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Global Economy, Local Calamity

When James O'Connor (2002 [1973]) first wrote *The Fiscal Crisis of the State* in 1973, later followed by Erik Olin Wright's (1977) *Class, Crisis and the State*, progressive and radical scholars were debating whether or not there was a relative autonomy of the state (see, for instance, Miller 1986) in contrast to Marx's position that the state apparatus was part of the superstructure and simply the political moment of capitalism functioning solely in the interest of capitalism. Perhaps oversimplifying, the question was whether or not the state can act in the interest of society as a whole and as a consequence against the interests of monopoly capital? To put it another way, does the state function of legitimating the capitalist system mean that it must be able to act in ways that do not solely support capital accumulation – the driving force of capitalism?

During this period US capitalism was in a state of decline, suffering from a long recession (this period was the deepest recession until the current financial and housing market collapse of 2008) marked by high unemployment and inflation (giving 1973–75 the moniker of stagflation). Inflationary pressures at the start of the decade led to the introduction of inflation adjusted government transfers (soon appearing as wage adjustments in many union contracts). This only helped press inflation upward leading the Federal Reserve to tighten the money supply, pushing interest rates up, leading to ever higher inflation and eventually deepening the recession. The downward spiral in the economy increased the unemployment rate sharply and the long period of economic prosperity after the end of World War II came to an abrupt end in this period of stagflation.

One of the important consequences (among the many) was the fiscal pressures placed on local governments as a result of falling revenues due to several factors. There was a general fall in local tax revenues as economic activity contracted. In cities like New York City this problem was further deepened as middle class and upper middle class residents had been departing to the subsidized lifestyles of the suburbs. Employment opportunities in New York City disappeared due to the vanishing manufacturing jobs in the cities (more deeply felt in what was soon to be called the Rustbelt) while increasing numbers of Puerto Ricans and black immigrants came to the city looking for work that was not there. The large public sector employment in the social welfare apparatus in New York and other cities, built up during the 1960s expansion, plus the rising demand for these services with higher unemployment, added to the fiscal strain. A pattern of lost revenues from departing businesses and large property tax abatements or favorable assessments – Moody (2007) draws comparisons between then and now noting the importance of real

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estate in understanding public sector urban fiscal crises – meant that much of New York's real estate was either tax exempt or paying under 'market rate' property taxes.

The rhetoric of the day held that local government largesse and overspending (and not the ever shrinking revenues due to corporate abatements and lower property assessments) was the cause of New York's great fiscal crisis of 1975. Business leaders called out for a revisiting of the entire structure of the social safety net. New York City was and continues to be a highly unionized city relative to the rest of the country, and falling revenues meant that local governments sought to reduce costs both by lowering wages and benefits and by cutting employment in the government sector (see DiTomaso 1978).

Several additional factors must be brought into this discussion. As a result of the uneven allocation of the growth premium during the late 1950s and 1960s many of America's poor were those left behind as the country prospered; see Harrington (1997 [1962]) who wrote his famous tract on the scope of poverty in a time of prosperity. The resulting urban decay was targeted by the series of policies under the heading of Urban Renewal and later the War on Poverty. The middle class move to the suburbs not only stripped cities of important tax revenues, it also pushed poverty outside the normal experience of most Americans. A consequence was that the predominantly non-white inner cities were allowed to fester in deepening and hidden poverty. The end of the 1960s witnessed inner city rebellions throughout the northern declining industrial cities; perhaps the most brutal example was the one in Detroit causing social and economic destruction from which the city has, in large part, yet to recover.

The aftermath of the rebellion in Detroit led to yet another wave of middle income residents departing – both Black and white – and with them more than just the local revenues they represent but the very lifeblood of the commercial downtown, dooming most of the city's neighborhoods. In the decades that followed there was a steady decline in Detroit's population (many would argue driven by the ever deteriorating school system crippled by ever declining public dollars) as well as the loss of the industrial base through a combination of corporate profit-seeking and local government mistakes (see Fasenfest 1986). Regional issues and political squabbles, race, and the perils of being dependent on a single industry contributed to the downward spiral that came to represent Detroit. The city turned into the poster child for the malaise caused by de-industrialization, but we should not fall into the comfortable notion that urban decline and decay is a process that is rooted in the post-Civil Rights struggles and the consequences of the 1970s recession. A growing demand for social services, a rapidly falling tax base, and rising concentrations of non-white poor in central cities all combined to create crushing pressures on local governments leading to familiar fiscal crises. Consider the following analysis of Detroit:

