

**Recovered imaginaries, imagined recoveries: a cultural political economy of
crisis construals and crisis-management in the North Atlantic Financial Crisis**

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12. Recovered imaginaries, imagined recoveries: a cultural political economy of crisis construals and crisis-management in the North Atlantic Financial Crisis

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Crises are multi-faceted phenomena that invite multiple approaches from different entry-points and standpoints. This contribution deploys a cultural political economy approach to explore how the current crisis in the North Atlantic economies has been construed from the viewpoint of different economic imaginaries.¹ Of particular interest is the shock that crises gave to the prevailing economic wisdom and dominant policy paradigms, leading to the recovery of other economic perspectives as well as a search to imagine alternative economic and political paths to economic recovery. Key aspects of the retrospective interpretation and prospective envisioning of economic performance are actors' differential capacities for lesson drawing and asymmetrical abilities to refuse to learn from their mistakes. Accordingly the following analysis considers the multi-faceted nature of the so-called global financial crisis, the selection of some construals rather than others as the basis for economic responses and crisis-management, and the transformation of a crisis that originated in private credit relations and securitization into a crisis of sovereign debt and public finances. Of special interest are two issues. One is the contestation between hegemonic neo-liberal economic imaginaries and those that had been consigned to oblivion in recent decades as scientifically outmoded, historically superseded, politically disproven, or ideologically unacceptable. The other is the capacity of economic and political elites committed to neo-liberalism to reject alternative, possibly more accurate or adequate, readings of the crisis and maintain a neo-liberal course in the face of economic and political resistance. Addressing these issues reveals the limits of a purely constructivist approach to political economy and the advantages of a more materialist cultural political economy (or CPE) account.

Cultural political economy

This approach integrates the cultural or, better, a broader semiotic turn (a concern with the social production of intersubjective meaning) into the analysis of instituted economic and political relations and their social embedding. It does not add 'culture'

to politics and economics to create a three-dimensional analysis. Instead, arguing that all social phenomena have semiotic *and* material properties, it studies their interconnections and co-evolution in constructing as well as construing social relations. This enables CPE to avoid both a structuralist Scylla and a constructivist Charybdis. A significant feature of CPE regarding this 'third way' is the distinction between the sedimentation and re-politicization of discourses (cf. Glynos and Howarth 2007; Jessop 2009). These processes are contingent aspects of all social relations, with sedimentation giving rise to the appearance of their structural fixity and re-politicization in turn suggesting their socially arbitrary nature. Crises are particularly important moments in the general dialectic of sedimentation and re-politicization and my contribution explores this regarding struggles to interpret the 'global financial crisis' and to formulate and pursue alternative paths to recovery. Another significant feature, also important in crisis dynamics and crisis-management is the role that learning plays in the variation, selection, and retention of competing economic imaginaries (including recovered as well as extant and new imaginaries) and paths to economic renewal.

CPE studies semiosis and structuration as potentially complementary but possibly contrary or disconnected mechanisms of complexity reduction in social relations. The world is too complex to be understood in all its complexity in real time and too open for all possible combinations of social relations to be realized in the same time-space. For social agents to be able to 'go on' in the world, they must reduce complexity by selectively attributing meaning to some of its features rather than others and also set limits to compossible sets of social relations through processes of structuration. Accordingly, CPE explores the interpenetration and co-evolution of semiosis and structuration in regard to the emergence, consolidation, and transformation of the instituted features of what it regards as an inevitably improbable, contradictory, and crisis-prone ensemble of economic and political relations in specific historical contexts. This short contribution cannot present CPE in the round and focuses instead on four basic sets of categories for studying economic and political crisis. These comprise: social imaginaries and lived experience; the 'economy' as an imagined ensemble of social relations; the instituted nature of the economy; and the contradictions, crisis-tendencies and counter-tendencies of the capitalist mode of production (see Jessop 2002, 2009, 2011).

First, an imaginary is a semiotic ensemble (without tightly defined boundaries) that frames individual subjects' lived experience of an inordinately complex world and/or guides collective calculation about that world. There are many such imaginaries and they are involved in complex and tangled relations at different sites and scales of action (see also Althusser 1971; Taylor 2000). Without them, individuals cannot 'go on' in the world and collective actors (such as organizations) could not relate to their environments, make decisions, or pursue more or less coherent strategies.

Second, because the totality of economic activities is so unstructured and complex, it cannot be an object of effective calculation, management, governance, or guidance. Such practices are always oriented to 'imagined economies'. These comprise subsets of economic relations (economic systems, subsystems, networks, clusters, etc.) that have been semiotically and, perhaps organizationally and institutionally, fixed as appropriate objects of intervention. They are discursively constituted and materially reproduced on many sites and scales, in different spatio-temporal contexts, and over various spatio-temporal horizons. Economic imaginaries have a crucial constitutive role here insofar as they identify, privilege, and seek to stabilize some economic activities from the totality of economic relations. They give meaning and shape thereby to the 'economic' field but are always selectively defined. As such they typically exclude elements – usually unintentionally – vital to the overall performance of the subset of economic (and extra-economic) relations that have been identified. The recursive selection of semiotic practices and extra-semiotic processes tends to secure the 'requisite variety' (constrained heterogeneity rather than simple uniformity) behind the structural coherence of economic activities. Indeed, if they are to prove more than 'arbitrary, rationalistic, and willed' (Gramsci 1971: 376-7), economic imaginaries must have some significant, albeit necessarily partial, fit with real material interdependencies in the actually existing economy and/or in the relations among economic and extra-economic activities.

