

**Crisis, What Crisis?
Reflections on Crisis,
Crisis-Management,
Crises of Crisis-Management**

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Outline

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Crisis

- Opening remarks
- Critical perspectives on complexity
- Defining and construing crises
- A political economy of the crisis
- Crises of crisis-management
- The role of temporal sovereignty
- Governance and its failure
- Romantic public irony
- Some conclusions

Critical Perspectives on Complexity

- Critical discourse analysis
 - How semiosis simplifies complexity to help actors go on in complex world – and lands them in trouble too
- Critical political economy
 - How contradictory forms and institutions generate crisis and conflict and these steer political economy
- Critical governance studies
 - How complexity of governance generates governance failure, promotes learning, leads to meta-governance

Crisis, what crisis?

- Crises are moments of *danger* and *opportunity*: as such, they have objective and subjective aspects
- Objectively, they occur when a set of social relations (including their connection to the natural world) cannot be reproduced (cannot 'go on') in the old way
- This results from mix of (a) accidental and conjunctural factors and (b) system-specific tendencies and dynamics
- Subjectively, they are moments of indeterminacy, where decisive action can restore these relations, via repair work, piecemeal adaptation, or radical innovation
- If not, system will fail, perhaps replaced by a new kind

Defining and Construing Crises

- Crises as ‘accidental’ products of natural or ‘external’ forces (e.g., invasion, tsunami, crop failure, SARS)
- Crises as form-determined: inherent crisis potentials and tendencies of given social forms with own forms of crisis-management (e.g., capital relation, command economy)
- Crises ‘in’ are normal, *may* be resolved through familiar crisis-management routines and/or through innovations that restore previous patterns (issues of adaptability)
- Crises ‘of’ are less common and involve a crisis of crisis-management, indicating inability to “go on in the old way” and demanding more radical innovation

Complexity and Semiosis

REP. WAXMAN: Do you feel that your ideology pushed you to make decisions that you wish you had not made?

MR. GREENSPAN: remember what an ideology is: a conceptual framework for people to deal with reality. Everyone has one. You have to - to exist, you need an ideology. The question is whether it is accurate or not. ... I've found a flaw. I don't know how significant or permanent it is. But I've been very distressed by that fact ... A flaw in the model that I perceived as the critical functioning structure that defines how the world works, so to speak (Congressional Hearing, 23 October 2008)

The Semiosis of Crises

- Interpretations multiply as actors seek to:
 - make sense of the “crisis” as it unfolds in space-time
 - attribute (rightly or wrongly) ideological, institutional, technical, and personal (or organizational) blame
 - assert claims ranging from “business as usual” through “turning point” to “revolutionary rupture”
 - matters whether this is crisis “in” or “of” relevant system(s),
 - chart alternative futures to prevent or guide them, and
 - recommend specific lines of action for particular forces over different time frames and spatial horizons
- Some crises occur so often that they prompt crisis-management routines: they correspond to crises ‘in’ a system interpreted in terms of known routines that can recreate business as usual

Interpreting Crisis, Governing Crisis

- Getting consensus on interpretation about which of many crises matters is to have framed the problem
- To successfully blame one set of factors and/or actors distracts blame from oneself and sets stage for various efforts to resolve crisis
- This consensus must be translated into coherent, coordinated policy approach and solutions that match objective dimensions of the crisis
- Effective policies need to be consolidated as basis of new forms of meta-governance and institutionalized compromise

Policy Matters

- When crisis-management is reduced to issues of the best *policies*, defined through “governing parties”, then opportunities for more radical solutions are marginalized
- Limiting crisis-management to search for correct policies implies that crisis is due to incorrect policy rather than being rooted in deeper structural causes, linked to patterns of economic, political, and social domination
- This may be reinforced by “urgency” of crisis: crisis of Fordism versus crisis of finance-led accumulation. Policies will be shaped differently depending on time factor

Forums also Matter

- Strong narratives without powerful bases for realizing them are less effective than more “arbitrary, rationalistic and willed” accounts pursued by the powerful
- Without good access to leading global forums, scope for counter-hegemonic narratives and, notably, sub-hegemonic narratives, i.e., accounts that are widely accepted in regional forums and subaltern organizations
- This requires concern with architecture of global, regional, and national organizations and with opportunities to jump scales to pursue solutions at most effective scale(s) of action and intervention

And don't forget Power!

