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Crisis and Global Governance: Money, Discourses, and Institutions

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ABSTRACT In our troubled times, dominant discourses about crisis have muddled its underlying dynamics. To refocus, analysis explicates the ideological effects of the narratives that accompany surges in militarization and financial securitization. It is argued that money in the form of military spending and finance, prevailing storylines about them, and international institutions entrench the structures. Whereas the task of global governance is to forge collective responses and make rules for addressing these evolving processes, their mechanisms as evidenced in top-down summity such as Group of 20 forums have silenced many key issues. Prominent among the failings is the insubstantial agenda for development, especially in regard to the world’s most vulnerable populations. The old catchphrases among developmentalists will not suffice. Rather, this inquiry touches on implications for a transformation in global governance.

En tiempos difíciles, los debates sobre la crisis han confundido las dinámicas subyacentes. Para reenfocar, el análisis explica los efectos ideológicos de las narrativas que acompañan los incrementos en la militarización y la bursatilización financiera. Se sostiene que el dinero en la forma de gasto y finanza militar, prevaleciendo la trama sobre ellos, e instituciones internacionales afianzan las estructuras. Mientras que la tarea de la autoridad global es la de establecer respuestas colectivas y crear normas para tratar estos procesos en desarrollo, sus mecanismos como se hizo constar en la conferencia cumbre de arriba abajo en los fóruns del Grupo de los 20, han silenciado muchos asuntos claves. El plan insustancial para el desarrollo se destaca dentro de las fallas, especialmente en relación a la población más vulnerable del mundo. La vieja frase de consigna entre los desarrollistas no será suficiente. En cambio, esta investigación afecta las implicaciones de una transformación en la autoridad global.

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The most successful ideological effects are the ones that have no need of words, but only of *laissez-faire* and complicitous silence. It follows... that any analysis of ‘legitimizing discourses’ which fails to include an analysis of the corresponding institutional mechanisms is liable to be no more than a contribution to the efficacy of these ideologies. (Bourdieu, 1990, p. 133)

Capitalism without crisis is an oxymoron. Just as crisis is integral to capitalism, so too are its ideological and discursive effects. And in the contemporary phase of globalizing capitalism, these effects are interrelated in the spheres of economy, employment, energy, food, and the environment. The task of global governance is to make rules for addressing them. But which rules, whose rules, on what terms, and who sets them?

A place to begin answering these questions is with ‘legitimizing discourses’ about crisis. As we shall see, some of the remarkably different stories concerning crisis obfuscate the dynamics in play. It will be argued that collective responses by global governance institutions have failed to come to grips with the ideological and material effects of concurrent surges in military and financial securitization. This configuration, which may be traced to the United States as the chief epicenter of globalization, has severe consequences for the most vulnerable populations, increasingly marginalized in the developing world.

To explain this phenomenon, the discussion proceeds along Pierre Bourdieu’s mapping of the route from dominant modes of discourse, including ‘complicitous silence’, to the institutions that constitute such norms and interests. Linking these elements together, my thesis is that these elements—money in the form of military spending and finance, reigning narratives, and structures of global governance—reinforce one another and entrench crisis, understood here as an implosion in globalization. The concluding section of this article touches on implications for what is to be done.

**Ambiguous Concepts**

The epigraph invoking Bourdieu points to the need to find the backstory behind ‘legitimizing discourses’ and to search for stony silences. In this vein, the words ‘crisis’ and ‘securitization’ give pause and require clarification.

While ‘crisis’ serves as a way of talking about what has happened, what counts as crisis is not self-evident but contested. Certainly, the term itself should not be construed as an irreversible trend, at least in a short time span (see Magdoff & Sweezy, 1988). Sometimes used in a primarily economic manner, as in accumulation, underconsumption, or overproduction, logic of crisis may give the impression that this state of affairs is unremitting until its terminal stage. Far from
automatically collapsing, capitalism remains open to adaptive and transformative outcomes. In addition, the downswings differ in their intensity. There are several types of catalyzing moments. Antonio Gramsci (1971), Jürgen Habermas (1973), and Max Weber (1978), among others, maintained that declines in legitimacy and/or hegemony blend with the other aspects of capitalist development.

My cautionary note that nowadays the catchword ‘crisis’ may be employed in a loose manner is palpable in parts of the developing world where ‘the African crisis’ and ‘the debt crisis’ have been regular features of life from the early years of political independence to our hard times. Similarly, in other locales, ‘lost decades’ have characterized the workings of market power. So, too, policy groups such as the Crisis Management Initiative (a non-governmental organization that promotes sustainable security, mainly in hotspots around the world), the International Crisis Group (a non-profit organization engaged in conflict analysis and advocacy), and the Crisis Management Centre (the Asia-Pacific Economic Forum’s program to craft strategies for small and medium enterprises) have laid claim to this nomenclature to encompass extremely diverse conditions.

