

Civil Society and Human Security Research Unit public discussion



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

Professor Helmut Anheier

*Professor of sociology,  
Hertie School of Governance, Berlin*

Professor Marlies Glasius

*Visiting Fellow, Civil Society and Human Security  
Research Unit, LSE*

Professor Mient Jan Faber

*Professor Emeritus, Free University,  
Amsterdam*

Professor Mary Kaldor

*Director, Civil Society and Human Security Research  
Unit, LSE*

Dr Denisa Kostovicova

*Chair, LSE*



**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



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

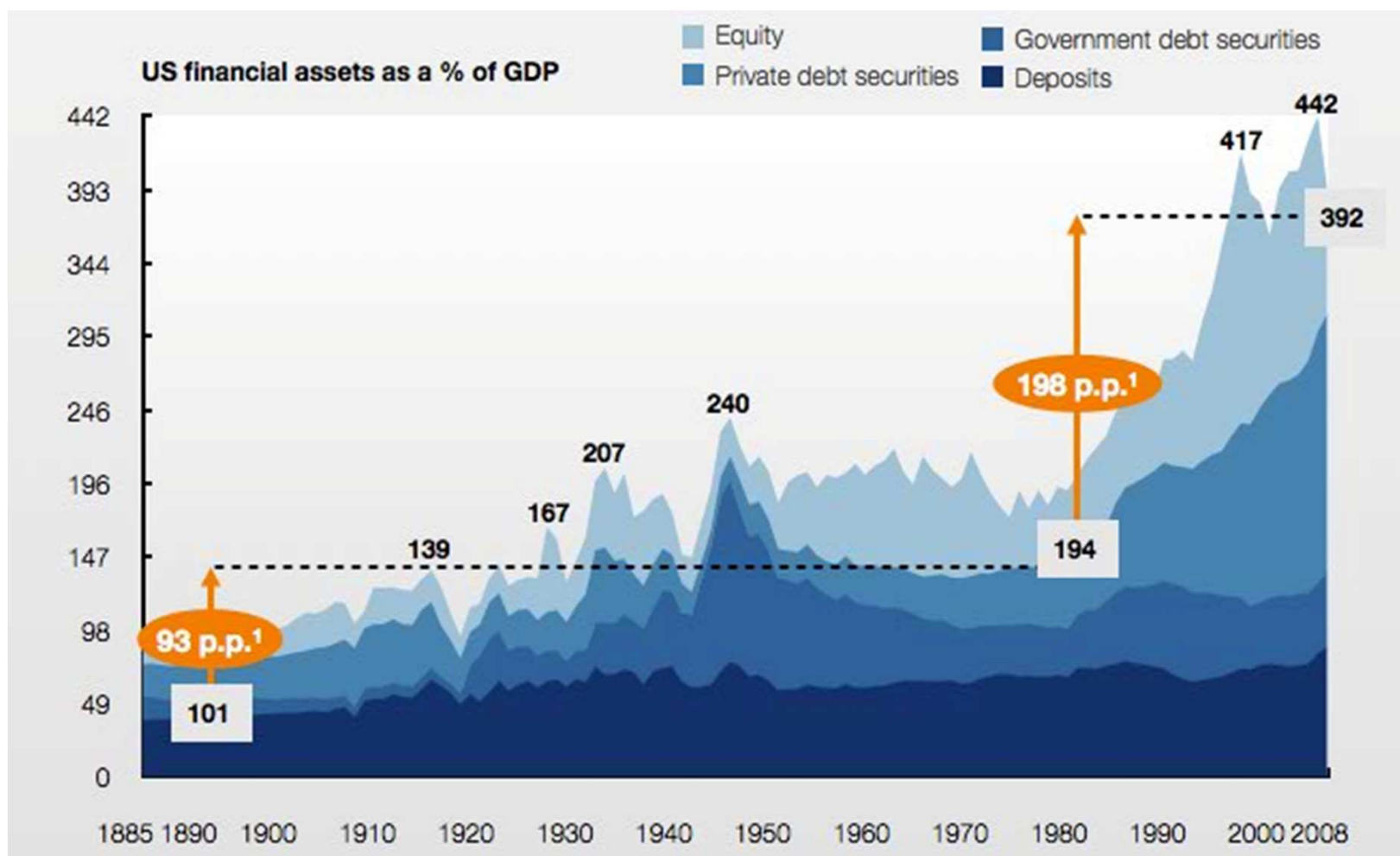
# Congruency between Requirements, Institutions and Organisations and embeddedness / transgression



	Congruency between requirements, institutions and organisations	Incongruency between requirements, institutions and organisations
<b>Societal Embeddedness</b>	<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>
<b>Societal Transgression</b>	<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



<sup>1</sup> 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

Width of lines shows total value of cross-border investments between regions<sup>1</sup>  
Figures in bubbles show size of total domestic financial assets, \$ billion, 1999  
2008 exchange rate



