

# RCO2 & ECONOMY & SOCIETY

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## A LETTER FROM THE EDITOR

Colleagues,

Two months ago, our Research Committee held an interim conference entitled Markets as Networks at Sofia University (St. Kliment Ohridski). Two of the organizers of this conference, Tanya Chavdarova and Svetla Stoeva, have been entrusted with the difficult task of distilling the two days into a report summarizing some of the conclusions and debates that animated the conference. Here you may find the fruit of their labor, as well as information on where to access the presentation material.

In this same research tradition, Dennis McNamara has recently published a book on knowledge and information networks in Asia that is likely to be of interest to our members. He generously accepted my request to summarize some of his book's principal findings for our newsletter.

This issue also marks the passing on June 18th of one of our most influential members, Giovanni Arrighi. Chris Chase-Dunn contributes a critical survey of some of Arrighi's intellectual accomplishments.

Drawing on world-systems theory, Farshad Araghi introduces the concept of "long Keynesianism" to provide new insights into interpreting the financial crisis and our near future. And Miguel Ángel Vite Pérez has kindly contributed a short article exploring the political and economic consequences in Mexico of the National Action Party gaining the presidency almost a decade ago.

I hope this issue provides you with new ideas for your own work.

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## CONFERENCE REPORT Markets as Networks

"Markets as Networks" – the RCO2 conference in Sofia (25-26 September 2009) critically reviewed the major conceptual tools that economic sociology has proposed in order to understand the forms of interplay between markets and network structures. It also discussed various empirical findings of this interplay. Two plenary and five workshop sessions put in touch more than 30 researchers from Europe, North and South America. (The conference presentations are posted on the conference website, see at <http://www.netmark.bsa-bg.org>). Due to the generous support provided by the Faculty of Philosophy at Sofia University "St. Kliment Ohridski" and ISA, especially

## IN THIS ISSUE

- p1 Markets as Networks  
Conference Report
- p1 Economy, Society and  
Giovanni Arrighi
- p5 Business Innovation in Asia
- p5 Globalization and Inequalities
- p8 In the Long Run, Keynesianism Is Dead
- p10 The Limits of Mexican  
Electoral Democracy
- p12 Call for Papers: WSF Award  
of Excellence Program

## Economy, Society and Giovanni Arrighi

Giovanni Arrighi is an historical sociologist and one of the originators of the world-systems perspective (along with Immanuel Wallerstein, Samir Amin Terence Hopkins and Andre Gunder Frank). His *Geometry of Imperialism* is yet one of the very best dissections of modern economic and political-military power, and his *The Long Twentieth Century*, which is really about the last 600 years, is the best overall analysis of the modern Europe-centered world-system. Arrighi was trained in both economics and sociology. He joined Terence Hopkins and Immanuel Wallerstein at the Fernand Braudel Center at Binghamton University in the late 1970s (see Reifer 2009). Arrighi's *Long Twentieth Century* (LTC) employed a Braudelian conceptualization of capitalism as a layered system composed of material life at the roots, a middle sector of interfamilial and intervillage exchange

*cont'd from page 1: Markets as Networks* for accommodation grants for young participants, about half of the presenters were young researchers.

The conference opened with a keynote speech by Olivier Godechot (CNRS, Paris) entitled: *What Do Heads of Dealing Room Do? The Social Capital of Internal Entrepreneurs*. Stemming from the results

and Zoya Kotelnikova (State University – Higher School of Economics, Moscow) discussed empirical evidence collected from 500 managers in five cities of Russia. V. Radaev focused on the idea that increasing market pressures (higher level of competition and stronger bargaining power of exchange partners) do not contaminate social ties as it is prescribed

evidence in favor of the hypothesis that informal self-employment has gained social legitimacy and could make use of anonymous exchange in the same way that official activities do. It was specified through her findings that strong ties are more important in the initial phase of setting up the business while weak ties are more important for informal business

## Godechot developed the idea that the boundaries of the firm are going to be further undermined by the rising power of social capital in the financial industry

of his research on compensation in the financial industry, O. Godechot developed the idea that the concept of the boundaries of the firm, that have already been shaken by human capital's greater impact, are going to be further undermined by the rising power of social capital in the financial industry, which lies even further outside of shareholders' control.

This idea is tested on the example of the heads of dealing rooms who accumulate social capital by subdividing, recombining and moving work, establishing full control over the division of labor. Thus they become internal entrepreneurs who get control over a substantial part of the firms' productive assets. Since they can move such assets to another firm en masse, they become their practical owner. In order to do this, heads of rooms must be linked directly or indirectly to most members of the group. This supports Coleman's (1988) cohesion argument. However, they also must be the only persons capable of doing so, which provides on the other hand support to the structural holes arguments of Burt (1992). Godechot convincingly showed that a complex equilibrium between cohesion and structural holes forms of social capital is needed in order to transgress the firm's boundaries.

The session on the networks' role in (re)shaping market exchange showed the great diversity of intertwining of networks into markets. Vadim Radaev

by the 'Hostile-Worlds' approach. On the contrary, they stimulate formation of social ties. On the bases of elaborated taxonomy of social ties he showed that regular monitoring of competitors' actions is conducted by a vast majority of market sellers while social ties embedded in network structures and institutional arrangements are established by less than a half of the firms.

