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# CONFERENCE NEWS

## Social and Political Dimensions of the Global Crisis

### *Implications for Developing Countries*

*Report of the UNRISD Conference  
12-13 November 2009, Geneva*

## Overview

In 2008 it became apparent that what had started as a financial crisis affecting international capital markets had translated into an economic crisis of global proportions with serious social consequences. Discussions at the international level focused primarily on the channels through which the crisis in financial markets was transmitted to the real economy, the largely unforeseen economic consequences of financialization, the economic impacts of the crisis, and the regulatory gaps that needed to be filled. The social and political dimensions of the crisis were absent from the discussion, or were addressed very superficially at best.

From a social development perspective, the following questions are particularly pertinent:

- Which social groups in developing countries have been most affected by the crisis, and how are they coping?
- What role can, and should, social policy play in addressing the social impacts of the crisis at the national level?

- What are the opportunities for change in social policy at the global level?
- What sort of politics is conducive to “transformative” change, given structural constraints and power relations?

To address these questions, UNRISD organized a conference on *Social and Political Dimensions of the Global Crisis: Implications for Developing Countries*, which was held in Geneva on 12–13 November 2009. Papers were presented by 24 researchers, identified primarily through a call for papers. The discussions aimed to examine ways in which social considerations could be integrated more comprehensively in reform proposals, and whether the crisis provided an opportunity to adopt more “transformative” policies or whether we were seeing a return to “business-as-usual”.

The summary of the discussions that follows begins by highlighting key points related to the social impacts, the role of social policy in addressing the crisis, and the scope for transformative policy. It then summarizes the discussions under each of the conference sessions.



## Impacts and Coping Strategies

The first set of presentations examined the impact of the global economic crisis on different social groups in developing countries and the types of coping strategies they are adopting.

Most countries referred to in the presentations have experienced a deterioration in labour market conditions associated with significant retrenchment in certain sectors, declines in real wages, shifts from skilled to unskilled and regular to casual work, and a weakening of union power. Presentations emphasized the extremely difficult situations faced by urban informal sector workers, women, migrants and farming populations. Informally employed workers have been hit not only by employment contraction but also through lack of social protection. Women, in particular, face greater job insecurity and weaker claims on social security benefits, growing work burdens as a result of “distress sale” of labour and increased unpaid work. Women and girls also face reduced access to health care, and girls to education, compared with male family members. Migrants, who tend to be employed in informal labour markets under precarious conditions without access to social protection, and who lack household or community linkages, have been facing extremely precarious situations in many countries. And finally, migrant flows back to countries of origin are exerting further pressures in already struggling rural areas.

In the absence of significant support from governments, non-governmental organizations (NGOs) and business, as well as the difficulty in accessing government social programmes, most vulnerable groups have been left to fend for themselves through a combination of dissaving, distress sell of assets, reducing consumption levels, and incurring more debt to meet consumption needs. Mobilizing resources—or social capital—through informal social networks or institutions also plays an important role in coping strategies. While it is often assumed that families and communities are sufficiently resilient to crises, there is a danger of overburdening the domestic sector, which

may deplete its resources and leave irreversible negative impacts on the capabilities of children and adults.

Two key messages emerged from these discussions. First, households, families and communities play a crucial role in social protection and social reproduction in contexts of crisis. But their ability to take on additional burdens has been weakened by structural changes associated with migration, rural decline, informalization and recent multiple crises. Second, local support can help people to cope, but needs to be buttressed by both national and international action related to social policy, macroeconomic policy and governance structures. Institutional solutions and collective action need to occur at multiple levels: local, national, regional and global.

## Social Policy

A second set of presentations dealt with the opportunities created for social policy reform at the global level and for a more comprehensive integration of social policies in national development strategies.

Several speakers emphasized the need for more universal approaches to social provisioning and assistance and, for that purpose, the need to (re-)build developmental welfare states. Participants discussed some of the current national policy responses. In some countries of the Caribbean, pre-crisis social and labour market policies have acted as built-in stabilizers and cushioned the effects of economic shocks. In Argentina, steps have been taken to deal with the negative consequences of privatization of social policy, for example, through the nationalization of the pension system. In China, a small part of the massive stimulus and investment package has focused on social investment. In India, a range of initiatives, focusing in particular on the rural sector, most notably a significant expansion of the workfare programme, have been undertaken recently. Many presentations highlighted the value of social policies in enhancing resilience; however, despite the strengthening of some social

programmes, most countries have focused their recovery efforts on stimulating growth through investment in infrastructure and export support. The policy response has also failed to address issues of exclusion of migrants and informal workers in social programmes and has paid insufficient attention to the question of direct employment generation. Furthermore, despite the fact that women are severely impacted by the crisis, social and labour policy responses have shown a lack of gender sensitivity.

In the context of globalization and given the limits of national policy responses, attention also focused on the crucial role of both regional and global social policy, as well as the necessary role of official development assistance (ODA). There are signs that certain institutions are paying more attention to the need for universal social policy. Particularly relevant are the efforts of several United Nations (UN) agencies to promote a “Global Social Floor” consisting of a basic social protection package. However, such efforts may run the risk of perpetuating a narrow approach to social policy centred on poverty reduction and protection, rather than a more rights-based and redistributive approach.

The key messages of the presentations emphasized the symbiotic relationship between economic and social dimensions of development. Countercyclical, social and stimulus policies can play a crucial role in both economic recovery and social protection. Yet many developing countries lack not only the capacity to mobilize fiscal resources, but also the policy space to venture down this path. Indeed, concerns were raised that the renewed importance of the International Monetary Fund (IMF) in global economic governance following the crisis may continue to limit the fiscal space of developing countries and thereby undermine current and future efforts to expand social policy.

### **Alternative Agendas**

A third set of issues examined the opportunity for opening policy space for implementing an alternative agenda through a progressive crisis response.

There was near-consensus that the root causes of the present crisis and the social malaise of the past three decades are closely connected with the dominant ideological and development framework associated with neoliberalism. Many presentations stressed the need for a different growth path—one which focused less on financial investments and more on productive investment and job creation; less on export-orientation and more on domestic demand; as well as a real integration of climate change concerns—as an essential component of an alternative agenda. Importantly, a much greater role of the state, in particular the developmental welfare state, was seen as essential in implementing an alternative agenda. Others pointed out that the developmental welfare state needs to be complemented by a rights-based approach.

Participants debated how the crisis had impacted neoliberalism, and whether mainstream responses to the crisis are merely an exercise in damage control that will ultimately restore the neoliberal order—or whether a more “transformative” agenda concerned with social protection, equity and rights-based development might emerge. For some speakers the crisis represented a major blow to ideologies and policies of financialization, privatization and deregulation with a re-emergence of the role of the state. Others stressed the considerable resilience of neoliberalism, and indeed the prospect that it may actually be strengthened by this crisis. They argued that the prospects for fundamental social transformation in the wake of crisis are heavily dependent on certain paths of pre-crisis structural change. For example, financialization, the long-term decline of agriculture, and labour market informalization or flexibilization magnify the social effects of economic crisis *and* seriously curtail what governments see as the options available to them in the social and labour-market policy arenas.

On the other hand, many presentations stressed how contestation and civil society advocacy have played an important role in promoting progressive social policy initiatives. Nevertheless, the

fragmentation and dispersion of activism often undermine its transformative potential. A major institutional constraint in China, for example, relates to the weakness of civil society organizations that can act as a conduit for channelling local grievances and connecting the grassroots with the state. With regard to democratic institutions, the comparison of India and Thailand revealed variations in the “substance” of citizenship and electoral competition that partly explain variations in the social policy response of governments in relation to vulnerable rural areas. The phenomenon of weak or “low-intensity” democracies in Latin America was put forward as a partial explanation for why progressive public policy reform is unlikely to occur on any scale. Civil society pressure and avenues for democratic participation were seen as important in crafting public policies that are less responsive to the needs of capital, and more responsive to the needs of citizens.

Finally, the capacity of elites to dominate the terrain of discursive struggle means not only that very selective and partial explanations of crisis and crisis response will frame public and policy debates, but also that proposed solutions may well serve to transfer risks and costs onto subaltern social groups and developing countries. Whether or not truly transformative social policy change will happen will largely depend on developments in these arenas.