> Detroit's decline has been going on for a long while … At the depth of the recession, when Detroit really began reeling, 20% of the city's workforce was unemployed … Blight is creeping like a fungus through many of Detroit's proud, old neighborhoods … during Detroit's decay, much of the city's middle class packed up and headed for the suburbs. (*Time Magazine* 1961, cited in Henderson 2009)

The roots of the economic decline of much of urban America in the 1970s and into the current economy are clearly rooted in the economic forces arrayed an earlier period. In the same way, the financial meltdown of 2008 is rooted in the stifling of real income growth for most Americans during the 1970s and the shift to credit-based consumption to replace their lost purchasing power (Wolff 2008). It would be foolish to speak of a perfect storm of events since history has shown that capitalist development is the steady drumbeat of greater accumulation of wealth at the expense of larger and larger segments of the population – whether within national economies or as we move forward in the past decade to a global form of capitalist expansion. However, the twin pressures in the last two decades of the 20th century of an assault on government in general (that is, the theme that big government is unnecessary and wasteful started during the Reagan Administration and carried out through the Clinton years) and a steady dismantling of society's safety nets in the name of increased competitiveness in the global economy shifted a growing burden onto states and cities in the USA. While most point to the market collapse of September 2008 as the cause of spectacles like the crisis for states like California, the origins of this problem are much older.

O'Connor has revisited his earlier work on the fiscal crisis and points out in his new introduction (2002 [1973]: xxiv) that major changes in fiscal discipline occurred, including implementing a variety of monetary policies, privatization that made more funds available to private capital and shifted state functions to the private sector, a tax revolt reducing property taxes and crippling local and state governments' ability to generate revenue, and for many states in the USA a curtailing of budgets in general to support tax reduction, most often in the form of reducing social welfare and general services provided to the population. Neoliberal policy agendas globally had, and continue to have, some of the same impacts, especially as demands for more 'competitiveness' in each country or region is code for lowering wages, reducing the social safety net, and otherwise safeguarding profits in a 'new' global economy.

Now we have come to this point – not full circle but rather up (or is it down?) another level in this spiral of crushing impacts on local and state governments, of the immiseration of a larger portion of the population, and of a continuation of the crippling concentration of wealth and unequal income distributions exemplified by executive pay relative to the average worker climbing from multiples of 50 times then to upwards of 700 times now. President Obama seems to be unclear about his real agenda, and in the process he fails to convince most Americans (keep in mind all those born after 1960 have their lived their formative political years under this Reagan/Clinton mantra, through the property tax revolts, the 'revelations' of social welfare abuses, and most recently have experienced a shameless transfer of public resources to private interests) that government can and must function as the guardian and provider of last resort to meet the needs of its citizens. In the meantime, states are running out of resources as local revenue streams continue to shrink because of falling sales taxes as consumers spend less, local payroll tax revenues fall due to rising unemployment, and property tax collections lag (not due to falling housing prices – this is yet to come – but because of foreclosures and abandonment of property). Programs to address the growing needs of its citizens (and in the USA, of each state) are increasingly under duress. Furthermore, in the USA the privatization of public services like policing, prisons, and education (through charter schools) augments the more traditional role charities play in providing social welfare to the indigent. We keep finding money for security concerns, but the financial crisis has put a real dent in private charitable giving.

The articles that follow in this issue of the journal address in some way most of the concerns raised here. Ciancanelli addresses important concerns about how a capitalist business model of accounting and decision-making falls short when trying to manage what she calls social outcomes of non-profit and non-governmental agencies. Scarce resource allocation for these entities must not follow the simple cost calculus of the private sector because many of the benefits are derived from different value-rationalities. Service aims are not well served without the utilization of better budgeting technologies that offer rational decision-making consistent with the goals of the non-profits and non-governmental organizations.

The articles by Rosero and Erten and by Adair change our focus somewhat. The former asks whether regional financial integration outside the core advanced capitalist nexus may offer an opportunity for rising regional economies to avoid the financial crises and promote sustainable economic development. In short, they ask whether what they call anti-systemic movements in these regions can lead to counter hegemonic social formation. The result, they posit, is the potential for regional arrangements to challenge the global capitalist model of growth and development historically only benefiting the major industrial economies. Adair takes a somewhat different tack, looking at the role of information commodification in the context of increasing social inequality. The very form of a commodity in what is commonly called the 'information age' or the 'knowledge age' changes, diminishing the value of labor in creating exchange values and redefining the locus of profit-making in this latest form of capitalism. The implications, especially for the non-traditional economies steeped in knowledge and information production (India, the Philippines, and other Asian economies come to mind), are vast.