Unlike when the term ‘crisis’ is used to denote ‘systemic cycles’ of expansion and hegemonic breakdowns, a waxing and waning with novelties in each oscillation (Arrighi, 2005), it is frequently employed promiscuously and has drifted into popular language as a vocabulary of opposites—crisis or recovery, sustainability or non-sustainability, and so on—that glosses deep processes. No wonder then the skepticism among critically minded Chinese intellectuals concerning standard thinking about ‘the global financial crisis’. They cast doubts on discourses molded by ‘Anglo-Saxon neoliberalism’ as the framework for examining a ‘Western epidemic’ or ‘market epidemic’ (Bo & Chen, 2009, p. i).

Undoubtedly, market power is central to myriad ailments felt by countless citizens in their daily lives, be it with housing, pensions, livelihoods, or environmental harms. And the globalization of finance is a key component of these insecurities. But to attribute the troubles solely to financial capitalism may give the impression that finance is an autonomous realm.

A surge in financial securitization clearly led to the bursting of the mortgage and housing bubbles. It originated in the United States in late 2007 and fueled a globalizing credit crunch. There was little transparency about pools of debt. Financiers and investment houses took on more risks, and regulators were lax. Rating agencies like Moody’s (supposedly secured in the United States by the Securities and Exchange Commission) acted as complicit, market-driven entities seeking to increase their own revenues garnered from the issuers themselves (Morgenson, 2008). Added to this, the Federal Deposit Insurance Corporation (FDIC), created in 1933 to heighten confidence and stop bank runs that compounded the Great Depression, fell into the red in September 2009 (Labaton, 2009). By that time, more than 100 of the 8,200 banks in the United States had failed, with others on the brink of insolvency.

This constriction in the financial arena spread to the real economy of goods and services, contributing to a contagion of alarm. On the verge of bankruptcy, the automobile industry, long a symbol of the strength of the US economy even though it has experienced many downturns, appealed for a government rescue package. Inasmuch as the auto industry is linked to one of every 10 jobs in the national economy, unemployment rates in different sectors mounted. Joblessness, in turn, further tamped down consumer spending and thus business investment, resulting in even more job losses and knock-on effects on home foreclosures. But the quandary of fixing the problem is that individual calculations on restraining spending and boosting savings are at odds with collective interests in increasing liquidity in the economy. In the face of bailouts, critics emphasized moral hazard wherein authorities responsible for the public good regard
certain enterprises as too big or too interlocking to fail. The executives in these firms benefit from a heads-I-win, tails-you-lose state of affairs. Their profits are privatized; risks are socialized.

Yet adjustments in 2008–2009 stopped short of correcting the most egregious abuses. Notwithstanding stimulus packages, securitization continued apace. Regulatory measures barely affected Wall Street. In fact, the investment banks are preparing ways to move beyond dealing in exotic mortgage-backed securities to aggregate life insurance policies and other new products into resecuritized financial instruments (Anderson, 2009).

As Bourdieu holds, a large part of the problem lies in the ‘legitimizing discourses’: in this instance, varied meanings of ‘securitization’. In the bank-investment industry, securitization developed in the United States starting in the 1970s. Securitization meant that new kinds of loans and borrowings could be bought, repackaged, and sold. Bankers mobilized capital from mortgages, used the funds to issue bonds, and bundled them for trading in other sectors. This way of doing business with ‘collateralized debt obligations’ (repackaged products), and its attendant risks, rapidly spread to other world regions. The volume of US mortgage lending financed in this manner escalated. It resulted in toxic assets that swamped the infrastructure of an unregulated market. Connected to leveraged loan securitization, this instability ramified widely in global markets.

It is not only loans that are securitized but also military and strategic issues. To be sure, there are different kinds of security. Although security has traditionally meant to be free from danger and threats, one person or group’s security may be perceived as another’s insecurity. Seen through this second lens then, security and insecurity are states of mind. They are bound up with fear, paranoia, and prejudice that divide people into alignments of friends and enemies.

Naming an issue as a matter of security is subjective also because it treats certain threats as more important than others. The questions are: who securitizes whom? On what grounds? And in whose interests? Who then is identified as the enemy? Which acts are criminalized, outlawed, or deemed a terrorist threat, as in 1986, when during Ronald Reagan’s presidency the US government placed Nelson Mandela’s African National Congress (ANC) on its secret watch list of terrorists? Only in 2008, 15 years after Mandela won the Nobel Peace Prize, did Washington relent and desecuritized the ANC.

Striking is the double meaning of securitization. Surges in securitization in the financial and military realms have coincided. Yet interactions between the expansion of speculative capitalism and military globalization are rarely noticed. President Barack Obama appointed icons of Wall Street, Tim Geithner as Treasury secretary, and Larry Summers as director of the National Economic Council, while retaining Robert Gates, President George W. Bush’s secretary of defense, and committing the new administration to the expansion of US strategic interests. In various statements, President Obama called upon the United States to continue to lead the free world and promote the spread of freedom. American power and wealth went hand-in-hand, extending to distant spheres of control and influence. At issue, however, is not just the concurrence in economic globalization and military globalization but how to grasp the ways in which they are joined.

The War Economy

My point in calling for assessment of the idiom of crisis requires identifying the source of implosion in globalization. I submit that the locus is to be found in its principal epicenter: a key node is the United States and its war economy. Hiked during the Obama presidency, military spending
and the bust in the US economy are firmly interlinked. But the dominant discourses about crisis suppress this relationship.

