

Civil Society and Human Security Research Unit public
discussion

Bottom-up Politics: an agency-centred approach to globalization

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LSE events

Suggested hashtag for Twitter users: #lsekaldor





Hertie School of Governance

Civil Society and the Financial Crisis: Transgression and Institutional Voids

Précis

We still have to wait until historians and social scientists shed light on the exact progression, causes and the main consequences of the global financial and economic crisis since 2008.

This paper argues that a dual transgression of global finance has created an institutional void in which an overarching regulatory framework and the normative corrective of civil society are equally absent.

Highlighting the evident dearth of societal actors in the domain of finance, we are left with a central governance question: **under what conditions could civil society act as a normative corrective to “re-embed” the financial system and thereby reverse the erosion of confidence in markets and democratic fabrics?**

The Problem

- Some fields or subsectors de-couple, transgress, achieve a dynamic of their own
- Not a new phenomenon, e.g., dis-embedding of markets
- But more frequent in context of global governance problem
- Creates institutional voids, e.g., areas of weak institutional capture
- Voids can spread, e.g., finance to „real“ economy; health care to education
- What can we do about them?

The Argument

- Financial sector a prime example of an institutional void through dual transgression
 - Loss of local embeddedness (civil society, local orientation)
 - Transnationalization
 - At global governance level
 - Low institutionalization
 - Weak organizations
- ➔ Need for re-coupling, “reining finance back in”

The Proposal

- Concerted effort, not by governments and regulators, but civil society plus
- Role of foundations as independent actors to build civic infrastructure for finance
- Build expertise, support movements
- Combine new forms of popular protest with financial autonomy of foundations, and the expertise of new experts
- Longer term project
- Sustained investment needed

Requirements, Institutions and Organisations



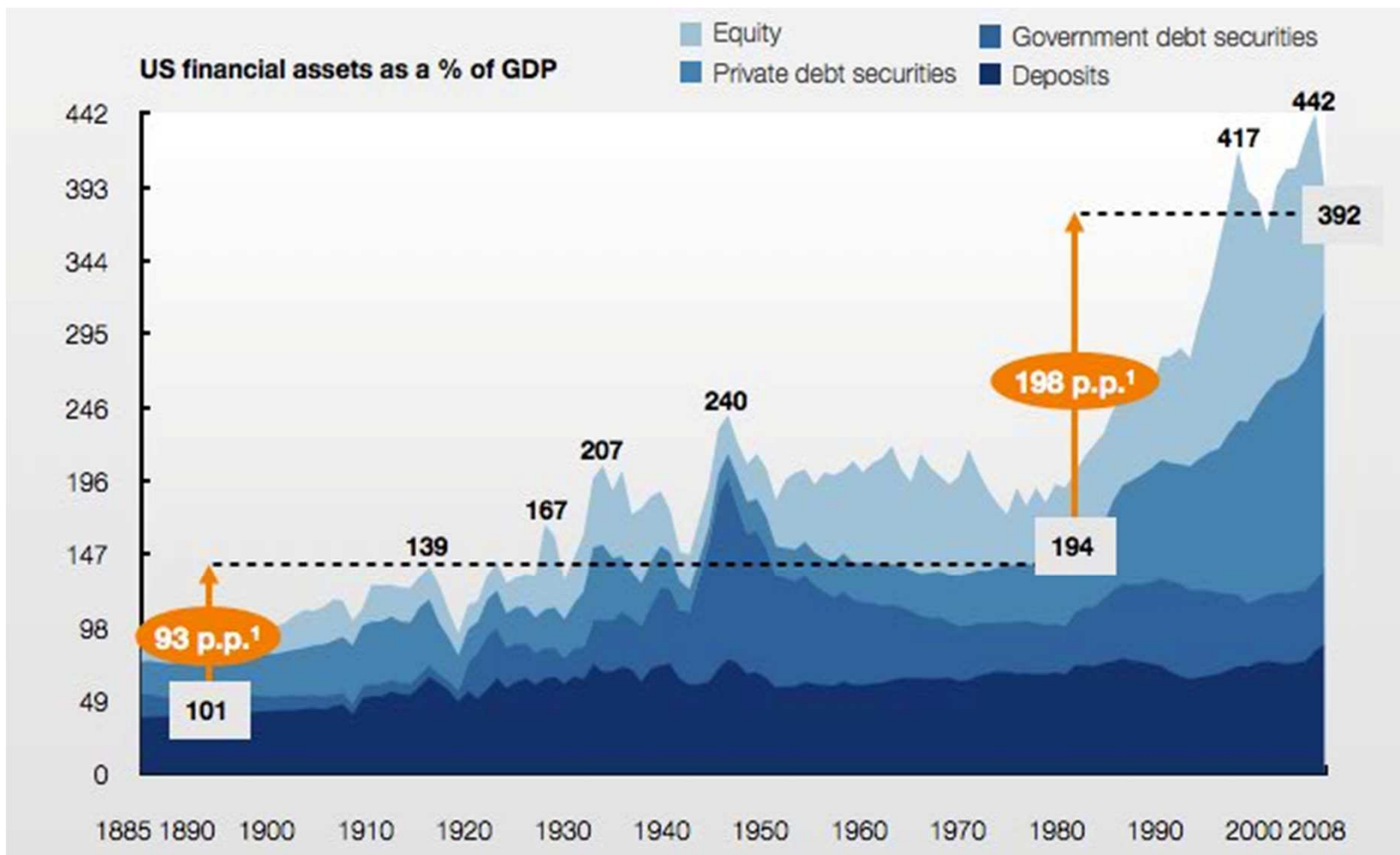
	Institutions adequate to requirements of policy domain	Institutions inadequate to requirements of policy domain
Organisations adequate to institutional specifications	<p><i>Adaptive Coping</i></p> <p>Example: corporatism, autonomy in wage bargaining;</p>	<p><i>Institutional Deficit</i></p> <p>Example: NATO security policy 1980s-90s; higher education 1990</p>
Organisations inadequate to institutional specifications	<p>Organisational Deficit</p> <p>Example: NATO security policy 2010s, higher education 2010's, environmental policy</p>	<p>General Under-Institutionalisation/ Institutional Void</p> <p>Example: global, financial system</p>

