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Barry K Gills ^a

^a School of Geography, Politics and Sociology, Newcastle University, Newcastle upon Tyne

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Going South: capitalist crisis, systemic crisis, civilisational crisis

BARRY K GILLS

ABSTRACT *This article argues that the current protracted and severe financial and economic crisis is only one aspect of a larger multidimensional set of simultaneous and interacting crises on a global scale. The article constructs an overarching framework of analysis of this unique conjecture of global crises. The three principal crisis aspects are: an economic crisis of (over) accumulation of capital; a world systemic crisis (which includes a global centre-shift in the locus of production, growth and capital accumulation), and a hegemonic transition (which implies long term changes in global governance structures and institutions); and a worldwide civilisational crisis, situated in the sociohistorical structure itself, encompassing a comprehensive environmental crisis and the consequences of a lack of correspondence and coherence in the material and ideational structures of world order. In these ways, the global system is now 'going south'. All three main aspects of the global crisis provoke and require commensurate radical social and political responses and self-protective measures, not only to restore systemic stability but to transform the world system.*

Because of greed for wealth the fool destroys himself as if he were his own enemy.¹

The term crisis, like the term globalisation, has been used and abused in a bewildering variety of meanings and contexts. The world is currently in the midst of the most serious global financial and economic crisis since the Great Depression era.² However, the present global capitalist crisis is only one aspect of a multidimensional set of simultaneous, interacting and 'converging crises'.³ This article will attempt to construct an overarching framework of analysis of this unique global crisis, arguing that it has three principal aspects: a crisis of capital accumulation, a world systemic crisis (including a global centre-shift and hegemonic transition) and a civilisational crisis, situated in the socio-historical structure itself. In these ways, the global system is 'Going South'.

In terms of profit, growth, and employment there has been a major global contraction since 2007, with perhaps a prolonged economic slump yet to come, particularly affecting the old core economic regions of North America,

Barry K Gills is in the School of Geography, Politics and Sociology, Newcastle University, Newcastle upon Tyne. Email: b.k.gills@ncl.ac.uk.

Europe and Japan. In terms of the global locus of manufacturing production, investment, growth and profitability, there is an ongoing shift to the global South, and particularly to Asia (eg China and India), as well as to other rising or 'emerging economies'. In terms of the structure and exercise of global hegemony, the unilateralist moment of US power following the end of the Cold War and after 9/11 is now coming to a close, and the global economic crisis has already signalled a potentially far-reaching and long-lasting reorganisation, away from a single hegemon and towards the shared hegemony of a global condominium of major economies (eg from the G7/8, to the G20, and to the G2).

Every major historic crisis has had both long-term structural causes and shorter-term precipitate causes. Each crisis has also had its own particular and unique features and characteristics. I will argue that this global crisis can be better understood when analysed in historical perspective, as it demonstrates many key features of past major historic social and structural crises. Nevertheless, it is also a unique world crisis, which I refer to as a triple conjuncture. In other words it combines the severe crisis of over-accumulation and under-consumption resulting from decades of hyper-neoliberal economic globalisation and dogmatic market fundamentalism; the geo-economic and geostrategic reorganisation of the previous international hierarchy of world order, increasingly shifting influence away from the old centres and towards the former peripheries; and a profound and comprehensive global environmental crisis, unique in human history, which represents possibly the final limits to capital, and challenges the very basis of urban industrial fossil fuel-based world civilisation.

The capitalist crisis

When first writing about the current global financial and economic crisis in October 2008, in the wake of the collapse of Lehman Brothers, I argued that the crisis had 'seven lessons'.⁴ Among these was the argument that, when markets fail, they can fail spectacularly, but when *globalised markets* fail, they can fail even more spectacularly or catastrophically. I would add that globalised markets, and especially of finance, fail much faster, deeper and in a more *globally synchronised* manner. These systemic effects are arguably the direct consequence of greater global market integration, via globalisation policies such as financial deregulation, transnationalisation of finance, and global trade liberalisation and its resultant increased levels of national export and import dependence.

Another of these lessons is that, once globalised markets have failed, then only the state(s) can save the system and re-stabilise it. This lesson has been reflected in the massive global financial bail-out and the fiscal stimulus programmes pursued throughout the world, with a combined total of some US\$15 trillion by the end of 2009, a sum greater than the annual GDP of the USA. Moreover, excessive faith in highly abstract mathematical models as the basis of economic science and policy practice has been exposed as a dangerous illusion.⁵ A return to more scientific, historical and comparative

analyses of crises and their causes and consequences will be a welcome and necessary corrective to the serious errors of mainstream economics. Foremost in the new pragmatic approach is the emerging consensus among elites that systemic risk and financial instability had been wrongly believed to be marginal issues, whereas actually they should have been and must now become very central, if not *the* central issue. However, despite the apparent turn towards the global regulation of finance, there remains a real possibility, and danger, that the system managers and business elite will simply return to business as usual, foregoing the opportunity for radical and system-transforming changes.