Third, when an imaginary has been operationalized and institutionalized, it transforms and naturalizes these elements into the moments of a specific, instituted economy with specific emergent properties. Structuration sets limits to compossible combinations of social relations and thereby contributes to the institution of specific

political economies. However, there are always interstitial, residual, marginal, irrelevant, recalcitrant and plain contradictory semiotic and extra-semiotic elements that escape any attempt to identify, govern, and stabilize a given 'economic arrangement' or broader 'economic order'. These can disrupt the smooth performance of instituted economies. But, they also provide a reservoir of semiotic and material resources to be mobilized in the face of instability or crisis (see below).

Fourth, while a critique of political economy must address the categories that belong to the dominant imaginaries and that shape the institutionalization of economic relations, a CPE approach must also identify the structural contradictions and strategic dilemmas inherent in these relations and their extra-economic supports. While it may be possible to displace and/or defer these contradictions and to resolve strategic dilemmas in the short- to medium-term, they are generally incompressible in the longer term and, through the interaction of specific crisis-tendencies in specific conjunctures, create crises that destabilize economic imaginaries, disrupt crisis-management routines, and provoke a search for new imaginaries and new ways to manage or overcome crises.

On the variation, selection, and retention of imaginaries

CPE semiotic analysis integrates the evolutionary mechanisms of variation, selection, and retention already familiar in institutional economics. It studies the co-evolution of semiotic *and extra-semiotic* factors and processes in the contingent emergence, subsequent privileging, and ongoing realization of specific discursive and material practices. Crises are interesting here because they often produce profound cognitive, strategic, and practical disorientation by disrupting actors' sedimented views of the world. They disturb prevailing meta-narratives, theoretical frameworks, policy paradigms, and/or everyday life and open the space for proliferation (*variation*) in crisis interpretations, only some of which get *selected* as the basis for 'imagined recoveries' that are translated into economic strategies and policies – and, of these, only some prove effective and are *retained*.

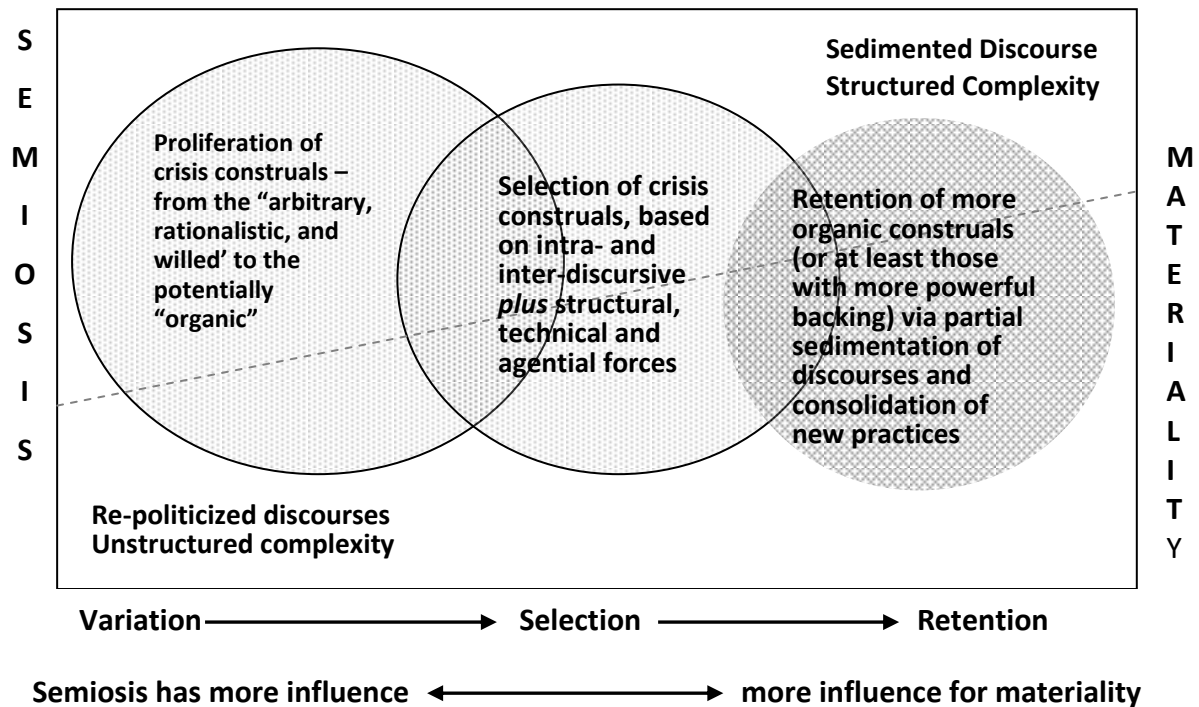
Given this volume's concern with crises, I will explore how semiosis and extra-semiotic factors vary in importance across different stages of economic crisis.² I

suggest that semiosis becomes more important in path-shaping when crises disrupt taken-for-granted discourses and generate unstructured complexity, provoking multiple crisis interpretations. Its scope is more restricted in the selective translation of some imagined paths to recovery into specific social responses. Extra-semiotic mechanisms matter most in the retention of some strategic responses as the basis for new, sedimented routines, organizations, and institutions.