- Power can be defined, inter alia, as **the ability not to have to learn from one's mistakes** (Deutsch 1963)
- Such power is very evident in crises as powerful interests displace costs of *their* mistakes onto others, onto other places, and into the future
- Crisis sometimes concentrates power in established hands, leading to *exceptional* measures aimed at restoring *business as usual*
- If dominant institutions are in crisis, leading to a crisis in crisis-management, more scope for radical transformation

Five Sets of Crises – Or More

- At least five sets of crises are crucial contextually:
 - Global environmental crisis (plus energy, food, water)
 - Crisis of US hegemony within post-1975 global order
 - Crisis of neo-liberalism as economic and state project
 - Crisis of finance-led growth regimes
 - Crisis in particular strategic sectors (e.g., automobiles)
- These are superimposed on economic crises on other scales and also interact with other types of crisis
- So a key issue for selection and retention of crisis readings and policies is their adequacy to ‘objective’ nature of crises

GFC was “Made in the USA”

- Whether via endogenous causes, specific vulnerabilities, or contagion, a crisis made in USA has spread globally
- It is nonetheless concentrated in some economies, where it is taking the form of an “epic recession”
 - liberal market economies that had undergone neo-liberal regime shifts (e.g., US, UK),
 - other varieties of capitalism that had de-regulated finance and become finance-dominated (e.g., Iceland, Ireland),
 - post-socialist states that adopted neo-liberalism and also de-regulated finance excessively (e.g., Baltic republics)
- Crisis is also opportunity for some actors, places, spaces

Immediate Origins of the Crisis

- GFC emerged from “capitalist speculation and finance” rather than the neo-liberal variety of capitalism per se
- Enabled by “unusual deals with political authority” (de-regulation of finance, rising inequalities) and “predatory political profits” (neo-liberalism, “disaster capitalism”)
- Specificity due to *hyper-financialization* of advanced neo-liberal economies and, notably, actions of de-regulated, opaque, sometimes fraudulent financial institutions
- GFC has also triggered a crisis *in* neo-liberal, finance-led accumulation regimes within a world market that has been re-organized in the shadow of neo-liberalism

Varied Explanations for “the Crisis”

GFC also broke out in USA. Has this affected crisis readings?
Do they vary by variety of capitalism and/or over time?

- USA: “bad apples”, general greed, market failure, excess state intervention (e.g., CRA), hypercomplexity, China
- UK: USA, contagion, excessive de-regulation of finance
- Germany: *Schadenfreude*, financialization, reaffirm *Soziale Marktwirtschaft*, then *Club Med* versus Rhenish capitalism, reaffirm *Modell Deutschland* against US
- France: Anglo-Saxon capitalism, USD, finance-led growth
- PRC: US spending, USD standard, trade and currency wars

Crises of Crisis-Management

Policy and governance failures can occur because of:

- Arbitrariness of crisis interpretations
- Inadequacy of instruments and institutions
- Crisis in or of the broader policy context

Economic crisis **and political crisis**

- States as addressee in last instance of calls for action
- States may lack capacities to intervene
- This can reinforce tendencies to uneven development
 - Strong East Asian economies investing in future growth
 - Weak states in USA, weak economies like Greece in EU

Crisis of Crisis-Management - I

- Pro-cyclical market mechanisms
 - Ponzi crisis (typical feature of last stage in Minsky cycle)
 - Debt deflation (paradox of thrift in financial crisis)
 - Mark to market (pro-cyclical effects in liquidity crisis)
 - Raw materials and commodities (uneven fall in demand)
- Pro-cyclical impact of panic
 - Don't panic, but if you do panic, panic first!
 - September-November 2008
 - Exceptional measures needed to counteract this

Crisis of Crisis-Management - II

- From weakened state capacities ...
 - Dissolution of expertise and crisis-management units → dependence on financial expertise from private sector
 - Deregulation and liberalization → loss of steering ability
 - Quantitative easing and problem of exit strategy
 - Accumulated deficits and low interest rate policy
- To exceptional state triggered by economic crisis
 - loss of temporal sovereignty
 - loss of territorial sovereignty
 - concentration of economic policy-making power
 - problems of political paralysis

Not so Fast!

- What's to be done depends on the capacity to do it. A missing issue in recent debates is temporal sovereignty
- This is the capacity of state to make decisions according to its own criteria and temporal rhythms
- Globalization (esp. in its neo-liberal form) poses more problems to the temporal than the territorial sovereignty of states (and hence to the prospects of democracy insofar as “democracy takes time”)
- So key part of solution to problems from global to local (including the current crisis) is to make time as well as to mobilize resources

Regaining Temporal Sovereignty

- Abandon efforts to control short-term economic calculation, activities, and movements even as states still try to control medium- to long-term economic decisions and movements.
- Compress decision-making cycles to enable more timely and apt state interventions,
 - shorten policy development cycles, fast-track decision-making, rapid programme rollout, institutional and policy experimentation, relentless revision of guidelines and benchmarks, and retreat from fixed legal standards towards more flexible, discretionary, reflexive laws.
- Create relative political time by slowing circuits of ‘fast capitalism’, e.g, Tobin tax

Governance of Complexity



- Need to reduce complexity in order to 'go on in the world'
- Governance can be seen as one way to reduce complexity to make it manageable
- Definable as 'any mode of coordination of complex reciprocal interdependence'
- In a more complex world, governance is key theoretical and policy paradigm
- Witness interest in good governance, governance failure, and avoiding (or denying) governance failure

So What is Governance?