The causes of the present global capitalist crisis are structural and long-term, although there is already a wide debate on these matters.⁶ The origins of the present global economic crisis, which has affected the old core economies more severely than the rising or emerging economies, may be traced to the 1970s and the capital logic and concomitant global restructuring that expressed the attempt by core capital to circumvent the limits to capital accumulation imposed in the advanced capitalist societies, in order to raise again the rate of profit. This new globalised capital logic took the form of the globalisation of production, the financialisation of capital and the globalisation of finance, accompanied by ideologically driven economic doctrines emphasising new extremes of self-regulation and de-regulation of capital and market, both nationally and internationally.

The paradox of the turn by core capital to the supposed solution of hyper-neoliberal economic globalisation, however, was that, by apparently solving one problem, these measures created other negative systemic consequences, eventually undermining the success of the strategy and destabilising the global capitalist system. These new systemic effects include:

- intensification of global asymmetries, social and economic polarisation and inequality;
- intensification of uneven development within and between regions, thus generating serious structural imbalances in the global economy between surplus and deficit countries;
- intensification of a global under-consumption tendency, caused by raising the rate of the global exploitation of labour and increasing the ratio of value appropriated by capital *vis à vis* labour on a global basis.⁷
- generation of an unprecedented aggregate level of global asset price inflation in key capital, equity, bond, derivative and property markets, particularly acute after the 1997 'Asian financial crisis' and the 2000 dot.com bubble,⁸ and eventually culminating in extreme volatility and possibly trillions in financial losses between 2007 and 2009; and
- intensification and acceleration of global environmental destruction and global warming, thus exacerbating the global climate change crisis scenario.

All of the above when taken together produced an extraordinary increase in the level of systemic risk and systemic instability in the world system as a whole, producing the present 'multiple crisis'.⁹

One of the most important lessons of the recent events is the re-recognition that periodic financial crisis is without question an inherent 'normal functioning internally generated result of the behaviour of a capitalist economy' and, moreover, that 'sustained economic growth, business cycle booms, and the accompanying financial developments still generate conditions conducive to disaster for the entire economic system'.¹⁰ Going even further, we could argue that systemic crisis is also inherent in capital as a form of value and a form of social relations, and in the laws or historical patterns of capitalist accumulation.¹¹ Both capital and capitalism have the inherent tendency not only to produce periodic and even frequent financial and economic crises, but also to undermine or even destroy the very basis of their own social reproduction. Capital is its own worst enemy, especially if left to its own self-regulation and if unrestrained by countervailing social forces, binding regulatory rules, and stabilising social institutions.

So far in this present global crisis of capitalism we can sketch the following scenario: the situation has progressed from a liquidity crisis in the mainly Western and Anglo-Saxon financial centres, brought about by the bursting of a speculative bubble in financial markets, then spread into the real economy, inducing the paradox of thrift, whereby everyone, acting on similar information, anticipates a downturn and cuts back on spending and investment, thus intensifying the contraction and perpetuating it, and unleashing a syndrome of economic contraction, rising unemployment, further financial losses, and insolvencies. Thanks to previous globalisation policies, these effects have been more systemic, swift and synchronised than previously. The sudden magnitude of this crisis led to the necessity of massive state-financed rescue and recapitalisation of the financial system in order to avoid collapse, and fiscal stimuli to attempt to restart growth and reduce unemployment. This short-term solution, however, generated ever larger government borrowing and debt, leading to ever larger public deficits, and thus creating a new debt trap, and the fiscal crisis of the state(s), including sovereign debt crises. In its present stage the politics of recession, particularly in the West, is taking the form of public spending cut backs and public sector retrenchment, as well as calls for reorganisation of the labour market (feared by organised labour to be at their expense) thus adding to the immediate momentum of the economic contraction and popular suffering, while offering no real solutions to the problem of continued high unemployment and restricted aggregate demand. This in turn may set off yet another round of the whole cycle of bad debt, banking failures, recapitalisation and government borrowing.

Rather than a quick and sustainable global recovery, there may instead be a 'double dip' pattern of recurrent recession, or even a long slump lasting many years. On the basis of analysis of the parallel patterns of the present global crisis with that of the early 1930s,¹² the trends so far indicate the possibility that the global economy may become mired in a low-level equilibrium trap, such as that analysed by Keynes in the 1930s and which has afflicted Japan since the early 1990s. Certainly the economic and financial crisis is not over. It may be entering a new phase, in which accumulated debt

and further corporate and government cut-backs combine to produce a second major contraction. As this scenario continues and the situation possibly worsens, it is predictable that social conflict and radicalisation will increase. The intense and volatile politics of the 1930s may provide some historical sense of what can happen in a prolonged and deep systemic crisis.

The crisis to date has already witnessed the 'swinging of the pendulum' in a variety of forms,¹³ including: from 'bull' to 'bear' market mentality; from high levels of intensity of the valorisation of capital, to a dramatic phase of de-valorisation of capital; from 'de-regulation of capital' to resurgent 're-regulation of capital'; from the tendency to increase 'financialisation of capital' to a new trend towards 'de-financialisation' of capital; from the globalisation of finance to the partial *de-globalisation* of finance; from a binge of hyper-leveraging (debt built upon debt to fuel investment and speculation) to panic stricken hyper-deleveraging (a spiral of selling assets to repay debt that is no longer sustainable); from a fear of global inflation to the fear of global deflation (and back again); from the reign of 'greed' in the global financial and stock markets to the reign of 'fear'; from the ideological dominance of Anglo-Saxon 'laissez-faire' market capitalism to the return to legitimacy and practice of 'managed capitalism' and state intervention; from a wave of privatisations to a wave of (partial) re-nationalisations; from dogmatic belief in 'market authority' to a renewed confidence in 'state authority' to stabilise and regulate the markets in both the systemic and public interest; and perhaps from the socially 'dis-embedded' market to the socially '(re)embedded' market (*à la* Karl Polanyi).