Figure 1 depicts these hypotheses. One of the purposes of this heuristic schema is to avoid overemphasis on construal due to a one-sided focus on variation (where semiosis matters most) or on the structural determination of crisis responses due to a one-sided focus on retention (where materiality matters most). It represents an overlapping sequence of variation, selection, and retention of crisis interpretations triggered by a crisis that sees the re-politicization (contestation) of sedimented discourses and the breakdown of established patterns of structured complexity (relative institutional coherence). The dotted diagonal line indicates that the semiotic and material are always co-present but their relative weight changes across the three stages. As one crisis-interpretation and its imagined recovery trajectory are selected, discourse is sedimented again and new forms of structured complexity are established (or old patterns restored). If stage three is not reached because the proposed response is impractical, the sequence will restart at stage one or two.

The first phases of a crisis generally prompt massive *variation* in construals of its nature and significance, opening a space for the (re-)politicization of sedimented discourses and practices. Many early accounts are short-lived, disappearing in the cacophony of competing interpretations or lacking meaningful connections to the salient phenomenal forms of the crisis. This holds for religious readings of the crisis as signs of divine retribution for moral degeneration, for example, as well as for the equally fanciful claims that the terminal crisis of capitalism was close. Overall, the plausibility of interpretations, strategies and projects depends on their resonance (and hence their capacity to reinterpret and mobilize) in an 'intertextual' field with its own discursive selectivities. Relevant aspects include the lived experiences of members of key classes, strata, social categories, or other crisis-hit groups, diverse organizational or institutional narratives, and meta-narratives (see Somers 1994).

Figure 1: Schematic Representation of Variation, Selection, and Retention



What matters in CPE terms is which of these many and diverse interpretations get *selected* as the basis for private and public strategic and policy initiatives to manage the crisis and/or move beyond it through imagined recoveries. This is not reducible to narrative resonance, argumentative force, or scientific merit alone (although each has a role in certain contexts) but also depends on diverse extra-semiotic factors associated with structural, agential, and technological selectivities. This involves, inter alia, the prevailing ‘web of interlocution’ (Somers 1994) and its discursive selectivities (Hay 1996), the organization and operation of the mass media, the role of intellectuals in public life, and the structural biases and strategically selective operations of various public and private apparatuses of economic, political, and ideological domination. That some institutional and meta-narratives resonate powerfully does not validate them. All narratives are selective, appropriate some arguments rather than others and combine them in specific ways. So we must study what goes unstated or silent, repressed or suppressed, in specific discourses. Moreover, while some narratives (and their narrators) need to convince only a few key policy makers or strategists to be acted upon, others are effective only through their capacity to mobilize significant support from a broader range of social forces.

A third phase begins when some accounts are *retained* and undergo theoretical, interpretative, and policy elaboration leading eventually to sedimentation and structuration. However, there is many a slip between the discursive resonance of old, reworked, or new imaginaries in a given conjuncture and their translation into adequate policies, effective crisis-management routines, durable new social arrangements, and institutionalized compromises to support accumulation. It is one thing to (re-)politicize discourses in the context of the unstructured complexity associated with crisis, it is another to move to sedimented (taken-for-granted) discourse and seemingly structured complexity. This raises the key issue of the (always limited and provisional) fit between imaginaries and real, or potentially realizable, sets of material interdependencies in the economy and its embedding in wider sets of social relations. Proposed crisis strategies and policies must be (or seen to be) effective within the spatio-temporal horizons of relevant social forces in a given social order. Generally, the greater the number of sites and scales of social organization at which resonant discourses are retained, the greater is the potential for institutionalization. This in turn should lead to relative structured coherence across institutional orders and modes of thought and to relatively durable patterns of social compromise among key actors (Jessop 2004; Sum and Jessop 2001). If this proves impossible, the new project will seem 'arbitrary, rationalistic, and willed' and the cycle of variation, selection, and retention will restart.

A cultural political economy of crisis

Crisis conjunctures are unbalanced: they are objectively overdetermined and subjectively indeterminate (Debray 1973: 113). Because they are never purely objective, extra-semiotic events or processes that automatically produce a particular response or outcome, crises offer a real-time laboratory to study the dialectic of semiosis and materiality. Thus a CPE approach examines: (1) how crises emerge when established patterns of dealing with structural contradictions, their crisis-tendencies, and strategic dilemmas no longer work as expected and, indeed, when continued reliance thereon may aggravate matters; and (2) how contestation over the meaning of the crisis shapes responses through processes of variation, selection, and retention that are mediated through a changing mix of semiotic and extra-semiotic mechanisms. Here I focus largely on the second set of questions.

