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*Focus*

# Global Rebalancing: Crisis and the East–South Turn

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ABSTRACT

This article argues that the rise of emerging societies is a major turn in globalization and holds significant emancipatory potential. North–South relations have been dominant for 200 years and now an East–South turn is taking shape. The 2008 economic crisis is part of a global rebalancing process. Ongoing developments can be read in two ways: towards recalibrating the old order, or towards the emergence of new logics, which can be simplified as a tale of two scripts. One is global plutocracy with Anglo-American capitalism and financial markets in the West back in the lead and emerging markets joining the club. An instrument for achieving this is the hegemonic ideology of 'global rebalancing'. On the other end of the continuum is the script of emancipatory multipolarity, considering that countries representing the majority of the world population have joined the global head table. This essay discusses global rebalancing, global plutocracy and emancipatory multipolarity, before taking on the conceptual question of capitalism or capitalisms. Ultimately, the author concludes that developments are layered and that elements of both scripts are combining.

## INTRODUCTION

Geely bought Volvo, Lenovo bought IBM's PC division, Tata bought Jaguar and Land Rover, Mittal bought Corus and other steel industries, Brazilian companies have bought Burger King and Anheuser Busch (brewer of the all-American Budweiser beer), Qatar Holdings bought Harrods, Qatar and Dubai investment companies bought 48 per cent of the London Stock Exchange, emerging economies' sovereign wealth funds have made major investments in western financial houses, and in the luxury market Asian fashion houses have bought western companies such as S.C. Fang in Hong Kong, which bought Pringle of Scotland. Sahara India Pariwar is making a US$ 2 billion bid for the MGM movie studio.

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The share of emerging markets in global GDP has risen from 21 per cent in 1999 to 36 per cent in 2010.[1] Emerging societies are on the rise in trade, multinational firms, finance, international influence and cultural presence (Agtmael, 2007; Magnus, 2010; Marber, 1998; Nederveen Pieterse, 2008a; Prestowitz, 2005). This unfolds under various headings such as the rise of the second world, the 'rise of the rest' and the BRIC (Brazil Russia India China). The BRIC countries, 'the only developing economies with GDPs of more than $1 trillion per year', have 'provided 45 percent of economic growth worldwide since the financial crisis began in 2007'. Together their foreign reserves are six times the assets of the IMF.[2] Other groupings mentioned are N-11 or the 'next eleven nations' to emerge as major economies, and SICS (systemically important countries, or BRIC plus Mexico, South Africa, Turkey and South Korea).[3] Without a doubt these trends represent the 'next big thing' in globalization and international development. Consider a sampling of recent headlines as writings on the wall:

Why Brands now Rise in the East
Consumption Starts to Shift to China, India and Brazil
Developing Economies Lead the Way in 2010 [IMF] Forecast, while Rich Nations Lag
Developing Countries Underpin Boom in Advertising Spending
Architecture Firms Go East for Work
Bankers Sense Shift in Capital Flows
Emerging Market Debt is the New Safe Haven
Emerging Economies Set to Play Leading Investment Role
Benchmark Expert Watches Market Weight Shift Eastwards
US Cities Seek To Woo Chinese Investment
Chinese Investment Keeps Greece, Iceland and Others Afloat
The Deal Makers Who Matter Are Rising in the East.[4]

Fukuyama's triumphalist account of the 'end of history' to mark the end of the Cold War now seems long past. In a case of political economy outflanking ideology and geopolitics, this narrative has been slowly overtaken by the rise of new industrializing economies. Accounts of the new emerging equation range widely. It is variously described as a flat world (Friedman, 2005), a 'spiked world' (Florida, 2008), a condition of 'globality' in which everyone competes with everyone (Sirkin et al., 2008), as the 'rise of the

1. Estimate by Morgan Stanley, *New York Times* 10 January 2010.
2. See 'The BRICs: The Trillion-dollar Club', *The Economist* 15 April 2010.
3. See D. Oakley, 'Different Strokes for Different Folks?', *Financial Times* 1 December 2008: 17.
4. In sequence: J. Gapper, *Financial Times* 23 April 2009; E. Rigby, *Financial Times* 21 April 2010: 3; G. Silverman, *Financial Times* 24 October 2005; B. Davis, *Wall Street Journal* 27 January 2010: A9; M.W. Sadovi, *Wall Street Journal* 21 October 2008: C8; G. Tett, *Financial Times* 22 January 2010: 6; J. Booth, *Financial Times* 29 August 2007: 22; A. Wood, *Financial Times* 4 August 2008: 4; M. Mobius, *Financial Times* 6 November 2009: 24; K. Chen, *Wall Street Journal* 6 April 2010: A6; Liu Jie, *Shanghai Daily* 1 July 2010: A6; D.K. Berman, *Wall Street Journal* 21 September 2010: C1.

*Table 1. Three Worlds Revisited*

| North | East and South | South |
|---|---|---|
| Core | Semiperiphery | Periphery |
| Developed | Developed and developing | Developing |
| Industrial and post-industrial | Industrial and agro-mineral | Agro-mineral |

rest' (Amsden, 2001) and a 'post-American world' (Zakaria, 2008). The US National Intelligence Council (2008) anticipates the end of American superpower status by 2025.

Not too long ago it may have been sufficient for many purposes to view the world as split between North and South, core and periphery, developed and developing, industrial and agro-mineral economies. This is the classic international division of labour that goes back to colonial times. In the 1970s this began to change with multinational corporations investing in low-wage countries in Latin America, the Caribbean and Asia; this was then termed the 'new international division of labour'. Dependency thinkers argued it was a fad, a fantasy; investors would flee again once labour costs rose; dependent capitalist development brings only underdevelopment. A new branch of studies began to critically examine the semiperiphery as a formation in between the core and the periphery which acts as a periphery in relation to the core (exporting raw materials, adopting its cultural styles) and as a core in relation to the periphery (exporting finished products, setting cultural standards, acting as regional police). Wallerstein (1984) argued that the emergence of the semiperiphery gives the world-system a more stable structure; rather than the polarized North–South, rich–poor field, balancing forces in between give the overall structure greater resilience. Table 1 summarizes the schema of the three-way division.

In the twenty-first century the semiperiphery has come of age and global dynamics are radically changing. 'The noughties of the 21$^{st}$ century', notes Martin Wolf 'now have the same fin-de-regime feeling as those of a century ago' (when the British Empire went down).[5] The 2008 crisis both reflects and accelerates this process. According to Robert Zoellick, President of the World Bank, 'the developing world is becoming a driver of the global economy. Even though developing world imports are about half of the imports of high-income countries, they are growing at a much faster rate. As a result, they accounted for more than half of the increase in world import demand since 2000'. He adds:

> The world economy is rebalancing. Some of this is new. Some represents a restoration. According to Angus Maddison, Asia accounted for over half of world output for 18 of the last 20 centuries. We are witnessing a move towards multiple poles of growth as middle

5. M. Wolf, 'How the Noughties Proved to be a Hinge of History', *Financial Times* 24 December 2009: 9.

> classes grow in developing countries, billions of people join the world economy, and new patterns of integration combine regional intensification with global openness. (Zoellick, 2010)

The controversial thesis of 'decoupling', or the world economy delinking from the American economy and recoupling to emerging economies, finds growing confirmation. 'The developing world's rapidly growing middle class, which includes about two billion people in a dozen emerging economies, spends \$6.9 trillion a year. McKinsey research suggests that, during the next decade, their annual spending will rise to \$20 trillion, a very big market indeed — twice current US consumption, in fact' (McKinsey, 2010). What is at stake in these changes? First is 'the rising influence of rising affluence'.[6] This is where the big new growth markets are, so in business, finance, commodities, transport, advertising, technology, architecture, this is the big story, the next great frontier that inspires enthusiasm in business schools. New iconic buildings arise in Kuala Lumpur, Taipei, Seoul, Shanghai, Beijing, Dubai, Qatar; new museums, new biennales, new art markets, record sales of luxury goods. Shanghai chic sets a new tone. Major retailers, global brands, diamond traders, wine merchants, architects, advertising agencies, universities, bankers, all head East. Major international cultural events — the Olympic Games, the World Cup, the World Expo — are drawn to emerging societies, beginning with the 1988 Olympic Games in Seoul. Maybe the refrain is simply 'follow the money', but our global horizons are changing.