As this article goes to press, there are mounting signs of a prolonged and deepening economic crisis. Among these are the following. The Bank of England announced that it would continue its 'quantitative easing' and ultra-low interest rate (0.5%) policy. Unemployment in the USA and the EU continued to either rise or hover at near 10%, with little sign of increasing employment, growth or revived consumer spending in the US economy. The G20 finance ministers agreed to continue the 'fiscal stimulus' programmes and Japan announced yet another new fiscal stimulus package, as companies cut back investment and cautiously guarded their cash positions, while Japan's ratio of government debt to GDP neared 200% and Greece's national debt sparked alarm about the stability of the euro. China announced a tightening of the reins over banks' behaviour as suspicion rose of another speculative bubble in Hong Kong and Shanghai financial markets, while simultaneously moving to beef up its already over \$1 trillion support for the financial system. US Federal Reserve chairman Ben Bernanke publicly warned that US recovery may not be sustainable, while US Secretary of the Treasury Tim Geithner testified before Congress that the US recovery was fragile and requested an extension of the Temporary Asset Relief Programme (TARP) of \$350 billion into 2010 after it was due by law to expire. The European Central Bank announced that it would be premature to predict a sustainable recovery in Europe, but indicated it would slowly retract some of the existing financial support measures, while, more ominously, the government bond market for the debts of the so-called 'PIIGS', ie Portugal,

Ireland, Italy, Greece and Spain, indicated a possible sovereign debt crisis in the EU and beyond, thus provoking more worries about renewed financial crisis. The speculative bubble of real estate development in Dubai finally burst, exposing some \$60 billion of debt outstanding by the state-owned property development company, Dubai World. Dubai asked for a temporary moratorium on debt repayments until mid-2010, and the federal government of the UAE initially refused to guarantee Dubai's debts, setting off a local stock market tumble.

Systemic crisis

The present systemic crisis can be understood through an analysis of the historical dialectics of capital. The historical dialectics of capital entail a process by which every move forward by capital, through the dissolution of communal and other solidaristic forms of social existence and organisation, through de-socialisation and privatisation of wealth production, and intensification and expansion of the commodification and alienation of human labour and of the natural environment, also provokes the need for a set of countervailing social responses. These responses are, as Karl Polanyi argued in *The Great Transformation*, both countervailing to capital logic and also self-protective of the social or general welfare interest, and a form of positive (and usually collective) action to ensure successful social reproduction. These responses occur at various levels, from the individual and the family, through many forms of collective identity and organisation, and through the state. However, no progressive alliance between such countervailing social forces and the state should be simply assumed, as all such active alliances are the result only of conscious collective political action in the terrain of struggle over the control and exercise of state power, law and policy.

Historically capital and the capitalist system require measures of social re-stabilisation, through effective re-socialisation, and through at least partial or indirect de-commodification and dis-alienation of human labour and relations to nature or the natural environment. These measures also embody and represent the antipodal philosophical principles (to capital) of a solidaristic and communal ethos, which is then translated through a variety of concrete means and expressions into politics, policy and praxis at all levels of society and social existence. This ensemble of counter-moves to capital is historically necessary for capital (as a value form) to continue to exist and expand, and to be reconciled within a social system. Thus, the perpetual historical tension between capital and its counter-forms of social relations is structurally intrinsic to the process of capitalist development in world history, and accompanies both national capitalist development as well as (increasingly) the expanded reproduction of capital on the world scale and its 'globalisation'. It is therefore ultimately the existence of these countervailing forces and counter-measures to capital that in fact account for capital's, and capitalism's, continued 'success'. The construction and preservation of alternatives to raw capital logic, indeed the construction of 'socialism(s)', is

an intrinsic internally generated functioning result of the behaviour of a capitalist system on a historical scale. This dialectical process of capitalist and counter-capitalist moves has not ended, but continues, and in fact in my view will be a crucial aspect of the present global systemic crisis.

One of these types of counter-measures to capital logic has historically been the parallel extension of economically and socially stabilising, and welfare, functions of the state. By doing this, the state form compensates for and acts to reconcile various negative social and environmental consequences of capital, and attempts to prevent capital exceeding its social, political and natural limits, which arise from the numerous dislocations and conflicts it generates. This theory is exactly the opposite of the central thesis of neoliberal economic ideology, ie that as historical capitalism matures it evolves towards and benefits from a self-regulating mode and thereby achieves a permanent systemic equilibrium.