Imaginaries shape the interpretation of crises and the responses thereto. At one pole of a continuum, some crises appear ‘accidental’, that is, are readily (if sometimes inappropriately) attributable to natural or ‘external’ forces (for example, a volcanic eruption, tsunami, crop failure). At the other pole, there are form-determined crises, that is, crises rooted in crisis-tendencies or antagonisms associated with specific social forms (for example, capitalism). Another useful distinction is that between crises *in* a given social configuration and crises *of* that configuration. Crises ‘*in*’ occur within the parameters of a given set of natural and social arrangements. They are typically associated with routine forms of crisis-management that restore the basic features of these arrangements through internal adjustments and/or shift crisis effects into the future, elsewhere, or onto marginal and vulnerable groups. This is exemplified in alternating phases of unemployment and inflation in the post-war advanced capitalist economies and their treatment through countercyclical economic policies. Crises ‘*of*’ a system are less common. They occur when there is a crisis of crisis-management (that is, normal responses no longer work) and efforts to defer or displace crises encounter growing resistance. Such crises are more disorienting than crises ‘*in*’, indicating the breakdown of previous regularities and an inability to ‘go on in the old way’. They can cause social stasis or regression, attempts to restore the old system through *force majeure*, fraud, or corruption; efforts at more radical social innovation for good or ill, leading in some cases to exceptional regimes (for example, military dictatorship, fascism), or to attempts to break the power of such regimes. This is seen in the crisis *of* the post-war mode of growth, reflected in the declining effectiveness of Keynesian economic policies, which created the conditions for a neoliberal regime shift and a transition to a finance-dominated mode of growth.

In short, a crisis is a moment for contestation and struggle to construe it and inform individual and collective responses. This involves, among other issues, delimiting the origins of a crisis in space-time and its uneven spatio-temporal incidence; identifying – rightly or wrongly – purported causes (agential, structural, discursive, and technical – in various senses of this last word) at different scales, over different time horizons, in different fields of social practice, and at different levels of social organization from nameless or named individuals through social networks, formal organizations, institutional arrangements, specific social forms, or even the dynamic of a global

society; determining its scope and effects, assessing in broad terms whether it is a crisis *'in'* or *'of'* the relevant arrangements; reducing its complexities to identifiable causes that could be targeted to find solutions; charting alternative futures; and promoting specific lines of action for socially identified forces over differently constructed spatio-temporal horizons of action.

Getting consensus on interpretations about the crisis (or crises) and its (their) most salient features is to have framed the problem. Successfully to blame one set of factors and/or actors distracts blame from oneself and sets the stage for efforts to resolve crisis. For example, limiting crisis-management to the search for correct policies, however wide-ranging, implies that the crisis is due to incorrect policy or inadequate regulation rather than being rooted in deeper structural causes linked to patterns of economic, political and social domination that demand more radical solutions (Wolff 2008). Whether defined as a crisis *in* or *of* a given set of social relations, conflicts occur over how best to resolve the crisis and allocate its costs. Other things being equal, more resonant interpretations will get selected as the basis for action, whether this takes the form of restoration, piecemeal reform, or radical innovation. But other things are rarely equal. Power matters. Powerful narratives without powerful bases from which to implement them are less effective than more 'arbitrary, rationalistic and willed' accounts that are pursued consistently by the powerful through the exercise of power. Indeed, periods of crisis illustrate forcefully that power involves the capacity *not to have to learn from one's own mistakes* (Deutsch 1963: 37). Asymmetries of power are especially significant in the selection of crisis-interpretations and their translation into crisis-responses and imagined recovery scenarios. This helps to explain the re-assertion of key elements in the neoliberal project despite the initial shock to that project from the form, timing, location and incidence of the current crisis.

Crisis-management and learning

Learning has a critical role in crises (including crises of crisis-management), affecting the capacity to formulate imagined recoveries. It has the same selectivities (semiotic, structural, technological, and agential) as semiosis more generally and also undergoes variation, selection, and retention. A crisis does not automatically lead to

learning: cognitive capacities may be lacking or the situation may be too unstructured (chaotic); or, again, lessons learnt are irrelevant because the situation is too turbulent to apply them. Learning depends on a dialectics of *Erlebnis* and *Erfahrung* that has its own temporalities, shaped by crisis dynamics. *Erlebnis* refers to *immediate experience* in the face of disorientation and associated attempts to make sense of disorienting events/processes. *Erfahrung* refers to the lessons learnt from this disorientation and sense-making. Importantly, it typically includes an element of the objective dimensions of the crisis – lessons must be adequate to the crisis, not just idiosyncratic reactions.

When crises throw established modes of learning into crisis, three stages in learning can occur: learning in crisis, learning about crisis, and learning from crisis (Ji 1996). Each stage is likely to involve different balances of semiosis and structuration (see Figure 1). It can also involve different degrees of reflexivity, i.e., learning about learning. This requires that actors recognize the need for new imaginaries because inherited approaches have not worked well in crisis situations and that they reorganize information collection, calculation, and embodied and/or collective memory. Shifts in strategic learning and knowledge production often require a shift in the balance of forces in wider social relations.

Crises of a given system, hence crises of crisis-management, are especially likely to disrupt learnt strategic behaviour and lead to an initial trial-and-error ‘muddling-through’ approach. *Learning in crisis* occurs in the immediacy of experiencing crisis, considered as a moment of profound disorientation, and is oriented to the phenomenal forms of crisis. It involves attempts to make sense of an initial disorientation (at some level of everyday life, organizational and/or institutional and/or policy paradigms, disciplinary or theoretical framing, and meta-narrative) in order to ‘go on’ in the face of the crisis as it is experienced (*Erlebnis*). Three points merit attention here. First, social actors have different social, spatial, and temporal positions as well as reflexive capacities and past and will live the crisis in different ways. In this sense, actors’ strategic learning does not come directly from the crisis as a whole, but from their own circumstances and crisis experiences. This can lead to different strategic responses (strategic variation); and their results vary in terms of success or survival under certain structural and conjunctural conditions (strategic

selection). Second, actors vary in their capacities to 'read' the crisis and to respond to it in the 'short-term'. At one extreme we find wilful blindness or repeated bouts of 'crying wolf' that lead to the dismissal of real crises; at the other extreme, crises may be manufactured (or crisis-construals may be deliberately biased) to force decisions favourable to one's own interests. Lastly, in critical realist terms, learning in crisis is more likely to address the empirical and actual dimensions of the crisis than to deal with its real causes (especially in terms of their spatio-temporal breadth and depth).