In her presentation Zoya Kotelnikova aimed at exploring the patterns of market exchange between retailers and suppliers in Russia. She studied how competition, power relations and institutional forces influence the continuity of their relationships. According to her findings, the most widespread pattern of interorganizational ties is a hybrid model which is closer to relationship-orientation and imply medium- and long-term relations, multiple-sourcing and infrequent switching. By carrying out three case studies in the Buenos Aires Wholesale Market, María Laura Viteri (National Institute of Agricultural Technology of Argentina, co-authorship with Alberto Arce) addressed the issue of quality of fresh fruits and vegetables and the different meanings and negotiations around it. They defined quality as a negotiated social interaction which leads to innovative forms of food distribution. The social interaction of off-the-books self-employed young Bulgarians was at the core of the presentation by Tanya Chavdarova (Sofia University). Her research provided

expansion.

In the session on networking in job searching, recruiting and status attainment four papers added to knowledge and understanding of the above mentioned issues in rather different ways. Martina Rebien (Institute for Employment Research, Nuremberg) discussed data from the annual representative German Job Vacancy Survey focusing on staffing via social networks as dependent upon information about: firms structure and characteristics, vacancy characteristics and engaged person. Her results show a tendency that networks are used by smaller firms and in difficult economic situations, and they really help to reduce search costs; the positions filled via networks are more likely to be stable ones either in a very high labor marked segment or in a very low one, where the working conditions are especially difficult. Those results also certify a negative connection between firms' use of network contacts and the wages and prestige of the position.

Stoyan Novakov (Sofia University) presented results from a survey on the labor market positioning of Bulgarian sociology graduates as influenced by their informal networks. He argued, as outlined through the survey, networks of family, lecturers, colleagues and friends have different functions in the process of labor market positioning depending on whether graduates began working while studying or they began working only

after their graduation.

Pieter-Paul Verhaeghe (University of Ghent, co-authorship with B. van de Putte) challenged the notion of social capital by, first, theoretically discussing the pros and cons to the argument that views social support as a form of social capital. Second, he related the issue to representative research on attained holiday jobs of first year university students and added empirical evidence to his understanding of social support as a form of social capital.

Marc Hoeglinger (Kalaidos University of Applied Sciences, Zürich, co-authorship with M. Abraham and J. Arpagaus) explored organizational and economic sociology's central question about the impact of embeddedness on economic action and outcomes by looking at firms' procurement of external employee training programs. He analyzed the effect of organizations' dyadic (direct ties to providers) and structural (indirect ties via third parties) embeddedness on the performance of its external training providers and argued that these two kinds of embeddedness don't act in isolation but are interrelated; they both can behave as substitutes and cancel their respective effects out. This hypothesis was empirically verified through results from a survey of a representative random sample of Swiss organizations.

The last session on the first day attempted to highlight the questions concerning economic dynamics, innovations and social networks. Vojislav Babic (University of Belgrade, co-authorship with Sinisa Zaric) discussed the causes of the 2007 economic crisis from the point of view of economic and social capital theory and argued that global economic crises appear in periods where there are noticeably low stocks of social capital. On the basis of empirical data, he showed the long-term decrease of average participation rates in informal organizations and social trust followed by deep economic crises (Great Depression, economic crisis in the 70s and 80s of the previous century, etc.).

Daniela Wühr and Petra Schütt (Institute for Social Science Research, Mu-

nich, co-authorship with Sabine Pfeiffer) studied synergies and contradictions in five technical innovation processes. They concluded that markets are shaped by networks of collaboration which are dynamic and changing throughout the innovation process.

By discussing the social construction of markets, Luisa Veloso (Centre for Research and Studies in Sociology, Lisbon) adopted a critical point of view of the concept of the market and put forward the concept of economic field, as proposed by P. Bourdieu. She presented the historical trajectory and strategy of a Por-



tuguese business group in the electromechanical industry and its R&D activities in particular, and clarified her arguments with the example of the relationship between the economic and the scientific fields.

During the second day, the first plenary session opened with the keynote speech of David Stark (Columbia University) entitled: *"Political Holes in the Economy: Historical Network Analysis of Firm-Party Ties in Hungary"* (coauthorship with Balazs Vedres). D. Stark presented a study of the evolution of politicized business partnerships in the Hungarian economy. The logic of the relationship between firm-to-firm ties and firm-to-party ties was captured by the implementation of historical network analysis reaching back

to 1987 and covering an entire epoch of economic and political transformation to 2001. Following the research findings, D. Stark argued that in the latter half of the 1990s, the Hungarian economy became more politicized. Outcomes of elections led to increasing competition among parties for politically loyal firms.

D. Stark showed that firms with politically balanced boards seized a brokerage opportunity to occupy the political holes in the economy opened up by the growing division between left and right. Stark concluded that the Hungarian economy is not an aberrant case: poli-

tics and business are entangled in every capitalist economy. Thus, the findings of the Hungarian study suggest the need for comparative research, constructing comparable datasets on the structure of business-party alliances among different types of political economies.

The morning workshop session started with a presentation shifting the subject of networking from the politicized business partnerships to the personal ties of immigrant entrepreneurs. Silvia Gómez-Mestres, Sarah Hoeksma and Jose Luis Molina (Autonomous University of Barcelona) discussed the personal networks of Bulgarian entrepreneurs in two Catalans locations. Through the analysis of different cases of migrant entrepreneurs in both localities the authors suggested

that setting up a business implies the deployment of a heterogeneous network of contacts and personal relationships with members of the host society. The focus on the role of social capital and network membership in transnational migratory processes switched then from Spain to Moldova, Romania and Hungary.

The paper of Hanna Kónya (Corvinus University of Budapest) explored the foundation and development of the Moldavian Csángó elite. The author developed the idea that migration networks generate not only social capital but economic and cultural capita, as well. As such these networks are fundamental for becoming an elite member. The morning session addressed a broader range of research topics, as well.