Congruency between Requirements, Institutions and Organisations and embeddedness / transgression



	Congruency between requirements, institutions and organisations	Incongruency between requirements, institutions and organisations
Societal Embeddedness	<p><i>Legitimacy dividend and adaptive advantage</i></p> <p>Example: Environmental Policy</p>	<p><i>Legitimacy risk</i>; Necessity for discussion and for political action</p> <p>Example: German Agenda 2010</p>
Societal Transgression	<p><i>Legitimacy risk</i>; Necessity for discussion and for political action</p> <p>Example: European policy</p>	<p><i>Legitimacy Deficit</i> for Democracy</p> <p>Example: Current finance policy</p>

Finance: Asset growth over time



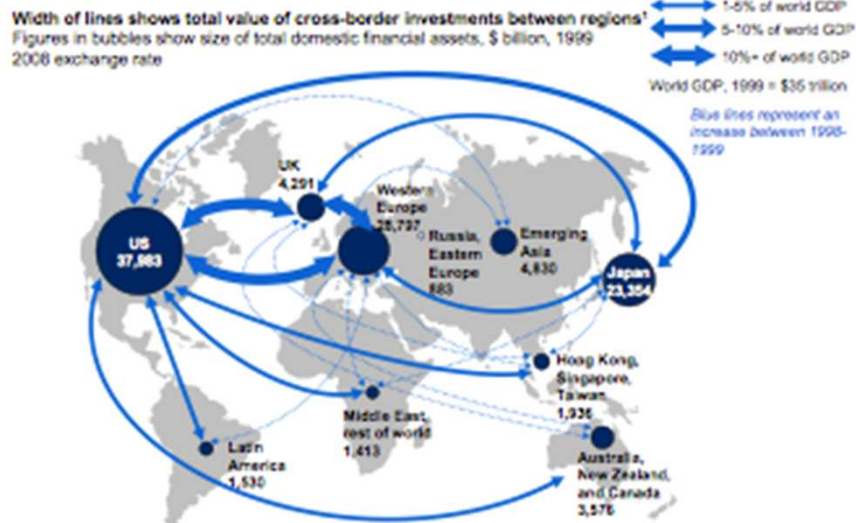
¹ Percentage points of GDP

Source: Federal Reserve; National Bureau of Economic Research; Robert Shiller, McKinsey Global Institute analysis

