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Globalization, Crisis and Transformation: World Systemic Crisis and the Historical Dialectics of Capital

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ABSTRACT This article addresses the meaning of ‘crisis’ in both contemporary and historical perspective, utilising crisis as an analytical concept to understand transformation in socio-historical system structure and world order. It examines the nature of ‘capital’ and its relation to crisis through an understanding of the historical dialectics of capital(ism). The article presents a summary of a general theory of world systemic crisis, drawing upon analysis of world historical patterns, including the key factors: overextraction, overconcentration, underconsumption, and underinvestment, the concept of ‘parasitic appropriation’ or ‘parasitic accumulation’, ‘hegemonic transition’ and ‘entropy’. It concludes with a discussion of the relation between globalization and crisis and the potential for a new radical politics of transformation in the context of the present global crisis.

Este artículo trata con el significado de ‘crisis’ tanto en la perspectiva contemporánea como en la histórica, utilizando la crisis como un concepto analítico para entender la transformación en una estructura del sistema socio histórico y orden mundial. Examina la naturaleza del ‘capital’ y su relación a la crisis, a través de un entendimiento de la dialéctica histórica del capital(ismo). El artículo presenta un resumen de una teoría general de crisis sistémica mundial, a partir del análisis de modelos históricos mundiales, que incluyen factores claves: extracción, concentración en exceso, bajo consumo y baja inversión, el concepto de ‘apropiación parasitaria’ o ‘acumulación parasitaria’, ‘transición hegemónica’ y ‘entropía’. Concluye con una discusión de la relación entre la globalización y la crisis y el potencial para nuevas políticas radicales de transformación en el contexto de la crisis global actual.
The world has clearly been experiencing a serious financial and economic crisis, commencing in summer 2007 and continuing into the present, causing trillions in financial losses, significant economic contraction, and higher global unemployment and state held debts, the effects of which may continue well into the future, and which provokes many significant theoretical and practical ‘lessons’ (Gills, 2008). This global ‘capitalist crisis’ reflects both the intrinsic and the periodic nature of such crises in the ‘natural history’ of capitalist development (Minsky, 1982a, 1982b; Marx, 1990; Keynes, 1973; Polanyi, 1944; Galbraith, 1954) and while revealing the underlying social malaise, systemic risk, structural imbalances, and dynamic dis-equilibrium within ‘globalized and financialized capitalism’, also presents a moment for deeper reflection and the potential for vigorous reform, renewal, and transformation.

The causes of the present global capitalist crisis are structural and long term. The origins of the financial crisis may be traced to the 1970s and the ‘capital logic’ and global restructuring that expresses the attempt by capital to circumvent the limits to capital accumulation imposed in the old core societies, in order to raise the rate of profit. This took the form of the globalization of production, the financialization of capital and the globalization of finance, and was accompanied by economic doctrines emphasizing the ‘self-regulation’ of capital and markets. However, by ‘solving’ one problem, these measures created others, including: intensification of global asymmetries, social polarization, and inequality; ‘uneven development’ both within and between regions, generating serious structural imbalances such as between deficit and surplus country accounts; a ‘global underconsumption’ 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); and accelerating environmental destruction and the impending global climate change scenario; thus overall increasing the level of systemic instability and the ‘systemic risk’ within the world system as a whole.

In the present financial and economic crisis, the process has progressed from a liquidity crisis (which is also a solvency crisis), to the ‘paradox of thrift’ (where everyone anticipates a negative trend and so everyone cuts back on spending and investment simultaneously, including banks, businesses, and consumers), and so to the inevitable consequence of a deepening syndrome of economic contraction (swift, global, and synchronized), to the massive state interventions and global bail-out of the financial system and the various programmes of fiscal stimulus (roughly calculated at present at a combined total of some US$15 trillion, which exceeds the annual gross domestic product (GDP) of the United States of America), and thus to ballooning public budget deficits and mounting government debt, falling into a new ‘debt trap’ with the present and possibly intensifying fiscal crisis of the state(s) (including even some hitherto very prosperous and large economies, as well as many small and vulnerable ones), and the onset of a public discourse and politics of deficit and debt reduction, with retrenchment and savage cut-backs in public spending programmes, which will have the effect of further