The last two presentations focused on different aspects of the formation of net-

changing professional environment and in art appraisal.

The afternoon workshop session addressed another aspect of networking: the regional dimensions of organizational and personal networks, global production networks, as well as the role of civic society in the transformative processes of working organizations. Sabine Gensior (Brandenburg University of Technology, Cottbus) applied the theoretical concepts of “social embeddedness” and “social network” while examining how regional network structures are established and how closely-linked regional value-added chains generate endogenous stability. The findings of the research show that “social embeddedness” of commercial activity is a crucial factor for promoting the establishment of regional networks. Thus, assumed the author, regional networking

A different perspective on the problem of networking - disembeddedness from personal networks - has been developed Gergo Papp (Corvinus University of Budapest). He highlighted the emergence of credit markets as an important aspect of the transition to capitalism in an 18th -19th century Hungarian county. The author suggested that in the course of that transition in Hungary transactions became disembedded from personal networks and the selection of partners was based on rational calculation rather than on personal relations. The last contribution to the session was made by Violeta Vuckovic (Martin Luther University, Wittenberg). She presented a research design for case studies of medium sized towns in Eastern Germany and Central Serbia aiming at studying the interdependencies between the transformation of post-

## Stark showed that firms with politically balanced boards seized a brokerage opportunity to occupy the political holes in the economy opened up by the growing division between left and right

work structure and market culture. Efim Fidrya (North-Eastern State University, Magadan) studied interorganizational competitive strategies of firms within the Magadan retail sector. The strategies of vertical integration, interorganizational coordination, informal connections, and development of stable trusting relations to clients were identified as crucial for the firms’ development. A different focus presented Tatiana Stoitchkova (South-West University, Blagoevgrad). She put the question of how the market influences the economic behavior of cultural organizations. On the basis of a survey on the Bulgarian literature field, the author argued that in times when most literature and artistic markets are characterized by uncertainty, networking appears as a tool that can offer a sense of stability in a

may function as a “springboard” for the acquisition of supra-regional markets.

A further contribution to the discussion of embeddedness came from Mexico. Oscar Contreras (University of Sonora, Sonora) presented a case study of the auto industry in Sonora. He explored the problem of how local assets, embedded in social networks, interact with the operational needs of the assemblers and global suppliers in order to meet global standards and to promote the upgrading of local suppliers. The paper debated a situation where in the global automotive industry, structuring opportunities for new, low-cost producing regions arises from the concentration of production in an ever smaller group of assembly and supply transnational companies.

socialist economy and civic society.

The conference participants had the opportunity to get closer together in the pleasant informal atmosphere of the welcome reception organized by the Department of Sociology at Sofia University and during the evening walks in Sofia.

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## Globalization and Inequalities

Complexity and Contested Modernities

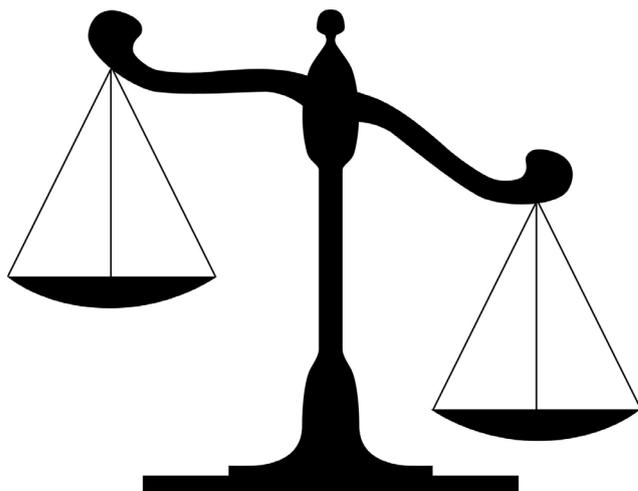
How has globalization changed social inequality? Why do Americans die younger than Europeans, despite larger incomes? Is there an alternative to neoliberalism? Who are the champions of social democracy? Why are some countries more violent than others? In this book, I examine the many changing forms of social inequality and their intersections at both country and global levels. I show how the contest between different modernities and conceptions of progress shape the present and future. The book re-thinks the nature of economy, polity, civil society and violence. It places globalization and inequalities at the centre of a new understanding of modernity and progress and demonstrates the power of these theoretical reformulations in practice, drawing on global data and in-depth analyses of the U.S. and E.U. The book analyses the tensions between the different forces that are shaping global futures. It examines the regulation and deregulation of employment and welfare; domestic and public gender regimes; secular and religious politics; path dependent trajectories and global political waves; and global inequalities and human rights.

### Table of Contents

1. Introduction: Progress and modernities
2. Theorising multiple social systems
3. Economies
4. Politics
5. Violence
6. Civil societies
7. Regimes of complex inequality
8. Varieties of modernity
9. Measuring progress
10. Comparative paths through modernity: neoliberalism and social democracy
11. Contested futures
12. Conclusions

***Globalization and Inequalities: Complexity and Contested Modernities*** (Sage 2009)

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### Business Innovation in Asia\* Japanese affiliates in South Korea, China & Thailand

Michael Hobday pioneered the cross-border comparison of innovation in East Asia in a path-breaking volume in 1995. An orderly ladder of Japanese technology transfer in the region was giving way to a new technology competition. Mapping the same landscape among production networks today, I find in this volume that Korea has kept pace, China is in hot pursuit, and Japan is still up front.