Learning about crisis occurs as a crisis unfolds, often in unexpected ways, with lags in real time as actors begin to interpret the crisis in terms of underlying mechanisms and dynamics. It goes beyond the 'phenomenal' features of a crisis to its 'essential'³ features in order to develop more effective initial responses and a more effective mid-term strategy. It is most likely where the routine crisis-management procedures adopted by actors prove, or seem to be, inadequate or inappropriate, with the result that policy-making and implementation must engage in experimentation. This stage differs from learning in crisis because it takes more time to dig beneath phenomenal features (if it did not, then this would not be a 'crisis' that is disorienting at the level of theoretical or policy paradigm and it would be possible to engage in routine crisis-management routines) and/or to scan the environment for analogous events in past or present. Social actors learn through 'trial-and-error' in specific conditions and, in this sense, through 'learning about crisis' they also embark on learning from crisis.

Learning from crisis occurs after a crisis is (temporarily) resolved (or changes its form, e.g., from liquidity crisis to sovereign debt crisis or fiscal crisis) and includes preventive or prudential actions to prevent repetition, to improve crisis-management routines, and so on. It may lead to revisions in imaginaries, whether these take the form of meta-narratives, theoretical frameworks, policy paradigms, or everyday expectations and routines. In this phase, strategic lessons are retained after the surviving social actors have had time to reflect on the new, post-crisis realities. Only then is overall strategic reorientation and path-breaking likely to be accomplished.

Lessons from the past are often invoked in the course of all three learning types. This involves the use of history to make history or, put differently, the effort to define appropriate historical parallels as a basis for responding effectively to the crisis in

real time. Such lessons often interact with 'spatial' dimensions, such as policy transfer across different fields, sites, levels, and scales of policy-making.

Construing the financial and economic crises (2007-2011)

The 'global financial crisis' (GFC) offers a good opportunity to test this approach. The GFC is far more complex, multidimensional, and multiscalar than its simple label implies and has unfolded very unevenly around the globe – to such an extent, indeed, that one might ask whether it is truly global or this label merely offers an alibi to actors in the economic spaces where it emerged before spreading elsewhere through contagion. The GFC began to develop well before it attracted general attention in 2007-2008 and is a product of the interaction of at least five processes: (1) the global environmental, fuel, food, and water crisis; (2) the decline of US hegemony, dominance, and credibility in the post-Cold War geo-political order; (3) the crisis of a global economy organized in the shadow of ongoing neo-liberalisation; (4) a range of structural or branch crises in important sectors (such as automobiles and agriculture); and (5) the crisis of finance-dominated accumulation regimes that emerged in a few but important economic spaces. Each process has its own spatio-temporal and substantive logic, each interacts with the others, and, collectively, they are overdetermined by specific local, regional, national, and macro-regional factors that ensure that crisis-tendencies are always spatio-temporally and substantively specific rather than simple instantiations of global crisis tendencies. Lastly, there are unevenly distributed capacities for crisis-management.

The crisis has passed through different stages and spread unevenly, whether through contagion and/or endogenous causes, leading to different phases in its interpretation and different learning processes. Indeed, this unfolding raises an important theoretical question: is a crisis a single event (and, if so, how would one identify its beginning and its conclusion), a contingent series of events distributed in time and space that are connected, if at all, because of earlier crisis responses that could have taken a different turn, or a series of events with an underlying tendential logic that therefore unfold as a relatively predictable process? This question can be answered, and often is, in terms of alternative crisis construals. In other words, the crisis is defined through its construal and has no reality outside that construal. In

contrast, for a CPE approach, contradictions, crisis-tendencies, strategic dilemmas, and material interdependencies also matter. Nonetheless, to avoid the structuralist Scylla as well as the constructivist Charybdis, CPE emphasizes that these features exist only insofar as they are reproduced through particular social practices.

This poses the twin issues of (1) the resonance of construals and (2) their material adequacy. Thus, as the crisis became more visible from mid-2007 (however far back its causes may be traced) and unfolded as a series of events that were regarded as a connected process, its extent, depth, and complexities grew faster than economic and political leaders could grasp, let alone find time to agree upon a coherent, coordinated response. This was most remarkable in September-November 2008, with countless competing interpretations, explanations, strategic plans, and specific policy recommendations. Early accounts ranged from claims that this was the terminal crisis of capitalism to the equally bizarre belief that it was a blip in an otherwise sound, self-correcting free market system. Even 'mainstream' interpretations, explanations, blame and proposed solutions reflect different regional, national, and macroregional economies' experiences of 'the' global financial crisis and its broader repercussions. This is linked in turn to uneven *learning in crisis* as the GFC seems to have transmuted from an allegedly containable crisis in the subprime mortgage market in a few economies into a broader liquidity crisis in the financial sector affecting more economies, next to a solvency crisis affecting many financial institutions and the 'real economy'⁴, then to a fiscal crisis requiring major austerity packages to reduce public debt and/or a sovereign debt crisis requiring international rescue packages at the cost of more or less grudgingly accepted austerity programmes implemented through exceptional measures and policed by external economic and political bodies.