## Opening

In her opening remarks, UNRISD Director **Sarah Cook** expressed concern that, as the initial shock of the crisis in the North passes and financial institutions stabilize, there is a danger of forgetting what the crisis means for ordinary people. As wealthy economies stabilize, there is the risk of losing the space opened up by the crisis for putting in place alternative policies that can create more sustainable and equitable outcomes. She hoped that the conference would draw attention to the neglected dimensions of the crisis, and discuss how to integrate social considerations into policy responses.

**Jomo Kwame Sundaram**, Assistant Secretary-General for Economic Development (UN-DESA), gave a keynote address in which he characterized the crisis both as a danger and an opportunity, but regretted that so far the opportunity had not been seized. He presented evidence on the severe impact the crisis has had on the real economies of developing countries, and how the macro-level shocks (to growth rates, trade surpluses and reserves, foreign direct investment/FDI flows, food prices) have heightened vulnerability and generated social crises (joblessness, food insecurity and reduced social spending).

Turning to the question of global governance in the response to the crisis, Jomo argued that the G20 is likely to be a conflictive forum that may face difficulties in effectively addressing some of the more fundamental problems associated with financial fragility and macroeconomic instability. He drew attention to the considerably greater effort that has been put into G20 recovery in the form of stimulus packages, compared to the small financial commitments made in terms of ODA to Africa. He argued that the G20 continues to be dominated by the G7 countries, and much of the effort to date has gone into restoring the *status quo-ante*. For example, the crisis has seen funding for the IMF triple, yet without any serious effort at reforming the institution. Therefore, he suggested, the potential for transformative social change is not being seized; and there has been little more than rhetoric on social issues, in spite of promises that \$50 billion would be allocated to social programmes.

Jomo then reflected on the historic moment in 1944 at the Bretton Woods conference, when a new inclusive agenda was forged. The goals then being pursued went beyond monetary and financial considerations, and addressed the restoration of fair trade, sustained growth, job creation, reconstruction and development. This kind of encompassing vision of reform, according to Jomo, is needed today—one that is ambitious but grounded in the contemporary context. He argued that the recommendations of the Stiglitz Commission, which address some

major international lacunae, have been largely ignored. The Stiglitz Commission recommended the formation of a Global Economic Coordination Council, a new financing facility (with greater voice and representation), a new international reserve currency, an International Debt Restructuring Court, a Foreign Debt Commission and a Commission on Tax Cooperation, a Global Financial Authority, as well as a new policy surveillance mechanism. It also called for greater international coordination, from which everyone, especially the developing countries, would benefit.

## Session 1—Impacts, Coping Strategies and Livelihoods

Chaired by **Raymond Torres**, the first session dealt with the impact of the current economic crisis on the livelihoods of different groups in developing countries and examined coping strategies adopted to confront economic downturn and hardship.

**Indira Hirway** presented evidence from a survey carried out between April and June 2010 on how the crisis is affecting small producers and informal workers in different labour-intensive sectors of the Indian economy. She argued that while the decline in exports is bound to affect small producers and informal workers in labour-intensive sectors most severely, these impacts are insufficiently captured in official statistics. The survey revealed that unemployment and under-employment had already increased, while the wages of those who remained employed had declined. Also, regular workers had been displaced toward more irregular forms of employment. Overall, monthly incomes had fallen by more than 30 per cent in some cases. Small producers were among the worst affected in the Indian economy. To cope with the economic downturn, workers and their families were forced to sell assets, increase borrowing, reduce food consumption as well as their education and health expenditures (particularly affecting girls), and increase women's paid work

and unpaid activities. Return migration to villages was another response. Similarly, the decline in remittances, coupled with the downward pressure on local wages due to increased labour supply, was creating pockets of extreme poverty. A major problem in this regard was the lack of institutional arrangements that would enable workers to retrain or look for alternative jobs.

Hirway argued that policies should guarantee universal social protection to all workers, provide skills training and upgrading, enhance the visibility of small producers and address their needs, and involve special bail-out packages for women. Further, employment guarantee schemes should be used more broadly to address the employment effects of the crisis. Finally, Hirway argued that the crisis should be used to critically question the export-oriented model pursued by India in recent decades and underlined the importance of the domestic market for future growth strategies.

**Arindam Banerjee** argued that the detrimental effects of decades of economic liberalization in the agricultural sector have heightened the vulnerability of rural populations to the current crisis. In India, three constraints, in particular, affect rural livelihoods, two of which can be directly attributed to the financial crisis. First, the onset of the global economic crisis, which has caused prices to crash for several exportable crops, reinforces already declining real returns in Indian agricultural production and thus exacerbates the income deflation that the primary sector has witnessed during the post-liberalization period. Second, the current crisis is further hampering credit availability to small-scale agriculture and other means of rural livelihood, accentuating the already disturbing trends of withdrawal of institutional credit from rural areas witnessed during the past decade of neoliberal financial reforms.

The third constraint is associated with the shrinkage of employment opportunities in the secondary and tertiary sectors, which have absorbed large numbers of rural migrant labour over the last decades. Rural-urban and rural-rural migration for employment, and

the sending of remittances to support families in native villages, have been an integral part of this coping response. As migrant workers are faced with lay-offs in the service and manufacturing sectors, the volume of intracountry “support” remittances to rural areas is likely to decline. At the same time, the return of some of these migrants to their villages is likely to further increase the alarming levels of hunger and malnutrition in the countryside. In order to arrest these adverse impacts, Banerjee argued for policies that aim at enhancing domestic demand and reducing dependence on export-oriented sectors for growth through reorienting production toward food crops in the long run, supporting cash crop producers, strengthening cooperative credit arrangements, and more vigorously implementing employment generation programmes associated with the National Rural Employment Guarantee Act (NREGA).

**Andrew Downes** provided an overview of the adverse effects of the current economic crisis on the small states of the Caribbean. Since the onset of the crisis, growth rates in Caribbean economies have declined, mostly due to a fall in exports of goods and services (particularly tourism), as well as construction activities. This has triggered rising unemployment, a decline in formal employment and, correspondingly, a larger role for the informal or alternative economy. The decline in employment opportunities is particularly pronounced among the youth. Barbados is the only country in the region that has an unemployment insurance scheme in place, and claims upon its benefits have increased significantly. Trade unions have been moderating their demands for wage increases, and agreements related to wage freezes, shorter working hours and work sharing have been reached through collective bargaining processes. Barbados’ social dialogue and tripartite national consultation have served as a model in the region. Caribbean countries have used a series of measures to respond to the employment and social impacts of the crisis, including macroeconomic stabilization policies to maintain aggregate employment levels and the expansion of social programmes.

However, limited fiscal space poses a serious problem for most of these countries. Housing, road works and social infrastructure have been the main targets of fiscal expansion. Labour market measures comprise training and retraining programmes (in almost all countries), improved unemployment insurance benefits (Barbados) and the establishment of unemployment schemes (in Antigua and Barbuda, and the Bahamas). Other countries, including Jamaica, St Kitts and Nevis, St Lucia, and Trinidad and Tobago, have responded through conditional cash transfers. However, with the exception of Trinidad and Tobago with its oil and gas revenue, Caribbean countries did not maintain a fiscal surplus in the period preceding the crisis and thus have little fiscal space for significant and longer term anti-cyclical measures to further expand social programmes.

**Emma Allen** examined the resilience of Savings and Credit Cooperatives (SACCOs) in sub-Saharan African countries, and agricultural cooperatives in Tanzania in the current crisis. The impact of the financial crisis on SACCOs has been that, while membership growth remained steady, assets and reserves declined in 2008. This resulted from the destabilization of members’ incomes, which led to reduced savings and reduced capacity to borrow. Another weakness which has emerged is that, on average, loans grew at a much lower rate than in previous years, although demand for loans increased. This suggests that SACCOs across Africa may be exercising caution in responding to the loan requests of members.

Agricultural cooperatives are suffering from both volatility in commodity prices and decline in global demand, which are affecting the income of producers. In Tanzania, it was reported that many cooperatives that bought crops from farmers failed to sell the products abroad due to the crisis. The government has therefore devised a strategy to ensure that marketing cooperatives will continue to be able to access finance from banks and provide services to their members. Allen pointed out that such a strategy needs to be adequately resourced with credit and human resources to ensure implementation. Overall,



she concluded, the research findings indicate that economies of scale achieved through organizing into cooperatives and the longer term outlook of the model decrease vulnerability. However, many cooperatives in Africa are weak and can only provide limited help in mitigating the impact of the crisis, especially in cases where members' income has declined.