Several researchers (including Baran & Sweezy, 1966; Kidron, 1968; Magdoff, 1969; Kaldor, 1999) have developed the concept of a permanent arms economy. In this line of research, Seymour Melman (1970, 1971, 1985) meticulously documented who benefited from the war economy in the late twentieth century. A professor of industrial engineering, Melman provided detailed empirical accounts of technological advances in the industrialization of warfare and the special interests that it serves. He cautioned about a kind of ‘military Keynesianism’ in which the wrong lesson is drawn from the experience of World War II, namely, that it pulled the United States out of the Great Depression. On the contrary, he claimed that war diverts resources into pursuits that neither meet consumer demand nor produce capital goods for human needs.

Melman’s data on misdirected resources showed the ways in which the US defense industry wastes investment in the American educational system by employing graduates in a nonproductive field and concentrates resources on military contractors as part of a huge public–private bureaucracy. Melman counseled that defense spending represented an opportunity loss for public sector expenditure on physical infrastructure, such as mass transit, bridges, energy supply, and thus technological innovation. In the 1980s, he cited the deterioration of US automakers in Detroit as an instance of industrial inefficiency in the context of a complex of defective conditions. His thesis is that prolonged war channeled technical capacity away from civilian industries and has ‘highly destructive effects on the rest of economy and society’ (Melman, 1985, p. 21). The upshot, Melman (1985, p. 68) warned, is ‘a large network of depleted industries and a flight of capital from the country’.

Although Melman’s book The Permanent War Economy (originally published in 1974) focused more on the real economy than on financial markets, one can extrapolate from his analysis of the ways in which military spending is related to the fundamental dynamics of a political economy. His findings leave no doubt that blame for a war economy’s opportunity costs cannot be assigned to a single US president or congress. From the onset of the Cold War, all of them are implicated (Melman, 2003). Melman also sends an unambiguous message about how sustaining wars can squander economic power.

The war economy has of course evolved from Melman’s day. With shifts in the loci, scale, and dynamics of globalizing capitalism, the context differs from his times. In a post-9/11 and anti-weapons of mass destruction world, the war economy is a complex of (1) energy issues, (2) multiplier effects of expenditure reallocations, (3) the crowding out of productive and infrastructure investment, and (4) shifts in R&D spending:

1. President George W. Bush called the American public’s attention to its ‘addiction to oil’. As a way to deal with it, his administration claimed that Iraqi oil would cover the cost of the Iraq War and reconstruction. In fact, this venture reduced oil supplies below the level that would have obtained had there not been military intervention. Rather than secure cheap oil, the Iraq War drove up energy prices.
2. Joseph Stiglitz and Linda Bilmes (2008) point out that the short-run costs of war are eclipsed by the full macroeconomic sum spent over the long term on items like veterans’ health care, debt payments for re-equipping the armed forces, and high fees paid to military-contractor chief executive officers (CEOs). Their research demonstrates that monetary policies (the Federal Reserve’s low interest rates and other measures to encourage increased household consumption) along with tax policies that favor upper-income brackets assigned the
burden of financing the Iraq War to future generations. Specifically, the impact of spending on armed conflict is evident in productivity, where needs for plant and equipment have been neglected, and thus potential output suffers. It is also apparent in ‘expenditure switching’ (Stiglitz & Bilmes, 2008, pp. 115, 120). War expenditure on items like overseas contractors hired in Iraq does not stimulate the economy in the same way as would domestic investment in, say, schools. In other words, the multiplier effects differ.

3. In a closely related argument, Stiglitz and Bilmes (2008, p. 121) maintain that in effect, public money for the Iraq War is a reallocation of funds. It ‘crowds out’ private investment and leads to larger deficits accruing from overseas financing for the shortfalls: an increase of 50% in the national debt in merely eight years, nearly $1 trillion of which is attributable to the Iraq War (Stiglitz, 2008). Under these conditions, financing the war on credit from abroad involves heightened competition between the US private sector and government, with some American private investors getting pushed out (Stiglitz & Bilmes, 2008, p. 123). The conundrum is that with government spending substituting for private expenditure, the rate of turnover of capital can fail to increase, creating an uncertain climate.

4. Uncertainty about the future is associated with the physical and social infrastructure in the United States. Upgrading and maintaining infrastructure reflect the priorities that strengthen or weaken a people’s well-being. This is notable in innovation in science and technology, which is sustained by R&D. In the United States, beginning with fiscal 2005 and allowing for inflation, the federal allocation for R&D has not trended up. The United States still spends more than any other country on R&D and about one-third of global R&D, but only 2.6–2.8% of gross domestic product (GDP) per annum, less in percentage terms than for some countries, such as Japan and South Korea. In fact, certain Asian nations, including China and South Korea, are augmenting their government research investments by 10% or more per year (Koizumi, 2008, p. 26, citing American Association for the Advancement of Science data for the period from 1976 to estimates for 2009). Meanwhile, basic research in corporate facilities like Bell Laboratories in Murray Hill, New Jersey, which produced six Nobel Prizes, is diminished. In fact, a number of leading R&D laboratories in the United States have been shut down (Organisation for Economic Cooperation and Development (OECD), 2002, p. 105), signifying a lower rate of reinvestment in vital aspects of science and technology. The shift is to bottom-line profit (Spotts, 2008).