Keywords: dialectic, capital, crisis
deepening the economic contraction, increasing unemployment and ‘bad’ debt, worsening the fiscal crisis, and perhaps leading to a second economic contraction and second ‘financial bail-out’ and public recapitalization of the banking system, and thereby producing deepening social conflict and radicalization (and not all progressive in content). This scenario, and the actual historical precedents of the Great Depression era, leads us to expect not a quick and easy ‘V’ pattern of global recovery and growth in employment, but rather a multiple ‘W’ or ‘double dip’ pattern, or the ‘L’, the ‘long slump’, or both. The crisis is not over. The present global governing elite and the dominant global financial interests (to whom they are often directly allied) offer only a temporary ‘technical fix’ to the crisis, and the prospect of improved ‘global financial regulation’, but they seem to have no real intention (at least in the G8 and now G20 circle) of conducting any truly radical reform or transformation of the system itself. Indeed, the rhetoric of global regulatory reform is but a legitimating fig leaf for a return to business as usual, and the substance of such reform as is being discussed is even now being watered down before any actual reform is implemented.

We have already learned from the recent financial and economic crisis that when market systems fail they can fail spectacularly, but when globalized markets fail, they may fail even more spectacularly, more swiftly, deeply, and more synchronously (Gills, 2008; Eichengreen & O’Rourke, 2009). Moreover, the world seems to have (re)learned the lesson, that when such a catastrophic scale of market failure occurs (which is also a state failure for allowing this situation to happen in the first place), then only the state(s) have the capacity to save the capitalist system (from itself) and restore some manner of stability, through large scale intervention. Perhaps we are now still learning that, once having invoked massive state intervention in the market system in order to repair and sustain it, it is extremely difficult to know when or how to withdraw the stimulus measures and the extensive public support given to the financial system, for fear of causing the real economy to revert to contraction, or be plunged into new perils of perpetually high debt repayment and/or high inflation.1

It is also a lesson of this present financial and economic crisis that those analysts (particularly economists) who relied excessively on abstract formal mathematical models to predict or understand the conditions that produced this crisis, were in a weaker position to do so accurately than those who have relied on broader interpretative historical, comparative, and social science based approaches (Krugman, 2009). The ultimate analytical questions raised by this acute historic crisis situation are, however, through praxis, intimately bound up with the practical and political responses we make to this crisis. The point is not simply to analyse the causes of world crisis, or simply to see its unfolding patterns, but to use such analysis to interpret what must be done to profoundly correct the historical sources of the danger and to guide practice to this end, with a sense of real historical urgency.

I will argue in this paper that the present financial and economic crisis, or ‘capitalist crisis’, despite its great importance, is but one aspect of a much larger and overarching crisis in our present historical world system. This larger ‘world system crisis’ includes not only the financial and economic crisis of the globalized capitalist system of production and of capital accumulation, but also a ‘global centre shift’ in the locus of production and accumulation of capital, and an on-going ‘hegemonic transition’ in the hierarchical structure of the organization of political power and its relation to the global structure of accumulation. Moreover, these profound changes in world system structure are now accompanied by a unique historic ‘comprehensive environmental crisis’, reflecting the real ‘limits of capital’ and of the commodification of nature, and acutely involving the global food, fuel, and water systems supporting all human life on earth.2 The now apparent weakening of US hegemonic power (see Hoogvelt, 2010,
and Munck, 2010, both in this issue), the theoretical and practical failures of the hegemonic
doctrine of ‘neoliberal economic globalization’ and ‘market fundamentalism’, and the possi-
bility of potentially catastrophic political failures by the existing Westphalian states system
and the United Nations system to decisively address the multiple aspects of global crisis, are
likewise central aspects of the present world systemic crisis. These challenges are nothing
less than momentous, and go well beyond the managerial and technical elite’s responses to
‘fix’ the ‘credit crunch’ and restore growth to the global economic system.

The first section of this paper will discuss the meaning of ‘crisis’ as an analytical concept, and
the nature of ‘capital’ and its relation to crisis, via understanding the historical dialectics of
capital and capitalism. The paper will then proceed to summarize a general theory of world
systemic crisis, drawn from extensive prior analysis of world historical patterns, and conclude
with an analysis of how this general theory may be applied to understanding the present
global crises, and deployed to develop concrete social and political responses that, by addressing
the fundamental underlying and long term causes of the present global crisis, may not only solve
some its acute problems but move the human community towards a new and transformed world
historical social system.