On the contrary, the thesis being argued here is that the continued existence of a capitalist socioeconomic order and the expanded reproduction of capital actually require commensurate long-term and irreversible extensions of the countervailing and stabilising social functions of social forces and of the state. The removal or dissolution of socially self-protective forms and measures, on behalf of capital,¹⁴ and the unleashing of the unfettered forces of capital upon the world, automatically increase the self-destructive and self-destabilising tendencies of the capitalist system and generate conditions for severe systemic crisis. This, above all else, is the crucial historical and political lesson of the present crisis.

Despite the rhetoric of leaders on the need for a globally co-ordinated macroeconomic stimulus, most governments independently pursued their own national policies to address the crisis. These included financial bail-outs, forced mergers and acquisitions and bankruptcies, nationalisations of banks and corporations, temporary support or relief to workers, families and sometime small companies, including new subsidies, special support programmes, guaranteed loans, deferred tax payment, extended unemployment or welfare benefits, increased part time work, unpaid work, special paid holidays, work interruptions, production slow-downs and temporary or partial closures of factories (some without dismissing the workforce), and reduced hours, pay freezes, or, increasingly, workforce reductions and redundancy and unemployment.

However, all such measures are either temporary or *ad hoc* and cannot be said to constitute a coherent long-term response to the present crisis. Nor do these in any way represent a common approach to the crisis by countries around the globe. In fact, the variance of these policies is most striking, and represents another structural aspect of the crisis, namely the underlying fragmentation, competition and political malaise in the international system.

The governments and the financial regulators are presently telling the banks that they must increase their capital reserves, since the holding of too little capital in the past is seen as a cause of the present crisis. But if the course of the Great Depression is a useful example, this policy could have the unintended consequence of exacerbating the crisis—rather than solving it.

Governments on the one hand order banks to hold more capital and be more risk-averse and prudent, and on the other hand instruct the banks to increase lending, both to individuals and to companies. To date overall lending is still down in the USA and UK on previous pre-crisis levels, and there is a sense that much of the lending that has occurred has actually been to refinance or restructure old debts rather than to fund new productive investment.

The underlying situation is very similar to that in Japan in the early 1990s: both banks and households have built up massive debts, many banks have been or are effectively bankrupt but the state cannot allow them to go bust for fear of the ripple effects, households and individuals are in so much debt that they cannot afford to spend and the fear of unemployment compels them to save, and both individuals and firms concentrate on rebuilding their financial position by paying down debt or refinancing old debt—thus reducing effective aggregate demand. Although public spending is essential during the downturn to sustain aggregate demand, the falling tax revenues and accumulating public deficits and debts will probably dictate a wave of public expenditure cut-backs, and thus deepen the contraction, while new waves of personal and corporate bankruptcies further weaken the capital base of the banks. In such a situation a ‘long slump’ is more likely than not. The last great systemic crisis in the 1930s lasted about a decade and a half. John Kenneth Galbraith concluded that the Great Depression had in fact never actually ended, but rather had been overcome in the course of the ‘great mobilisation’ of the 1940s. That is, in the USA for example, the government assumed control over the production decisions of all major industries and ramped them up to full production capacity and the economy to full employment, funded by massive state expenditure.

This situation can only be rectified by radical measures that go to the real root causes of the crisis, that reverse the negative trends of the past several decades in terms of over-concentration of wealth, over-exploitation of labour and nature, and over-accumulation of capital combined with under-consumption for the majority. The crisis can only be rectified by restoring and rebuilding the necessary countervailing social forces that embody the socially self-protective responses to capital logic, and by re-establishing communal and social solidaristic ethos and identity at global level.

Concretely the global systemic crisis of capitalism both provokes and requires a commensurate global radical politics of social responses and self-protective counter-measures. Such responses would include radically redistributing wealth, income and property, and thus significantly de-concentrating wealth and power, domestically and internationally. They would also include a widespread forgiveness of debts, for the poorest of the world, in both the North and in the South, and the restoration of an upward trend in both employment and in real wages for ordinary working people throughout the world. Such measures may be combined with the creation of new practices, not only global financial regulation but also a legally binding code of conduct for transnational corporations, while enforcing universal labour standards and human rights codes. Global taxation could be levied, both on financial transactions and on greenhouse gas emissions and arms

sales. Such global taxation could be used to permanently fund a reformed United Nations system and the IMF and World Bank, all of which could be made far more democratic and globally accountable to the people they serve.

Civilisational crisis

The present global governing elite, and the dominant global financial and corporate interests to whom they are so often directly allied, offer only a temporary technical fix to the present crisis, and have no real or apparent intention of conducting any meaningful radical reform or transformation of the system itself. The rhetoric and reality of global financial regulatory reform do not correspond.¹⁵ In fact, the present global discourse and elite political rhetoric of global financial reform is far less a serious turn to 'discipline capital' in society's general interest, and more of a legitimating fig leaf for business as usual.

