

## Global financial crisis: disaster or opportunity?

Written by Andrew Pickering

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ANDREW PICKERING, OCT 10 2008

The financial and economic events of the last few weeks have shocked many of us. Indeed, they have shocked us out of our complacency and made apparent the urgent need to reform the financial sector. But more than that, there is a sense that it may now be possible to seize this moment as an opportunity to go much further. An increasing number of commentators are suggesting that with the widespread quasi-nationalisation of banks, we are witnessing a significant historical and political turning point, in which it may be possible to overturn much of the market fundamentalism of the past twenty years. This may be a chance to forge a new politico-economic consensus, both in the domestic and international spheres.

Aside from the usual columnists, Ngaire Woods, director of the Global Economic Governance Programme at Oxford University is calling for reform of the International Monetary Fund (IMF). The International Trade Union Confederation has demanded that governments 'finally take up the duties they have long abdicated'. Even the president of the World Bank, Robert Zoellick, is calling for a 'new multilateralism'. Meanwhile, Nobel prize-winner Joseph Stiglitz has proclaimed that 'the fall of Wall Street is for market fundamentalism what the fall of the Berlin Wall was for communism.'

What happened in 1997 to the East Asian tigers is now happening to the global north. The contagion of financial instability is being presented by governments as a hiccup on the road to free markets, a deviation, a perversion of the doctrine. Yet their indecision and equivocation belies their confusion and weakness, perhaps even their fear.

This is the biggest economic shock of the new century, which looks like becoming – in a world in which political globalisation is lagging behind economic globalisation – an extremely turbulent one. We are living through a time of great transition and the current crisis is an opportunity to shape the way that transition will affect everyone on earth. Make no mistake, if opportunities like this are missed there is a very real danger of path dependency and our crossing the point of no return.

Larry Elliot, economics editor at *The Guardian*, has highlighted 'the *fin de siècle* nature of what has happened over the past month'. This may not be the end of neoliberal market fundamentalism, but it may be the beginning of the end. Unless this crisis snowballs into something approaching the Great Depression, the events of the past month or two will not *in themselves* change the intellectual climate. But they will plant some seeds of doubt, which will themselves begin to germinate and thrive.

After this crisis, reform of both domestic and international economic institutions is wholly imperative, across the board. Surely this is a time of great potential. The G7 is meeting, along with the IMF and World Bank. Things cannot continue as they are, especially at the IMF, which is responsible for maintaining financial stability. Many accuse that organisation's neoliberal 'hands off' approach of having permitted the present crisis to blossom.

Like it or not, dealing with this is the responsibility of western citizens. Our relative wealth enables civic action and political leverage. Our democratic constitutions mean that we are in fact the only people able to affect a change. Governments alone will not do it and corporations certainly will not. The global south is powerless. In the past, the excesses of Washington Consensus policies abroad have been a marginal aspect of the political and media agendas. It is only now, when they have been brought directly into the homes of the western intelligentsia, that real

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backlash can begin. Global inequality has been an increasing problem for years, but now anger is building in rich countries. Anger at the iniquity of executives receiving multi-million pound golden handshakes while their firms collapse. Anger at the foolishness of unmitigated casino capitalism. It is only now that people are beginning to feel the impact of flawed trickle-down economic theory on their own lives. That is why this is an opportunity to mobilise a new consensus.

Individuals, NGOs and political parties all need to use the current situation to highlight the plight of the global south and – crucially – to connect this in the minds of northern citizens, with their own problems, thus fostering greater global solidarity. The degree to which this challenge is taken up will determine whether the present international crisis is a temporary diversion from the status quo of the past two decades, or a fundamental shift in attitudes. That the crisis is occurring alongside a US presidential election campaign increases the likelihood that events on the markets will be politicised, rather than treated as abstract and technocratic problems. Even if the chance of rolling back the neoliberal package is not grasped, we can at least be sure of a greater understanding of the dangers of unsustainable speculation with unregulated capital. There can be little doubt that this will bring with it greater public interest in economic policy.

It is often the case in politics that the public only act when a problem has become acute. What we are seeing in the world economy today is just such an acute problem and now is certainly the time for action. To some extent there is resignation and a feeling of powerlessness. But I believe there is a germ of resentment present too. A repoliticisation of economic affairs, both domestically and internationally is necessary to bring out and channel that righteous anger. This is a time for political leadership and the reshaping of our intellectual climate. In the end, turning points are not given, but created.

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## About the author:

I am a postgraduate student of International Political Economy at the University of Sheffield, UK. My research interests include trade politics (especially the WTO), post-structuralist and post-developmental challenges to development theory and the global governance of the environment. I serve on the editorial board of e-International Relations and blog at <http://davostoseattle.wordpress.com>.