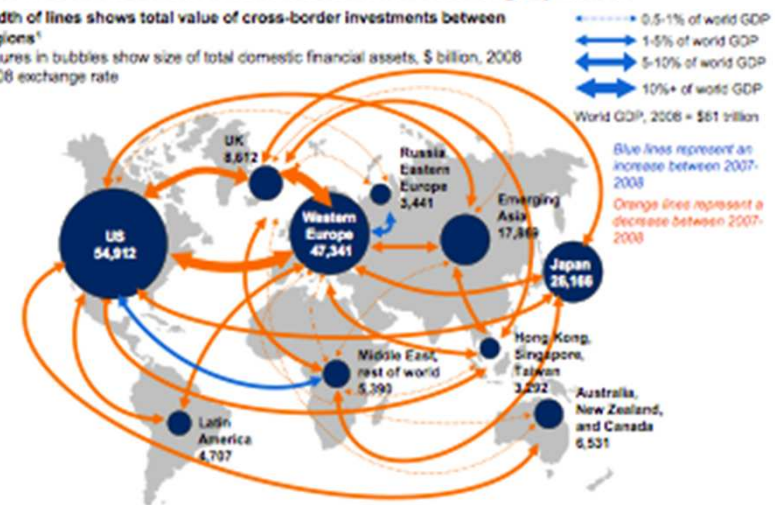
<sup>1</sup> Includes total value of cross-border investments in equity and debt securities, lending and deposits, and foreign direct investment.

SOURCE: McKinsey Global Institute Cross-Border Investments database

Exhibit 13

The web of cross-border investments weakened slightly in 2008

Width of lines shows total value of cross-border investments between regions<sup>1</sup>  
Figures in bubbles show size of total domestic financial assets, \$ billion, 2008  
2008 exchange rate



<sup>1</sup> Includes total value of cross-border investments in equity and debt securities, lending and deposits, and foreign direct investment.

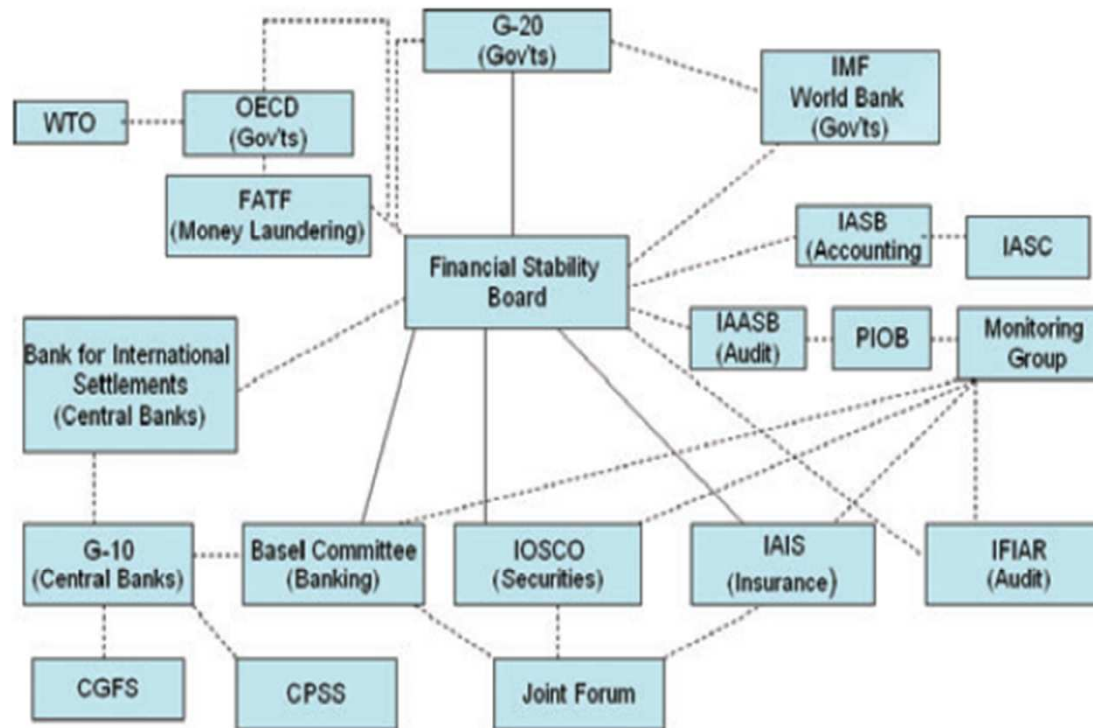
SOURCE: McKinsey Global Institute Cross-Border Investments database

Source: [http://www.mckinsey.com/mgi/reports/pdfs/sixth\\_annual\\_report/fifth\\_annual\\_report.pdf](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