Crisis has many meanings, including the original Greek sense of a medical situation in which the patient can either regenerate and restore health or regress and degenerate, or die; the Chinese sense, which combines danger and opportunity in a combined situation; and the standard Oxford English dictionary sense of a turning point, a decisive stage, a time of troubles. The classical Marxist concept of crisis refers primarily to a point in the historical processes of capital accumulation and class conflict when internal contradictions generated by the system itself become insuperable, leading to social and technological alterations or even revolution. I will invoke here, however, the tradition of thinking about crisis in a deeper and more historical sense, with roots in the ideas of Ibn Khaldun and Robert Cox and the broad historical materialist school of thought.¹⁶

From this perspective, a crisis represents a lack of correspondence or effective functional unity between the underpinning material structures and processes and the overarching ideational and political forms and institutions, which together constitute an overall historical structure. This does not assume, *contra* crude versions of Marxist economism, that economics determines politics and ideology. Rather, this idea of crisis focuses our attention on the fluid and mutually constitutive relations of material and ideational structures and especially on their coherence as an ensemble. In this framework, a civilisational crisis occurs when the overarching ideational forms, institutions and practices no longer correspond to or function effectively and coherently with the underpinning material processes and structures.

The lack of correspondence and coherence generates a very high and sustained level of tension between the structures, destabilising the whole system. This historical tension provokes a weakening of the hitherto dominant mentalities that supported the reproduction of the historical structure. By calling these mentalities increasingly into question, a civilisational crisis not only expresses a loss of faith in old ideas, but a possibility for the emergence of new ones, new ways of understanding and (re)making the social world. The potential breakdown of the dominant ideologies and

mentalities of the old social order, and the radicalisation of human consciousness and action that may follow as a consequence, are expressions of a situation in which ordinary people are confronted by a cognitive and practical impasse, in which the old ideas and practices no longer work, no longer provide effective solutions to the mounting and serious challenges they face. The crisis cannot be solved or resolved within the confines of the old paradigm. In this sense a civilisational crisis is also a potential paradigm shift in human understanding and making of the world, and as such is absolutely crucial to its eventual historical outcome.

The question therefore is: do the presently existing dominant mentalities, institutions and practices of the overarching political structure in the world today, including both the nation-states and the inter-state system, now effectively correspond to and demonstrate coherence with really existing global capitalism and global finance? If so, these forms and institutions should be able to capably address the root causes of the present multiple global crises and offer effective solutions. If not, they will prove to be incapable of producing effective solutions and responses, thus failing to resolve the crisis.

One of the signs of a historic civilisational crisis, and also of a global-centre shift and hegemonic transition, is when the measures taken in the old core societies fail to work and decline continues, while measures taken in the former periphery have much more positive impact and the ascent of the rising centres of wealth accelerates during the systemic crisis. In the first half of 2009 unemployment figures in the USA, despite various efforts to keep them under 10%, continued to creep upwards and reached a 26-year high in summer 2009, with an additional nine million US workers forced into involuntary part-time work. Postwar US manufacturing capacity has averaged 81%, but during the crisis declined to 65%, and one in eight of US mortgage holders was in arrears. In the first quarter of 2009 US mortgage arrears and foreclosures soared—despite the temporary moratorium on foreclosures.¹⁷ In Euroland the economy had contracted with the most precipitous decline in output recorded, at 33%, and average 9.5% unemployment and climbing. Youth unemployment stood at 19.6%, but at an astronomical 37% in Spain and over 25% in the three Baltic states. The economic contraction in GDP in the UK reached 5.6% for June 2008–June 2009, the greatest decline since the end of the Second World War, while the UK fiscal deficit was 12.4 % in the first half of 2009, because of a precipitous decline in tax revenue and rising unemployment, which is nearing three million.

Meanwhile, as every reader will by now be aware, the fiscal stimulus and monetary support and expansion measures taken by rising economies such as China and India have had a much more positive impact, with official annual GDP growth in China for 2009 estimated to reach the crucial 8% threshold, and India's growth resuming to near 6%. Professional investment advice firms in the Global North began to talk openly about the strategic advantages of investing for the long term in places like China, India and other emerging economies of the Global South, in order to benefit from what

is perceived by many as an inexorable historic growth curve and, in the case of China, its rise to dominant market positions in several industrial sectors and even eventually in equities markets. Global investor expectations of long-term growth and profit prospects in the old core economies of the North remain much depressed.

We are presently in a global debate as to where we are now. Are we at the end of the beginning, where the downturn has lost steam, the rate of contraction is significantly slowing? If so, this would mean that the economy is about to reach the 'bottoming-out' point, and would commence real and sustainable recovery. Or are we really still somewhere in the first phase of the long slump, wherein the global economy continues to languish for many years before resuming growth? In either case a host of other problems exists, surrounding working out how to 'exit' from the crisis. These include how to wind down monetary expansion, fiscal stimulus and high budgetary deficits. This process entails years of social and political costs to bear, and anticipated social conflict over who will be forced to bear the burdens of such adjustments.

A set of important domestic and global debates is now well under way, surrounding the right way to regulate finance. This includes a host of issues, including, for example, how much regulation is enough, and how much is too much? Who will do the regulating? How much regulation will be domestic, how much at regional level, and how much at international or global level? How much of a common approach or a common set of standards should be applied, and how much flexibility and variation, depending on circumstances and interests, should be allowed? How will 'systemic risk' be calculated or measured, and how will these definitions be applied to various entities, eg commercial banks, investment banks, private hedge funds, insurance companies, pension funds and private equity funds? It will take several years for this process to wind itself out to some kind of conclusion and then more years to see the real effects of implementation, as well as the inevitable unintended consequences of the new systems of (re)regulation, and how they will (also inevitably) be in part circumvented and eluded by capital and financial whizz-kids.