The latter point warrants elaboration. In a highly competitive environment, corporations in the OECD area have increasingly emphasized development activities rather than underlying research. Facing more competition from new entrants into the market, established business enterprises have moved closer to commercialization, which directly links scientific knowledge to near-term outcomes. Accentuating development activities means the application of knowledge to definite marketable products. At the other end of the spectrum, basic research seeks to make discoveries and expand science, but its spin-offs for practical use may be decades away (Campbell, 2007, p. 10). In this restructuring, globalization has influenced the shift from early-stage research. Greater globalization of R&D entails intensifying specialization of firms and regions in the drive for profit as they look to external sources of knowledge and innovation (OECD, 2002, p. 107).

The overall trend is toward military R&D, which supports the security strategy of fighting terror. The United States alone is responsible for more than 80% of government spending in the industrialized world on military R&D (2006 figures cited in Parkinson, 2008, pp. 7–8, which draws on OECD and International Energy Agency documents). In a sustained period
from 1976, when non-defense spending has remained flat, the most recent figures reflect large
increases in federal support for weapons systems development (Koizumi, 2008, p. 22).

Consequently, military influence over R&D squeezes out R&D that could address factors
such as poverty, environmental harms, and poor health, all of which may fuel violent conflict.
Allocations for war fighting displace resources for use in matters of human security and conflict
prevention.

President Obama’s policies effectively expand this influence. In fact, the militarization
of foreign policy is reducing the role of the State Department to that of a subcontractor for
Pentagon projects, such as for overseas direct assistance. As a result, military priorities crowd
out other foreign policy objectives like the protection of human rights, with a reported spending
multiple of 12-to-one between the Pentagon and the State Department (Glain, 2009, pp. 18–23).
Military expenditure for the wars in Afghanistan and Iraq is climbing, overshadowing statecraft.

In the post-G.W. Bush years, the discourses over double securitization, in the economic and
military fields, have fogged bedrock issues. Policy-makers and public intellectuals have focused
on the here-and-now with insufficient attention to deep historical forces in play. Surely, the
policy failures are partly in the realm of ideology. Below, in keeping with Bourdieu’s avenue
of inquiry, I offer critical comment on influential books that provide ‘legitimizing discourses’
and their ‘ideological effects’.

Ideology

High-ranking officials have emphasized the sheer complexity of myriad pathways and claim that
they are too difficult to understand. As former Federal Reserve Board Chairman Alan Greenspan
(2007, p. 489) put it, ‘Markets have become too huge, complex, and fast-moving to be subject to
twentieth-century supervision and regulation. No wonder this globalized behemoth stretches
beyond the full comprehension of even the most sophisticated market participants’. Yes, the
markets are chaotic; but bewilderment is another matter. The trouble with Greenspan’s way
of thinking is that it can serve as an excuse for deficient oversight and inept leadership. Certainly,
the underlying elements have been taking shape for several decades or, according to some
accounts, far longer.

Time and again, standard-bearers such as President George W. Bush, Treasury Secretary
Hank Paulson, Fed Board Chairman Alan Greenspan, and the latter’s successor, Ben Bernanke,
affirmed their conviction that left to their own devices, markets self-correct. Reckoning with
such vast changes in globalizing capitalism, Greenspan distills his experience and worldview
in The Age of Turbulence (2007), a book that offers insight into how ideology and power are
interconnected. In his 18-and-a-half years at the helm of the Federal Reserve and as a senior
advisor to heads of state, Greenspan vigorously defended free markets, but he was also respon-
sible for the Fed’s regulatory apparatus. Steadfast in his belief that competition is ‘the primary
driver of economic growth and standards of living in the United States’, Greenspan (2007,
pp. 249, 373) acknowledges that he staunchly opposed most regulation: ‘Economic rereregulation
would be a distinct step backward in our quest for a prosperous future’ (p. 468). The only wise
policy, he counsels, is to rely on the invisible hand: ‘maintain maximum market flexibility—
freedom of action for key market participants such as hedge funds, private equity funds, and
investment banks’ (p. 489). Greenspan avows that although economic shocks are bound to
occur, ‘human nature does not change’ (pp. 490–491).

Yet less than three years after stepping down as Fed chairman, Greenspan admitted that his
faith in the self-correcting mechanisms of free markets failed to anticipate the self-destructive
power of mortgage lending, leading him to ‘a state of shocked disbelief’ (New York Times, 2008). Questioned by Congressman Henry Waxman, head of the US House Committee on Oversight and Government Reform, in 2008, Greenspan said that he made a mistake in presuming that self-interested organizations could best protect their shareholders (US Congress House, 2008, p. 33). He testified that ‘a conceptual framework is ... the way people deal with reality. Everyone has one. You have to. To exist, you need an ideology’ (US Congress House, 2008, p. 36). However, Greenspan found that his ideology defining how the world operates ‘contained a flaw’ (US Congress House, 2008, p. 37). ‘I was shocked, because I had been going for 40 years or more with very considerable evidence that it was working exceptionally well’ (US Congress House, 2008, p. 37). Unfortunately, a multitude of citizens must pay the price for these grave errors.