This has been accompanied by important disputes about the character, material causes, and agential responsibility for the crisis as different actors seek to draw *lessons from the past* and/or from elsewhere – does it involve a normal business cycle, a normal recession, an epic recession, a great depression, and so on? Further, are the parallels to be found, for example, in Weimar Germany, the depression years in the USA, the crisis of the Atlantic Fordist accumulation regimes that became visible in the late 1960s and 1970s, Japan's 'lost decades' (1990-2010

and continuing), the so-called Asian crisis in 1997-1998, the bursting of the irrationally exuberant dot.com bubble in 2000 and its wider repercussions, or in yet other cases of crisis? This illustrates the role of historicity, i.e., efforts to identify historical parallels, construe the crisis in their terms, and thereby frame the correct business and policy responses. Moreover, as various official and unofficial inquiries into earlier features and dynamics of the crisis report and seek to understand and draw lessons, we can see efforts to *learn from the crisis* and shape how recovery may be conceived in future.

The crisis means different things to different actors and its interpretation beyond immediate lived experience is heavily mediatized, i.e., filtered through information from various communication media. To labour the obvious, the crucial sites for crisis-interpretation and crisis-management following the outbreak of crisis in 2006–08 have been the United States and the international financial institutions that it dominates with the UK and European Union as its junior partners. Much mainstream commentary has read the crisis from the viewpoints of capital accumulation rather than social reproduction, the global North rather than the global South, and the best way for states to restore rather than constrain the dominance of market forces. Such commentaries reflect government responses to the crisis, especially in the global North. They have been slower to respond to the needs of ‘social reproduction’ in daily, life course, and intergenerational terms; and to take effective action on impending environmental, food and fuel crises.

The disorienting effects of crisis can be seen in the now well-known confession by Alan Greenspan, Chair of the Federal Reserve (1987-2006), that he was in ‘a state of shocked disbelief’ over the crisis because it contradicted the efficient market hypothesis, a key element in neo-classical economics, and the basis of his conviction that markets should be left to manage themselves (Greenspan 2008). This disorientation was widely shared in the economics profession and led many, in a state of denial, to blame the crisis on one or another form of state intervention rather than on predatory or imprudent activities enabled by deregulation. Putting aside such blinkered, self-serving reactions, the crisis certainly opened the space for the recovery or reassertion of other economic imaginaries. These include:

- Marx’s critique of the capitalist mode of production and its crisis-tendencies,

including his observations on the distinctive features of financial crises as well as the crisis-tendencies inherent in the circuits of productive capital.

- Reassertion of different variants of Marxism, with conflicting interpretations focusing more or less one-sidedly on specific features of capitalism, imperialism, and/or neo-liberalism.
- The general Keynesian critique of 'casino capitalism' and the revival of the case for a government role in contra-cyclical demand management to avoid a spiral into recession and/or prevent a second downward dip.
- The rediscovery of Hyman Minsky, a financial Keynesian, whose most famous dictum is that 'stability is de-stabilizing'. Several commentators declared the crisis to signal a 'Minsky moment', i.e., a point in financial cycles when even interest payments on loans could not be met from income because borrowers had gambled on continued asset appreciation. This reflects Minsky's account of a transition from prudent hedged finance to speculative and then Ponzi⁵ financing and is exemplified in (without being confined to) the role of sub-prime mortgages.
- The reassertion of Ordoliberalism, based partly on Austrian economics, with its emphasis on the necessity of a strong state (and/or strong regulatory framework) for the smooth operation of free and competitive markets. Ordoliberalism survived largely intact in the European Union's Rhenish heartlands and, indeed, on this basis, Germany initially experienced *Schadenfreude* over the Anglo-Saxon crisis. Conversely, in the USA, Ordoliberalism was revived through calls to return to New Deal regulatory principles, especially the desirability of separating retail from investment banking.
- Developmental state models also saw a revival because the East Asian economies had recovered from their own crisis through a careful mix of fisco-financial prudence, neo-liberal reforms in selected parts of the private and public sectors, long-term investment, and renewed competitive export-oriented growth. In addition, the charge of 'crony capitalism', once levelled against the Asian economies by the advocates of neo-liberal reform, was redirected towards the Anglo-Saxon economies and the practices of their predatory financial and industrial capitalist institutions and tightly interwoven

economic and political elites.

- Other recovered economic imaginaries have restated mutualist or cooperative visions about how to organize a sustainable economy based on solidarity rather than the anarchy of exchange or top-down planning. Ecological imaginaries have also been mobilized, focusing on various forms of 'green' recovery' with a more or less strong commitment to de-growth rather than the renewal of the treadmill of competitive accumulation.