This brings us finally to the issue of the role of the comprehensive environmental and climate change crisis in the present civilisational crisis. It is possible that the exhaustion of the carrying capacity of the natural systems of soil, forests and water, combined with the accumulation of greenhouse gases in the global atmosphere, could create an unprecedented global crisis of human security,¹⁸ and thus further exacerbate already underlying trends of globalisation such as increased social fragmentation and 'hyper-conflict'.¹⁹ In a possibly very real sense the present environmental and climate change crises may come to represent how capital has reached the limits (if it has not already exceeded them) set by the biosphere for its expanded reproduction on a world scale.

Perhaps also the momentum of a linear economic globalisation, understood as ever greater reliance by all on the international division of labour and export–import dependence by every economy, may likewise have reached

or even exceeded its 'natural' limits, and thus require a reverse trend of de-globalisation, or re-localisation.²⁰ Moreover, the possible inherent inability of the Westphalian sovereign states system to solve the global environmental crisis (and the threat of nuclear weapons to all life on Earth, as well as global poverty, global pandemics and the unregulated world economy), may, as argued by Richard Falk constitute a 'radical world order challenge'.²¹ This is a result of the existing global political architecture's intrinsic fragmentation and short-termism, whereas the most urgent challenges facing global humanity today are both holistic and long-term, requiring unified solutions. At the Copenhagen climate summit in December 2009 the conflict between the developed and the developing countries over who should bear the greatest cost and burden, and make the greatest emissions cuts, produced stalemate, frustration and further delay in taking the necessary decisive action required to prevent future climate catastrophe.

In short, the civilisational crisis expresses itself most acutely of all through the fractured lens of the global environmental crisis, and exposes the failure of the existing paradigm and political structure to adapt, even as threats to human survival continue to mount. This failure, and this crisis, therefore call for a profound paradigm change, according to Falk and others, which will transcend nationalism and statism and open the possibilities of a 'humane form of global governance ... dependent on democratizing participation and accountability'.

Finally, if the long-term causes of the present capitalist, systemic and civilisational crisis may also be historically understood through the concept of 'entropy', and by its expression via over-extraction (of surplus), over-concentration (of wealth and control over capital), under-consumption (through over-exploitation of labour), and under-investment (as parasitic appropriation of surplus and parasitic accumulation of capital become dominant over productive investment),²² then only a profound social and paradigmatic reorganisation can ultimately resolve such a crisis. Only a historic reversal of these trends of civilisational malaise can re-establish the basis for a renewed, more just, democratic and stable social, economic and world order.

But whence would come the social impetus for such far-reaching transformation? Not from capital certainly, nor simply from a new 'green capitalism', but rather much more likely from all those very people who have been negatively affected by the present system, and who, through their lived experiences, realise the need for radical thinking and for radical action. It is an insight from the ideas of Ibn Khaldun (1332–1406), as well as from modern world historians such as Arnold Toynbee, that when an old core or an aged civilisation has entered historic crisis, it is from the people on the margins of that structure, whether the oppressed and exploited classes within, or the formerly 'peripheral' peoples 'outside' from which the new sources of dynamism and renewal may emerge, restoring sociability, and creating new norms, values, forms and institutions that will re-establish a vibrant civilisation. I do not expect that the present global crisis will be any exception.

Although there is much discussion of the 'rise of Asia' both before and during the present crisis, it remains premature to predict the inevitability of a Chinese or even an Asian hegemony over the capitalist world system as a whole. It also remains to be seen what substantive reform or change the already formal shift to the G20 'global condominium' may produce. The 'Asian lock in' between the USA and China is now essentially irreversible but, for the time being, the USA and the West, together as an ensemble, remain globally hegemonic. Yet the conditions have been laid for a new period of intensified contestation over global influence, involving both East and West, North and South. This global contestation will be a defining characteristic of the next several decades. Among the key elements in this new global contestation are factors such as control of the global technologies of production, distribution and communication; control over the forms and uses of global financial power; the creation and exercise of global cultural influence; the creation and exercise of global political, military and diplomatic influence; and (perhaps least recognised in existing theories), the ability to (re)define a new paradigm of global political economy and the global capitalist order itself.

But to look only at the elite, inter-governmental level and the changing configuration of wealth and power is, to my mind, possibly to miss some important lessons of history and the study of world history. The (re)ascent of Asia and other areas of the global South in the world system adds new elements, in part determining how the present global crisis may be resolved, and how the globalised capitalist system may evolve after the present crisis. But the rise of Asia and the South at the states system level does not tell us the entire story. If the fundamental patterns and structure of the present global social and economic system are not profoundly altered in the course of this global-centre shift to the South, then I doubt that the underlying global crisis will be resolved.