A Londoner notes, 'Spend two days in Seoul and London starts to look and feel like a sleepy, stagnant backwater'.[7] The avant-garde architect Jacques Herzog who designed Beijing's Bird's Nest Stadium, observes, 'I think we may be able to learn from China, Brazil and India, to see how society is able to transform'.[8] The second thing that is happening, then, is a revitalization of modernity and staging of new modernities (Nederveen Pieterse, 2009a). With this come new spheres of cultural influence such as the 'Korean wave' (Korea Herald, 2008), the popularity of Thai soaps in China and Turkish soaps in Saudi Arabia, and Brazil setting up TV broadcasting in Africa.

Third is a reconfiguration of the world economy. A 'new geography of trade' has taken shape in relations between Asia, Latin America, the Middle East and Africa (Nederveen Pieterse, 2008a). In development studies the talk is of 'Asian drivers' of growth in developing countries (Kaplinksy and Messner, 2008). Emerging societies are increasingly fulfilling core functions on the world stage — acting as development role models, providing stable markets, loans, aid and security, with China as a leading force.

6. *Wall Street Journal* 6 December 2009.
7. Tyler Brulé, 'London: Not as Liveable as I'd Like', *Financial Times* 1–2 May 2010: 20.
8. E. Heathcote, 'Practice Makes Perfect: Interview', *Financial Times* 13–14 March 2010: 3.

Emerging societies don't just play this role in relation to developing countries; some of their model, creditor and stabilizing functions unfold at a global level.

Fourth, the role of emerging economies in finance has been growing as well. Sovereign wealth funds from Asia and energy exporting countries provide credit on a world scale and to international financial institutions (Teslik, 2009). 'It was the emerging markets, most notably China, that pulled the world back from the brink of financial meltdown'.[9] There has been a remarkable reversal of the creditor–debtor relation between the United States and Asia and Middle East oil exporters — remarkable because it unfolds in international finance, the central powerhouse of western influence and the sector through which the United States sought to shape emerging economies. Besides, finance is traditionally the terrain in which hegemons retain their lead when it fades in economic, political and military domains (Arrighi, 2007). There has been a reversal, too, of classic economic postures — the world's leading protagonists of free trade now are emerging markets, not the US.

Fifth, it portends a reconfiguration of world order, but so far this is only dimly visible on the horizon. The unipolar world is no more nor is the world of the big powers, as indicated in the shift from the G8 to the G20 in the throes of the 2008 crisis (Altman, 2009). Yet, even if hegemonic capacity isn't what it used to be, the habits of hegemony and of following hegemony linger. Global governance is 'still lost in the old Bretton Woods';[10] the G20 may be a step back, for it expands the rule of big countries over small[11] and it has transformed into an arena of contention over trade and currencies. Political transformations are more salient in regional developments such as the Shanghai Cooperation Organization, ASEAN + 3, China's free trade agreement with ASEAN, and cross-regional cooperation such as between Brazil, Turkey and Iran, and IBSA (India Brazil South Africa). The crisis does indicate that the North–South polarity has given way to a different fault line that runs between (trade and current account) surplus and deficit societies.

Taken together these trends signal a major tipping point in history. North–South relations have been dominant for some 200 years and current trends see the onset of an East–South turn. There are now three sets of relations to consider: first, relations within semiperipheral countries between industrial and agro-mineral sectors, between urban and rural populations and between rich and poor; second, relations between the core and semiperiphery, between old and new forces; and third, relations between the semiperiphery and periphery, East–South or South–South relations such as

9. D. Oakley, 'Building Success', *Financial Times* 9 November 2009: 4.
10. 'Still Lost in the Old Bretton Woods', *Financial Times* Editorial 28 December 2009.
11. A. Aslund, *Financial Times* 16 November 2009; R. Sally, 'The Quest for a Global Solution is Misguided', *Financial Times* 19 March 2009.

those between China and Africa and Latin America, which is the theme of a growing literature. All are important; the first set is the theme of a recent volume (Nederveen Pieterse and Rehbein, 2009). This discussion focuses mostly on the second set.

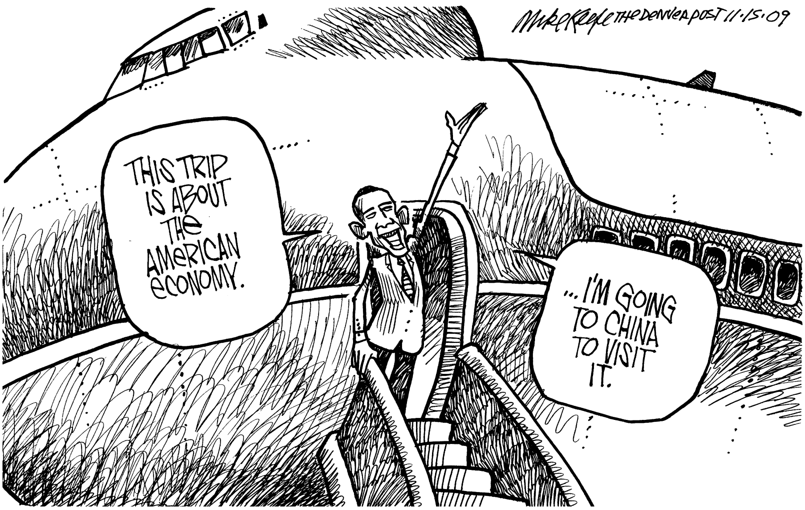
Why is this theme important? The present juncture is an 'in between' condition. The old hegemony is no more and its frailties pose growing risks; a new constellation isn't available yet, although some contours are taking shape. Current trends can be read in two ways: towards recalibrating the old order or towards the emergence of new logics. This can be simplified as a tale of two scripts. One is global plutocracy with Anglo-American capitalism and financial markets in the West back in the lead, emerging markets joining the club and the G20 as the *de facto* governing board of the IMF. A major instrument for achieving this is the discourse of 'global rebalancing' which functions both as hegemonic ideology and policy framework. The second script, way on the other end of the continuum, is emancipatory multipolarity, suggesting that countries representing the majority of the world population have come to the global head table. This essay argues, first, that the rise of emerging societies is a major turn in globalization, which is barely controversial; and second, that this holds an emancipatory potential, which is highly controversial.