**Diane Elson** focused on the implications of the crisis for processes of social reproduction. In contrast to the government response to safeguard “reproduction of capitalist money” (in the banking system), as well as the “reproduction of capitalist production processes” (by preventing bankruptcies of large-scale capitalist firms), the response to needs associated with the “social reproduction of human beings” has been remarkably slow. Elson presented some preliminary findings from a multiregional case study on the impact of the financial crisis on the care burden. First, she argued, there is indeed evidence that households increase unpaid domestic work as a coping strategy. However, holes in the safety net become apparent when households sell assets, take children out of school, or cut back on medical expenses and meals. Second, unpaid care work can act as an intensifier of gender inequality in times of crisis, as women's health deteriorates (via malnutrition and stress), and distress sale of labour (for example, through sex work), as well as domestic violence, increase. At the same time, however, crises have the potential for transforming gender relations. Citing evidence from the United Kingdom, the United States and Ireland, Elson argued that unemployed men sometimes take on a greater role in unpaid care work, but she also warned that these gains may be temporary and not widespread. Third, unpaid domestic work may deepen economic downturns, as it reduces the demand for market goods, creating a “paradox of thrift”. Indeed, following a Keynesian view, unpaid domestic work acts like savings and depresses aggregate demand. What becomes the safety net for one household then reduces the earnings of another household whose members are engaged in the sale of goods and services.

In conclusion, Elson cautioned against the assumption that families and communities are sufficiently resilient to crises. She underlined the danger of overburdening the domestic sector, which may deplete its resources and leave irreversible negative impacts on human capabilities. Elson argued that the crisis should instead be seized as an opportunity to move toward a more equitable form of social reproduction, recognizing, reducing and redistributing unpaid domestic work more evenly.

On a similar note, **Lourdes Arzipe** raised the concern that the social impacts of the crisis are likely to intensify even further. She argued that processes of social reproduction were being overwhelmed, left to deal with many of the “hidden costs” produced by “dysfunctional phenomena” that would undermine economic recovery. The focus on economic aspects of crisis ignored other “interlocking crises”, such as illicit drug activities, a rise in violence and consumption of legal and performance-enhancing drugs, and the medical costs of “over-consumption”. Although the weight of these phenomena differs across countries, Arzipe argued, they are ubiquitous, pointing to the need to reconceptualize the economy together with the social and the environmental question.

Arzipe further discussed the impact of the crisis on migrants. Female migrants constitute an increasing share of international migrants, moving along “global care chains”. This migration is beginning to create serious care deficits in the South. The economic recession is leading to return migration, as well as a decline in remittances to developing countries. However, return migration is less apparent in countries, such as Bangladesh and Pakistan, whose governments help migrants to stay in the Gulf region. In terms of coping strategies, Inter-American Development Bank evidence shows that migrants are cutting back on spending, looking for new or additional jobs and moving to cheaper accommodation.

**May Tan-Mullins** compared the coping strategies of two culturally, socially and geographically distinct fishing villages: one in Indonesia during the Asian

crisis, and the other in China during the current global crisis. In Mendahara, Indonesia, she argued, the crisis unfolded in two phases. Due to the devaluation of Indonesian rupiah, the fishery sector benefited through increased export quantities. However, by early 1999, the prices of imports had increased by 300 per cent. The perceived “windfall” of the fishermen had thus vanished. The influx of temporary and return migrants to seek employment in the fishery sector led to an intensification of extraction, as well as conflicts over access to marine resources. In terms of coping strategies, households in Mendahara tended first to seek support from formal institutions, such as government agencies. While the number of poor families applying for government subsidies increased dramatically, there was no confirmation from the government that these subsidies were on the way by late 1998. Hence, fishermen turned to informal and kinship networks to fill in the gap. The entry of women into paid work in cottage industries and factories provided another strategy for coping with economic hardship.

In Shipu, China, the impacts of the current economic crisis played out differently. First, the fishing village is more integrated with a very robust domestic (rather than regional) economy. Second, Shipu fisherfolk are less exposed to currency fluctuations, due to the controlled exchange rate of the yuan. There are, however, signs of social and economic stress, related to the influx of migrants. Similar to Indonesia, households in Shipu village turned to formal institutions, such as local government agencies, for help. However, the contributory requirements for social schemes, such as unemployment and old age pension benefits, make it difficult for poor households to access these funds. Many families have thus turned to informal coping strategies, such as familial and extra-familial (including transnational Chinese) networks and marriage. Concepts such as filial piety and *guanxi* (a relation between two people who can draw on each other for favours with or without expectations of reciprocity) were found to be significant. In sum, coping strategies are often place-specific and particular to the historical, economic,

political, ecological and cultural processes and relations within a community.

The **discussion** following the presentations focused on the window of opportunity the crisis represented. Björn Beckman questioned whether the current crisis provided a window of opportunity with regard to labour. According to him, labour had been weakened by this crisis and employers were in a position to further shift the balance of power in their favour. He thus saw a very limited possibility for the kind of social dialogue suggested by Downes and exemplified by the Barbados case. Downes pointed out that the Barbados social partnership had prevented currency devaluation and enhanced productivity gains, but noted that, while other Caribbean countries had tried to follow this model, they had done so with less success. On a similar note, Rolph van der Hoeven warned of a jobless recovery and suggested that the state, which had acted as “lender of last resort”, should now play a role as “employer of last resort”. Banerjee argued that the window of opportunity should be used for reversing some of the deflationary macroeconomic policies imposed on developing countries in the past. He warned that recovery and a return of growth would not necessarily benefit smallholders and petty producers in India. Hirway added that a debate on employment recovery should not focus exclusively on the quantity of jobs created, but also on their quality and wage levels. Arizpe maintained that the main threat was a jobless recovery and that there were few public schemes for the unemployed in the South.

## Session 2—Social Policy: Country and Regional Perspectives

This session looked at the social policy responses of governments in a number of countries and sought to identify instances where the crisis has provided an opportunity for social policy reform.

The chair, **Ramla Khalidi**, opened the session with some remarks on the impact of the crisis in the Arab Region. She noted that many countries in this region,



although not completely spared, have been hit less severely by the economic downturn. Referring to policy responses to the crisis so far, Khalidi noted that, although many countries in the region have the resources and fiscal space necessary to pursue countercyclical measures, priority has been given to financial and economic interventions, with little attention to the social consequences and gender dynamics related to the crisis, let alone social protection measures.

**Sarah Cook** explored the question of whether China's response to crisis would enable it to reorient its economy toward the achievement of its social objectives, as other East Asian developmental states had done previously. China's massive stimulus package initially focused heavily on infrastructure, with just 4 per cent devoted to social welfare. However, for 2009 the Chinese government had pledged an increase in spending on social programmes, including a universal health package, the extension of social assistance programmes, and social security for pensioners and migrants.

Cook began by showing how China differs from other East Asian developmental states. First, China transitioned from dismantling socialist institutions to building market-oriented ones; second, it is a "late liberalizer", whose national policy space is constrained by the current global environment; third, its size, diversity and political system complicate the effective and consistent implementation of central policies, leading to greater autonomy of subnational governments in determining the terms of local development. While China's social policy does display some of the features of East Asian welfare developmentalism and has recently taken tentative steps toward greater inclusion and universalism, major obstacles persist. Indeed, Cook explained, different welfare narratives dominate at state and local levels: while the central state is taking positive steps in terms of national frameworks, inclusive programmes and increased resources, the local level displays huge variations in needs, resources and provision, and is dominated by fragmented, underresourced and

inadequate systems. The divergence of interests between the central, regional and local levels, combined with inadequate fiscal mechanisms and perverse administrative incentives, are a major obstacle to translating the central government policy objective of a "harmonious society" into more redistributive and inclusive outcomes at the local level.