The globalisation of Asia and the emergence of globalised capitalism have brought new internal problems and contradictions within the societies of Asia, which will produce social tensions and conflicts and drive the impetus for internal reform. In particular, the social polarisation between the rich and the poor in the rapidly growing economies of Asia (especially in China and India) and the concentration of wealth and power in many Asian societies, despite the celebrated growth, alongside continued mass poverty and increasing unemployment or dispossession, do not augur well for the stability of some of the political regimes of emerging or ascending Asia. Radical socioeconomic and political reform is as needed in the global South as it is in the global North.

The spectre of global crisis hangs heavily over the entire global capitalist order and global social structure. The conjuncture of this global capitalist crisis with the global environmental and climate change crisis means that everyone, East and West, North and South, will together face challenges of a new magnitude, calling for new and radical thinking. It is clear that we cannot afford to simply return to 'business as usual' after this present global crisis. What this crisis may require for its ultimate resolution is no less than a

global revolution, a shift to a new paradigm, not only of the economic system, but of the understanding of human life, society, their making, and their relation to all other life in nature. From this perspective conservative and mainstream concerns like the re-regulation of finance and the transfer of hegemony to a new power seem trivial and possibly irrelevant.

In the present global crisis we are witnessing the historical exhaustion not only of the ideology of neoliberal economic globalisation (and the inexorable decline of US hegemonic power) but also of the idea of unlimited growth, unlimited capital accumulation and unlimited universal commodification of both labour and nature.

Ultimately, it will be upon the global 'forces of resistance' and to the praxis produced by mass 'bottom up' processes of social action and transformation, that we may place hopes and expectations for a more just and sustainable world order to emerge from this crisis in the future. These forces face the challenge of creating a new paradigmatic understanding of the world and how we shape it. If they can successfully construct such a new and radical historic change in mentality, and also animate it in action through post-national and transnational solidarities, then we may see the true emergence of an epoch-changing radical global politics. The emergence of new and radical forms of global politics with the conscious intention of transforming global governance structures and the global economic system on a radically democratic basis, operating through and transforming the embryonic historical forms of transnational social action and world polity formation, is in my view an intrinsic and dialectic aspect of the development of the world system itself and the unfolding of its potential evolutionary logic. It is these historical social forces that carry the burden and the responsibility to renew world civilisation, to re-discipline capital to serve the needs of social reproduction and happiness, to de-commodify labour and nature, to re-socialise wealth creation and its purposes, and ultimately to restore the balance, correspondence and coherence to our historical structure.

Of Babel, and the works
Of Memphian Kings,
Learn how their greatest
Monuments of Fame,
And Strength and Art are
easily outdone
By Spirits reprobate²³

Notes

1 'Cravings', *The Dhammapada*, trans Juan Mascaro, London: Penguin, 1973, line 355, p 85.

2 B Eichengreen & K O'Rourke, 'A tale of two depressions', at <http://www.voxeu.org/index.php?q=node/3421>, accessed November 2009.

3 S George, 'Converging crises: reality, fear and hope', in BK Gills (ed), 'Globalization and Crisis', *Globalizations* (special issue), 7(1&2), 2010, pp 17–22.; and F Houtart, 'The multiple crisis and beyond', *Globalizations*, 7(1), 2010.