We also find national competitiveness of both Japan and the emerging economies overshadowed by two new developments: regionalization, and the rise of the Chinese economy. The study looks at both regional integration within global value chains and complementarity in national innovation systems. I track knowledge flows among Japanese affiliates in South Korea, China, and Thailand. I look at manufacturing investment, including sectors such as autos, electronics, and textiles.

*Knowledge Societies.* Regional production networks have already drawn wide attention among economists, as well as regional political integration among political scientists. My own effort draws

on both literatures, but with the goal of developing a sociology of regionalism. Knowledge societies, and specifically innovation, provide a focus. Technology in East Asia has roots in both local path dependencies of industrialization, and regional cooperation in manufacturing components and assembly.

Hobday tracked the rapid acquisition and implementation of knowledge in Japan's postwar growth, then among the Asian Dragons. More remarkable than the earlier acquisition of technology, however, is the recent shift among Asian nations from a production to an "innovation network." Western firms off-shoring services and production have contributed greatly to the shift. Techno-nationalism in Japan, however, has slowed their embrace of "open innovation" and the tapping of local knowledge resources.

Japan now finds itself with extensive manufacturing networks across East Asia, but without a deep tradition of cooperation in knowledge creation. Western firms new to the region have made extensive efforts to tap knowledge workers, but also to incorporate local management to strengthen their ties with local state, labor, and markets. Western firms appear far better suited than their Japanese competitors to the new frontier of Asian innovation networks. Cooperation does not result here in homogenization, or a technological leveling, or simply "convergence" to a global standard. Priorities for capacity-building among Japan's partners must be matched with the rule of law and protection of property rights. This turns my attention to local systems of production both in Japan and among its investment partners in Asia, to assess the distinctiveness of technological exchange in each setting.

*Innovation Systems.* A review of National Innovation Systems sheds light on infrastructures in the social systems of production supporting basic and applied research relevant for manufacture. The relative contribution of knowledge networks to regional integration will rest largely on the choice of open versus bounded innovation systems. I examine boundaries within a society of sectors.

## Knowledge societies, and specifically innovation, provide a focus.

Diversity of innovation systems highlighted diversity of social systems of production. Japanese networks, including both state and the private sector, have worked over time to develop complementarities in the political economies of host nations.

Analysis of specific sectors, whether electronics, autos, or textiles, brings to the fore critical differences in state policy on inward FDI and technology sharing, in the organization, independence, and activities of industry associations, and in the landscape of local corporate scale, ownership and activity. Historical precedents of "cooperative learning" in inter-firm networks offer a model of the interplay of craft and concept.

*Networks.* I look closely to "knowledge networks," i.e., interactive linkages around nodes of tacit and codified knowledge embedded in Global Value Chains. Firms within sectors help embed the social practices critical for effective economic coordination and create nodes. Firms such as Panasonic, Toyota, and Toray rank as Japan's leaders in consumer electronics, autos, and textiles respectively. Itochu leads general trading companies in fabrics and fashion, and Denso stands at the head of the line among auto component firms. Beyond manufacturing routines on the plant floor, firms advance their technology levels with in-house research units, industry associations, and sector-specific technology regimes supported by the state. Manufacturing firms lead worldwide in R&D funding. Panasonic and Toyota rank among Japan's leaders in number of patents. Denso and Toray are research leaders in their own sectors among local and global competitors.

I discover that the electronics, autos, and textile and apparel sectors advanced

along similar paths and with similar organization in the three nations of North-east Asia. Thailand has anchored investment in all three industries, although without strong local competitors. State and state FDI policy remain the major discontinuity among the four nations, with some similarity between strong states' insulation in Japan and South Korea, but discontinuity with China's socialist state or with the relatively weak state in Thailand's history of industrialization. Knowledge networks come to the fore at the intersection of firms, sectors and states within global value chains.

*Borders.* I also find changing borders among sectors affecting the anchoring of Japanese manufacturing in East Asia. Panasonic provides consumer electronics for the automotive industry in China and Thailand, supplying Japanese assemblers. Toray and Itochu supply automotive interiors to Japanese assemblers in the same two nations. Thailand has reinforced production anchors by the triple nesting of manufacturing in Japanese electronics, auto and textile industries. Efforts of the Japanese state and peak industry associations to build complementarity in local industry associations, trade policy, and property rights can yield benefits beyond the interests of simply one sector.

Multiple major firms at the Japanese Chamber of Commerce and Industry in Bangkok can mobilize a common industry voice on major issues of market and manufacture. Korea provides the foil, with weak nesting of Japanese manufacturing in electronics and auto assembly, despite continuities in the interests of similarly structured industry associations. China has succeeded in nesting extensive Japanese production in all three sectors recently, although Itochu and Panasonic put down roots much earlier than Toyota and Toray.

*Future.* What does the future hold for the region? A shift from offshore plants to integrated knowledge networks would help secure Japan's role, improve human resources and advance technology in host countries, and strengthen regional integration. South Korea faces a similar challenge but without the breadth or depth of

Japanese networks at present. China may well be ready for the challenge as well as industry moves abroad in the coming years.

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*\*Business Innovation in Asia – Knowledge and Technology Networks from Japan* (Routledge 2009), by Dennis McNamara.

**cont'd from page 1: Economy, Society and Giovanni Arrighi** called “market society,” and an upper layer in which flexible and evolving forms of finance capital and state power form the commanding heights. Arrighi’s model of the modern Europe-centered world-system is constituted around a sequence of four partially-overlapping “systemic cycles of accumulation” in which the capitalist and hegemonic commanding heights expand and assume deeper control over protection, production and transactions. Arrighi tells the story of the alliance between the financiers of Genoa and the expansive Portuguese sea-borne empire in the fifteenth century. Then he tells the story of the Dutch, British and U.S. “systemic cycles.” This is a more evolutionary approach than Immanuel Wallerstein’s model of cycles and trends, and it focuses more on the flexibility of finance capital.