Cook concluded by suggesting that China is losing the opportunity created by the crisis, restructuring its economic and social development strategy in the direction of increased domestic demand and consumption. Rather than representing a move toward welfare developmentalism, she argued, the crisis is instead revealing the limits of welfare authoritarianism. To overcome institutional bottlenecks to intended reforms, China will need to create institutional mechanisms for the inclusion of diverse voices and the reconciliation of diverging interests within its political system by opening up more spaces for popular participation.

**Lorraine Corner** presented the findings of a study conducted in Cambodia, China, Indonesia, Lao People's Democratic Republic and Viet Nam on the implications for women and children of governments' fiscal responses to the current crisis. Corner reviewed four types of policies: subsidies, tax concessions, public works and social protection. First, subsidies are likely to benefit women if they are consumption-oriented; however, they are limited to particular products. Furthermore, they are difficult to withdraw once in place, and thus reduce fiscal space for more gender equalizing policies. Second, the initial benefits of taxation concessions, whether income or production-oriented, tend to favour men, who are likely to be in charge of the type of enterprises that pay taxes and have an income level high enough to be taxed. Third, the impact of infrastructure on women vis-à-vis men will depend on the types of jobs created. In this sense, as capital-intensive public works tend to employ machinery operated by men, the latter are likely to be the main beneficiaries. Corner argued that, to reverse this situation, specific public policies targeting women are required. Fourth, social protection programmes

are very important for vulnerable groups, although they pose questions of affordability and sustainability. In addition, she underlined that implementation modes and eligibility rules may exclude certain groups, and, in particular, women.

The study's main finding pointed out how little analysis of the differential impacts of the crisis and the fiscal responses on women and men had been done thus far by policy makers, with a partial exception in the case of Indonesia. A second main finding pointed to the lack of sex-disaggregated data on the distribution of costs and benefits within households, although preliminary evidence suggests that the impact of crisis is greater on women and girls, while benefits of fiscal response favour men. Corner thus called for support for women's groups to help them engage—and sustain engagement—in economic policy dialogues, monitor economic development and provide informed inputs at early stages of policy design. She also stressed the need for monitoring the impact of crisis with sex-disaggregated data and for focusing gender-responsive budgeting on actual implementation rather than solely on the allocation of resources.

**Govind Kelkar** compared the experiences of Thailand during the Asian crisis and India during the current global crisis. Kelkar illustrated that in both countries the stimulus policies benefited men more than women, as most of the new jobs created involved operating machines in urban infrastructure projects. Such a strategy bypassed unskilled women workers.

Conversely, women took responsibility to provide for the returning unemployed migrant workers by working longer hours. In this sense, the “family rice bowl” increasingly became a “woman's rice bowl”. According to Kelkar, the fiscal stimulus package introduced by the government of India in December 2008 had a strong rural bias, as its main interventions were focused on fertilizers and food subsidies, agricultural loan waivers to respond to the agrarian crisis of cash crop farming, and boosting

implementation of the NREGA. In contrast, Thailand's policies during the Asian crisis had concentrated on urban areas and workers. To explain the difference between the type of response in Thailand and India, Kelkar referred to the importance of the rural vote in Indian national and regional politics, which was absent in Thailand at the time of the Asian crisis. More specifically, in India, the prominence acquired by the rural poor in electoral politics forced policy makers to adopt a number of laws aimed at reducing the growing rural-urban, ethnic and gender inequalities resulting from highly unequal growth trends. In this sense, Kelkar concluded, gender inequalities in particular need increasingly to be taken into account in stimulus and post-recovery packages.

**Azim Manji** presented some insights on how the crisis has affected the extreme poor in Bangladesh, drawing on the work of Stimulating Household Improvements Resulting in Economic Empowerment (SHIREE), a project that seeks to improve the livelihoods of the poorest in the country. Manji argued that the extreme poverty experienced by the bottom 10 per cent of the population is qualitatively different from moderate poverty, and therefore requires a different approach and response. The difference can be traced back to extreme poor households having fewer assets, negligible support mechanisms and weaker portfolios of social and human capital. In this sense, Manji, pointed out that the effects of the global crisis in Bangladesh were compounded by those of other crises related to food and climate change that further reduce the level of resilience of the extreme poor. According to Manji, commitment to expand resources for the poor is lacking. The number of extreme poor has reached 14 million people, mainly because of the huge gaps in the social safety net system in Bangladesh. On this point, Manji advocated for a transformational shift toward government taking on more responsibility and accountability. His organization had elaborated a bailout strategy for the most severely affected groups that included actions on four fronts: reducing vulnerability through cash and asset transfers and

training; reducing social, economic and political exclusion; increasing opportunities to access finance and assets; and transforming public policies and programmes.

**Ousmane Faye** presented a preliminary report on the effects of the current crisis in Senegal, exploring the extent to which it could be used as an opportunity to improve social policy in the country. The global crisis impacted Senegal through the reduction of remittances, aid flows, exports, tourism and the delay or cancellation of FDI projects, and came at a time of domestic food, fuel and public finance crises. Faye argued that the Senegalese government has limited possibilities of action, due to the impossibility to resort to monetary policy because of its membership in the West African Economic and Monetary Union, tightened fiscal space and limited institutional capacity to undertake and complete reforms. According to Faye, the response of the government to the crisis so far has focused more on improving public finances than tackling the social consequences. In this context, donors have stepped in by either trying to convince the government to create a conditional cash transfer programme (United Nations Children's Fund) or launching pilot programmes of cash transfers and food vouchers themselves (the World Bank and the United Nations World Food Programme). However, he raised questions about the initiatives' fragmentation and lack of ownership by the government.

Faye's conclusion was that the crisis could be used as an opportunity to rethink social protection policy in Senegal in two ways. First, all the fragmented initiatives from donors should be brought into a coherent framework in order to rationalize the social protection sector. In this sense, the government should seek the help of donors to think about a consistent and financially viable social protection system that is universally implemented and nationally owned. Second, efforts to create a national and coherent social protection strategy should be coupled with fiscal reform to secure better allocation of resources, especially in cases of crisis.

**Camila Arza** examined the recent nationalization of private pension funds in Argentina. Arza argued that the global financial crisis and the failures of the private pension system had opened a window of opportunity for the nationalization implemented in November 2008. Arza highlighted three problems affecting the private pension funds: fiscal costs of transition from pay-as-you-go to funded plans, increasing coverage gaps and high administrative fees. These weaknesses were compounded by the 2001 crisis, following which a series of measures aimed at increasing coverage were implemented with positive results. A reform in 2007 established automatic affiliation of new workers to the state pension system and allowed workers affiliated to private funds to shift back to the state, resulting in a sharp increase of workers affiliated to the public system.

In Argentina, the global financial crisis exposed the risks involved in investing workers' contributions in financial markets. This context enabled the government to quickly pass the nationalization law without political opposition. The new nationalized system has, however, not yet addressed a number of long-standing problems of pension policy, such as the achievement of universal coverage through the extension of protection to informal workers and the attainment of gender equality by compensating for labour market inequalities. It also faces the challenge of securing appropriate indexation of benefits (for which new legislation has recently been passed and applied) and the long-term financial sustainability of the system.

Arza stressed that the pension system in Argentina is still far from providing equitable, adequate and affordable pensions to the entire population. While the crisis has imposed new challenges, it has also provided an opportunity to overcome some of the failures of the previous system. However, to take advantage of these opportunities, she posited, consensus will be needed in order to build strong pension institutions that can resist future fluctuations, together with a long-term pension

strategy to avoid trade-offs between current and future welfare. Ultimately, Arza recognized, in a context of growing structural labour informality, a country like Argentina will need to move toward a rights-based universal pension scheme to cover those outside formal labour market institutions.

**Bernard Casey's** presentation set out to evaluate the performance of the new pension system in Nigeria, which was privatized in 2001 based on the Chilean model. The reform was part of a wider privatization initiative to structurally liberalize the Nigerian economy and it was expected to increase pension coverage and solve previous payment problems. However, Casey pointed out that, as in the Chilean case, slow uptake, failure to increase coverage and high administrative charges have plagued the system so far.