- A mode of coordination of social relations characterized by complex reciprocal interdependence
- Four main forms have been analyzed. The typology is:
 - *anarchy* of exchange (invisible hand),
 - *hierarchy* of command (iron hand)
 - '*heterarchy*' of reflexive self-organization (visible handshake)
 - '*solidarity*' of unconditional loyalty-trust (invisible handshake)
- This typology can be seen as a 'diagram' of power in more Foucauldian terms with many different instantiations

Four Modes of Governance

	Exchange	Command	Network	Solidarity
Rationality	Formal and procedural	Substantive, goal-oriented	Reflexive and procedural	Unreflexive value-oriented
Key Medium	Money	Coercion	Meaning	Commitment
Ideal Type	Derivatives	Sovereign state	Open network	Required Love
Criterion of success	Efficient Allocation	Efficient goal attainment	Negotiated consent	Unconditional commitment
Main sign of failure	Inefficient	Ineffective	“Talking Shop”	Betrayal

Explaining Governance Failure

- *Problem focused approach*: failure due to complexity, cognitive limitations, inadequate specification of problem, poor choice of instruments, failure of cooperation, etc
 - This approach does not relate question of governability to specific objects of governance, structural contradictions, strategic dilemmas, discursive paradoxes, etc.
- *Herrschaftssoziologie* or Marxist form analysis poses issue differently. Ungovernability of objects of governance is not reducible to limited knowledge or uncertainty; it also involves inherent features of specific objects that render them hard to govern

Responses to Governance Failure

- First , redesign each mode of governance to improve its operation in light of its specific criterion of success in immediate sites of failure
- Second, re-balance role of each mode within a given set of *meso-level* relations (e.g, sector, cluster, region, ...)
- Third, *macro-collibration*. This usually occurs in shadow of hierarchy, i.e., under state guidance, with state as addressee of demands ‘when all else fails’
- No master meta-governor, no single peak from which meta-governance is performed: meta-governance itself is highly contested, reflects changing balance of forces

States and Collibration

- Provide ground rules for governance
- Regulate relations among partners
- Create and/or facilitate forums for dialogue
- Ensure coherence of regimes across scales and over time
- Re-balance power differentials and strategic bias
- Modify self-understandings on interests, identities, etc
- Subsidize public goods, organize side-payments
- Exercise "super-vision" (seeing more, supervising)
- State as addressee in last instance

Global Collibration?

- How does this work for world market, world polity?
- Globally, macro-collibration is promoted by hegemonic state(s) in inter-state system and/or is contested on basis of international, transnational, and global social relations
- Serves as ‘third-order’ governance based on observation of how each mode of governance performs in the first instance and how second-order attempts to improve them succeed or fail – in practice and ‘politically’
- So it involves reflexive governance of articulation of social conditions, social relations, and modes of governance

Meta-Governance Failure

- Like individual modes of governance, each degree or form of meta-governance is also prone to failure
- This reflects contested approaches to meta-governance, competing meta-governance imaginaries, problem definitions, projects, governing subjects and governable subjects, some of which may be 'arbitrary, rationalistic and willed' rather than potentially realisable
- It also reflects inherent ungovernability of some objects (e.g., contradictions, dilemmas), some subjects (e.g., resistance), and lack of Archimedean fulcrum for different meta-governance projects

Meta-Governance Failure

If all modes of governance fails, so will meta-governance!

Possible responses include:

- Fatalism?
- Cynicism?
- Stoicism?
- Opportunism?

Another option is romantic public irony

Why public, why romantic?

- Expect failure, act *as if* you intend to succeed
- If you are bound to fail in metagovernance, do at least choose your mode of failure
- Choose to fail wisely
- Fail together through participation and dialogue
- This will reduce the chances of failure!
- “Pessimism of the intellect, optimism of the will”

Conclusions

- GFC is one aspect of more complex, multi-faceted crisis - reflected in idea of “triple crisis” but even this does not capture its magnitude and severity
- Readings of the crisis vary widely but dominant reading in finance-dominated neo-liberal economies is that it is a crisis *in* these regimes, not *of* these regimes
- A crisis produced by finance-dominated capitalism is re-interpreted as a fiscal crisis, requiring retrenchment of welfare state and further measures of neo-liberalization
- How sustainable this reading is in a world where US hegemony is in decline remains to be seen

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Progress can be monitored at
<http://www.lancs.ac.uk/cperc>