Arrighi’s *LTC* focuses on the evolution of the commanding heights and appears to neglect the roles played in these qualitative changes by resistance from subaltern classes and from the non-core. *LTC* also somewhat inexplicably drops any discussion of the relationship between business cycles (e.g. the Kondratieff wave) and the systemic cycles of accumulation. This might be construed to suggest that he felt that the lower orders could safely be left out of the story, an approach that is taken by many others, especially international relations scholars who study the “great powers.” To be fair, Arrighi was one of the originators of the important concept of “world revolutions”

(Arrighi, Hopkins and Wallerstein 1989) and he addressed the ways in which resistance from below affected to evolution of the world-system in many other works (e.g. Arrighi and Silver 1999).

Arrighi’s (2007) last book, *Adam Smith in Beijing*, provided a world historical comparison of the trajectories of China, Europe and the United States. Arrighi revisited the classics of political economy to explain the rise of the West, its eclipse of China in the nineteenth century, the rise and decline of U.S. hegemony in the twentieth century, and China’s recent rise

have been created by capitalist industrialisation will require a capable multilateral, and hopefully democratic, global state. This sheds a somewhat different light on discussions of global state formation by theorists of a global stage of capitalism such as William I. Robinson (2004). If global capitalists are creating a global state it might be a good idea to democratise it and use it as a terrain of struggle for social justice and an instrument for dealing with environmental issues.

*Adam Smith in Beijing* helps us to rethink the past and the future of East/West

...his analysis implies that a future increase in political globalisation based on hegemony would require a hegemonic national state that is significantly larger than the U.S.

to greater centrality in the world economy.

Though Arrighi did not say this, his analysis implies that a future increase in political globalisation based on hegemony would require a hegemonic national state that is significantly larger than the U.S. The fact that there are no other states larger than the U.S. in terms of economic size (the European Union is about the same size, and China is much smaller) means that the hegemonic sequence of an evolution toward a more coordinated and integrated form of global governance by a single national state has probably come to an end. Of course a new period of hegemonic rivalry and deglobalisation is likely during the decline of U.S. hegemony. Hopefully this will not devolve into another ‘Age of Extremes’ of the kind that happened during the first half of the twentieth century. But eventual further integrative evolution of global governance will require a condominium of existing states, or even a multilateral global state. As Peter Taylor (1996) has said, the U.S. is probably the last of the hegemons. Further political integration in order to manage the massive global problems that

relations and to consider the most basic issues about modes of production that are centrally important for both understanding the human past and for political action in the present and the future. It carries the world-systems perspective forward, developing both its value as an explanation of human sociocultural evolution and its usefulness as a tool for guiding present efforts to move in the direction of a democratic and collectively rational global commonwealth. It should be read widely and debated, especially by those who think that another world is possible.

Giovanni Arrighi was a paragon of the engaged intellectual, a global public social scientist, who used his powerful mind to systematically analyze social change over the long run to try to solve the huge problems that humanity has created for itself in recent centuries. He did not shrink from the complexities of what he called “the fog of globalization” nor of his own commitments to a more egalitarian world society. A mutual friend asked Giovanni a few months before his death as to which of his many works he most wanted to be remembered. He told

our young friend not to worry about such things, but rather to just “fight the good fight.”

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## In the Long Run, Keynesianism Is Dead\*

### Observations on the Financial Crisis

In exploring the social roots and the future of the global financial crisis from a sociological and world-historical perspective, this research project offers the following twelve observations:

(1) World-historically, there is a crucial *difference* between the current crisis and the crisis of the 1930s. The existence of socialism as a global alternative in the early twentieth century provided the context in which the 1930s crisis was resolved at the expense of capital, as labor, farm, and populist movements, amid expanding global instability and crisis, forced the recognition of a social wage contract and collective bargaining rights on capital. Thus the alternative of socialism brought a faction of reformist capitalism to the metaphoric negotiating table to agree to the compromise of labor’s right to collective bargaining and rising wages accompanied by mass consumption. In the absence of a macro socio-economic alternative to capitalism, however, capital is handling the current crisis at the expense of the global working classes.

(2) It is a historical irony that socialism (as both a political threat and statist welfare model, as Keynes himself acknowledged) provided a solution to the crisis of capitalism. While the solution to the 1930s crisis involved a *downward* redistribution of income, capital’s reaction to the crisis since the late 1970s has been one of *upward redistribution of income* via globalization, depeasantization and deproletarianization, financed-based surplus extraction via macro and micro credit and the global debt regime,

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and regressive tax policies. Put in other words, dealing with the crisis at the expense of capital resolved the crisis of the 1930s, whereas dealing with the crisis at the expense of labor has *deepened and expanded* it.