In this milieu, pundits have provided perspective on the predicaments of the United States. In a cogent account, Bad Money (2008), political commentator and former Republican Party strategist Kevin Phillips cautions about ‘ideological doctrine’ clouding perception of financialization and a debt mentality (Phillips, 2008, p. 40). Phillips also links military hubris and policy-makers’ incompetence to trends in political economy, mainly during the quarter century beginning in the 1980s. He traces the expansion of debt and serial scandals: the collapse of savings and loan (S&L) associations leading to federal relief, the Federal Reserve-coordinated rescue of New York’s Citibank, and the Federal Reserve’s bailout of junk (high-yielding) bonds in the 1990s. These problems in the financial sector spilled over to the deregulated energy and telecommunications sectors, typified by the problems of Enron, WorldCom, and Global Crossing. The high tech and stock market bubbles popped during the Clinton years in office (Phillips, 2008, p. 47). A converging financial triangulation—a vulnerable dollar, the housing bubble, and the credit crisis—followed (Phillips, 2008, p. 52). This came amid energy scarcity and global climate change.

Phillips’ narrative is valuable but does not reach deeply enough for basic transformations in capitalism (see Mittelman, 2010). Other analysts seek to tell the backstory of this turmoil in a different manner.

Like Phillips, Niall Ferguson, a financial historian at Harvard and Oxford universities, wants to look behind proximate shocks roiling the global political economy. Compared to Phillips’ script, Ferguson’s The Ascent of Money (2008) offers a longer view. He searches for the origins of money lending and then extends his narrative to the contemporary period.

Ferguson (2003, 2006) is attuned to the power dynamics of empire and imperialism. He is unabashedly nostalgic for the security that hegemony has provided. Ferguson employs Joseph Schumpeter’s notion of ‘creative destruction’ (Schumpeter, 1947, pp. 82–83) to explain the annihilation of firms that cannot adapt in the financial sphere. Schumpeter (1947, p. 83) underscored the ‘distinct rushes’ in technology, business models, and markets that ‘incessantly revolutionize’ capitalism; the tendency toward stagnation is a major strength because it brings impulses for radical improvements. Highlighting the extent of this kind of destruction in a modern economy, Ferguson indicates that about one of every 10 US companies fails each year, and in finance, the mortality rate is even higher in tumultuous times, such as during the S&L collapse in 1989 (Ferguson, 2008, p. 349).

Drawing from the past, Ferguson cautions about the risks of financial overstretch. The United States has become part of a symbiotic relationship with China that he dubs ‘the dual country of Chimerica’. To keep its financial system afloat, America has relied on overseas capital. Ferguson (2008, p. 335) observes that ‘for a time it seemed like a marriage made in heaven. The East Chimericans did the saving. The West Chimericans did the spending’. From the mid-1990s,
China enjoyed strong export growth, amassed large savings, and recycled a portion of its trade earnings in the United States. It invested heavily in American government bonds and government-supported mortgage debt, thereby lowering interest rates, helping fuel consumption, adding to the US trade deficit, and swelling the housing bubble. For Ferguson (2008, p. 336), Chimerica is the ‘underlying reason’ for the spike in bank lending, the explosion of new derivatives and hedge funds, and the high level of cash flushed through the US mortgage market by 2006. But then came a rash of mortgage defaults in the United States in 2007 and a cave-in of financial giants and Wall Street investment houses. ‘Maybe,’ Ferguson conjectures, ‘Chimerica is nothing more than a chimera’ (2008, p. 339).

His cautionary tales are thus meant to provide lessons about the ways in which financial capital can bring insecurity. A shortcoming in Ferguson’s frame, however, is the omission of arguments that spring from competing paradigms. He blithely engages economists like W.W. Rostow, Hernando de Soto, Paul Krugman, Joseph Stiglitz, and Muhamad Yunus. While not of one mind, these savants are all liberals who ply neoclassical techniques. But Ferguson silences critics of the conventional paradigm itself, such as Samir Amin, Walden Bello, and Martin Khor. The point is that Ferguson’s analysis suffers from a problem of voice.

Moreover, his contention that the weakness in finance lies in the synergy between China and the United States is open to challenge. Is Chimerica really the source of the shocks that are shaking the contemporary order? The mayhem hardly comes down to this issue; this is not the crux of the matter. Ferguson is mistaken in not locating it in the root conditions that created the 2008–2009 meltdown in the first place. And the remedy is not to reinstate the status quo ante. That said, the conclusion that the long-term ‘trajectory’ of finance is uneven but ‘unquestionably upwards’ (Ferguson, 2008, p. 358) seems fanciful given the pattern of self-destructive behavior (Hirsh, 2008, p. 10). Ferguson, in effect, casts a rosy ideological outlook on troubled times.