Cross Border Flows



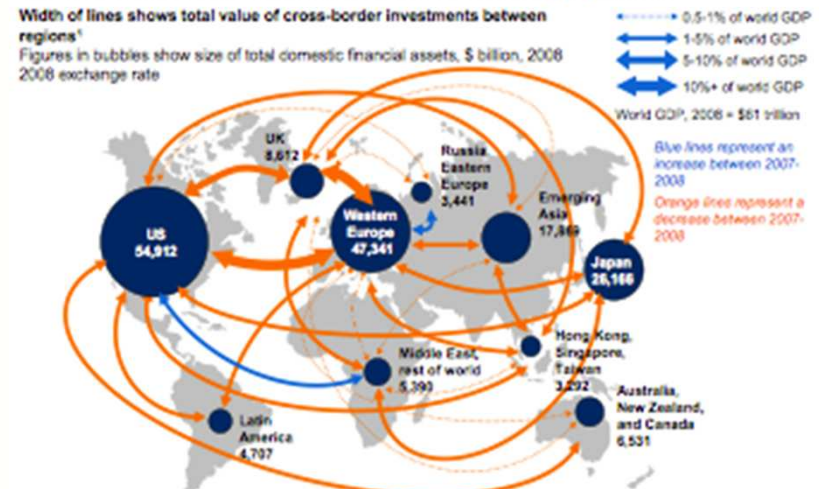
The web of cross-border investments in 1999



¹ Includes total value of cross-border investments in equity and debt securities, lending and deposits, and foreign direct investment.
 SOURCE: McKinsey Global Institute Cross-Border Investments database

Exhibit 13

The web of cross-border investments weakened slightly in 2008



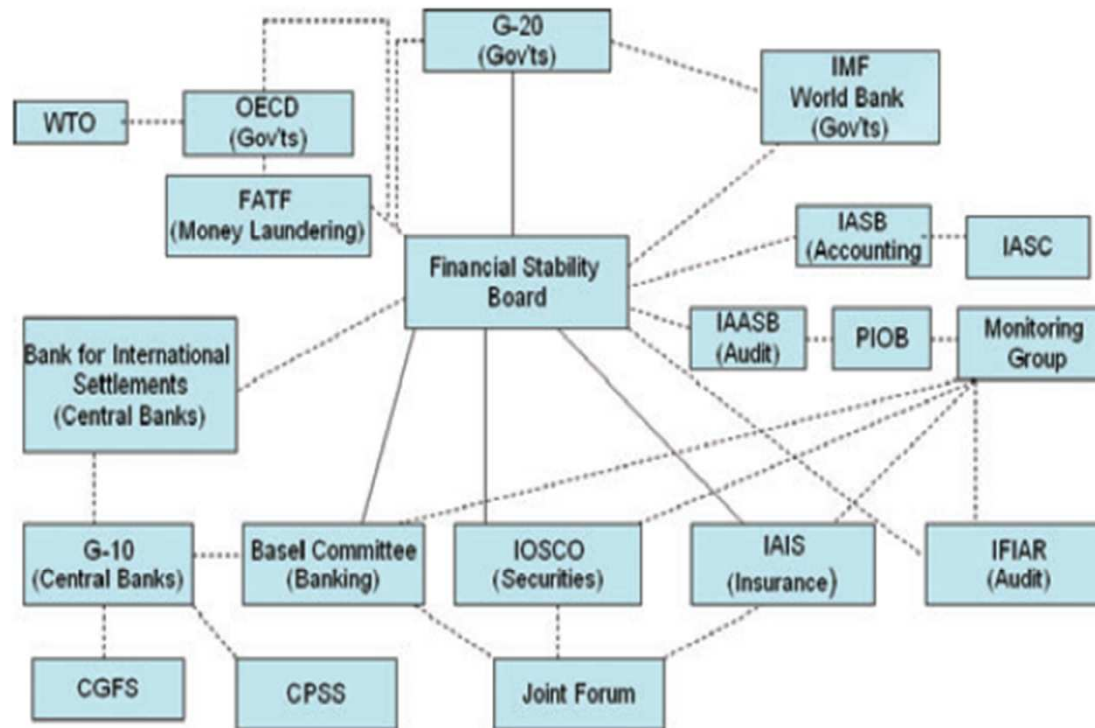
¹ Includes total value of cross-border investments in equity and debt securities, lending and deposits, and foreign direct investment.
 SOURCE: McKinsey Global Institute Cross-Border Investments database