Let us consider as a guiding image the global situation as a giant seesaw or teeter totter. The middle position is multipolarity — that is, New York, London, Tokyo are not the only ones that matter, but also centres such as Beijing, New Delhi, Sao Paulo, Seoul, Istanbul, etc. Multipolarity is already a given and is non-controversial; what is controversial are the *terms of multipolarity* and its extent and ramifications. In this representation multipolarity is the middle position and is therefore by its nature unstable and constantly oscillating (see Table 2).

The remainder of this essay will proceed as follows. First, it will discuss global rebalancing according to the G20 and contrast this with actual ongoing rebalancing and rebalancing from the viewpoint of new forces and new emerging multilateralism. The following two sections will then discuss the two main scripts, global plutocracy and emancipatory multipolarity. The paper then reviews the problematic of capitalism or capitalisms, before turning to a reflection on analytics and methods, concluding with an argument for a multilevel analysis in which elements of both scripts combine.

*Table 2. Global Balance*

| **Global plutocracy** | **Multipolarity** | **Emancipatory multipolarity** |
|---|---|---|
| Anglo-American capitalism back in the lead, emerging markets join the club, G20 as governing board of IMF | Global rebalancing | Countries representing the majority of the world population come to the global head table |

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**GLOBAL REBALANCING**

> Playbooks are not readily available when it comes to new systemic themes. This leads many to revert to backward-looking analytical models, the thrust of which is essentially to assume away the relevance of the new systemic phenomena.[12]

When in the early 2000s the US trade and current account deficits grew ever larger, economists honed in on global imbalances (e.g. Feldstein, 2008; Roubini, 2006) and several argued that the imbalances were unsustainable and would produce either an orderly or a disorderly adjustment, either a soft or a hard landing. Gradually the perspective widened to include not just American deficits but also Asian surpluses, especially those of China (Bagnai, 2009; El Erian, 2008; Okimoto, 2009). One commentator noted 'global economic imbalances' are 'code, as everyone knows, for the US current account deficit and the Chinese surplus'.[13]

The crisis of 2007–09 brought the imbalances in trade and finance into the headlines. According to a widely held view in Wall Street and Washington, the 'savings glut' in Asia prompted the crisis. In Krishna Guha's words:

> The current crisis is in the strictest sense a crisis of globalization, fostered and transmitted by the rapid and deep integration of very different economies. Fast-growing developing countries with underdeveloped financial systems were exporting savings to the developed

12. Mohamed A. El Erian, 'How to Handle the Sovereign Debt Explosion', *Financial Times* 11 March 2010: 9.
13. P. Stephens, 'Co-ordination Falls Away as the Global Crisis Abates', *Financial Times* 26 June 2009: 9.

> world for packaging and re-export to them in the forms of financial products. . . the claim that this was sustainable assumed core financial centres — above all New York and London — could create the financial products efficiently and without blowing up. They could not.[14]

Thus the culprit is the 'savings glut' in Asia that overwhelms American financial institutions. This representation overlooks the fact that three decades of deregulation had exposed the vulnerability of these institutions and the Federal Reserve's low interest rates relayed these flows through an easy money regime, creating a credit bubble society (Baker, 2009; Nederveen Pieterse, 2008b; Phillips, 2009; Taibbi, 2010).

The major post-crisis script, discussed in G20 meetings, Davos and business media, is global rebalancing. If global imbalances are the underlying cause of crisis, managing crisis means addressing the imbalances. In the US, UK and EU — where this has been the dominant discourse — rebalancing essentially means that China should appreciate its currency, the renminbi (RMB), and surplus countries (East Asia and oil exporters) should fund the IMF so the IMF resumes its role of managing world economic stability (e.g. Wolf, 2010). Further prescriptions are that Asia should export less, save less and consume more, and the US should consume less, save more and export more; since these prescriptions involve not just policy changes but structural changes they are on the backburner. Protectionism is the threat behind this agenda. While the US and EU put steady pressure on China to appreciate its currency, China accuses them of protectionism and 'restricting China's development'. The situation is reminiscent of the 1985 Plaza Accord in which the G5 agreed on an appreciation of the Japanese yen and devaluation of the US dollar. Now, however, China has learned from the Japanese experience, the US has less leverage and China, as the US's major creditor, expresses its concern about American deficits and fiscal policies.

The argument for rebalancing presents several problems. It recycles a neoclassical idea of equilibrium and upholds an abstract model. The emphasis on *global* rebalancing diverts the attention from domestic reform. The dominant ideas of rebalancing reflect the perspectives of the advanced economies, several of which are now deficit countries; they seek to restore a balance that is unrecoverable and has been overtaken by economic trends. It also assumes more capacious global governance than is realistic given the existing imbalances and the past record.

In economics there have been as many ideas of balance as there have been political and economic systems. Each political and economic transition is marked by a redefinition of balance. In neoclassical economics the price mechanism is supposed to balance supply and demand. Efficient market theory, the lead paradigm during recent decades, also assumes that markets

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14. K. Guha, 'Imbalances Imply a Trouble Well Beyond Risky Banking', *Financial Times* 10 March 2009: 9.

are self-equilibrating. The 2008 crisis debunks this assumption. In Keynesian economics when demand falters the role of government is to rebalance the economy through demand management. Richard Nixon's adage 'We're all Keynesians now' has made a comeback, but this takes on a different meaning in a global economy than in a national setting. If equilibrium models don't apply in economies generally, they apply even less in the world economy. Imbalances such as the triangular trade, relations between colonial and colonized countries and unequal exchange between manufactured goods exporters and suppliers of raw materials have been at the foundation of the contemporary world economy. This also holds for recent times. 'The blunt fact is that at no point in the past century has there been anything resembling a global economic equilibrium.... When officials and economists today speak of correcting global imbalances, it is unclear what benchmark they have in mind'.[15]

In addition, global imbalances are embedded in domestic imbalances. When during recent decades American consumption drove world economic growth, private consumption was 72 per cent of US GDP (comparative rates in 2005 were 57 per cent in Europe, 51 per cent in Asia and 36 per cent in China). As American consumption levels were rising, median wages did not, in part because American workers compete with low-wage, no-union labour in the American South and with low-wage labour overseas (Nederveen Pieterse, 2008b; Reich, 2010). The combination of rising consumption, rising productivity and stagnant wages was made possible by long working hours, two-earner households, imports of cheap Asian consumer goods and a vast expansion of credit. Deferred payments, credit card debt, home equity financing, adjustable rate and subprime mortgages were enabled by Federal Reserve low-interest policies and by external borrowing, which during the past decade absorbed 70 to 80 per cent of world net savings. The financialization of the American economy and the credit bubble, then, primarily reflect the conjunction of rising consumption and growing inequality in the US, rather than global imbalances or a 'savings glut' in Asia.