Roots

During the Great Depression, John Maynard Keynes (1936, p. 159) cautioned about the tendency of enterprise to become ‘the bubble on a whirlpool of speculation’. He also noted that capitalist development can be like the activities of a casino in which Wall Street’s sense of its social mission is to channel new investment into the most profitable future yields. A half century on, Susan Strange’s books Casino Capitalism (1986) and Mad Money (1998) identified specific ways in which financial entrepreneurs could take advantage of the weaknesses in the American regulatory system. With an eye on the Wall Street speculators, Strange explicated the power of financial markets and innovations in banking that largely started in the United States and spread worldwide. Linking money markets to steep defense spending, which makes governments poorer and less able to satisfy the welfare needs of their citizens, she called for a historical perspective on the driving forces behind financial innovation (Strange, 1998, pp. 28, 135). As Strange (1998, p. 20) put it, ‘History, including economic history, is the essential corrective for intellectual hubris. Economists, please note’.

But how deep are the roots of the setback in the global political economy that emerged in the initial decade of the twenty-first century? Commentators such as Roger Altman, a former US deputy treasury secretary and CEO of Evercore Partners (an investment firm that provides advisory services for transnational corporations), traces the underlying cause of the tribulations to the combination of ‘very low interest rates and unprecedented levels of liquidity’ (Altman, 2009, p. 4). This time span is a conjunctural moment early in the third millennium.

Economists have also focused on antecedents before the 1980s’ global hike in debt and defaults, or the 1930s’ spike that began in the United States and had worldwide repercussions in financial markets. Examples include the shock stemming from London in 1825, the German and Austrian stock market collapse in 1873, and the Baring Bank run leading to insolvency in 1890 (Reinhart & Rogoff, 2008, p. 35; rev. 2009). In fact, a National Bureau of Economic Research survey of eight centuries of financial downturns identifies a ‘striking correlation between free capital mobility and the incidence of banking crises’ (Reinhart & Rogoff, 2008, p. 7). Mindful that financial collapses differ from one another, the authors report an overarching pattern: ‘Periods of high international capital mobility have repeatedly produced international banking crises, not only famously as they did in the 1990s, but historically’ (Reinhart & Rogoff, 2008, p. 7).

This broad historical perspective complements a structural interpretation that stresses the disjunction between economic globalization and the political order. That is to say, economic globalization entails an acceleration of cross-border flows—among them, finance capital and services—that slice across territorial states. However, according to the Westphalian territorial model of political organization, sovereign states seek to control these transactions and affirm the logic of the interstate system. The horizontal interconnections forged in the world economy and the vertical dimensions of state politics are two different vectors of social order, with the latter seeking to adjust to changing global structures (Mittelman, 2000, p. 238). The mix of this structural tension and the conjunctural elements noted above has precipitated the implosion in globalizing capitalism manifest in our times. To address it, the holders of state power have turned to global governance, major aspects of which are hardly new.

**Global Governance**

Speaking in Africa in 1960, British Prime Minister Harold Macmillan gave his famous ‘wind of change’ speech heralding decolonization. In subsequent years, however, blowback has marked political and economic climate change in many former colonies. Developed countries too have encountered the tsunamis of the global political economy and their impact on myriad facets of life.

It is well to recall that at a 1973–1974 United Nations meeting in Algiers, the Non-Aligned Nations (or the Group of 77, a loose coalition of developing countries founded in 1964) called for a package of reforms that were debated in the General Assembly. These hopes for a new world order were soon dashed. Conferences under UN auspices also spotlighted critical issues such as world food and poverty. Bringing together high-profile politicians and economists, a series of global commissions—among them, the Brandt Commission, the Brundtland Commission, the UN Commission on Global Governance—and summits of heads of state have sought to tackle fundamental world problems. More recently, Group of 7 (G7), Group of 8 (G8), and Group of 20 (G20) meetings have attempted to grapple with the nettlesome issues (see Beeson & Bell, 2009).
But does this multilateralism really yank at what is at work in the governance of markets, the environment, and institutions? Conceptually, these concerns nest under the rubric of global governance. Diverse approaches to it inform policy-makers and mark this domain of knowledge and information. The dominant one is liberal institutional analysis centered on achieving cooperation. It focuses on membership organizations, procedures, and more broadly processes (for example, Keohane, 2005). Second, cosmopolitans like David Held (Held & McGrew, 2002) extend the Kantian theme of world citizenship. It reaches for planetary identity: not necessarily as a substitute for local or national identities but as a supplement to them.

Third, social forces perspectives advanced by Robert Cox (1999) and feminists such as Shirin Rai and Georgina Waylen (2008, with a valuable overview of governance theories) probe ideas, interests, and hierarchies. Emphasis is given to social structures, material power, and the institutions that constitute them. Finally, poststructuralists invoke Michel Foucault’s (1991, 1997) insight on governmentality. In short, the concept of governmentality refers to the control of citizens in the form of self-regulatory means through establishing social systems in which the state is but one element. Part of this complex are structures of knowledge as they relate to power and become suffused into the mentalities of subjects.

Global governance is thus about the rules for world order, the agents who participate or are excluded from making them, and the discourses about them. It follows that the principal consideration is not horizontal membership involved in the conversion of the G7/G8 into the G20 so as to incorporate more developing countries, nor for that matter is it about the size of the Group of 1 (the United States), the Group of 2 (the United States and China), or the Group of 192 (the entire UN General Assembly): rather, what norms are being institutionalized at these discursive sites? Yes, it matters who are insiders and outsiders. But are these clubs of select political leaders and their economic aides inscribed with neoliberal governmentality, that is, the predominance of market norms? Or could a post-neoliberal spirit infuse the architecture of global governance? From a critical standpoint, what needs to be vetted is not merely widening representation but deepening the agenda and tugging at the roots of the world’s ills.