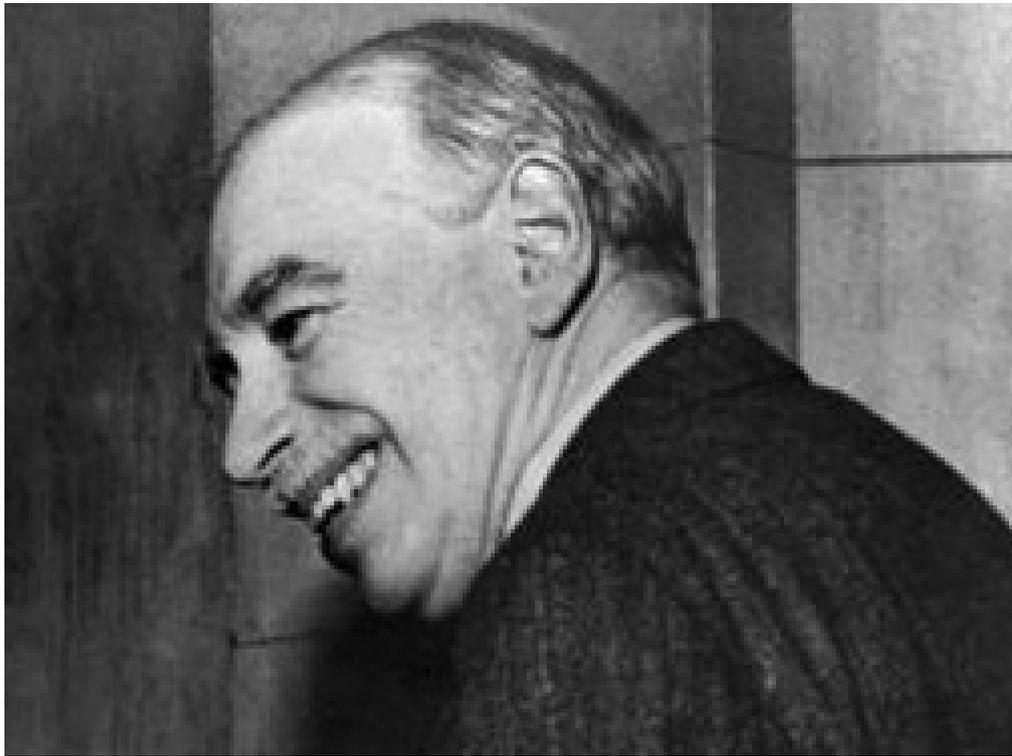
(4) The current period is a continuation of the 1970s. Contrary to the episodic analyses focusing on the real estate crisis, the latter is only a symptom of a deeper long term crisis. Real estate was brought into the speculative game by Greenspan’s reduction of the capital funds rate to about 1 percent in 2000 to cause a huge migration of fixed income securities to Wall Street through the mortgage industry. To be sure, while this measure did extend the ending life of the financial boom for six more years via expanding the mass of “fictitious capital” in the Polanyian sense, it did not cause the crisis.

(5) The current financial crisis should be seen as a moment within the crisis of the long 1970s when “negative Keynesianism” in free-market clothing (or what

became known as “neoliberalism”) was the *political* response of capital to the contradictions of “positive Keynesianism” (wage-labor contracts and effective demand management leading to “wage inflation,” amidst competitive pressures and expansion of democratic rights). “Negative Keynesianism” was *negative* in the sense that it broke up the post-war wage/social contracts and violated the “development compromise” in the postcolonial world; it was *Keynesian* in the sense that it continued with effective demand management via socializing credit as a component of wages and the global debt regime as a component of restructuring the postcolonial nation-state based divisions of labor. This involved, as is now well-known, the rejection of the (positive) Keynesian social contract via “globalization” i.e., spatial and temporal mobilization of capital, flexibilization, de-unionization, and casualization on the one hand, and the massive expansion of indebtedness as a solution to *mass consumption with low wages* on the other

hand. *Debt became the continuation of policy by other means*, as credit and microcredit substituted wages to solve the Keynesian effective demand problem.

(6) This characterization of “long Keynesianism” (as a contradictory unity of liberalism and neoliberalism) would



allow a better exploration of the relatively under-theorized phenomenon: The global institutions of positive Keynesianism (the World Bank and the IMF) were transformed under negative Keynesianism from development institutions to enforcers of a global debt regime aimed at the construction of mutually dependent *export-based* and *consumption-based* economies.

(7) It is precisely the crisis of negative Keynesianism that is at the heart of the current crisis, and which is leaving the global institutions of negative Keynesianism (the WTO, the IMF and the World Bank) with no solution other than transferring the costs of the crisis to the South (and to the South within the North).

(8) While positive Keynesianism depended on the state as a relatively public institution, the spectacular achievement of negative Keynesianism has been the relative “privatization of the state.” Seen

in this context, the Bush/Obama (Paulson/Geithner) plan is a reflection of privatized politics which will ironically *deepen* the current crisis by making the U.S. state an appendix of Wall Street. By doing so, the crisis of confidence will be extended to the U.S. government, result-

ing in heavy downward pressure on the value of the dollar.

(9) With the rising *production costs* of food and energy (or what I have called the “end of cheap ecology”), *supply-side* inflation will combine with monetary inflation to produce the economists’ worse nightmare, stagflation. While there will be downward pressure on prices due to massive deflationary pressures (demand-side deflation), there will also be upward pressures on prices (supply-side inflation) due to rising production costs of human and physical energy (note the convertibility of food and oil) and the colossal increase in the supply of the dollar. These counteracting effects will combine to create a low-level, but *persistent* stagflation.

(10) From an ecological perspective, there is no long-term Keynesian solution to the global crisis. “Green and global Keynesianism” is a contradic-

tion in terms, once we note that postwar Keynesianism was (1) an externalizing regime fundamentally standing on the shoulder of “cheap oil regime” of 1953-1973 and (2) that the mass consumption component of high wage Keynesianism in the North was always standing on the shoulder of “forced underconsumption” in the South. Even if we assume that the high employment/high wages/*high consumption* policies were to be adopted at a global level, *high global consumption* is not ecologically possible, and “disposable environments” are no longer obtainable. High global consumption and ecological crises will contradict the Keynesian solution more severely and more quickly than wage inflation did in the 1970s. Thus the Keynesian solution to the crisis of global capitalism has been exhausted. At best, long Keynesianism is in a coma, but it cannot be resuscitated.