So balance has no precedent in the world economy, imbalance is common and balance is a recurrent ideal. Global economic balance is a hegemonic utopia. Besides, the actual significance of an appreciation of the RMB is doubtful. It doesn't affect the American trade deficit, which stems from its offshoring production capacity across borders where profit margins have been higher. An appreciation of the RMB will not fix America's import dependence; as Min Gong (2010) argues, the US trade deficit would broadly remain what it is and imports would rather be sourced from other East Asian countries and Latin America. China's de-pegging of the RMB from the US dollar, begun in 2005 and resumed in June 2010, barely affects the Sino–US trade imbalance. The *China Daily* notes, 'It is the sovereign right

15. Zachary Karabell, 'The "Global Imbalances" Myth', *Wall Street Journal* 21 December 2009: A21.

of a country to decide the value of its currency. And it should not change to suit another country's need'.[16] When in the run up to a G20 meeting in June 2010 China resumed its de-pegging of the RMB from the dollar (effectively appreciating the RMB by 0.53 per cent), presumably to deflect tensions with the US congress, American attention shifted to Germany with calls that it should adopt policies to stimulate demand, increase consumption and cut exports and savings — suggestions which the German government promptly declined.

'Global rebalancing' is code for shifting the burden of reform onto China and other surplus societies; in other words, keeping the 'free market' in the West, courtesy of adjustments in the East and Germany. It implies there is little need for reforming American ways as long as there are external remedies. But in fact it shows that the global fault lines no longer run between North and South but between trade (and current account) deficit (such as US, UK) and surplus countries (notably East Asia, Germany along with energy exporting countries).

Actual ongoing global rebalancing means dynamic imbalance or transitions from one type of imbalance to another. A number of general features of actual global rebalancing can be identified. First, the imbalances reflect long-term changes in the world economy, so beyond immediate effects we must consider long-term trends. Second, the 2008 crisis is not a cause of imbalances but a manifestation. Crisis is a prism through which global rebalancing is perceived and a process through which it takes place. The crisis then is not an 'ordinary systemic crisis' and is more than a financial and banking crisis (the trigger is not the cause). Third, global rebalancing is multidimensional. Although it is primarily discussed in economic and financial terms it is as much a political, institutional, social and cultural process. Fourth, ideas of rebalancing depend on narratives of crisis, which are influenced by the nature of the recovery; what emerges as the dominant crisis narrative will affect the idea of balance. Fifth, what is needed is to compare narratives of crisis and imbalance and policies of rebalancing in societies located at different places on the spectrum of global imbalances. Thus rebalancing must be viewed not merely from the viewpoint of advanced societies but as much from the viewpoint of emerging societies and developing countries.

## GLOBAL PLUTOCRACY?

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

16. 'Currency Confusion', *China Daily* Editorial 26–27 June 2010: 5.

Martin Sorrell, chief executive of the British global marketing group WFF, expects adjustments and the end of the era of super consumption, but the pendulum will swing back, albeit with a different geographic balance of power and a new capitalism with an Asian-Pacific, Latin American flavour.[17] The tenor is: let regulations come, they will fail again, incorporate the new capitalism and the City of London will be back in business. Others observe a merger of elites, with business elites and ruling elites, West and East, forming a new global 'super class' (Rothkopf, 2008). World-system analysis and the transnational capitalist class perspective (Sklair, 2001) argue along similar lines.

Transnational capitalist cooperation occurs in institutions (WTO, IMF), intellectual property (patents, licensing), technology (industrial standards), transport, travel, and in firms, particularly in mining, energy, telecoms and finance sectors. Governance and international law (UN, ICC) are other domains of cooperation. There are, of course, limits to such cooperation. Currency, interest rates and sovereign wealth funds are jealously guarded national agendas. Security, logistics, trade routes, strategic resources, energy and metals, sensitive technology and foreign investments are closely watched as well. In 2006 the US congress resisted the bid of Dubai Ports World to buy the British firm P&O and take over the management of many major US port facilities. US regulators rejected the bid of China's CNOOC to buy Unocal, a US oil company, and Huawei's offer to buy 2Wire, an internet software group and a unit of Motorola. Australia rejected the attempt of Chinalco, China's state-owned metals group, to invest US$ 19 billion in Rio Tinto. Western companies complain of restrictions they face in China and China complains about restrictions on technology transfer.

While transnational enterprises, migrants and 'new argonauts' straddle regions and combine technologies and resources (Saxenian, 2006), this doesn't rule out differences across countries and zones and may in fact reinforce them. Many firms practise 'institutional arbitrage', juggling different arrangements between countries and zones (tax laws, labour rights, environmental regulations, special economic zones) so their actions are conditioned by and condition institutional differences (Ong, 2006). Thus, processes are layered and include transnational cooperation as well as corporate and national, regional and local agendas. Layered processes, then, produce layered outcomes — with different and combined patterns of transnational, regional, national and local cooperation — so diverse scripts coexist at different levels.

Another perspective holds that the most advanced form of capitalism, which is taken to be neoliberalism, predominates. David Harvey, Mike Davis, Patrick Bond and others tend to equate contemporary capitalism and neoliberalism and thus take differences in capitalist organization to be marginal (e.g. Harvey, 2005; Petras, 2009; Westra, 2010). We can term this the 'neoliberalism everywhere' thesis; I will come back to this later, in the

17. Martin Sorrell, 'The Pendulum Will Swing Back', *Financial Times* 8 April 2009: 9.

section on capitalisms. Let us note that scholars who in the 1980s argued that the semiperiphery wouldn't fly, such as Samir Amin (1997) and James Petras, now typically dismiss emerging societies as neoliberal economies; in other words, theirs is a script in which western capitalism always wins.

Grim perspectives on the left mirror diehard triumphalism in western business circles. For instance, Goldman Sachs' idea of the BRIC was not just a matter of selling the BRIC as a portfolio category to investors but also of recruiting local talent: 'Goldman is trying to raise a new generation of local leaders'.[18] This project, of course, hinges on the value of the brand and since Goldman's indictment for fraud in April 2010 the brand has been slipping fast (by autumn 2010 the company had lost a quarter of its stock value). This illustrates how contingent scripts are — contingent on paradigms, ideologies, politics, institutions, data sets and expectations of continuity and risk. If we unbundle the general dynamics, in contention are narratives of crisis, frontiers of regulation and developments in emerging societies.

In American elite views, the crisis is a systemic failure, no one's fault, and Wall Street wizards are needed to unwind the mess.[19] As noted, a dominant view in Wall Street is that crisis has been brought about by a 'savings glut' in Asia; remedy: cut savings in Asia, borrow less in the US. An additional factor is financial excess and deregulation in the west; remedy: regulate banks. Then, a broad (though not uniform) expectation in Wall Street and London is that rebalancing will converge on dominant institutions and will restore the balance that existed prior to crisis.

Nigel Lawson, former UK Chancellor of the Exchequer, asks 'Will capitalism need to change in the future?'. According to him, 'The lesson of history is that the answer is "not really". The economic cycle is endemic and inescapable, and everyone . . . has always known this. What the current cycle does underline, however, is that a cyclical downturn associated with a collapse of the banking system is by an order of magnitude worse than a normal cyclical downturn', so we need to re-install the separation between commercial and investment banking that was eliminated under the Clinton administration.[20] That is the extent of reform required.