Casey then assessed the impact of the current crisis, which affected Nigeria mainly through volatile oil prices and a resultant constrained government budget. Oil production losses were compounded by enormous stock market volatility and scandals affecting banks linked to both the oil sector and pension funds. The injection of money from the government in response to the banking crisis forced interest rates down at the same time as inflation was rising, thus eroding pension savings. While complaints about arrears continue, there has been very little discussion about how the pension funds might be invested in long-term development projects. This, according to Casey, is mainly due to the lack of both supply and demand for long-term bonds, with the result that the system, by investing mainly in government bonds, is *de facto* operating as a pay-as-you-go system. In addition, the monetization of the government's debts ultimately means that the real value of pensions in the future will be lower. Furthermore, Casey argued, poor performance in governance indicators is another main reason why the pension reform was generally unsuccessful. He concluded that it may be dangerous to use pension reform as an instrument of economic development rather than the other way around, and suggested that the provision of rights-based pensions

requires the existence of minimum rights, trust and state capacity, all of which could not be taken for granted in the Nigerian case.

During the **discussion**, a first set of comments from the floor dealt with the issue of infrastructure investment as one of the main responses to the crisis. One participant inquired how infrastructure investment could take into account women and vulnerable groups more effectively. Corner mentioned that best practices in integrating women in infrastructure programmes existed, including quotas; she also stressed the importance of involving women in decision making over investments in water and sanitation infrastructure, as they are the primary users of these facilities. Kelkar pointed out how women workers in India have been excluded from both planning the implementation of the NREGA programme and auditing of the assets being built, which has prompted demands for increased participation. Cook commented that infrastructure will be crucial in kicking off growth in China and Africa, especially of the type that creates jobs and social facilities, thus helping excluded sections of the population. The challenge is how to quickly design infrastructure so that it creates long-term growth.

Several comments and questions centred on pension policy. Ben Fine argued that the new policy of the World Bank, which stresses multiple pillars, including a state pillar, is *de facto* a policy to use state resources to save as much of the value of private pensions as is politically acceptable in the wake of the collapse of asset values and levels of benefits. On this point, Casey mentioned that the World Bank and the Organisation for Economic Co-operation and Development (OECD) have started to moderate their previous approaches to pension policy, but that these organizations have not yet offered viable suggestions for pensioners in the present crisis. Ultimately, he added, the question is whether citizens are committed to securing pension provision to certain groups within the polity. Arza noted the contradiction between the fast pace at which prescriptions on pension privatization were implemented by the World Bank in the 1990s, as opposed to the slow pace with which

the new ideas about the first pillar or social pensions are being applied today. She called for much more work to promote the universalization of pensions.

### **Session 3—Social Policy from a Global Perspective**

Chaired by **Gabriele Koehler**, session 3 discussed the changing nature of global social policy discourse and the implications for future social policies in a development context.

**Ben Fine** cautioned against seeing the crisis as opportunity and danger in equal balance. Neoliberalism, he argued, is showing enormous resilience in the current policy response, most sharply illustrated by the size and scope of financial bailout packages. Discussing the relationship between financialization and neoliberalism, Fine argued that financialization has driven and underpinned neoliberalism, and the latter, despite the rhetoric of “deregulation”, has in fact featured highly interventionist states regulating on behalf of private capital. According to Fine, there are three important dimensions to recent financialization, which he defined as the expansion of financial assets as a share in gross domestic product (GDP), the proliferation of different financial instruments, the rise of speculative activity, and the penetration of finance into the economy and social reproduction. First, financialization has been absolutely and completely dominant in the global economy. Second, we are now in the second phase of neoliberalism, in which the need to address the dramatic consequences of the first “shock therapy” phase has led to overt state intervention to sustain the process of financialization. This is most dramatically revealed in the current bailout of the financial sector. And third, it is necessary to recognize the inconsistencies both within and between neoliberal ideology and scholarship, as well as policy and practice.

In this light, Fine gave his assessment of the future of social policy. He examined the World Bank’s approach to social policy and raised two main issues. First, there

has been a shift away from channelling resources directly to states, toward allocating them to the private sector. Importantly, while the trend to use the state to promote the rise of the private sector is one which predates the crisis, this has accelerated with the crisis response. (For example, a recent health policy report of the World Bank for Africa sees private sector entities as the main suppliers of health care and recommends channelling resources and donor funds to the private sector, and easing local regulation to facilitate private sector operations.) Second, the social policy approach promulgated by the World Bank has often been arbitrary, with a focus on “risk” and “vulnerability”, to the neglect of a more systemic understanding of the causes of poverty. In conclusion, Fine proposed an alternative approach with two central features. First, it would focus on public sector provisioning, which would recognize that social policy needs to be both country- and programme- specific (water, education, health and pensions, for example, each have their specificities). Second, individual programmes would be understood in the context of a developmental welfare state.

**Bob Deacon** examined the emerging global social policy response in the light of two questions: first, whether the response has approached social policy from a residual or universal perspective and, second, whether the crisis has strengthened or weakened the UN system in global social governance.

A number of agencies have responded to the crisis by calling for the implementation of a Global Social Floor, which would provide a basic social protection package for all. Deacon argued that this is a positive development that moves away from the safety net approach promoted by the World Bank and toward a more universal approach to social protection. However, the Global Social Floor continues to emphasize “the poor” rather than the need to build developmental welfare states—which require more social investment involving broader cross-class alliances. There are also weaknesses and constraints to the implementation of the Global Social Floor, at least at the international level. First, while the



Global Social Floor has been endorsed by the United Nations Chief Executives Board, it is not clear whether it would be delivered through all the UN agencies. Second, an analysis of G20 and IMF responses to the crisis points to a continuation of the residual safety net approach to poverty alleviation. And third, while a number of UN agencies, such as the United Nations Educational, Scientific and Cultural Organization, UNRISD and the United Nations Conference on Trade and Development, have been calling for a state-led social investment approach, the recommendations emerging from the UN Commission on the Reform of International Monetary and Financial System have failed to support the building of developmental welfare states necessary to implement a comprehensive social investment strategy. Deacon concluded that global social governance is in crisis, given that the post-crisis response is driven by the G20 and the IMF, the United Nations is suffering from contradictions among its agencies, and social investment policies have been sidelined.

Deacon suggested two alternatives for addressing this global governance crisis. First, in order to escape problems of donor dependency and lack of delivery on aid by the North, developing countries need to raise independent resources to fund the Global Social Floor. This could be linked to global taxation on, for example, financial transactions. The case for this is growing. The other alternative would be for the global South to fashion their own social investment policies in the spirit of South-South and regional cooperation.

**Tony Addison** examined the implications of the crisis for the global aid architecture, in the context of what he called the “triple crisis”: the financial crisis; the rise in food prices that is likely to resume, to the harm of poor people; and climate change, with the emission of greenhouse gases likely to accelerate once the global economic slowdown is over. The sharp decline in world trade and remittances resulting from the global financial crisis has severe implications for resource generation in developing countries. The slowdown in their growth reduces the revenue they

can expect from domestic taxation, making them more aid dependent, not less. Their revenue mobilization will also take a hit from climate change and its impacts on the real economy.

The fact that ODA is dependent on GDP in donor countries also has serious implications. GDP in donor countries has been reduced by the financial crisis and, given that the target for aid is expressed as a proportion of GDP, we can expect aid to be under severe pressure over the next few years. The average national banking crisis reduces output per capita by 10 per cent and this loss is not usually restored within seven years. This is one of the most severe banking crises ever to afflict developed countries, its fiscal cost will be high, and aid will be among its victims.

This is especially worrying, given that, before the financial crisis started, a large number of donors were already going back on their commitments to raise aid which, overall, is far from the UN target of 0.7 per cent of GDP. Addison argued that the mobilization of private capital flows is important, but many of the poorer countries have difficulty in attracting private capital, and the eventual tightening of monetary easing in rich countries could have destabilizing effects on private capital flows. Thus, many will remain aid dependent. ODA in many countries of sub-Saharan Africa forms a high proportion of the overall financing mix, despite improvements in tax systems. So maintaining, if not increasing, ODA is of paramount importance.

Addison also expressed concern that the focus on kick-starting global economic growth has neglected the question of what kind of recovery is needed. The pre-crisis model of a high-carbon economy needs to be challenged as part of the recovery process, which would require investment in alternative energy options. A global tax on carbon emissions would be one way of generating the funds needed for development goals and investment in alternative energy sources. Addison concluded with a word of caution: even if such a scheme could be implemented, the key question is whether carbon



taxation would ultimately go toward restoring low-carbon growth, and poverty reduction, or toward bailing out the financial sector. In the absence of concerted and coordinated global action, the decade ahead will be marked by the “triple crisis”.