To be more concrete, the G20 has become a major international forum for crisis management. Having evolved since its modest beginnings in 1999, in the wake of the economic debacle in Asia and subsequent slumps in Brazil and Russia, this grouping is now an instrument for coordinating strategies to correct imbalances, as in financial markets. But what is the overall design for rebalancing an unbalanced world?

It is not simply that top leaders convene without a lot of forethought. Vast intellectual capital is invested in these summits and sessions of the General Assembly. The discourse brokers include renowned thinkers, including winners of the Nobel Prize in Economics. Among them, celebrity economists like Krugman, a professor at Princeton University and New York Times columnist, have shaped the debates; Stiglitz of Columbia University, and formerly the World Bank and the White House during President Bill Clinton’s presidency, chaired a commission of experts that prepared an extensive account of the world financial and economic crisis and its impact on development (Stiglitz et al., 2009). Given the stature of this group of 20 commissioners, its influence likely seeped into deliberations at the United Nations and the 2009 G20 summit in Pittsburgh, though one cannot measure the degree.

This robust report is to be welcomed for its candid recognition of world inequalities and of the ways in which food, water, energy, poverty, and sustainability are interlinked. While mainstream economists are often blamed for their ahistorical and technocratic outlook, this document is far-reaching and hard-hitting in demonstrating systemic failures. Among other things, the statement highlights faults in institutional mechanisms and the lack of political accountability.
As the Stiglitz commissioners attest, globalization is asymmetric, large-scale redistributions of wealth from taxpayers have benefited highly leveraged financial institutions, subsidies to the banking system have disadvantaged poor countries that do not have the resources to provide them, and severe social maladies require political intervention. Further, capital and market liberalization has spread risk in an unsustainable manner. Emphasizing the need for global collective action, the experts call for reforms in existing international institutions, the establishment of a Global Economic Coordination Council, and effective regulatory structures.

Yet the Commission of Experts’ report does not engage counter-narratives: alternative proposals put forward by global justice groups such as ATTAC, the World Social Forum, and the International Forum on Globalization. Instead, the 20 commissioners are still in thrall to the neoclassical tools of their trade.

Although Stiglitz and his coauthor Bilmes (2008) contributed importantly to costing the US war economy in our times, one is left to ponder why the Stiglitz Commission gave little scope to the ways in which military spending is linked to the international monetary and financial system. Having written a major book on this subject, the chair of the commission, who had served as chief economist at the World Bank, surely has a sense of the connections. It thus seems fair to ask: do the political parameters of a report sponsored by the United Nations preclude scrutinizing this core issue?

Whereas the commissioners’ goal is to establish a ‘global consensus’, the drawback to this endeavor is that a consensus excludes stakeholders who do not hew the dominant position. Space for dissent is not provided. Time and again, the experts recommend that ‘we’ should manage the global economy in a particular way. But who are the royal ‘we’? What is the justification for the imperial use of this characterization?

Following closely on their heels, the leaders’ manifesto at the Pittsburgh summit responded to the above question: ‘We meet in the midst of a critical transition from crisis to recovery to turn the page on an era of irresponsibility and to adopt a set of policies, regulations and reforms to meet the needs of the 21st century global economy’ (Leaders’ statement: The Pittsburgh summit, 2009, p. 1; emphasis added). Noting the measures that they had adopted since their first meeting in 2009, these heads of states declared, ‘It worked’ (Leaders’ Statement, 2009, p. 1). The G20 members congratulated themselves because ‘[a] sense of normalcy’ has been achieved (Leaders’ Statement, 2009, p. 1). Leaving aside their aim to restore pre-2008 conditions, they pledged ‘cooperation to improve access to food, fuel, and finance for the poor’ (Leaders’ Statement, 2009, p. 8). But that was the very thrust of the 1980 and 1983 Brandt Commission reports on international development, namely, for partners in development to share resources. So, too, other global commissions have called for poverty reduction. Tony Blair’s 2004–2005 Commission for Africa, which made recommendations to the G8, is one of many such summits that set ambitious targets; however, the pledges still constitute unmet promises. In light of this trajectory, how would the G20, which lacks an enforcement mechanism and a secretariat, alleviate heightened vulnerabilities? Is it constituted to alter globalization as experienced from below?

Besieged by resistance from popular movements, this top-down summitry patently seeks to re-embed the neoliberal order. It is a further effort to multilateralize neoliberalism. Regardless of the number of members, the G forums are tête-à-têtes among statespeople who frame discourses for ramping up securitization. A type of structural power, they do not permit civil society groups or unconventional thinkers to have seats at the table. This ‘complicitous silence’ is most apparent when it comes to the voices of the vulnerable populations in developing countries.
Development

Most of the world’s 43 poorest countries are located in sub-Saharan Africa. Africans take little comfort in regional representation in the G20 by only one member state, South Africa.