‘Crisis’ and Historical System Structure

The term ‘crisis’ has many meanings, including the original Greek sense of a medical situation in
which the patient can either progress and regenerate back to health, or regress and succumb to
more acute illness or even death, and in the Chinese language, involves a combined sense of
‘danger’ and ‘opportunity’. The standard Oxford English language dictionary defines crisis to
include the sense of a ‘turning point’ or a ‘decisive stage; a time of trouble, danger or suspense
in politics, commerce, etc.’ (Brown, 1993). The classical Marxist concept of ‘crisis’ refers to a
moment in the historical process of capital accumulation, when the internal contradictions of the
process generate a serious set of obstacles to its continuation, unless some important alterations
in social and technological factors are created. I will invoke here the broader sense of a historical
materialist understanding of ‘crisis’, in which the primary idea is a lack of ‘correspondence’ or
effective functional unity, between the underlying material processes and structures, and the
overarching political and ideational forms and structures that together make up a whole histori-
ocial social system. This type of understanding of crisis, as the absence of ‘coherent conjunction’
between ideas, institutions, and material forces, and how this dialectic operates in world histori-
cal structures (Cox, 1981; Hoogvelt, 2010, in this issue) does not presume that ‘economics’
determines ideology or politics, as in crude versions of Marxism, but rather focuses our attention
on the fluid and mutually constitutive relations of material and ideational structures, and the
dynamics of dis-equilibrium between them and the ‘coherence’ of historical structures.

From this perspective, a crisis occurs when the overarching ideational forms, institutions and
structures of the ensemble of social(ietal) relations no longer correspond to and/or function
effectively or coherently with the underpinning material processes and structures. This lack of
correspondence and coherence generates a very high level of tension between the structures,
thus destabilizing the whole system. A situation of a historically deep seated and persistent dys-
functional relationship between the constituent structures of a historical social system or ‘histori-
cal structure’ (Cox, 1981) is a central characteristic of a world systemic crisis. Such a crisis can
only be resolved by some fundamental change or transformation which restores correspondence
and coherence. In temporal terms, this type of historical change may occur over very long time
frames, involving generations, or even centuries. In terms of spatial dimensions, we are positing
these relations over very large scales of organization, with particular focus on the idea of a 'world system' (Gills & Frank, 1993a, 1993b; Frank & Gills, 1993), which in the present day context has become truly global.

Thus, such crises are profound in their scope and consequences and tend to involve virtually all aspects of the social ensemble of relations that constitute the historical social system. They are at once a structural crisis and a paradigmatic crisis, for every social system has an underlying set of mentalities, norms, values, etc., internalized, normalized, institutionalized, and legitimized, without which they cannot function. A crisis calls into question these previous mentalities and the social relations they correspond to and reproduce, thus opening up the possibility of a 'loss of faith' in the old ways of thinking and understanding about the world, and therefore a potential radicalization of human consciousness, capable of profoundly changing the ideational aspects of social relations. Such a weakening of the old mentalities, and a radicalization of human thought, may be the direct product of the situation in which ordinary people are confronted by a cognitive and practical impasse in which the old ideas and the old solutions to the problems they face no longer work, i.e. the problems cannot be solved within the confines of the existing paradigm. This failure of the previous set of ideas, institutions, and forms provokes the need for new thought and new solutions, i.e. provokes a historical opening in which radically new ideas may emerge and take root in new social realities. In the wider sense, this 'paradigm shift' in human mentality and all that flows from it is at the centre of a world historical system crisis, and crucial to the outcome.

‘Capital’, Crisis, and the Historical Dialectics of Capital

In terms of the sources of dynamic dis-equilibrium and change in social system structure generated by the social relations of ‘capital’ understood as a ‘value form’ and as a form of social relations rather than as a ‘thing’ (Marx, 1990), the central historical tensions, or ‘contradictions’ in the capitalist system can be viewed as being of two main types (both intimately inter-related); between, on the one hand, the social production of wealth and its private appropriation as surplus or capital, and on the other, the tension (or lack of ‘correspondence’) between the organization of wealth though an increasingly transnational or globalized logic of capital accumulation, and the appropriation or organization of this wealth though the territorial bounded ‘nation-state’. Crisis is an inherent, internally generated, structural and historical tendency of the capitalist system (Minsky, 1982b), and intrinsic in the value form of capital itself, as a social relation (Marx, 1990). Both capital and capitalism have the inherent tendency not only to produce periodic and even frequent systemic crises, but also to undermine or even destroy the very basis of their own social reproduction. In this sense, capital is its own worst enemy, especially if left to pursue capital logic unrestrained by countervailing social forces or alternatives.