Source: http://www.mckinsey.com/mgi/reports/pdfs/sixth_annual_report/fifth_annual_report.pdf

Global Committee Structures



Figure 1. Global committee structure: a regulator's view.



Source: Adapted with permission from Sloan and Fitzpatrick in Chapter 13, *The Structure of International Market Regulation*, in *Financial Markets and Exchanges Law*, Oxford University Press, March 2007.



Nonprofit Organisations in Finance Field, USA

Year	Nonprofit Organisations in Finance		Nonprofit Organizations		Relative	
	Number	Expenditure in millionen Dollars	Number	Expenditure in millionen Dollars	Number	Expenditure in millionen Dollars
1989	77	\$311	137.459	\$603.152	0,06%	0,05%
1990	85	\$354	145.703	\$623.862	0,06%	0,06%
1991	84	\$369	155.350	\$685.454	0,05%	0,05%
1992	86	\$422	164.848	\$714.060	0,05%	0,06%
1993	91	\$451	171.742	\$748.727	0,05%	0,06%
1994	104	\$469	181.283	\$773.302	0,06%	0,06%
1995	119	\$500	190.531	\$780.060	0,06%	0,06%
1996	120	\$491	200.161	\$829.371	0,06%	0,06%
1997	132	\$553	218.341	\$860.169	0,06%	0,06%
1998	128	\$613	227.706	\$919.397	0,06%	0,07%
1999	142	\$617	249.886	\$1.010.804	0,06%	0,06%
2000	133	\$666	252.006	\$936.874	0,05%	0,07%
2001	135	\$722	264.821	\$985.046	0,05%	0,07%
2002	141	\$887	278.490	\$1.076.748	0,05%	0,08%
2003	141	\$1.136	289.283	\$1.124.194	0,05%	0,10%
2004	143	\$946	303.077	\$1.166.512	0,05%	0,08%
2005	151	\$1.025	315.224	\$1.215.950	0,05%	0,08%
2006	157	\$1.109	328.689	\$1.280.629	0,05%	0,09%
2007	160	\$1.063	344.875	\$1.333.030	0,05%	0,08%
2008	159	\$1.226	356.728	\$1.379.017	0,04%	0,09%
2009	161	\$1.164	368.816	\$1.443.843	0,04%	0,08%