- 4 BK Gills, 'The swinging of the pendulum: the global crisis and beyond', *Globalizations*, 5(4), 2008, pp 513–522.
- 5 P Krugman, 'Revitalizing economics after the crash', *New York Times*, 2 September 2009.
- 6 It would be impossible to list all the arguments and articles that have already been flooding into publication. For a recent collection of articles by leading scholars in the critical social sciences, see the special issue of *Globalizations*, 7(1), 2010 on 'Globalization and Crisis', edited by Barry K Gills. Contributors include President Tarja Halonen of Finland, Francois Houtart, Susan George, Saskia Sassen, Grahame Thompson, Ankie Hoogvelt, Heikki Patomaki, Richard Falk, James H Mittelman, Henry Veltmeyer, Ronaldo Munck, V Spike Peterson, Mustapha Kamal Pasha, Wazir Jahan Karim, Craig Murphy, Andreas Bieler (*et al*), Samir Amin, Jonathan Pugh, Walden Bello and Barry Gills. Other special issues on the economic crisis in particular have already appeared, most prominently that in the *Cambridge Journal of Economics*, 33(4), 2009. There has been a variety of high-level reports and responses, including the *Global Economic Crisis: Systemic Failure and Multilateral Remedies*, report by the UNCTAD Secretariat Task Force on Systemic Issues and Economic Cooperation, New York: United Nations Publications, 2009, at <http://www.unctad.org/Templates/WebFlyer.asp?intItemID=4776&lang=1>. For a contrast, see 'World economic outlook: crisis and recovery', IMF, April 2009, at <http://www.imf.org/external/pubs/ft/weo/2009/01/pdf/text.pdf>; and 'World economic outlook: sustaining the recovery', IMF, October 2009, at <http://www.imf.org/external/pubs/ft/weo/2009/02/pdf/text.pdf>. The website of economist Nouriel Robini, New York University, is also a good source of trenchant analysis, both before and during the present economic crisis.
- 7 A Bieler, I Lindberg & W Sauerborn, 'After thirty years of deadlock: labour's possible strategies in the new global order', *Globalizations*, 7(1), 2010; S Sassen, 'A savage sorting of winners and losers', *Globalizations*, 7(1), 2010.
- 8 In their study of global financial regulation Howard Davies and David Green cite data from McKinsey Global Institute's Capital Flows database demonstrating the trend upwards in total cross-border capital flows, which accelerated after 1997–98 to reach levels triple that of the base line average of the 1980s and early 1990s. The same pattern of a tripling of values is found in total global financial assets over the period following 1997, using data from the McKinsey Global Institute's Financial Stock database. H Davies & D Green, *Global Financial Regulation: A Handbook*, Oxford: Polity Press, 2008, p 4. The velocity of money on the global foreign exchange markets, according to the Bank for International Settlements, was averaging some US\$3 trillion per day, adding up to an annualised turnover roughly 20 times world GDP. Bank for International Settlements, cited in A Hoogvelt, 'Globalization, crisis and the political economy of (the) international monetary (disorder)', *Globalizations*, 7(1), 2010.
- 9 Houtart, 'The multiple crisis and beyond'.
- 10 HP Minsky, 'The financial instability hypothesis: a restatement' and 'Financial stability revisited: the economics of disaster', in Minsky, *Essays on Instability and Finance*, New York: ME Sharpe, 1982, pp 91, 114, 117.
- 11 K Marx, *Capital*, Vol 1, London: Penguin, 1990.
- 12 Eichengreen & O'Rourke, 'A tale of two depressions'.
- 13 Gills, 'The swinging of the pendulum'.
- 14 BK Gills (ed), *Globalization and the Politics of Resistance*, London: Palgrave Macmillan 2000.
- 15 As this article was being written, the US Congress was proceeding with its domestic financial regulatory reform bill, although many have doubted that the USA would be able to effectively overcome the extensive fragmentation of its internal regulatory structure. US Treasury Secretary Geithner has been openly dismissive of European overtures to impose a financial transaction tax, although the EU leadership endorsed the idea on the eve of the Copenhagen climate summit and referred the proposal to the IMF for further consideration. The recent creation of a new high-level EU office responsible for overseeing European financial regulation and the appointment of a continental figure to that post (Barnier) initially alarmed the City of London and the British government, but the substance of such reform remains to be seen. Recent tendencies in the internal debate in the EU indicate that there has been very little substantive progress and many areas of potential regulatory reform have already been diluted. Taken from a public presentation by Graham Turner at the annual 'Marxism Conference', University of London, London, July 2009, London, Zed Books, 2004 (Walden Bello, Deglobalization). Davies & Green, *Global Financial Regulation*, argued that international or global financial regulation was in practice an *ad hoc* add-on to a welter of fragmented national and regional systems, with a maze of jurisdictions and systems. Unifying these disparate systems is probably a task far beyond the desire or capacity of the present dominant political elite and state structure.
- 16 Ibn Khaldun, *The Muqaddimah*, trans F Rosenthal, Princeton, NJ: Princeton University Press, 1967; and RW Cox, 'Social forces, states and world orders: beyond International Relations theory', *Millennium*, 10(2), 1981, pp 126–155.
- 17 Graham Turner, GFC Economics, July 2009.

- 18 J Oosthoek & BK Gills (eds), *The Globalization of Environmental Crisis*, London: Routledge, 2007; R Falk, 'A radical world order challenge: addressing global climate change and the threat of nuclear weapons', *Globalizations*, 7(1), 2010; and George, 'Converging crises'.
- 19 JH Mittelman, 'Crisis and global governance: money, discourses, and institutions', *Globalizations*, 7(1), 2010; Mittleman, *Hyperconflict: Globalization and Insecurity*, Stanford, CA: Stanford University Press, 2010; H Patomaki, *The Political Economy of Global Security: War, Future Crises and Changes in Global Governance*, London: Routledge, 2008; and Patomaki, 'What next? An explanation of the 2008–9 slump and two scenarios of the shape of things to come', *Globalizations*, 7(1), 2010.
- 20 W Bello, *Deglobalization*, London: Pluto Press, 200x.
- 21 Falk, 'A radical world order challenge'.
- 22 BK Gills, 'Hegemonic transitions in the world system', in AG Frank & BK Gills (eds), *The World System: Five Hundred Years or Five Thousand?*, London: Routledge, 1993; and Gills, 'Globalization, crisis, and transformation: world systemic crisis and the historical dialectics of capital(ism)', *Globalizations*, 7(1), 2010.
- 23 John Milton, *Paradise Lost*, Book I, ed C Ricks, London: Penguin, 1989, vv 678–699, p 24.

Notes on Contributor

Barry K Gills is Professor of Global Politics, Newcastle University, UK; editor of the journal *Globalizations*; the book series *Rethinking Globalizations* (Routledge); and a founding editor of *The Review of International Political Economy*. He has written or edited a dozen books and has published widely in the fields of International Political Economy of Development, World System theory and history, and Globalization and Global Politics. He is a former Fellow of the Transnational Institute, Amsterdam and is currently a Fellow of the World Academy of Art and Science. He has recently been visiting professor at The Centre of Excellence in Global Governance Research, Helsinki University, Finland, and is an active member of the Critical Development Studies Network (CDS) and the International Studies Association's IPE Section and World Historical Systems Theory sub-section.