The historical dialectics of capital and capitalist development entail a process by which every move forward by capital, for example through the dissolving of solidaristic or communal forms of social existence, de-socializing, commodifying and alienating labour and nature, also provokes a response, dialectically, as Karl Polanyi argued (in relation to marketization of society) of countervailing self-protective and socially reproductive action by social forces, and via the state form (though no progressive alliance between these should be assumed, but has to be a conscious product of collective action in the struggle to gain control or exercise power vis-à-vis capital in the state terrain). Viewed historically, ‘capital’ requires social re-stabilization, re-socialization, de-commodification, and de-alienating processes, through solidaristic and communal ethos, policy, and praxis—at all levels of society and social
existence—in order to continue to exist at all or be reconciled within a larger social system. Therefore, the construction by society of these countervailing forces in response to the expanded reproduction of capital and capital accumulation on a world scale are historically intrinsic to the process of capitalist development itself, and in fact account for its continued ‘success’. The construction of alternatives to ‘raw’ capital logic, and the construction of ‘socialism’, is an intrinsic aspect of the history of capitalism and the historical dialectics of ‘capital’ versus ‘oikos’ (Gills, 2002, 2003; Gills & Denemark, 2008, 2009), and this process has not ended, but still continues, and in fact, is at present more urgent and necessary than at any time in recent world history.

Conversely, the removal or destruction of such countervailing forms by their dissolution and subjection to capital logic, the unleashing of the unfettered forces of capital upon the world—such as we have witnessed in recent decades (Gills, 2000)—automatically increases the destructive and self-destabilizing tendencies of capital, and thus generates the conditions for a severe systemic crisis and also for an overall implosion of the world system. This is the real lesson of the present global systemic crisis of capitalism, understood as a world system crisis. The situation of such a crisis can only effectively be rectified by addressing the underlying structural and root causes of the crisis, by strengthening and restoring the solidaristic and communal ethos (the ‘oikos’ form) and its countervailing forces and practices, but this time on a truly global level.

The General Theory of World Systemic Crisis

Traditionally, long historical ‘cycles of accumulation’ in the economic sphere and ‘cycles of hegemony’ in the political or international sphere, have been viewed as being tightly interwoven, mutually interacting patterns, though theories vary considerably as to the exact nature or causal relations and outcomes of this relationship. These phenomena also represent real forms of the relations of social power, for example, between those who own and control the means to produce wealth, and those who do not, and between those who command the authority of state power, locally, nationally, or globally, and those who do not.

As argued at the outset of this paper, a periodic crisis of capital accumulation, as important as this may be, is but one aspect of a world systemic crisis, among which are also a ‘centre-shift’ in the locus of the production of wealth and of capital accumulation (on a world system scale), and a ‘hegemonic transition’ in which the previously prevailing hierarchy of power and wealth is giving way to a far-reaching reorganization. One aspect of such a hegemonic reorganization may be a system ‘implosion’, whereby areas that were previously less powerful or even ‘peripheral’ in relation to the ‘core’ or ‘centre’ powers, may change position and ascend in the hierarchy, as the old core powers weaken and succumb to internal forces of entropy and external competition. It was of course the starting point of the traditions of Dependency theory and World-System analysis that in the situation of a major capitalist systemic crisis (as in the 1930s) it was possible for peripheral countries (the terminology ‘periphery’ in relation to a ‘core’ or ‘centre’ country was first introduced by Raul Prebisch, and later deployed in the neo-Marxist tradition, initially in the analysis of Paul Baran, then by Andre Gunder Frank, and others to gain increased autonomy and to accelerate and deepen their own ‘national development’ pattern. The point to remember here is that world systemic crises involve the possibility of quite important changes and reorganization in the prevailing hierarchical organization of wealth and power in the world system, where old core powers may in fact ‘descend’ and ‘rising powers’ may ‘ascend’(see Arrighi, 2007; Chase-Dunn & Hall, 1997).