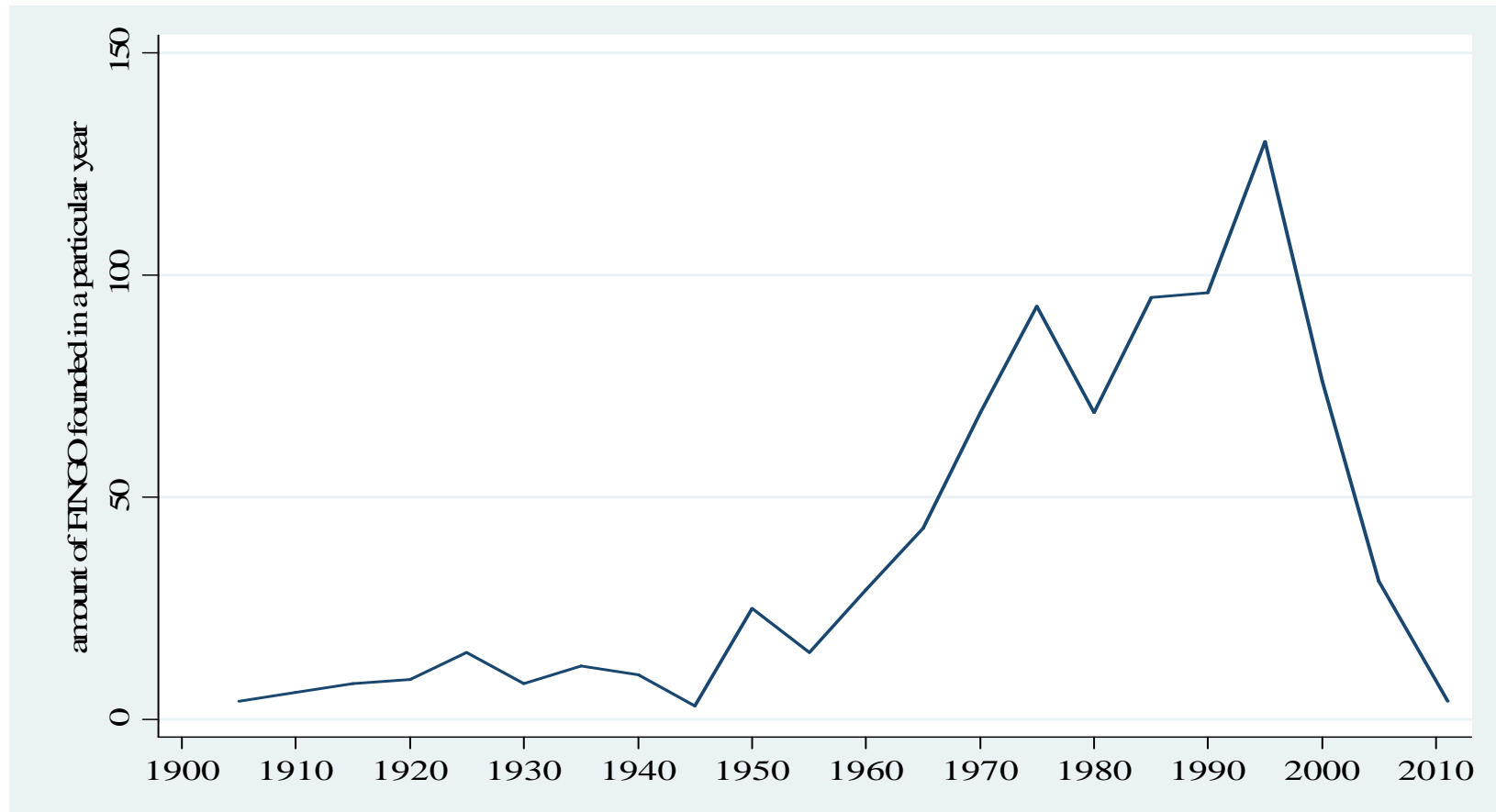


International NGOs in Finance Field, by year

Period	Number	%	Com.
- 1800	2	0,2%	0,2%
1811-1820	2	0,2%	0,5%
1851-1860	2	0,2%	0,7%
1881-1890	5	0,6%	1,3%
1891-1900	3	0,3%	1,6%
1901-1910	10	1,2%	2,8%
1911-1920	17	2,0%	4,7%
1921-1930	23	2,7%	7,4%
1931-1940	22	2,5%	10,0%
1941-1950	28	3,2%	13,2%
1951-1960	44	5,1%	18,3%
1961-1970	112	13,0%	31,3%
1971-1980	162	18,8%	50,0%
1981-1990	191	22,1%	72,1%
1991-2000	206	23,8%	95,9%
2001-2011	35	4,1%	100,0%
Total	864	100,0%	