Regulation is on the table and reform is inevitable, but there is ample pushback on the frontiers of regulation. Over the past decade bank lobbyists 'spent almost $370 million in Washington . . . on lobbying and campaign donations to ward off tighter regulation of their industry'.[21] Gary Becker

18. G. Tett, 'The Man Who Named the Future', *Financial Times* 15–16 January 2010: 1–2.
19. US Congressman Barney Frank quoted in C. Freeland, 'Top Dogs Remain in Denial over Public Anger', *Financial Times* 27 March 2009: 2.
20. Nigel Lawson, 'Capitalism Needs a Revived Glass-Steagall', *Financial Times* 16 March 2009: 9.
21. E. Luce 'Subprime Groups Spent $370 m to Fight Regulation', *Financial Times* 6 May 2009: 1. See the *Wall Street Journal* report on 'The Future of Finance: Fixing Global Finance', 14 December 2009: R1–9.

of the Chicago school cautions that the 'cure' should not destroy capitalism and a recession isn't the right time to change the rules of the economic game (and the healthcare bill is flawed and voters will go back to limiting government).[22] Wall Street voices claim that derivatives are necessary, insider trading makes markets function more smoothly, speculation is crucial to the functioning of financial markets, robo trading is functional and 'government control' is a nightmare that haunts investors.[23] Business fights back 'in defence of free enterprise' by pointing out the problems and cost of government control, the mistaken idea that the recession has been purely a failure of markets and that market failures are readily overcome by government solutions.[24] Tory historians such as Niall Ferguson counsel against creating yet another layer of government regulation.[25]

Reforms, then, should not go too far. The rise of emerging markets takes time and for all their shortcomings western institutions and financial markets are best placed to manage the transition. Globalization is moving at mach speed and the financial crisis is just a small cloud fleeting over the road of rapid global innovation (Easterbrook, 2009). Across the world the tide has turned in favour of regulation, but 'the skyscrapers are high and the regulators are far away'.[26] Institutions are resilient, paradigms are slow to give way, market forces are swinging back, herd behaviour hasn't ended, the rewards of discipline are unclear and reforms are likely to be relatively marginal. Thus, if a return to normal is likely in the short run, it comes with continuing economic frailty and financial instability. The new normal anticipated in financial markets is slow growth in the West, more regulation and rising risk of sovereign debt.[27]

If the emerging societies are the next big thing, the 'other big thing' is finance and its sheer magnitude. In the United States, the FIRE sector (finance–insurance–real estate) employs 20 per cent of the workforce, the largest sector of employment. 'In 1995, the assets of the six largest banks were equivalent to 17 percent of GDP; now they amount to 63 percent of

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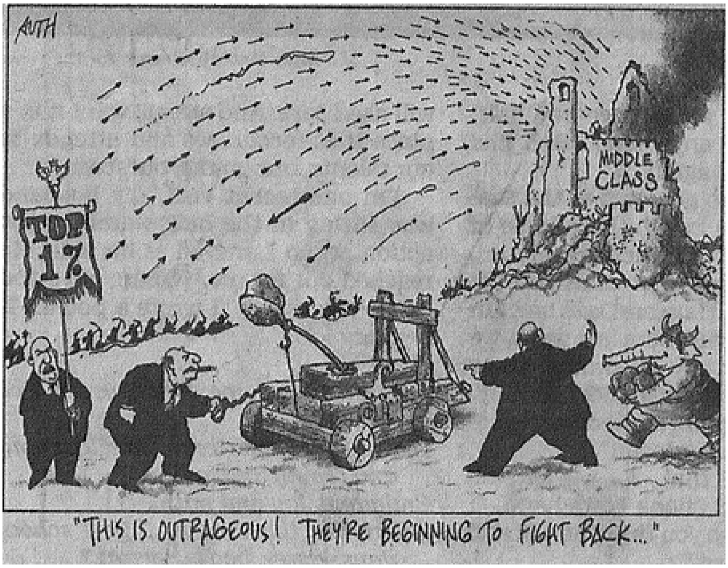
22. G. Becker and K. Murphy, 'Do Not Let the "Cure" Destroy Capitalism', *Financial Times* 20 March 2009: 9; G.S. Becker, S.J. Davis and K.M. Murphy, 'Uncertainty and the Slow Recovery', *Wall Street Journal* 4 January 2010: A17; P. Robinson, 'Weekend Interview with Gary Becker', *Wall Street Journal* 27–28 March 2010: A13.
23. J. Quinlan, 'The Nightmare of Government Control that Haunts Investors', *Financial Times* 21 October 2009: 22; D. Boudreaux, 'Learning to Love Insider Trading', *Wall Street Journal* 24–25 October 2009: W1–2; P. Murphy, 'The Truth about Speculators: They Are Doing God's Work', *Financial Times* 13–14 March 2010: 9.
24. Particularly on the editorial pages of the *Wall Street Journal*, e.g. K.A. Strassel, 'The Weekend Interview with Tom Donohue (president of the Chamber of Commerce)', *Wall Street Journal* 24–25 October 2009: A13.
25. N. Ferguson and T. Forstmann, 'Back to Basics on Financial Reform', *Wall Street Journal* 23 April 2010: A19.
26. F. Guerrera, 'The Skyscrapers are High and the Regulators are Far Away', *Financial Times* 27–28 March 2010.
27. Mohamed A. El Erian 'The New Normal', *Businessweek* 1 June 2009: 73–4.




*Source*: Tony Auth, *The Philadelphia Inquirer*

GDP'.[28] In 2002 finance generated 41 per cent of US corporate profits. The pay rate in the finance sector is 181 per cent of median pay. In 2007 American households spent on average 20 per cent of their disposable income on finance charges. In the US and UK it is a story of 'banks gone wild' and 'a financial sector that turned away from the business sector, then caused its self-destruction, and a business sector beset by short-termism'.[29] When during the US Senate hearing of Goldman Sachs a senator exclaimed 'this is gambling!', it elicited a swift, indignant response from the Las Vegas casino industry: the comparison is insulting, for our industry, unlike theirs, is highly regulated; here a pit boss knows exactly what is going on, but they have no clue. Susan Strange's 'casino capitalism', that was once a daring critique (1986), has now long been overtaken by (citing the business press) toxic finance, death-wish finance and doomsday finance.

Several rebalancing policies are contradictory. While trying to fix domestic imbalances they add to global imbalances or while fixing one problem they create another. (While US stimulus spending remedies recession, it increases imports and adds to the external deficit. The 2009 'cash for clunkers' programme increased sales of cars of foreign manufacturers rather than cars made in Detroit.) Most accounts deal with *financial* crisis and gloss over *economic* crisis. They treat crisis as a liquidity crisis and a credit squeeze triggered by external circumstances and overlook the deeper *solvency* crisis

28. *New York Times*, 21 April 2010.
29. E. Phelps, 'Uncertainty Bedevils the Best System', *Financial Times* 15 April 2009: 9.