This article will attempt to understand and interpret the present world crisis, in economic, political, environmental, and social spheres, within a long term world historical context, and
from the perspective of a general theory of the causes and consequences of periodic ‘world system crises’.

To conclude, a shift to ‘hegemonic transition’ as the central organizing concept of world history suggests some general hypotheses on the causes of periodic crises. Above all, the primary theme in these crises is always the overall character of the struggle for the control of the surplus. The key factors in the onset of crises include the following:

- an excessive rate of the extraction of surplus (overextraction);
- an excessive concentration of control over capital (overconcentration);
- a failure of demand or expansion to stimulate growth (underconsumption); and
- a failure of investment in productive capacity (underinvestment)

which may be reflected in the growth of elite consumption relative to social redistribution and productive investment—but is always ‘parasitic appropriation’ as opposed to productive investment of capital. The above are often accompanied by a fiscal crisis of the state and a crisis of political authority. The end result is economic contraction and political fragmentation or dislocation, often accompanied by rebellion and war.

The general world system crisis occurs when the combined cumulative layers of contradictions in the world system cannot any longer be sustained by the existing social, economic, and political arrangements of the world order—thus necessitating drastic transformation. The interaction of all the cycles in the system and the simultaneous occurrence of crises in conjunctural moments generate a high disequilibrium within the world system, which destabilizes the whole. This disequilibrium is present in both the sphere of world trade and the sphere of political–military power. A shift in both the locus of accumulation and of hegemonic power in the world system is the result. This process is accompanied by economic, social, and political upheavals and usually by wars. A dramatic world hegemonic transition is thus both the result and the resolution of a general world crisis. It is a resolution in the sense that the old world order is eventually destroyed and conditions are laid down for the emergence of a new world order. Out of a crisis of accumulation comes the restored conditions for an expansion of accumulation and a new hegemonic order.

Most importantly, these concepts seem as relevant to today’s global economic crisis and on-going world hegemonic reorganization as they are to 5,000 years of world system history (Gills, 1993, pp. 137–138).

‘Entropy’, ‘Implosion’ and Crisis

There are two aspects of world systemic crisis in relation to processes of ‘entropy’. First, there is the change in hierarchy in the international order. This pattern takes place in relations between failing and declining ‘old’ core states, and ‘rising’ or dynamic expansionist forces, which were previously positioned on the perimeter, the periphery, or the margins of the system. Arnold Toynbee in his magisterial Study of History (Toynbee, 1935–1961) observed a pattern of systemic ‘implosion’ whereby the established hierarchy of the old states system weakened, became unstable, and gave way to a new ordering, in which the former peripheral powers moved into the centre, took command, displacing the old elite and reorganized the system, restoring dynamism to the historical civilization. Toynbee used the examples of ancient China
and Greece to illustrate this pattern. At the end of the ‘warring states’ period in China, the old powers and elites of the centre give way to the rising power of the Qin state, which was situated on the western margins of the system in the Wei river valley, with their bureaucratic state, legalistic philosophy of power, and peasant based professional standing army. The ‘first emperor’ Qin Shi Wang Di, founded the first great unified Chinese state and civilization. In Greek history, the once ‘barbarian’ Macedonians from the marsh lands eventually overcame all the older fractious city states of the Greek interstate system, and founded a new expansive civilization and empire, extending over vast areas of Asia, India, and Egypt, known as the Hellenistic civilization.

Another major theorist of these historical patterns of ‘implosion’ and civilizational crisis and renewal was Ibn Khaldun (1332–1406), who in his pathbreaking prolegomenon to a universal history (The Muqaddimah) (Khaldun, 1958) analyzes a general world historical pattern, in which old urban centres of power and civilization decay but are reinvigorated through an implosion of power relations, in which peoples from the rural and tribal hinterlands inject the dynamic spirit of sociability, asabiyya, (which derives from the intrinsic nature of their social relations) resolving ‘civilizational crisis’ and providing for a new period of dynamism, creativity and wealth creation (see also Pasha, 2010; and Murphy, 2010, both in this issue).

