their cherished values. The debates are reflected in the many social movements going on in India – ranging from the movements against mega projects that cause large scale displacement to tribal people’s movements for forest rights and dignity. In China it may have taken different forms, but the questioning of the current strategy of rapid economic growth was as pronounced. That is why the Hu Jintao leadership propounded ‘scientific outlook on development’ - a balanced development that was socially just and environmentally sustainable in order to build a ‘harmonious society’.” Mohanty 2009.