**Manuel Riesco** introduced a much more optimistic view on the current crisis. According to Riesco, the current crisis has opened up the possibility to reach a global new deal centred on a developmental welfare state model. The crisis has exposed the dangers of relying on financial markets—for pensions, for example. It has also underlined the limits of export-orientation, and drawn attention to the need to develop domestic demand and look to regionalism as a possible complement. With the weakening of the financial sector and the crisis of neoliberalism, the state has now remerged as an important player in terms of forging developmental welfare states.

One of the main themes during the **discussion** was the content of an alternative agenda. Hirway stressed that a high-consumption model is not an option for developing countries, and called for a more sustainable, equitable and employment-intensive strategy centred on national autonomy. In a similar fashion, Kelkar pointed out that the two most important elements of an alternative strategy are to resolve exclusion and inequality, and argued that the alternative response should consider solutions proposed by civil society. Ajit Singh argued that, now that welfare state budgets are likely to be reduced in order to pay the debts that governments have accumulated in salvaging the financial sector, trade unions and the Left in advanced industrialized countries may be able to rally around a modern version of the incomes policy with built-in mechanisms of reducing income inequalities and bringing down inflation. Jayati Ghosh expressed concern that the suggested carbon tax would be highly unequalizing in a context where many developing countries have no alternatives but to increase their carbon emissions if they want to achieve not only growth but also the Millennium Development Goals. Addison agreed that the carbon tax is more applicable in the North, especially given that these

countries were the main beneficiaries of high carbon emissions during their industrialization process. However, he argued, the South can contribute significantly by identifying options for low-carbon growth, as exemplified in the recent Chinese five-year plan. Deacon suggested that to generate so-called green funds, it might be more desirable to establish a financial transaction tax.

Another set of contributions dealt with the opportunity for implementing an alternative agenda. Bob Jessop argued that neoliberals are actually using the crisis to consolidate their agenda. He claimed that the Left is failing to use the crisis to roll back the neoliberal agenda—a failure which requires closer examination to strengthen the Left’s future response. In response to what she saw as the pessimism of several speakers, Ghosh took a much more optimistic view of the crisis in as much as a prolonged period of instability in advanced economies can create an opportunity to fundamentally restructure development thinking and models—a process that historically has taken decades to bear fruit.

In response to a question about the impacts of the crisis on youth, Addison argued that the Left needs to engage with three distinct underlying distributional struggles: the costs of the crisis having been shifted from capital to labour, from the North to the South, and from present to future generations, which are going to face lower levels of income, higher debts, and the need to address climate change and energy problems.

### **Sessions 4 and 5—The Politics of Crisis Response: Structural Constraints, Social Forces and Discursive Hegemony**

Chaired by **Rio Hada** and **Charles Gore**, sessions 4 and 5, respectively, examined different political economy dimensions around the crisis: the entrenched nature of economic and political structures; the role of civil society groups, such as

migrants and trade unions; and the discursive narratives framing the crisis and policy responses to it.

**Seeraj Mohamed** discussed the financialization of the South African economy. He argued that the financial crisis has merely reinforced an already existing structural weakness associated with poor industrial performance, lack of industrial diversification and high unemployment, as well as the reliance on mining and minerals exports.

The political change in South Africa during the 1990s caused many large South African corporations to restructure and move their assets abroad at a time of massive global corporate restructuring and concentration, driven in part by the process of global financialization and the rise of the “shareholder value movement”. The largest South African corporations that restructured and internationalized attempted to take advantage of the new openness. However, when they were listed on global stock markets these corporations had to accede to shareholder demands. Their restructuring occurred not only to consolidate their South African holdings and to move assets abroad, but also to simplify their corporate structures and to focus on core business. At the same time, Mohamed argued that the South African government became hesitant about implementing economic policies that could seriously address the problems of structural unemployment, deep-seated inequalities along racial lines and poverty, for fear that these policies would drive down share prices and create a negative view of the country in international financial markets and business media.

Credit extended to the private sector was in the region of 22 per cent, but only 5 per cent private sector investment took place; the rest was held in liquid assets. Economic policy choices therefore did not support investments in industry which could generate employment. The inflows of short-term capital to the economy from the mid-1990s led to increased private sector access to credit, which was associated

with increased debt-driven consumption by households and speculation in real estate and financial markets. According to Mohamed, the impact of the current global crisis highlights the unsustainable nature of the South African growth trajectory, and it may well leave the economy more dependent on the mining and minerals sectors. The crisis has highlighted the need for industrial diversity and to reorient the financial system toward supporting long-term productive investment.

**Jorge Nef** took a political perspective, analysing North/South processes as an integrated whole. State-society relations are, he said, fundamental to the politics of progressive social change. He demonstrated this perspective through a discussion of politics in the Americas as an integrated region, a “uni-polar imperial order persisting on the remarkable continuity of the national security state and its repression of democracy”. Nef described a growth of expectations following the Second World War and a breakdown of implicit social contracts between business, labour and the state, resulting in a stalemate, with inflation substituting for civil war. The emergence of military interventions and insurgency during the Cold War led to the development of “terrorist states” or national security states, as ways to restructure social order from the top. This resulted in a closing down of the commons and a political shift from ideological hegemony to brute domination and force, as in Central America and the Southern Cone. The eventual implosion of military regimes offered a return to “low-intensity democracy”, refracted through the economic and political restrictions of the Washington Consensus. Because of the nature of transnationalized governance, states in the Americas have been unable to de-transnationalize themselves to represent civil society and get back to the business of orderly democracy.

From a human security perspective, Nef argued, the current style of modernization in the North and South increases poverty and insecurity. As all processes are systemically linked, weaknesses in democracy in any one part represent systemic vulnerability

everywhere, as all countries are mutually exposed, making the project of reconstituting democratic order and accountability in national governance a widespread challenge.

Presentations by Beckman and Ying Yu discussed the role of civil society in framing a more progressive response to the crisis.

**Björn Beckman** examined the question, “who will advance a democratic response to the current crisis and in opposition the prevailing neoliberal order?” He argued that democratic response to the crisis lies with global wage earners in the context of their struggle for more decent work. However, this alternative response to the crisis does not lie in the historic heartlands of the welfare states, but in the countries and regions where working classes are on the rise. While trade unions in advanced economies may still have a role in supporting trade union efforts in the South, they have to realize that the centre of global unionism has shifted to the South, and therefore the capacity to respond to the current neoliberal crisis depends on the success of labour’s organizing efforts there. Contrary to expectations that the crisis would provide a democratic opening, it has tilted the balance significantly against the working classes and their organizations.

Beckman discussed research findings from a comparative study of South African and Nigerian trade unions, which indicate that unions are playing a crucial role in enforcing a more equitable response to the crisis. In South Africa, the crisis has reinforced union opposition to neoliberalism. Trade unions are using the established tripartite structure to exercise influence on the government for an employment-focused response to the crisis. While senior trade union officials hold key positions in the government, which should bode well for an employment centred response, the administration of Jacob Zuma has been assuring private outside investors that the basic pro-market orientation will not change. It is not clear what the outcome in

terms of policy response will be. In Nigeria, previous privatization and deregulation have undermined wage labour’s bargaining position, and de-unionization has accelerated as a result of the crisis. Yet union opposition remains strong. However, the focus is not on influencing policy through a tripartite structure, but rather on fighting a government perceived to be corrupt and inefficient. Unions are calling for basic industrial policies to address deindustrialization, as well as electoral reform to make the government accountable to the electorate. The relationship between the government and trade unions is antagonistic. Trade unions are reaching out to allies in civil society and workers in the informal economy to strengthen their position.

Beckman concluded by saying that the outcome of the crisis response depends on the ability of unions to defend past achievements and on using the conjuncture of the crisis to build stronger alliances across both the North/South divide and the formal/informal divide, for progressive change.