Most of these recovered imaginaries have been ignored by dominant (trans)national economic and political elites as the basis for pursuing imagined recoveries. Marxist readings have won some intellectual attention and have shaped some responses within some radical leftwing parties, among some union militants, and some social movements. But they remain marginal in the Global North. The critique of casino capitalism has proved more resonant but proposals to limit the scope for financial speculation and risk-taking have been diluted during the legislative process and are being further undermined through wars of attrition by vested financial interests, clever legal and accounting tricks, and continued expansion of shadow banking. Minsky had his own 'moment' in the early stages of the crisis but it has passed as far as mainstream economics is concerned and the policy responses advocated by Minsky and his followers (financial regulation, government spending, a state role as 'employer in the last resort' at the minimum wage, and community development banks) have been largely ignored or rejected. Ordoliberalism has enjoyed a revival in Europe's coordinated market economies but Germany has applied these principles to its domestic economy in continuation of its neo-mercantilist export-oriented policies while choosing to back a neo-liberal fiscal compact for the European Union as a whole and to impose austerity packages on Southern Europe in exchange for loans that are intended primarily to rescue insolvent or illiquid financial institutions in the wider North Atlantic region. The developmental state model has been re-evaluated, especially in the light of the continued competitiveness and quick recoveries of the East Asian economies, but it has not been translated into policies at supranational or national level in the North Atlantic economies. Mutualism and cooperation have also gained greater attention but are still largely confined to the margins of the leading economies as flanking or supporting mechanisms to soften the impact of the GFC rather than operating as agents of radical transformation.

Finally, although ecological imaginaries have become more influential outside Australia, Canada, and the USA (where climate change denial has powerful economic and political backing), pursuit of green recovery remains marginal and/or is being integrated into neoliberal crisis packages through the commodification of green policy measures.

Imagined Recoveries

Looking beyond the revival of economic imaginaries that had been marginalized as neoliberalism became hegemonic, the GFC has also been construed in the Global North in one or both of two ways: (1) as a crisis of finance-led accumulation, prompting efforts to limit the influence of the financial sector through more radical re-regulation, restrictions on the size and activities of banks, and greater investment in the 'real economy'; and/or (2) as a crisis of neoliberalism more generally, requiring efforts to roll-back neoliberalism at home and impose more controls on market forces in supranational and international contexts, notably regarding finance and credit. Even in more neostatist or neocorporatist advanced capitalist economies, however, calls are being made for stricter regulation of *financial* markets in various supranational and international contexts. But this has not yet prompted leading forces to question the broader commitment to world market integration through free trade in goods and services or to take seriously sub- or counter-hegemonic proposals from subaltern nations, institutions, agencies and social forces. In this sense, the neo-liberal economic imaginary remains dominant and continues to shape imagined economic recoveries.

Overall, surveying responses across the broad spectrum of advanced capitalist economies, economic and political elites have proposed variable combinations of the following solutions in response to the renewed recognition that markets can fail:

- The restructuring, recapitalization and nationalization of banks, as well as isolating toxic assets in state-owned or state-supported 'bad banks'. This is a core plank of crisis-management in all advanced economies and has been pursued behind a veil of secrecy through emergency legislation and executive discretion. It resulted in the nationalization and/or recapitalization of 'impaired' banks (notably in Iceland, Ireland, the USA, and the UK plus those Baltic

States and Eastern and Central European economies that took a radical neo-liberal turn and, inter alia, experienced real-estate booms). It is especially significant in the recent efforts to manage the sovereign debt crises in Europe.

- A turn to the typical state powers of sovereignty, command, planning, nationalization and subvention, taxation, and public spending to restore stability, to stimulate growth, and to restructure public finances through a mix of modest tax rises and more or less savage spending tax cuts. This is reflected in a partially recovered Keynesian economic imaginary and in the shift, nationally, regionally, or globally, from 'private Keynesianism' – where consumer debt sustained demand despite declining real wages – to the provision of short-term stimuli to some hard-hit industrial sectors plus massive quantitative easing in the North Atlantic economies most affected by the crisis. Such responses are handicapped because deregulation and liberalization have weakened state capacities ideationally and materially. This explains the resort to 'printing money' through quantitative easing, which, in the absence of public outcry, is one of the least demanding of state responses, and through continued reliance on historically low interest rates. These measures are nonetheless proving ineffective because of deficient demand for productive investment in a context of economic austerity. This is reflected in the accumulation of reserves by productive capital or their investment in emerging markets and in the recycling of freshly minted money capital into the purchase of government debt and/or speculation.
- Efforts to redesign and re-regulate markets so that they are less prone to predictable kinds of market failure. This is the preferred approach of neo-liberal organic intellectuals and think tanks, financial lobbyists, and unrepentant neo-liberal politicians. This applies particularly to a medium-term strategy of restructuring the international financial architecture. Here we find echoes of Bretton Woods as another recovered imaginary. This is proving hard to realize in a concerted and coherent way even with the expansion of the G8 to the G20, at first informally, then formally. It appears easier to introduce new institutions than reform old ones, which leaves the latter in place and in power. The opportunity for tighter regulation seems already to have been lost as the semblance of 'business as usual' was restored in 2009-

10 in the financial sector and as financial interests have blocked or weakened measures to restrict their activities.