International NGOs in finance field by year of founding





“Web Activism Sites” in international finance

Name	Single Visitors July 2011 / Oct2011	Page clicks July 2011 / Oct 2011	Average time visited
www.finance-watch.org	< 10.000	Insufficient data	Insufficient data
www.ifivatchnet.org/	< 10.000	Insufficient data	Insufficient data
www.jubileedebtcampaign.org.uk	10.000	Insufficient data	Insufficient data
www.oikos-international.org/	< 10.000	Insufficient data	Insufficient data
www.brettonwoodsproject.org/	< 10.000 / 9.600	30.000 (Oct)	Insufficient data
www.eurodad.org/	< 10.000	Insufficient data	Insufficient data
www.transparency.org	52.000 / 62.000	350.000 / 560.000	7:50
www.attac.org/	24.000 / 42.000	120.000 / 240.000	4:00
www.socialbusinesstour.com/	< 10.000	Insufficient data	Insufficient data

Comparison:

www.greenpeace.org	690.000 / 830.000	3,2 Mio. / 5 Mio	4:50 / 5.3
www.hrw.org	200.000 / 170.000	830.000 / 1.1. Mio	5:20 / 6.0
www.amnesty.org	290.000 / 460.000	2,2 Mio. / 3.2 Mio	5:20 / 4.5



: “Web Activism Sites” associated with the Occupy Movement

Website	Unique visitors July - October 2011	Page views July - October 2011	Total visits July - October 2011	Mean time on website July - October 2011
www.occupywallstreet.org	120.000 / 240.000	520.000 / 1,6Mio	240.000 / 570.000	4:30 / 5:30
www.occupytogether.org	43.000 / 350.000	240.000 / 2Mio	96.000 / 820.000	5:30 / 4:50
wearethe99percent.tumblr.com	36.000 / 420.000	120.000 / 2,4Mio	66.000 / 850.000	5:20 / 7:10