(Morris, 2008), which in the US is far more serious than in Europe and Japan. In the US the deeper problem is decades of underinvestment in productive capabilities. According to a trenchant diagnosis, 'bankruptcy could be good for America', for bankruptcy focuses the mind.[30]

In sum, the weaknesses of the global plutocracy script are several: the Anglo-American financial sector is vast, politically embedded and out of control. Because of decades of deregulation and structural deficits the Anglo-American institutions are crisis-prone and the appeal of western institutions has been receding. Anglo-American institutions can possibly co-opt part of the emerging societies' elites but not all and not the majority of the population. Economic and financial surplus has shifted and international institutions, too, must adopt a more balanced course. Luke Johnson explains 'why I fear the West's luck has run out' and offers a dark and mournful evocation of global rebalancing:

> It is clear that as a society we must learn something painful and radical — how to live within our means — because the credit just is not there anymore. The easy money is all gone, and there will be no more for a long time. . . . The growth game is over. . . . So why should industrious Asians earn a tiny fraction of what citizens in the west earn? Especially when they have so much of the cash and productive resources, while we have deficits, high costs and poor demographics. Prepare for a wrenching, unstoppable redistribution of resources — and I am not talking about domestic taxes.[31]

## EMANCIPATORY MULTIPOLARITY? GLOBAL REBALANCING PLAN B

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

- A shift in moral authority in which the west no longer holds the moral high ground.
- A shift in decision making in the world economy in which emerging societies carry greater weight (as in the expansion of voting rights in IMF and World Bank).
- A shift in the center of gravity of the world economy from the Atlantic to the Pacific.
- A gradual shift away from the US dollar as world reserve currency in favor of a basket of currencies and bilateral currency deals.
- A shift towards growing East–South or South–South economic cooperation.[32]

30. G. Rachman, 'Bankruptcy Could Be Good for America', *Financial Times* 12 January 2010: 9.
31. Luke Johnson, 'Why I Fear the West's Luck Has Run Out', *Financial Times* 28 January 2009.
32. Ronnie Chan, 'The West's Preaching to the East Must Stop', *Financial Times* 4 January 2010: 11.

Since the new normal means shrinking demand in Asia and rising protectionism in the West, free trade agreements in Asia have been rapidly expanding[33] and trade relations between Asia, Latin America, Africa and the Middle East have been growing steadily as well. Part of this is the 'new silk roads' between Asia and the Middle East (Nederveen Pieterse, 2010a; Simpfendorfer, 2009). Because western markets are shrinking, emerging societies must adjust their export-led models to domestic, regional and global south demand. Just as import dependence is unsustainable for the US, so is export dependence for Asia: 'If the import-and-consume business model is dead, so too is export-and-save'.[34]

Measured in financial assets, emerging markets, including the Middle East and Eastern Europe, add up to about US$ 25 trillion, the US to about US$ 54 trillion, the EU US$ 42 trillion and Japan US$ 26 trillion. The total financial assets of the emerging markets are thus less than those of Japan and of course more disparate and dispersed. From the viewpoint of western institutions, emerging economies and their financial markets are too small to manage and absorb major investments. The other side of the equation is that although the large financial markets are in the West, the surplus is increasingly in emerging societies and this is where economic trends are turning. Emerging markets have had a 'good crisis', their high growth has resumed, their domestic and regional markets are growing, they borrow at cheap rates, their currencies are rising against the dollar and they have mostly young populations. In mergers and acquisitions and in bankers' 'call sheets' (the list of potential buyers contacted when a company is put up for sale) the trend is clear:

> In 2010, the player at the edge of the frame has now moved to its center: Asia. The change has been building for nearly a decade. It's finally here. From Tokyo, west to Seoul, to Beijing, south to Hong Kong, and west again to Mumbai, Asian companies and governments are asserting themselves as the deal makers who matter. Asian acquirers — not including Australia and Japan — have been behind one of every six deal-making dollars globally in 2010 and are on pace for the biggest year ever... much as the United States [after World War II] was left to rebuild a devastated world in its own image, so today are hale Asian companies filling a vacuum that the West occupied before the financial crisis.[35]

The idea that western financial markets can absorb the emerging economies underestimates the growing gap between financial institutions in the West and financial surplus in emerging markets. According to Martin Wolf, 'Go east! That is the advice one would give an ambitious financier. This will change the nature of the financial industry. It will also change the philosophy of finance: for most emerging and developing countries, the

33. P. Stein, 'West is Wary, so Asia Seeks Free Trade Within', *Wall Street Journal* 22 March 2010: C7.
34. 'America's Fate is not in its Hands', *Financial Times* Editorial 16 April 2009: 8.
35. D.K. Berman, 'The Deal Makers who Matter are Rising in the East', *Wall Street Journal* 21 September 2010: C1.

financial industry exists to push the economy along a development path broadly determined by the state'.[36] Another report notes, 'within 15 years half of capitalization will be in emerging markets and asset allocation will reflect that'.[37] According to the President of the World Bank, 'Asia's share of the global economy in purchasing power parity terms has risen steadily from 7 percent in 1980 to 21 percent in 2008. Asia's stock markets now account for 32 percent of global market capitalization, ahead of the United States at 30 percent and Europe at 25 percent' (Zoellick, 2010).

In portraying the crisis as a global system crisis, the US and UK governments seek a tripling of IMF funds while the IMF expands emerging societies' voting quotas (G20, 2009). The call is to China, Saudi Arabia and other surplus societies to contribute funds to enable the IMF to act as crisis manager. Emerging societies have stepped into the breach with provisional arrangements such as the IMF issuing bonds rather than their granting loans. Additional Special Drawing Rights may function as a channel through which surplus countries can offload unwanted US dollars without upsetting the applecart. Such arrangements signal an unstable interregnum. Surplus countries are underrepresented in international institutions and yet are supposed to carry a major burden of global economic recovery, while the benefits accrue to hegemonic countries whose institutions have been the agents of financial shipwreck. It stands to reason that significant changes in the global power structure are on the cards, including the status of the US dollar as global reserve currency. Several signals point to the gradual onset of a multi-currency world. The oil-dollar system has been eroding for some time. Russia, China and an international panel convened by the UN call for alternatives to the US dollar as reserve currency and in 2009 Asian central banks cut their accumulation of dollar reserves to less than 30 per cent.[38]

If economic and financial multipolarity is not in question, then, let us consider its emancipatory or democratic potential. A key question posed by the rise of emerging societies is whether it is mainly a matter of their 'joining the club' or whether it implies genuine advances for the majority of the population. In my view, the rise of emerging societies is likely to be *on balance* emancipatory in the sense of benefiting the majority of the domestic population and the world majority. There are general, domestic and transnational components to this argument.

General considerations are, first, that the threshold is low. Two hundred years of North–South relations have been framed by Anglo-American hegemony and its frontiers such as imperial rivalries, the Cold War and the vanity wars of American hegemony in Iraq and Afghanistan. Second, in the big

36. M. Wolf, 'New Dynamics', *Financial Times* report on The Future of Finance, 9 November 2009: 3.
37. B. Bollen, 'A New Economic Leadership Stirs', *Financial Times* 7 April 2008: 14.
38. D. Roman, 'Asia Central Bankers Say It with Gold', *Wall Street Journal*, 28 December 2009: C10.

picture development aid has had little effect. It has often been a disciplinary exercise (as in IMF conditionalities), a matter of 'aid-in-reverse' or rhetorical grandstanding with targets that are habitually unmet, such as the Millennium Development Goals. Third, far more important has been the interdependence between deindustrializing (post-industrial) societies and new industrializing societies. This holds much greater momentum and significance than the intricacies of international development cooperation which are discussed at such great length in development studies. Fourth, the East–South turn represents a comeback of oriental globalization and global history returning to its 'normal' mode (Nederveen Pieterse, 2006).