The other aspect of ‘entropy’ is internal to class and social relations, in particular of the declining and failing old core states in the system, and may in my analysis be seen as the fundamental cause of their decline and weakening. I refer here to long term and cumulative patterns in class relations of the concentration of property, wealth, and capital, or ‘over-concentration’ of wealth. This concentration is aided or facilitated through state power, and processes whereby the wealthy elite succeed in gaining and wielding state power in their own (narrow) class interest, and use it to intensify such concentration. This is related to a process of ‘aristocratization’ of the state, which may also be seen as a form of ossification. Another way of putting this is that the state form becomes more ‘patrician’ in terms of the class holding state power and also of its fundamental value system and character. As this process deepens, the state is itself fully captured by this power concentration, from ‘within’, and becomes increasingly weakened by the process, especially in terms of its ability to undertake meaningful structural and adaptive reform to meet new challenges, and to provide the needed infrastructural investment to maintain the stability of the overall historical structure.

The typical historical pattern, as outlined above in the quoted passage on the general theory of world crisis, is one in which the overconcentration of wealth becomes increasingly structural and allied to state power, and the effect is to increase the extraction of wealth from the ‘base’, i.e. the ‘over-extraction’ of surplus, while the tax base for the state concomitantly shrinks (as the rich pay less and less taxes) and displaces the burden of revenue onto the ‘base’. This syndrome leads to gross ‘over-exploitation’ of labour and the gradual impoverishment or immiseration of the mass base of society (the producers, the workers, the peasantry, the ‘lower classes’, etc.), and thus to a spiral of stagnation and eventual economic contraction. This resembles ‘underconsumption’ theory of course, because it represents a transhistorical pattern where the ‘circulating’ wealth within the historical structure is increasingly restricted to a narrow class circle.

Eventually, the state finds itself in a fiscal crisis, which becomes increasingly prolonged and severe, unable to raise sufficient revenue from either the rich or the poor, and thus unable to properly fulfil its necessary functions of infrastructural investment. This situation is therefore one of ‘under-investment in productive processes’ which allows the productive capacity to atrophy and removes dynamism from the system. The overall situation is one of ‘parasitic accumulation’ and the increase of conspicuous elite consumption of the surplus relative to its socially useful investment, and these aspects taken altogether, in an assemblage or ensemble
of social relations, generate a syndrome of gradual and inexorable economic and social decline. But this decline may not be universal, i.e. there may be competitor zones, social structures and state powers who will take advantage of this weakening of the old and rival centre(s) of power. Sometimes the rising power(s) is/are a former subordinate dependency or tributary of the old centre, and in this sense, their challenge to the old hegemonic structure is also an act of rebellion. The rebellion against the old elite and their power and wealth is also in some cases from the ‘lower classes’ within, who may desire more freedom and a chance at renewed prosperity and a stable and more just social order.

The ‘fall of the Roman empire’ was depicted in Latin texts, written reflecting the enormous influence of the catholic church in later centuries, as a catastrophe and chaos, the end of ‘civilization’ and the onset of ‘the dark ages’. Revisionist interpretations however, argue that the decline and fall of the Roman empire in the West was not a sudden and great descent from civilization to barbarism. What happened was a breaking up of the centralized state apparatus into a fragmented set of new states, typically founded by ‘hinterland’ peoples, who in many cases had already been assimilated into Roman civilization, and who injected a dose of ‘Germanic Freedom’ into the decadent and decaying Roman social, economic, and political structure. Rome had long since succumbed to the processes I have described above, in every respect. Rome’s fall was a classic entropy situation and systemic implosion, in both internal social class and ‘external’ centre-periphery relations. It was replaced by a new civilization in Europe and a new world order, in which the dynamism was injected by the movement of formerly oppressed, exploited, and marginalized peoples into the centres of power.