**Ying Yu** discussed the impact of the crisis on migrant workers in China, and their efforts at articulating demands for greater rights and protection. Migrant workers are the hardest hit social group in China as the result of employment contraction in urban and coastal areas. Without access to social protection, they often return to the countryside without the prospect of employment. Besides mass unemployment, they also face delays in or non-payment of wages. Yu’s presentation, which was based on recent research and field interviews, examined emerging top-down and bottom-up approaches to respond to the needs and demands of migrants in the context of crisis.

The official response by the government is made up of a large-scale stimulus package, which has included consumption support, vocational training, micro-loans and tax incentives to returning migrants. However, the hidden long-term institutional problem behind the welfare distortion is still the household registration

system, *bukou*, that has not been addressed. This system divides the rural and urban populations, and manages their claims separately. This becomes an institutional barrier for rural migrants to access local urban citizenship-based services and welfare.

The bottom-up approach of crisis management mainly indicates that migrants are defending their rights through self-organization and self-help. Grassroots movements are dominated by actions by migrant workers themselves, such as *laoxianghui* (township-based community groups), complemented by a small amount of external help by corporations, civil society groups and individuals. Other grassroots civil society organizations and human rights activists have also led such bottom-up attempts to address and defend migrant workers' rights. Although contentions have received positive responses from the authorities, equal negotiation and dialogues are usually missing. The fact that migrant workers were disadvantaged within labour-capital relations has hardly changed.

Yu concluded by emphasizing that the insufficiencies of traditional problem-solving approaches cannot be overcome by elite or grassroots actors themselves. A third-way approach is needed to coordinate efforts from both directions and initiate a broader "multilogue" among different stakeholders.

The following two presentations discussed the political economy of dominant narratives, which reveal a defensive posture by central "power holders" attempting self-protection while pushing blame and burden onto peripheral victims.

**Bob Jessop** focused on the "cultural political economy" of the financial crisis, emphasizing the difference in relations between power holders and those without, paraphrasing Karl Deutsch's view that power can be defined as the ability to afford not to learn from mistakes. In this respect, those without power are left to pick up the pieces and try to figure out what happened, while those with power are able to push the cost of the crisis on to others while forging ahead. Power holders also have the

capacity to define the crisis in terms that may not be shared by the majority of people who suffer from it but that might enable power elites to restore "business as usual". Crises open up both dangers and opportunities for change as they call into question theoretical and policy paradigms and people's everyday routines but are contingent on whether crises are recognized as crises "*in*" or "*of*" systems, an outcome which is partly subjective and partly dependent on structural power. For instance, the neoliberal ascendance during the Thatcher/Reagan period arose in part by framing a "crisis of" the postwar welfare bargain, while Nordic countries' responses to crisis management took a fine-tuning approach to reforming a "crisis in" the existing system.

Jessop presented a typology of different narratives: initial narratives, changing narratives, distracting narratives and narrative solutions. Different narratives describe the crisis in different ways, identifying causes and actors that contributed to the crisis, and in this way attributing "blame" in different ways. The ability to attribute blame also involves absolving oneself of responsibility and may provide a platform for taking charge of crisis management. In the current crisis, distracting narratives include those which attack the general public for consumer debt, initiating self-blame on the part of consumers and home buyers in advanced capitalist economies, thereby defusing anger and depoliticizing the situation as people are forced to "muddle through". Another is populist rhetoric against "banksters" that was never translated into effective action. Other forms of narrative distraction include blaming other economies, as the United Kingdom did the United States, and the United States did China.

Meanwhile, crisis management is reduced to best policies defined through governing parties, while radical solutions calling for more fundamental examination of root causes are marginalized. Another aspect of crisis management is the creation of a sense of urgency that enables power to be concentrated in the executive at the expense of

wider consultation (the US emergency Troubled Asset Relief Programme [TARP] spending is an example). After a phase of normalization, the opportunity to reinterpret reality and change courses is lost. In looking to the future, Jessop suggested that the environmental “crisis” may offer a master narrative with which to frame solutions, while struggles to interpret the crisis of neoliberalism can help provide medium- and long-term solutions, as well as short-term first-aid to those impacted.

**Andrew Fischer** presented a critical historical analysis of the evolution of discourses related to financial crises. While conventional crisis discourses usually refer to the Great Depression as the closest historical parallel with the current crisis, Fischer argued that the explosion of international liquidity, caused by international banking deregulation in the mid-1960s, followed by stagflation in the 1970s and ending in the 1982 debt crisis, offers a closer parallel. Standard mainstream literature on the 1982 debt crisis retrospectively attributes the excess liquidity of the 1970s to the Organization of the Petroleum Exporting Countries (OPEC) oil price shocks, leading to a surplus of petrodollars. However, there was in fact no consensus on this in the 1970s. For instance, Robert Triffin, a leading international economist of the time, noted that inflation was well under way before the oil price shocks and was primarily due to monetary expansion in the United States in response to fiscal deficits. Citing Giovanni Arrighi, Fischer explained that the aggressive stance of the United States in competing for international capital flows from the late 1970s onward created a radical structural shift in these capital flows, which was the primary underlying cause of the 1982 debt crisis. However, by focusing on OPEC and irresponsible borrowing by Latin American countries, the monetarist revival of the 1980s constructed a discourse that blamed peripheral countries for the crisis, thereby legitimizing policies that shifted the burden of adjustment onto these countries, as well as deflecting attention away from the countries that were the

primary drivers of increased international liquidity and global inflation.

In much the same way, Fischer argued against the supply-side argument of contemporary commentators, such as Martin Wolf and Paul Krugman, who suggest that a “savings glut” from excess Chinese foreign exchange reserves transferred to the United States was one of the main contributing factors to the credit bubble in the United States. As the conventional narrative goes, Chinese savings created too much cheap credit for too long—with Martin Wolf writing, “someone had to borrow this money”—and implies that China should revalue its currency and liberalize its financial sector as a means to correct these imbalances.

Fischer took issue with the way a Keynesian discourse has been used to justify these supply-side arguments, reminding the audience that Keynes argued that savings adjust to aggregate demand, not the other way around. Rather than buy into the argument that the government of China found itself “willy nilly” accumulating huge quantities of reserves (to paraphrase Krugman), Fischer proposed a different view, linked to the reorganization of international production networks since the East Asian crisis, led by Northern corporations. With reference to Jan Kregel, he noted that, from this perspective, the contemporary crisis could be an expression of strength of the US corporate sector rather than its weakness, given that much of the Chinese reserves actually represent unrepatriated profits of Northern corporations, among other forms of foreign claims on domestic financial assets.

**Comments** from the floor turned to the analysis of crisis narratives. Deacon pointed to the example of the New Deal as a crisis “in system” which quite radically transformed policies, and asked whether it still mattered if certain crises were “in” systems as opposed to “of” systems, if they lead to radical and transformative outcomes such as that of green taxation and a “Green New Deal”? To this, Jessop replied that the New Deal was a

response to a severe crisis “of” *economic* order, rather than a *political* system, and thus did not involve a fundamental turn to an exceptional regime, as occurred in the fascist response during the Weimar Republic in Germany, which responded to a political and institutional crisis of the state and a major ideological crisis. He added that fundamental change cannot be achieved by redefining the crisis as one internal to neoliberalism. In response to the discussion about United States–China relations, he also noted that that we live in an integrated world market and that these relations must be studied in terms of the “pathological co-dependence of these economies within the world market”, rather than in terms that assumed their independence as distinct varieties of capitalism.

Another set of questions centred on the labour struggle. The concerns which were raised related to what the strategy of labour should be in the current crisis context, which alternative growth models they should align themselves with, and how to move from a defensive agenda to a more proactive agenda that aims to reorient the role of production. Beckman responded that the questions of labour rights and alternative development strategies in particular countries depend on how the state is constituted. Therefore, the extent the state can act as an ally will differ. In general, he argued, workers need to mobilize on the basis of contradictions found in the workplace, such as conditions of work and the distribution of profits and income. The first step therefore needs to be the defence of rights. He argued that unions should not look toward the state to define strategies. Instead, unions need to articulate alternative development strategies themselves. Similarly, Mohamed argued that labour struggles in South Africa reflect the local, national and international levels. With the crisis has come increased activity, such as shifting power in the ruling party, but also on the shop floor; unions are getting more involved in the debates on macroeconomic policy, and there are some attempts to dislodge the neoliberal agenda of the ruling party. On the other hand, a number of participants

expressed concern about labour competition across countries, and especially between the North and South.