Turning to domestic considerations, because most emerging societies are also developing countries for economic (human skills, domestic market), political (stability) and social reasons (cohesion), some degree of broad-based development and inclusive policies are likely over time. After all, it was on these grounds that apartheid came to an end in South Africa. It isn't possible to industrialize with the majority of the population dispossessed and excluded (which is not to imply that post-1994 South Africa is a model of balanced development). China, in response to major social and political unrest, abandoned fast-track polarizing growth and adopted the 'harmonious society' framework in 2003. After the current crisis it embarks on a new development stage (Li, 2010). Labour protests in 2010 have produced significant wage increases, enabled by the Labour Contract Law that went into effect in 2008 and strengthens worker rights.[39] India is headed for a similar but far more difficult crossroads with growing crises of rural and urban poverty and mounting challenges from Naxalites, dalits and Adivasis. Japan, South Korea and Taiwan have been able to integrate their rural majority into modernity through land reform, balanced investments in agriculture and industry and broad-based educational and social policies, in marked contrast to Latin America and most of Asia (see Kay, 2009). To the extent that the rise of emerging societies is based on industrialization they face the main challenge of modernization: how to incorporate the peasant majority. Past answers to this challenge have been fascism, Nazism, Soviet communism and Maoism, so the stakes are momentous.

Due to shrinking demand in the West, emerging societies' exports will increasingly go to regional markets and to the global South. When export-led growth makes place for growing domestic consumption and domestic demand-led investment, this may enhance opportunities for broad-based social development, rather than fast-track growth, but this is a complex path. While there are strong political and social pressures towards inclusion, this is by no means a straightforward course because in most societies inequality is deeply embedded and cultural encoded, so this needs to be

39. Dan Harris and Brad Luo, 'The Impact of China's Labor Contract Law', *China Law Blog*, posted in September 2008, accessed 29 August 2010.

empirically examined (cf. Akram-Lodhi and Kay, 2009; Nederveen Pieterse and Rehbein, 2009; Thompson, 2010).

Inequality matters for several reasons. First, if emerging societies opt for broad-based development rather than for polarizing growth their development is likely to be more sustainable, both according to classic human development perspectives (Griffin and McKinley, 1994; ul Haq, 1995) and recent assessments (Jomo and Baudot, 2007; Nederveen Pieterse, 2010b; Wilkinson and Pickett, 2009). If the overall choice is for narrow growth, the likelihood of capitalisms converging towards a Davos-style transnational capitalism and global plutocracy (now more centred in the East) is greater but will pose risks of wider international instability over time. Second, if social inequality is addressed it is likely that addressing political and ecological constraints will follow suit; that is, policies with regard to inequality are also an indicator of wider dynamics. Third, as emerging societies step onto the world stage their problems will increasingly become global problems. Fourth, an inclusive development approach in the domestic sphere will also inform emerging societies' relations with developing countries.

Emerging societies face momentous problems. The monumental numbers of GDP growth, for instance in China, cannot be taken at face value because the prices of labour, land and environment have been kept artificially low. Rural sacrifice has often been the flipside of emerging societies' growth. China's constraints include steep inequality, a housing bubble, a gradually ageing population and, as in other emerging societies, difficult equations of development and ecology. Since economic development involves technological changes, strategic interest groups, multinational corporations, global value chains and global finance, it involves inequality as a variable in competition and generates new inequalities. Yet, by comparison to North–South relations, the East–South turn on balance holds greater emancipatory features and potential. There are structural, political and cultural elements to this argument.

When, during the post-war boom (1950–1970), industrial countries in the West and Japan were drivers of world economic growth, commodity prices were high, commodity exporting countries prospered and it was a period of relatively equalizing growth globally. The period 1980–2000 when post-industrial consumer societies propelled the world economy was marked by unequal, polarizing growth within and between countries. With industrializing economies again driving the world economy, rising commodity prices, as in the 2003–2008 commodities boom, enable relatively equalizing growth globally, a pattern that is structurally similar to the period 1950–1970. Thus the East–South turn again redirects the overall pattern towards global redistributive growth. Zoellick (2010) notes:

> The developing world's share of global GDP in purchasing power parity terms has increased from 33.7 percent in 1980 to 43.4 percent in 2010. Developing countries are likely to show robust growth rates over the next five years and beyond. Sub-Saharan Africa could grow by

> an average of over 6 percent to 2015 while South Asia, where half the world's poor live, could grow by as much as 7 percent a year over the same period.

Such figures were inconceivable in the 1980s and 1990s; a different pattern has set in.

Because they are also developing countries and share colonial experiences and frictions with institutions of the North, emerging societies have greater affinity with other developing countries and are less burdened by stereotypes. A case in point is the role Brazil, South Africa, India and China played in the WTO negotiations of the Doha round in Cancún, taking the position that 'no deal is better than a bad deal' and acting in sync with the G77 of developing countries. At the same time emerging markets also compete with one another and with light industries in developing countries. Thus Chinese garment exports have had a devastating impact on textile industries in Bangladesh, Kenya, South Africa and other developing countries; China's shoe exports have eliminated Pakistan's shoe industry. East–South relations are not exempt from unequal exchange, the reproduction of an old type of international division of labour, big power aspirations and regional hegemony. Manoranjan Mohanty, political scientist of Delhi University, reviews debates and social movements in India and China and finds that:

> The probable scenario is the simultaneous unfolding of both these trends — the rise of India, China and some other countries and their entry to the big power club and those policies being increasingly challenged at various levels and the demand for democratization growing in strength. . . . The ideology of domination is under attack everywhere. . . Today not only global hegemons are under challenge; regional hegemons are under even greater challenge. In South Asia, for example, not only Pakistan but even smaller countries like Nepal, Bangladesh would not accept any form of domination by India.[40]

Thus, the exploitative side of the rise of emerging societies is to some extent counterbalanced by several trends.

## CAPITALISMS?

A fundamental conceptual dimension to assessing current trends is whether they are viewed through the lens of capitalism or capitalisms. The rise of emerging societies could in principle be understood in terms of the

40. 'There are big debates within both the countries today as to whether they just travel on the western path of industrial revolution or on paths that make their economic development consistent with their cherished values. The debates are reflected in the many social movements going on in India — ranging from the movements against mega projects that cause large scale displacement to tribal people's movements for forest rights and dignity. In China it may have taken different forms, but the questioning of the current strategy of rapid economic growth was as pronounced. That is why the Hu Jintao leadership propounded "scientific outlook on development" — a balanced development that was socially just and environmentally sustainable in order to build a "harmonious society"' (Mohanty, 2009).

'rise and decline of nations within the world-system' (Friedman, 1982) and as a reshuffling within the bounds of western capitalism. Yet, whether or not they unfold within the sphere of western capitalism is not a given but part of the problem to be examined. The 2008 crisis highlights the variation in capitalisms. While the impact of crisis is global it is not uniform. Societies across the world are affected but are affected in markedly different ways. Crisis is a threat for some and an opportunity for others.