(10) Hypothetically, a reformist solution that could have ameliorated the crisis in the *short run* would have involved abandoning the debt regime in favor of high wages and full employment policies and massive (and rapid) state investment in infrastructural projects. Even this *short run* alternative would have required long term planning. As Naomi Klein would ask, where are the long term planners? Not in the private, “flight-by-night state” and other institutions of negative Keynesianism.

(11) Contrary to Marx’s expectations, capitalism seems to be reaching its economic end before its political end. Arguably, global social justice movements have been gaining strength since the 1990s. Then again, these movements are in the main reformist, and have yet to offer a coherent view of a global alternative to capitalism as a social property system.

(12) Politically, an extremely dangerous era is ahead of us. Capital has for now taken political refuge in hybridity, but its purifying tendencies are alive and well. “Going beyond Obama” should have already been posed by the left, but it is the extreme right that is taking the lead. The future defeat of Obama’s economic and military strategies will suddenly open a space for the rapid growth of regressive

and progressive political movements. It is time to pose “global green socialism” as an alternative to both positive and negative Keynesianism.

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\*See also Farshad Araghi, “The Political Economy of the Financial Crisis: A World-Historical Perspective,” *Economic and Political Weekly*, Vol. 43, No. 45 (2008); “The Invisible Hand and the Visible Foot: Peasants, Dispossession, Globalization” in *Peasants and Globalization: Political Economy, Rural Transformation and the Agrarian Question*, edited by A. H. and Cristobal Kay Akram-Lodhi, New York: Routledge (2009), and my forthcoming article, “Accumulation by Displacement: Food, Ecology, and the Crisis of Reproduction,” *Review: A Journal of the Fernand Braudel Center*, volume 32, no 1. Your comments and questions are most welcome.

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From 1982 on,  
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### The Limits of Mexican Electoral Democracy

The Mexican democratic transition has not been a homogeneous process even though it has been characterized as a partisan alternation in the different offices subject to popular election.<sup>1</sup> This is mainly because the presence of the Institutional Revolutionary Party (Partido Revolucionario Institucional or PRI) is still hegemonic in some of the municipalities and states of the country. Nevertheless, in the year 2000, a candidate of the National Action Party (Partido Acción Nacional (PAN), Vicente Fox Quezada, won the Mexican presidency in a highly competitive election. This was particularly remarkable because it meant that after more than 70 years, the PRI had lost the presidential election for the very first time. This partisan alternation, however, was also a consequence of the changes that the traditional political elite had undergone, especially when economic matters were considered the subject of so-called specialists which was evident

since the economic crisis of 1982.

The specialists in economics—also known as “money doctors” – established a new type of governability in tune with the neoliberal economic idea of commercializing public policy; that is, they used the methods of corporate management to achieve efficiency goals as in a private enterprise. The economic reforms which were implemented sought to support the interests of capital with the objective of inserting the Mexican economy into the international market (López-Portillo, 1994). It is thus that the transition was made from economic nationalism to neoliberalism, stressing the importance of the free market (Zapata, 2005).

From 1982 on, the arrival of different representatives of the neoliberal economic technocracy to the Mexican presidency was further evidence of the demise of the political myth called the Mexican revolution. This meant the end of social commitment through state intervention, thus eroding the hegemonic party’s (PRI) social foundations for support. This caused fractures within the party that

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<sup>1</sup> The Mexican transition to democracy has tended to be interpreted more by what occurs in the electoral plane. The voting laws that the different political parties have promoted, in the aftermath of the 1968 student movement, have a greater presence in the Federal Congress as well as in local congresses. These laws include respect for the vote and, at the same time, the need to establish neutral electoral institutions where the federal government has no right to intervene. In this sense, any political party would be guaranteed the ability to win, competition among political parties would be a reality, and there would be uncertainty as to the final results of the voting process. This vision neglects the important role that social mobilization can play in electoral institutional changes (Salazar, 1999: 13-41).

led a number of its members to organize themselves independently and, in some cases, to seek the support of social organizations that were unhappy with the general decline of the level and quality of life (Reséndiz, 2005: 169).

As a result, the deterioration of the PRI's hegemony alongside the consolidation of a party system at the national level with greater competition guaranteed by the respect for the vote because of the existence of independent electoral institutions, made it possible to have party alternation at the local level as well as a more plural presence in the Federal Congress. These are the conditions surrounding the PRI's loss of political monopoly over the Mexican presidency at the beginning of the 21st century.

The relationship between the government and society changed, however, not only because of the disappearance of the social pact established between the hegemonic party and the social organizations that were part of it. The change was also due to the need for different social movements to defend the right to vote in order to be able to govern through projects that emerged as alternatives to the neoliberal ones –this is what happened during the 1980s (Tamayo Flores, 1997: 166).

Later on, during the 1990s, the subject of electoral transparency became the main concern of the political parties,

Moreover, the government does not even appear to be in close touch with the needs of the people it governs despite having been elected by them.

which benefitted the experts in technical electoral procedures. The election of representatives in public office did not, however, lead necessarily to the democratization of the mechanisms of governance at the local and national levels. In some cases, authoritarianism and discretionality continued to orient public action when it came to the management of public funds, which has prevented democratization from having a positive impact in the improvement of material conditions of

the population.

On the one hand, therefore, there are problems with the government's accountability. Moreover, the government does not even appear to be in close touch with the needs of the people it governs despite having been elected by them. While it is a technically legitimate government, it can resort to illegal actions without suffering any immediate consequences while it is in power (Elizondo, 2006: 88).