## Closing

**Peter Utting** said that the conference had provided an important occasion to take a systemic look at the social and political dimensions of the crisis, something which had not been done in the mainstream policy arena. He returned to a central question that had framed the conference: where are we headed in terms of development strategy and social policy? Different speakers had pointed to very different scenarios: a reconstituted system that replaces markets at the centre, a shift toward universal social policy or scope for a more transformative agenda. At the same time, he cautioned against policy-applied analysis that emphasizes particular reforms and options without looking at the politics of social and economic change and institutional dynamics. In this regard, the conference discussions had emphasized a number of key points:

- the need to understand power relations, the responses of elites, the nature of state-business relations and structural constraints;
- the importance of a discursive struggle, including deconstructing dominant discourses and framing agendas;
- the importance of reconfiguring the balance of power by strengthening countervailing forces, intensifying democracy and civil society advocacy, and strengthening labour movements; and
- re-regulating transnational corporations and finance capital, rebuilding developmental welfare states and strengthening particular institutions within the UN system.

Within international policy circles, progressive thinking from the United Nations has been given a boost, but



the challenge has been largely taken up by the IMF and the G20. Utting concluded that more thought needs to go into political strategizing and enhancing the policy space for alternative solutions.

**Shahra Razavi** reflected on the ideas that can be taken away from the conference to inform UNRISD's future research agenda. Razavi called the institutional separation between economic and social policies a false dichotomy: in people's lives the two realms are closely intertwined. However, the attempts since the early 1990s to integrate "the social" and "the economic" have kept them on very unequal terms. Narrow economic concerns and interests have been incorporated into social policy, through commercialization of social services and social protection mechanisms, and acceptance of all sorts of "conditionalities" imposed on the poor, such as conditional cash transfers. But this has not been reciprocal: economic policies have failed to acknowledge or "mainstream" social development (be it employment-generation or more expansive notions of well-being). She noted the irony that, while the crisis will underline the need for more universal social protection systems, it will also constrain public finance and hence enhance the attractiveness of narrowly targeted safety nets.

A more inclusive and universal model of social provisioning requires cross-class alliances and the buy-in of the middle classes.

Razavi also called for a better understanding of financialization of the economy and consequent changes in class formation and coalitions. A third area that needs attention is that of agrarian crisis, whose origins go back to the misguided policy prescriptions of the World Bank since the early 1980s. The *2008 World Development Report* on agriculture has very little to offer that is new: social protection for rural populations, but otherwise "business as usual", including more export agriculture, more transnational corporations, "market-led" land reform and so on. Razavi highlighted the need for research into the rural economy and agriculture to identify alternative frameworks that strengthen rural livelihoods, rather than replicating production models that clearly have not worked. Finally, on the politics of social change, she argued that the failure to deliver on social welfare undermines the legitimacy of democratic states and can create the risk of illiberal movements—hence, the need for "thicker forms" of democracy that involve real participation and delivery of welfare.

## Agenda, Speakers and Papers Presented

12 November 2009

### Opening

*Sarah Cook*, Director, UNRISD

*Jomo Kwame Sundaram*, Assistant Secretary-General for Economic Development, United Nations Department of Economic and Social Affairs (UN-DESA)

### Session 1 **Impacts, Coping Strategies and Livelihoods**

- Chair *Raymond Torres*, International Institute for Labour Studies, International Labour Organization (ILO)
- Speakers and Papers Presented *Diane Elson*, University of Essex—**Social Reproduction in the Global Crisis**  
*Indira Hirway*, Centre for Development Alternatives, and *Seeta Prabhu*, United Nations Development Programme (UNDP) India—**Restructuring Development during Global Financial Crisis: Lessons from India**  
*Andrew Downes*, University of the West Indies—**The Global Economic Crisis and Labour Markets in the Small States of the Caribbean**  
*Arindam Banerjee*, Centre for Development Studies—**Emerging Constraints on Smallholder Agriculture in Developing Countries under Neoliberalism and Crisis: Evidence from the Rural Economy in India**  
*May Tan-Mullins*, University of Nottingham—**Lessons from Two Financial Crises: Vulnerability, Resilience and Responses of Indonesian and Chinese Fisherfolk**  
*Lourdes Arizpe*, National Autonomous University of Mexico and Chair of the UNRISD Board—**Reconstituting Communities in the Context of Crisis**
- Discussion

### Session 2 **Social Policy: Country and Regional Perspectives**

- Chair *Ramla Khalidi*, Social Development Division, United Nations Economic and Social Commission for Western Asia (UNESCWA)
- Speakers and Papers Presented *Sarah Cook*, UNRISD—**China's Social Policy Response to Economic Crisis: Towards a Developmental Welfare State?**  
*Govind Kelkar* and *Dev Nathan*, Institute for Human Development—**Redistribution and Social Protection: Contrasting Experiences of Thailand (1990s) and India (2009)**  
*Lorraine Corner*, United Nations Children's Fund (UNICEF)—**Gender Analysis of Fiscal Responses to the Economic Crisis in Asia**  
*Azim Manji*, SHREE, and *Josef Devine*, University of Bath—**Hanging on a Thread: Financial Crisis, Risk and Vulnerability among the Extreme Poor in Bangladesh**  
*Ousmane Faye*, African Population and Health Research Centre (APHRC), and *Elizabeth Paul*, University of Liège—**The Opportunities of the Global Crisis for Social Policy Enhancement in Senegal**  
*Camila Arza*, Facultad Latinoamericana de Ciencias Sociales (FLACSO) Argentina—**Back to the State: Pension Fund Nationalization in Argentina**  
*Bernard H. Casey*, University of Warwick—**Pensions in Nigeria: The Performance of the New System of Personal Accounts**

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### Session 3 **Social Policy: Global Perspectives**

- Chair *Gabriele Koehler*, United Nations Children's Fund (UNICEF), Regional Office for South Asia
- Speakers and Papers Presented *Ben Fine*, School of Oriental and African Studies—**Financialization and Social Policy**  
*Bob Deacon*, University of Sheffield—**Shifting Social Policy Discourse: The Impact of the Global Crisis on Ideas about Social Protection and Global Social Governance**

## Agenda, Speakers and Papers Presented

*Tony Addison and Finn Tarp*, United Nations University–World Institute for Development Economics Research (UNU–WIDER)—**The Global Aid Architecture and the Triple Crisis**  
*Manuel Riesco and Sonia Draibe*, Centro de Estudios Nacionales de Desarrollo Alternativo (CENDA) Chile—**Are Global Welfare and a Global New Deal Possible? A Latin American Perspective**

Discussion

### **Session 4 Political Economy Dimensions of Crisis**

Chair

*Rio Hada*, Development and Economic and Social Issues Branch, Office of the High Commissioner for Human Rights (OHCHR)

Speakers and  
Papers Presented

*Björn Beckman*, Stockholm University—**Trade Unions and the Politics of Crisis: South Africa and Nigeria Compared**

*Emma Rose Allen*, ILO CoopAfrica, and *Samwel Joseph Maghimbi*, University of Dar es Salaam—**African Cooperatives and the Global Financial Crisis**

*Seeraj Mohamed*, University of the Witwatersrand—**The Impact of the Global Economic Crisis on the South African Economy**

*Ying Yu*, University of Nottingham—**Chinese Migrant Workers in the Global Financial Crisis: Political Economy of Policy Response**

Discussion

### **Session 5 Political Economy Dimensions of Policy Reform**

Chair

*Charles Gore*, Division for Africa, Least Developed Countries and Special Programmes, United Nations Conference on Trade and Development (UNCTAD)

Speakers and  
Papers Presented

*Bob Jessop*, University of Lancaster—**Narratives of Crisis and Crisis Response**

*Andrew Martin Fischer*, International Institute of Social Studies, Erasmus University—**The Perils of Paradigm Maintenance in the Face of Crisis**

*Jorge Nef*, University of South Florida—**Social and Political Dimensions of the Global Crisis: A Perspective from the Americas**

Discussion

### **Closing Future Research Directions**

*Peter Utting*, Deputy Director, UNRISD

*Shahra Razavi*, Research Coordinator, UNRISD

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