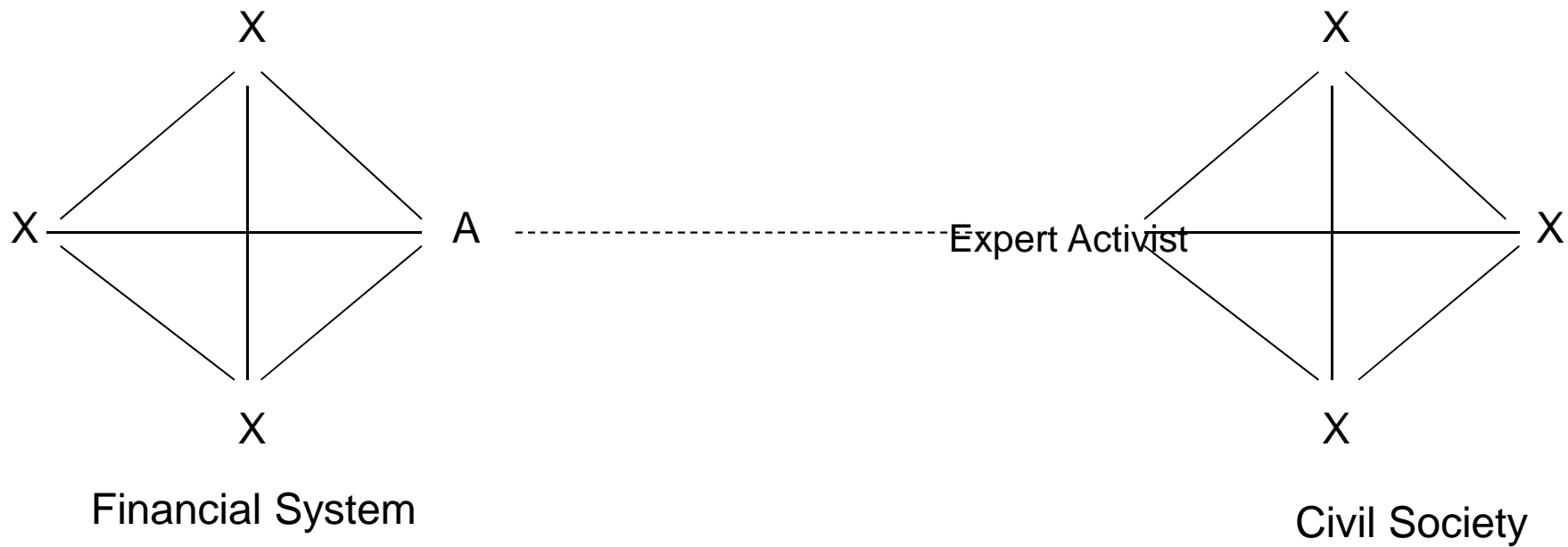


Foundation Initiatives in Finance Field

Type of Engagement	Civil society initiatives with support from philanthropic foundations
Research, Awareness, Information, Education	<ul style="list-style-type: none"> • Institute for New Economic Thinking • Task Force on Financial Integrity and Economic Development • New Era Economics Programme, IPPR • New Economics Foundation • High Pay Commission • Future Social Market Economy
Advocacy	<ul style="list-style-type: none"> • Bretton Woods Project • Tax Justice Network • Bank Information Center • Corporate Watch • Corporate Europe Observatory
Ethics	<ul style="list-style-type: none"> • Your Ethical Money • Fair Pensions • Social Business Tour

Quelle: Fioramonti, Lorenzo; Thümler, Ekkehard: Civil Society and the Accountability of Financial Markets: the Role of Philanthropic Foundations. Centre for Social Investment, Heidelberg, 2011

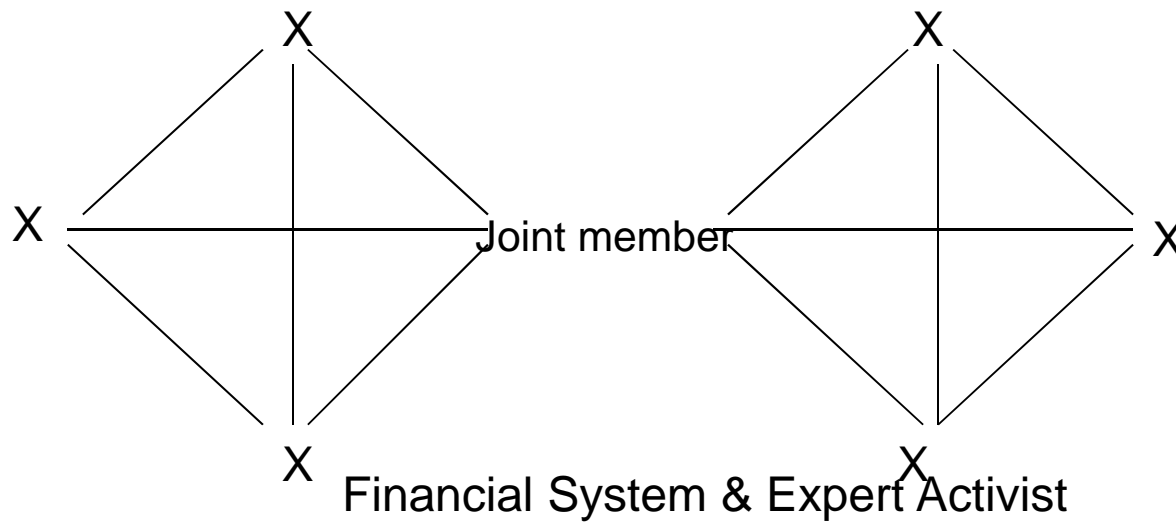
A. Weak Tie Configuration



B. Structural Holes and Closure



C. Structural Folds and Intergroup Cohesion





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- Role of foundations as independent actors to build civic infrastructure for finance
- Build expertise, support movements
- Combine new forms of popular protest with financial autonomy of foundations, and the expertise of new experts
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