During the previous major crisis, the 1997–98 Asian crisis, Anglo-American capitalism was upheld as the sole viable model. The 2008 crisis, however, shatters the headquarters of the erstwhile exemplar. Several after-crisis assessments now reclaim the paradigm of a single, standard-bearing capitalism, in relation to which even West Europe is an outlier. But the 2008 crisis exposes the frailties of Anglo-American capitalism on all levels — as ideology (laissez-faire), as paradigm (efficient market theory), as economics (shareholder short-termism, financialization), as policy (deregulation, liberalization), as institutions (accounting, rating agencies, regulators), as methodology (financial mathematics, quantitative investments) and as culture (bonus culture, predatory CEOs). The 2008 crisis is part of a series, from the American bank crises in the early 1990s, the bailout of LTCM, the collapse of Enron and other corporations, to the subprime mortgage crisis and the Goldman episode (Nederveen Pieterse, 2004, 2008b). The shareholder principle fosters short-termism (boost quarterly earnings numbers to ensure high stock ratings and dividends) and financialization drives a disconnect between finance and economics (Dore, 2000).

For decades the Washington consensus lorded over the developing world; now the lecturing has changed direction and emerging societies 'talk back'. From Europe to China, critical comments about American capitalism now come not just from backrooms but from official podiums. The tables have turned and there is a different refrain in the air: the West must learn from the Asian crisis and must learn economic prudence from Asia (Mahbubani, 2009).

Various indices (such as the 'economic freedom' and 'competitiveness' index) typically assume a single model of capitalism. However, the question the 2008 crisis poses anew is whether there is a general 'growth model' or script for the relations between state, capital and civil society (Hall and Soskice, 2001; Stiglitz, 2006). This variation is central to rebalancing processes. Institutions matter as part of economic imbalances and as part of rebalancing. Certain institutions prove to be crisis-prone and others crisis-resistant. Since institutions are political formations, analysing this involves politics and ideology, as well as institutional economics. There is no general benchmark by which to measure and evaluate institutional change. Yet most perspectives, explicitly or implicitly, treat capitalism in the aggregate. This holds for mainstream views in media and economics as well as for neo-Marxist views such as world-system theory and transnational capitalist class perspectives. Crisis, then, becomes a crisis of capitalism, period, not of a particular type of capitalism.

The main variation this view acknowledges is historical, between stages of accumulation and phases of capitalism, between early and late comers to industrialization and modernity. In treating capitalism in the singular, unilinear theories of capitalism, from Marx to world-system theory, view variation mainly as variation over time (with 'dependent capitalism' as the main outlier). This perspective is unsuited to examining regional variation because, like post-war modernization theory, it tends to assimilate regional variation into historical patterns (such as 'lagging behind' or 'catching up'). Thus while much current discussion focuses on the 'future of capitalism', a more productive question is 'the future of capitalisms'. Capitalism survives thanks to the diversity of capitalisms: 'the flexibility of capitalism derives from *capitalisms* and regional variation' (Nederveen Pieterse, 2004: 146). Diversity is not disappearing but the terms of diversity are changing and what is at issue is the realignment of capitalisms. Now, far more than in the past, this involves regions outside the old metropoles, the emerging societies from Asia to Latin America and the Middle East.

The idea that emerging societies can be incorporated in Anglo-American capitalism underestimates their different ways of organizing capitalism amid the political and social pressures they face. With the lead model imploding under corporate scandals, toxic finance, feeble institutions, inept governance, ageing populations, mammoth fiscal debt, massive sovereign debt and government eviscerated by tax cuts, the developmental state capitalisms in the East and South emerge as more dynamic and, in some respects, more sustainable. The Asian crisis was attributed to 'crony capitalism'; now 'permissive capitalism' turns out to be a much greater weakness while the robust public sector in most emerging societies emerges as a source of strength, at any rate as long as it is accompanied by competent policies. This isn't simply a matter of state or market; what matters is what *kind* of state. The concentration of wealth and power in the US combined with free market ideology has contributed to an 'anti-state state' (MacLennan, 1997).

## CONCLUSION: ANALYTICS AND METHODS

Let us pause for general considerations. First, let us be wary of totalizing scripts, whether they come from Davos or Porto Alegre, from the World Economic Forum or the World Social Forum. For the sake of argument I have presented two extreme scripts; but either/or outcomes are too simple. As mentioned before, layered processes produce layered outcomes, with different and combined patterns of transnational, regional, national and local cooperation. Regional entities such as the European Union, the Gulf Cooperation Council and ASEAN follow dynamics of their own. Then there is local variation, say between China's Pearl River Delta and Harbin in the north.

Hence capitalist convergence and divergence occur at the same time. Elites and business classes in different countries cooperate *and* follow their own ways; which brings us back to the classic thesis of combined and uneven development.

A parallel in cultural studies is that while many expect globalization to produce cultural standardization and McDonaldization, this happens only in some spheres and to some extent; regional, national and local variations continue with dynamics of their own, combine with transnational cultural assemblages and generate new patchworks of difference, which may be described as ‘global multiculture’ (Nederveen Pieterse, 2007).

This essay combines variables which are wide apart (in the vein of global studies), examines their interaction from the viewpoint of development studies, sets forth scenarios and discusses their probabilities. While the variables in these probabilities are fairly straightforward their interaction is contentious and the outcomes depend to a large extent on political processes. After all, everything is a matter of political struggle. It is a fiction that economic models can script societal change. As Polanyi observed, markets are embedded; they are embedded in institutions and political formations, so markets are ultimately political. In contrast to the principle ‘enter economism, exit politics’ (Teivanen, 2002), what is at issue now is taking the economism out of economics and putting politics back in: enter politics, exit economism. While there are overall patterns and trends, changing political tides alter equations. It’s impossible to take politics out of the equation and with politics *in* the equation the outcomes are unpredictable.

Then there is the fallacy of units. We speak of ‘China’ and ‘the United States’ because that is how economic data pile up, but what matters are classes, strata and regions within and across these units. This is a two-way street: because technological, business and communication interweaving is growing, national units are of limited purchase; yet nations are units of political decision making and forums of social reflexivity. In each country there is a continuously shifting balance between multiple factions, also in response to international trends. Thus in China, the new right (neoliberal), the new left (social and green), the old left (Maoist) and the old right (nationalist), vie for influence, each with different shades of nationalism.

We must also factor in ideological noise. There are gaps between the actual economic policies and practices in various settings and the way they are represented in international media, which are socialized in and biased towards dominant paradigms and underrate institutional variation (Nederveen Pieterse, 2009b).

Several points of methodological caution follow. Arguing continuity is easier than arguing trend breaks. Trend breaks invite the autopilot response: you’re exaggerating; changes aren’t nearly as large as you suggest. New data are not readily shared and once a different future door opens there is no playbook, so resistance is considerable. Therefore assessing the degree of change is crucial. The usual recourse is to metrics. If you can’t count it, does it count? But metrics follow paradigms — in Hazel Henderson's words, people measure what they treasure. Data are theory-dependent; hence the problem of indicators. Indicators such as GDP measure economic activity from limited assumptions (Stiglitz, 2010).[41] Metrics matter but because measurements reflect limited assumptions quantitative data are often qualitative assessments in disguise. When it concerns system change, assessing the degree of transformation is difficult because the *criteria* of assessment are contingent and are different when viewed from within or outside the box.

A possible remedy is to supplement the approach to global dynamics by global multi-sited ethnography as a way to get past macroeconomics and to ground our understandings in everyday experience in different parts of the world. In brief, this seeks to enter the social tissue of transformation more deeply by looking at different panels of global coexistence, comparing societies and strata placed differently on the spectrum of global imbalance, not just in metrics and generalizing judgements but also in experiential terms. Nevertheless, methodological finesse will not deliver without theoretical finesse.

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