As a result, social rights cannot be materialized in an institutional manner because Mexican citizenship has become increasingly defined through suffrage (political rights), which has had the effect of diluting the State's responsibility in regards to those who have suffered the most within the neoliberal economic model; thus, the State offers assistance to some poor families without considering social welfare as a social right (Dieterlen, 2003: 91-93).

On the other hand, the importance of the presidential election of July 2006 rests on the fact that it demonstrated that the partisan option, headed by the candidate of the Party of the Democratic Revolution (Partido de la Revolución Democrática, PRD), Andrés Manuel López Obrador<sup>2</sup>, who sought to introduce some changes in the neoliberal economic model, was neutralized through the intervention of corporate businessmen

and also the actions of the then-president of México, Vicente Fox Quesada. Both of these interventions translated into the successful support of the PAN's presidential candidate and, thus, the party won the presidency for the second time (Camacho y Almazán, 2006: 17-74).

Meanwhile, the electoral institutions in charge of overseeing the presidential election showed their preference for the PAN's presidential candidate, which clearly called into question their neutral-

<sup>2</sup> The government of the then-president Vicente Fox Quezada (2000-2006) was a government for the businessmen given that the business sector financed his presidential campaign (see Korrodi, 2003). Fox used his position to manage influences that favored his relatives and friends (Quintero and Hernández, 2005), as well as large private monopolies (Hernández, 2006).

ity or impartiality. It was acknowledged, therefore, that the presidential election had not been "clean." According to the Federal Electoral Tribunal, however, that did not cast doubts on the final result, which favored the PAN candidate.

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**WSF Award of Excellence Program**  
*on the topic of*  
**THE GLOBAL ECONOMIC CRISIS:  
PERCEPTIONS AND IMPACTS**

What began as a financial meltdown in the United States has now become a crisis of the entire world economy. Crisis impacts, however, vary across countries and regions, thereby affecting global and international social inequality, altering core-periphery relations, and re-defining the international power balance. While several semiperipheral countries are profiting from their considerable foreign currency reserves to gain more political weight in international financial institutions, peripheral countries are experiencing sharp rises in poverty and accumulating new foreign debt. Given their lack of fiscal space to implement stimulus programs, peripheral countries are likely to suffer substantially longer from the crisis fallout than the rest of the world. There is a great risk that faster recovery in core and semiperipheral countries may again drive up oil and food prices, leading to a renewal of the food crisis and heightening existing political tensions at the periphery of the world-system.

Simultaneously, the crisis has left politicians, policy advisors and top managements of enterprises and international institutions in an ideological vacuum. Well-established theories of the market, as well as hegemonic assumptions about the alleged benefits of unfettered global economic integration, are falling into pieces. The current recession nevertheless calls for immediate policy responses. There is strong need for ad-hoc theories of the crisis' causes to guide short-term cures and long-term structural reforms, both at the national and the international level. International organizations, business representatives, and civil society organizations have entered a fierce interpretative contest over crisis mechanisms and possible political remedies. The current crisis thus presents a extraordinary opportunity to study the strategies employed by various interested actors to gain public resonance and influence for old and new political ideas.

With this call for papers, the World Society Foundation encourages researchers to investigate into the social construction of crisis interpretations and/or the effects of the current crisis on perceptions of global social relations (economic globalization, North-South relations, multilateralism, etc). Issues that may be addressed include:

- Crisis representations and interpretations in the mass media (qualitative and quantitative content analysis) or the general population (quantitative surveys);
- Crisis framing by social movement organizations, business actors, or international organizations (content analysis, participant observation, etc);
- Impacts on political mobilization and transnational organizing among civil society organizations (protest event analysis, participant observation, interviews, etc);
- Impacts on national and international regulating agencies and mechanisms
- Effects of the crisis, and policy responses to the crisis, on trust

in (international) political institutions;

- Effects of the crisis, and policy responses to the crisis, on perceptions of global and regional governance institutions;

The above list is not exhaustive. The Foundation will give highest priority, however, to papers that combine a general theoretical discussion with new empirical findings. These findings may be based on comparative research as well as single-case studies, and on qualitative as well as quantitative research methods. In any case, paper proposals should give a very clear indication of the research methods, data sources and analytical tools to be used.

Please note that the Foundation is seeking original contributions. Papers that have already been published or submitted for publication will not be accepted.

Interested scholars are kindly invited to submit their paper **proposals** before **December 15, 2009**. The Foundation's Board of Members will evaluate these proposals and ask successful applicants to elaborate their proposals into full papers (25-30 pages, but no more than 8000 words) in good English language. We strongly encourage authors to discuss the implications of their findings for both, future global social integration and existing world society theories. The deadline for delivering the **papers** is **May 31, 2010**.

Each paper meeting the typical quality standards of the leading scholarly journals will be honored with US\$ 1.000. The most outstanding papers will be published in a forthcoming volume (2011/12) of World Society Studies, the Foundation's edited book series.

The authors of the most outstanding papers become candidates for the Foundation's Award of Excellence in World Society Research (2010). The prize money for the Award will be US\$ 10.000 (First Prize) and US\$ 5.000 (Second Prize). The candidates will be invited to a conference to be held at the University of Zurich, Switzerland, on September 10-11, 2010, where the award will be presented. The Foundation's Board of Members will act as the jury for this evaluation.

Applicants are invited to present proposals for their papers giving the following information:

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- Name of the author(s), present address (including e-mail address), and name of the institution to which the author is affiliated (if applicable)

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