Uganda’s President Yoweri Museveni expressed a view shared by many on the continent when he described climate change as ‘the latest form of aggression’ by rich countries against Africa (as quoted in Kristof, 2007). He referred to the amply documented facts that emissions from affluent nations, as well as from countries closing in on their ranks, in the form of greenhouse gases and other environmental harms cause crop failure and famine, the spread of deserts, the contraction of lakes, and the loss of biodiversity. As a result, and even though Africa contributes only 4% of world emissions to greenhouse gases (Ruiz, 2009, p. 30), it is its vulnerable, impoverished populations that starve. They have little or nothing on which to fall back.

As with climate change, the Great Recession of the first decade in the twenty-first century began outside Africa, that is, in the epicenter of globalization. But the entire world is asked to pay the bill for what happened there. While trying to cope with declines in commodity trade, foreign investment, tourism, and remittances, African countries do not have the fiscal space to mount stimulus packages and recovery programs. Pruning government spending, John Atta Mills, president of Ghana, thus says that he is promoting a ‘modest State’.

It is worth noting that countries such as Tanzania, when President Julius Nyerere launched a program with egalitarian aspirations, attempted to gain control of their economies. In 1967, Tanzania nationalized two local and seven foreign banks, including the ‘Big Three’ (Barclays, Standard, and National and Grindlays), and vested them in a wholly government-owned corporation—the National Bank of Commerce. The British concerns fiercely contested these takeovers (Mittelman, 1981). Yet the British and other governments around the world are now intervening in their own banking sectors and asserting state control. Apparently, Tanzania was ahead of its times in trying to stop leakage from its national economy, jumpstart home-grown development, and establish a sound banking system. It is thus ironic that later, in 2009, the World Economic Forum (WEF), which consists of the CEOs of the world’s largest corporations, heads of state, and select journalists and academics, ranked Tanzania at 107 from the top, better than the United Kingdom at 126 (and trailed by the United States at 108) in terms of the soundness of banks in their countries (World Economic Forum, 2009, p. 436).

Furthermore, especially with the adoption of protectionist measures by countries such as the United States, which calls on developing countries to open their economies, the constraints are ever acute. Consider an illustration of the disproportionate reward for labor and primary commodities at a world level: what the Tanzanian coffee farmer earns in one year, an employee at Starbucks in Washington, DC, makes in a week (Sefue, 2008). As discussed above, several global commissions have evaluated such inequality and economic growth rates, and have set targets for poverty reduction. Perhaps it is time to evaluate the performance of these commissions themselves and decommission development, for the impetus should be found among social forces on the ground. This is abundantly evident in the present implosion in globalization. Rich countries have quickly come up with billions to bail out wealthy bankers and investors but not the world’s poor.

Whereas the G20 agenda heretofore focuses on reforms for limiting executive bonuses and recapitalizing banks (beginning 2012 on the basis of three years of retained profits), it does not consider unsustainable debt, conditionalities that accompany loans and poverty relief measures, and social protection against the jagged effects of market forces. Yet it is precisely...
the latter issues attendant to the inequalities of power and position that the G20 has to date precluded and that would enable global governance institutions to move toward inclusiveness.

Moreover, the G20, like the G7 and G8, is a self-appointed group without a constitution, clear standards for admission, or recorded statutes for procedure. Raising such questions about the unrepresentative power and the lack of legitimacy of the G20, one observer (Åslund, 2009) casts doubt on the mandate of this group of 19 big countries plus the European Union (and of its own accord, Spain decided to attend the 2009 Washington meeting, and no one stopped Holland when it wanted to join). Åslund (2009) likens this form of multilateral governance to the undemocratic practices of Prince Metternich’s concert of great powers in Vienna following 1814–1815 Napoleonic wars.

From the time of the Congress of Vienna, the question of the role of small countries in effecting global restructuring remains rife. Nowadays, when international financial institutions are calling for transparency in the political economies of developing countries, it seems fair to ask about the lack of accountability and transparency in global governance agencies and forums themselves. This democratic deficit in economic governance is evidently associated with crisis narratives emerging from the governing paradigm for bailouts.

In sum, driving forces in the contemporary crisis are a combination of military and financial securitization, dominant discourses about these trends, and the policies of global governance institutions that add to the effects. As indicated, popular storylines about crisis intervention and crisis prevention side-step crucial concerns about transforming globalizing capitalism. The imagery is produced by organic intellectuals and power agents complicit in silencing the mechanisms of inclusion and exclusion that divert attention from the war economy and worsen vulnerability. Many among the world’s most vulnerable populations are thus left to ponder how to recover from historical anguish, attain well-being, and maintain a life of human dignity.

A genuine transformation in global governance would bring reduced defense budgets, the shutting down of military bases, a decoupling of globalization and neoliberalism, and linkage between economic reform and social policy. If these priorities were to overtake the wars and the bailouts of the early part of this millennium, they will amount to more than wishful thinking.

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**Notes**

1 For a list of membership in these forums and analysis, see the G20 Information Centre (Munck Centre for International Studies, University of Toronto), http://www.g20.utoronto.ca/g20leadersbook/g20rg.html (accessed 20 October 2009).

2 The irony of this situation emerged in a personal conversation with Ombeni Y. Sefue, ambassador of the United Republic of Tanzania to the United States (Washington, DC, 27 October 2008).
References


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