‘Globalization’, the Global Crisis, and the Radical Politics of Transformation

It should by now be quite obvious to the reader where this argument is leading us. Historical insight is useful to analyze the present. I am clearly arguing that the present global crisis, in its larger aspect as a ‘civilizational crisis’ and a ‘systemic implosion’ remarkably conforms to the outline of the general theory of system crisis outlined above. The decline of the United States of America in our era mirrors the processes in the general theory. The long term structural and social class based causes of the recent spectacular financial and economic crash of Wall Street and the US economy in my view conform remarkably to the general world historical pattern of these phenomena. The concentration of wealth in the United States, the capture of state power by the wealthy and the financial oligarchy, the deliberate collusion of venal politicians and media corporations to deceive and over-exploit, and eventually ruin, not only the American people, but labour across the world system as a whole, the economic decline and demise of the ‘competitiveness’ of the US economy as these processes proceeded to deepen through ‘neoliberal economic globalization’ and the ‘out-sourcing’ and ‘off-shoring’ of production and wealth, the enormous and systematic tax evasion by the rich, especially the American financial and corporate oligarchy, the eventual collapse of the pyramid of debt (banking, corporate, individual, and state) and the onset of a severe financial and economic contraction, the ever worsening fiscal crisis of the state and the inability to raise the funds necessary to reinvigorate infrastructure, while passing the burden of all these pressures increasingly onto the ‘base’ and thereby immiserating them, and yes, the inexorable loss of hegemonic power by the old power and its inevitable challenge and replacement by ‘rising powers’ in what can correctly be called a global ‘centre shift’ in the locus of wealth, and the power that goes with
it, and thus a ‘hegemonic transition’ of historic proportions and long lasting fundamental impact on world order. Yes, the present global crisis is certainly all of these.

A great historic crisis, a civilizational and world systemic crisis, is also, as I have tried to outline, a time of the weakening of old ideas, old certainties, and old paradigms, i.e. a change of understanding our place in the world and how we make it. Ibn Khaldun understood this process perhaps before any modern theorist of the West did. What it teaches us today is that, as the Chinese character for crisis conveys, a crisis is not just a danger, but an opportunity. Change will come, that is inevitable, a law of nature and a reflection of the nature of the universe. Change in this context, however, is social, unlike in the laws of physics. Social change is inevitable in a great social crisis. This change comes from ‘within’ and expresses the mounting and multilayered social tensions and contradictions of the social hierarchy itself, which are no longer containable or resolvable within the norms or forms of the old system structure. Change also comes from ‘without’, i.e. is generated by the interactions of the contending power blocs and social forces of the historical world system, and which is ‘resolved’ by a radical reordering of the pre-existing hierarchy, and often thereby also of the whole set of underlying values, forms, institutions, and ‘policies’ that go with a hegemonic world order.

So whence will come, or should come that needed radical impetus to genuine necessary change or transformation, that change which will addresses the long term and root causes of the present comprehensive global and world systemic crisis? Not from capital certainly, nor from corporate versions of ‘social responsibility’, or even from corporatized versions of the ‘Green New Deal’. Rather, it will, in my view, emerge from and take form through the re-building, with historical urgency, of those countervailing forces animated by a solidaristic ethos, those political social responses that will explicitly seek to effectively ‘discipline capital’ again, those ideas and transformations that will seek to restore correspondence and balance in the historical structure between the material forces and the ideational structure, and those that will seek to politically and collectively redirect the uses of social wealth to promote the necessary social and productive purposes. In effect, the remedy and resolution to a great historic general crisis, to the crisis of ‘entropy’, resides in the reversal of its underlying causes—i.e. overconcentration, over-exploitation, underinvestment, ‘parasitic appropriation’ and ‘parasitic accumulation’. Any other ‘reform’ is ultimately ineffective. Mere ‘financial regulation’ alone will certainly not solve this crisis, and not the imposition of temporary taxes on grotesque bankers bonuses.

Without a profound redistribution of wealth and a very substantial reduction of the concentration of property, without a substantial strengthening of the fundamental rights of labour and of working people to a decent and living wage as well as to employment itself, without wide spread forgiveness and relief of debts, especially for the poorest countries but also for the poor and working people of the richest countries themselves, without a genuine reinvigoration of the people’s sovereignty and real democracy and a profound change in the use of state power, without a wholesale revival of the state’s role to protect and provide for the sustained social security and stability of all its people, without such profound and historic changes, the crisis will not be over, but will persist, and very possibly deepen.