Schinkel asks us to consider the change in the way citizenship is viewed, especially when the nation state appears to have less and less meaning in the increasingly globalized political economy. Using the case of a shift from what he calls a formal to a moral citizenship frame in the Netherlands, Schinkel sees new trends in the moralization of citizenship. The result is a shifting, in accordance with neoliberal agendas, from a state having responsibility for the social welfare of its citizens, to the individual's responsibility to provide one's own services. This trend also impacts on the problem of how to integrate new citizens, and provides a space for state action in the form of paternalistic policies that maintain inclusion and exclusion of citizens in these moral societies. The implication, at a time when government resources are in decline, is support for a mechanism of selective provision of citizenship benefits to different segments of society.

The last two articles shift our focus somewhat, though they raise important points about how society chooses whom it helps. Hampton and Markert both use racism as a lens through which to explore the experiences and potentials of historically disenfranchised members in society. Hampton's use of what she refers to as race-ethnic and educational networks to track social capital formation reveals that white college-educated men still benefit the most even though they are least likely to cross the boundaries created by race-ethnic relations or educational attainment. The power of racial identities – both for minorities and the dominant white population – demonstrates the importance of identity politics in framing and, in many ways, providing for social outcomes. In spite of being within an organization seeking to equalize opportunities, these inequalities continue be reproduced. It is an important lesson to take in as we look for ways society can help communities stigmatized in the same way.

Ethnic identity complicates race-based interactions in society, says Markert. Growing populations of Hispanics amid the perceptions that many are not 'legal' (that is, do not deserve citizenship protections and benefits), and that they choose to remain apart because they appear to refuse to learn English, serve to intensify animosity between both blacks and Hispanics and whites and Hispanics at levels more intense than typical and historical levels of tension between blacks and whites. US society, and indeed others because of the ease of global migration into most traditional industrial societies, now struggle with the changing composition of their populations: Japan has limits on non-Japanese in the workforce, Europe has to come to terms with a rising tide of immigrants from outside its traditional borders, and the USA is soon going to become a majority-minority country. The level of hostility reserved for President Obama is, in the eyes of many, rooted in the fact that he represents the face of this new America.

Most analysts try to frame the current global events as a late-stage capitalist development crisis, as modern capitalism tries to spread out to other regions of the globe, ever looking for ways to increase profits and extract surpluses. There is some appeal to this model of capitalist development. However, as can readily be demonstrated, the recent period of international capital is very different from an earlier era when capitalist firms spread out from within national boundaries and imposed political and economic rules in other societies. A better understanding is gained, as suggested by Raewyn Connell (in plenary remarks made at the *Critical Sociology* conference held in San Francisco on 10 August 2009), by a comparison to a more appropriate period. There was a revolutionary and disruptive era in Europe during the early days of capitalism's emergence. At that time, as Marx noted, capitalism was a revolutionary force, breaking the bonds of feudal society. Since feudalism was not the same in each country forms of this systemic economic transformation differed. And as Barrington Moore (1993 [1966]) demonstrated, even the nature of the resulting political system varied across Europe (his was a model based on shifting class and economic sector alliances) as a result of the upheavals due to capitalism. Connell suggests what we see everywhere is the outgrowth of various struggles as non-European society and religion struggle anew to create their own particular form of capitalist development. The chaos is as much, if not more, due to these paroxysms of transformation as it is due to the global expansion of capitalism.

True, each nation is figuring out how to fit into this new era of globalization and how to increase its ability to create wealth under capitalism. But at the same time, each nation is dealing with its own form of social upheaval, with its own form of pre-capitalist social formation (each as different from European precursors to capitalisms as feudal arrangements in different parts of Europe were to each other). The history of the last 200–500 years (depending on whose version of capitalist development you follow) might well be the history of emergent capitalism and chaos in Europe. The history of this new millennium now coming to the close of its first decade may actually be a new beginning as the rest of the world breaks from the colonial legacy and seeks its own ways of developing a new economic reality. In either case, the questions of citizenship, of social responsibility and providing economic security continue to devolve to localities even as the transformation appears to be global in form and content.

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