- Another imagined path of recovery is through the G20. This self-elected group of 19 key industrial and emerging market economies (plus the European Union, the IMF, World Bank and other major IFIs) has become the *de facto* global crisis committee. This reflects growing recognition of the actual and potential influence of the 'BRIC' economies (Brazil, Russia, India and China) and the creditor position of major East Asian economies (see Sum, this volume). Thus, the G20 Summit in November 2008 expanded the Financial Stability Forum to incorporate creditor nations, including China; and, in April 2009, it established a Financial Stability Board with a wider remit. This has integrated the leading 'Southern' economies into problem-solving and burden-sharing, thereby strengthening the leading IFIs, and has also reinforced an unsustainable growth-oriented global economy. But the informal, self-selected status of the G20 means that it cannot replace the United Nations, IMF, WTO and other official bodies in crisis-management with their capacities for significant strategic intervention (Bello 2009). The rise of the BRIC economies has seen their redefinition as an exit strategy for mobile capital and a source of strength and hope for a global recovery (Sum, this issue). A sometimes favoured alternative is the G-77, which is a loose union of developing nations. Despite its ties to China, however, it lacks clout in international policy forums.
- Measures to introduce further flanking and supporting mechanisms to maintain the momentum of neo-liberal reforms – a sort of re-invigorated Third Way approach. This approach concedes that there are some problems with neo-liberalism, especially in its earlier celebration of greed and its creation of distorted incentives as well as in its polarizing redistributive effects, with broad swathes of the middle classes as well as the industrial working class and 'underclass' losing out to financial elites, transnational capital, and political insiders (see below). But Third Way policies are not intended to stop the further extension of a hopefully *remoralized* neo-liberalism. Instead they are meant to provide greater compensation to those who lose from that extension within national frameworks or, in the EU case, in a European framework that nonetheless visibly reproduces center-periphery relations.

- The ‘Tea Party’ and ‘Occupy’ movements represent two responses to these changes. But the former is more of an artificial, ‘astroturf’ movement manipulated by monied interests than an effective grass-roots party; and the latter has certainly shifted the political agenda with its slogan of the “99 percent” against the “1 percent” but is subject to authoritarian policing and has hitherto had a largely local and weak economic impact.
- Another imagined route to recovery is the remoralization of capitalism in tune with corporate social responsibility (CSR) and responsible, even ‘green’ competitiveness (Sum 2009). This remains largely rhetorical and has had limited impact on the operation of the real economy and even less on the still dominant financialized sectors of regional, national, and global economies.

Conclusions

Although the crisis has opened space for sub- and counter-hegemonic discourses, projects and practices, the overall trend emerging from crisis interpretation and practical response has been further strengthening of the neoliberal project at the cost of some modest (and capitalistically necessary) limits on finance-dominated accumulation. With some differentiation reflecting specific economic, political, and institutional locations and interests, the leading economic and political actors in neo-liberalized economies have defined this as a crisis *in* finance-led accumulation or, at most, *in* neoliberalism. In the short-term, generous (and often ill-defined) discretionary powers were granted to the executive, or its nominees, to solve the crisis (Scheuerman 2002). The authorities reacted quickly without much consultation and with timely, targeted, and temporary emergency measures to safeguard the monetary, banking and credit systems and stimulate demand in vulnerable industrial sectors. In particular the aim was to rescue financial institutions that were deemed too big (or too interconnected) to be allowed to fail. These emergency measures were accompanied by recapitalization of the biggest (but not all) vulnerable banks, (promises of) tighter regulation, and proposals for a reformed (but still neoliberal) international economic regime. In addition, and crucially, excessively leveraged and indebted private giant industrial and financial concerns were enabled through crony capitalist connections to offload toxic assets to the state based on the capacity of states to create fiat money backed formally by their powers of taxation and monopoly

of organized coercion. Because the amount of toxic assets far exceeded the immediate revenue-generating capacities of the states concerned, however, this has opened the space for demands that government spending on 'entitlements' and social welfare be drastically cut. In this context the manufactured 'deficit hysteria' is an excellent (but disastrous) example of how economic imaginaries can shape crisis-management. Attention has thereby been redirected from the crisis in the financial sector and the real (but private) economy to the public sector, framed in terms of accumulated government debt, unsustainable public spending and public sector employment. Another effect was the concentration and centralization of political power in the hands of economic and political elites and the extent of agreement among the leading political parties has narrowed the space for democratic debate and accountability to a limited set of alternatives. This diverted attention from more basic questions of institutional design and, more radically, of the basic social relations that reproduce crisis-tendencies and shape their forms.

This said, sub- and counter-hegemonic projects have proved significant sources of local and regional resilience, have put social and environmental protection on the agenda away from the mainstream forums, and offer a reservoir of alternative economic imaginaries and alternative paths to recovery that provide a standing critique of neo-liberal mainstream theoretical and policy paradigms. There is widespread evidence that local solutions can be developed to address the short-term effects of the crisis in its various local manifestations, and the challenge is to discover ways to exploit this real-time experimental laboratory to find what works, for whom, when and why, as a basis for mutual learning and policy transfer among subaltern groups. Developments in the European Union in 2010-2012 and the more general signs of a great recession around the world indicate that the global economic crisis has not disappeared, and that emergency measures produced only a temporary illusion of business-as-usual while downgrading the urgency of other moments of the multiple crises confronting global capital.

Notes

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² Similar arguments hold for other types of crisis.

³ The scare quotes warn against a simple, fixed distinction between appearance and essence. At stake is strategic, not ontological, essentialism.

⁴ The real economy has long been monetized and depends on credit-debt relations.

⁵ Minsky (1986) distinguished three types of financial transaction: hedging occurs when payment of interest and repayment of principal are funded from routine business activities, speculation when interest payments are met from business activities but capital repayment depends on asset appreciation, and Ponzi finance when even interest payments depend on asset appreciation.

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