What is needed now is not a retreat into despair, defeatism, or misguided philosophical idealism (Pugh, 2010, in this issue) which serve only to immobilize even the possibility of effective action. But rather a full embracing of the urgent necessity of radical action, and this action is the source of future global transformation. ‘Globalization’, as expressed through capital logic, neoliberalism, and (decaying) American hegemony, has inexorably brought about the present global crisis. Global crisis, in turn, brings about the prospect of historical transformation, of change, of a transition to a new social historical structure, of a renewal of historic dynamism,
through the reorganization of a civilization in crisis. Given our now globalized world, however, this change is only truly possible, in these historical circumstances, by constructing global, trans-national, and post-national social solidarities, and by directing these to a clear common purpose. Such change includes the decommodification of nature, before the forces of destruction of the environment through the logic of global capitalism overwhelm and destroy the very basis and fabric of life on this planet. Such change will come through the decommodification of labour, in which ‘labour’ will again be recognized as a living human person, who is much more than a mere ‘commodity’ in the logic of production and capital accumulation, and who has the inherent and inviolable right to human dignity and human freedom (Khan, 2009), not as an isolated individual ‘island’ but as a thoroughly social being, with a multitude of social obligations to family, community, society, and nature. And such change will come through the process of re-socializing the basis of wealth creation and collectively and politically redirecting the uses of wealth (which is ultimately ‘social’, contra the capitalist ideology of private property rights and capital accumulation) to once again serve the general interest and the welfare of all in society, and not just the privileged and powerful few.

The emergence of new and radical forms of global politics with the conscious intention of transforming global governance and the existing global economic system on a radically democratic basis, operating through and transforming the historically embryonic forms of transnational social action and world polity formation, is now an urgent historical necessity, perhaps a matter of human survival (Patomäki, 2010, and Falk, 2010, both in this issue). Without such transformative action through new social solidarities, including at the global or transnational level, the negative tendencies and destructive effects of the on-going global systemic crisis will continue into the future, and may take on increasingly pathological and self-destructive forms, thus threatening the peace and security of all nations. The spectre of the politics of the 1930s, and the rise of fascist, militarist, racist, authoritarian, and imperialist forces to the fore, cannot be lightly dismissed, and it is an urgent political challenge to prevent this scenario from happening. Should the present financial and economic crisis, as I expect, be prolonged and deepen, then this will become even more an acute political urgency. But even should the present economic crisis begin to ease in the short term, many other aspects of the long term set of historical structural tensions in this world system crisis will remain and continue.

The return to the global status quo ante before 2007 is not an option, theoretically or practically. The underlying and long term structural systemic patterns of this global crisis include the global centre shift, the hegemonic transition, and the comprehensive environmental crisis and its limits to capital and to urban-industrial world civilization as we have known it. The ‘solutions’ to this crisis must be radical and transformative, and they should, most importantly, come from the people of the world themselves, who by their lived experiences, will realize the danger they are in and combine to create new forms of effective and collective action. There is no other solution.

Notes
1 At the time of writing in late December 2009 there was mounting evidence of a prolonged economic crisis, including: The Bank of England announced that it would continue its ‘quantitative easing’ and ultra low interest rate (0.5%) policy; unemployment in the US and in the EU continued to either rise or hover at near 10%, with little sign of increasing employment; the G20 finance ministers agreed to continue the fiscal stimulus programmes; 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 debt sparked alarm about the stability of the euro); China announced a tightening of the reins over banks’ behaviour as suspicion rose of a new speculative bubble in the Hong Kong and Shanghai financial
markets, while simultaneously moving to beef up its already over US$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 TARP (Troubled Asset Relief Programme) of $350 billion into 2010, after it was due by law to expire; the ECB announced that it would be premature to predict a sustainable recovery in Europe, but hinted it would slowly retract some of the existing financial support measures, even while the government bond market in the debts of the so-called ‘PIIGS’—i.e. Portugal, Ireland, Italy, Greece, and Spain, indicated a possible sovereign debt crisis in the EU and beyond, thus provoking worries of renewed financial crisis; and the speculative bubble of real estate developers in Dubai finally burst, exposing some $60 billion of debt outstanding by the state owned property development company, Dubai World, as Dubai asked for a temporary moratorium on debt repayment and the federal government of the UAE initially refused to guarantee these debts, setting off a local stock market tumble.

For the podcast of the Public Forum on Global Crisis: Food, Fuel and Finance, held at New York University, on 18 February 2009, see: http://wagner.nyu.edu/podcasts, and for an analysis of the ‘converging crises’ see: George et al. (2008); see also: http://www.tni.org/category/issues/global-economic-justice/finance

References


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