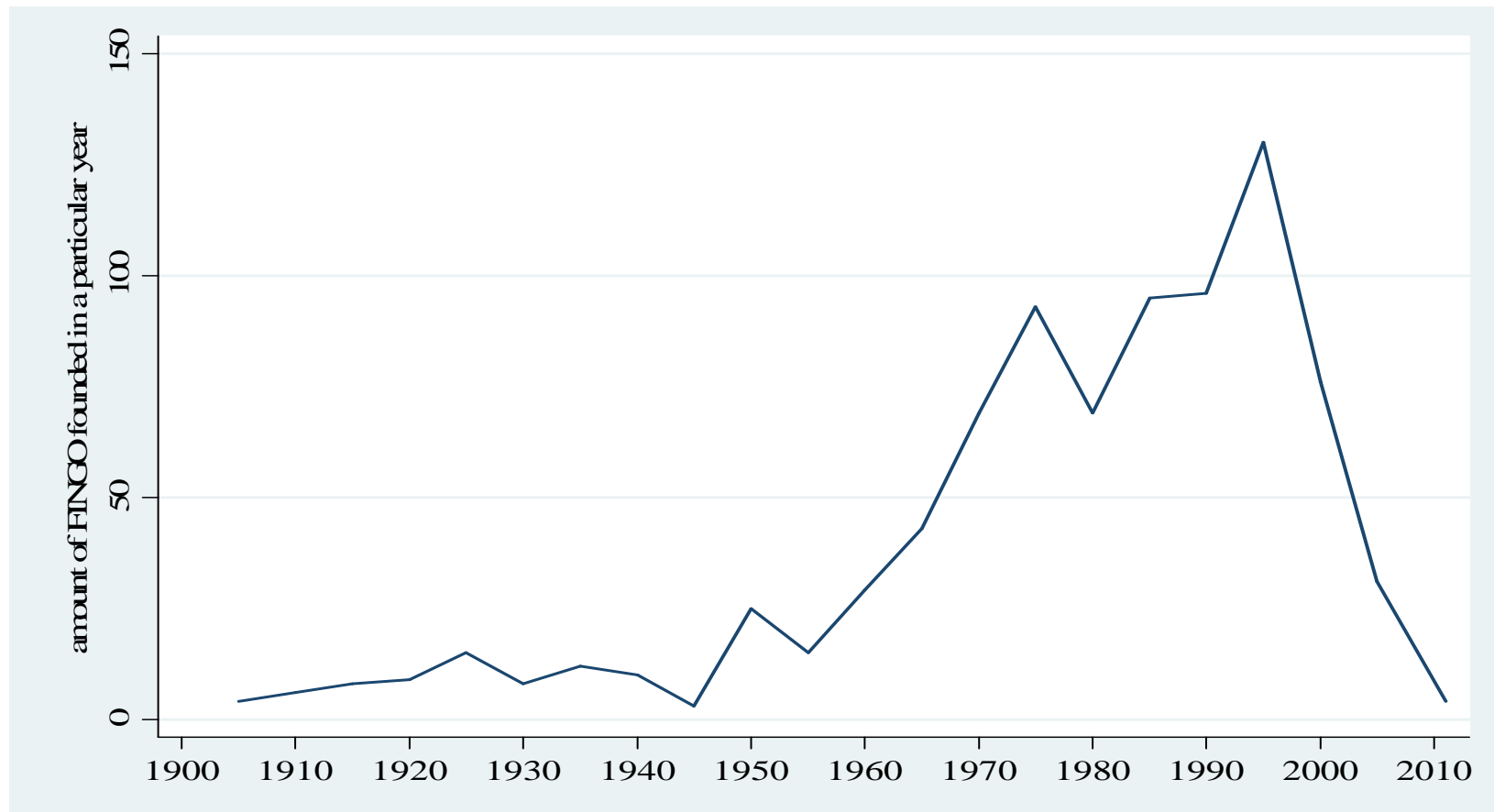
	Nonprofit Organisations in Finance			Nonprofit Organizations			Relative	
Year	Number	Expenditure in millionen Dollars		Number	Expenditure in millionen Dollars		Number	Expenditure in millionen Dollars
1989	77	\$311		137.459	\$603.152		0,06%	0,05%
1990	85	\$354		145.703	\$623.862		0,06%	0,06%
1991	84	\$369		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%
<b>2009</b>	<b>161</b>	<b>\$1.164</b>		<b>368.816</b>	<b>\$1.443.843</b>		<b>0,04%</b>	<b>0,08%</b>



## 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 / Oct 2011	Page clicks July 2011 / Oct 2011	Average time visited
<a href="http://www.finance-watch.org">www.finance-watch.org</a>	< 10.000	Insufficient data	Insufficient data
<a href="http://www.if-watch.net">www.if-watch.net</a>	< 10.000	Insufficient data	Insufficient data
<a href="http://www.jubileedebtcampaign.org.uk">www.jubileedebtcampaign.org.uk</a>	10.000	Insufficient data	Insufficient data
<a href="http://www.oikos-international.org/">www.oikos-international.org/</a>	< 10.000	Insufficient data	Insufficient data
<a href="http://www.brettonwoodsproject.org/">www.brettonwoodsproject.org/</a>	< 10.000 / 9.600	30.000 (Oct)	Insufficient data
<a href="http://www.eurodad.org/">www.eurodad.org/</a>	< 10.000	Insufficient data	Insufficient data
<a href="http://www.transparency.org">www.transparency.org</a>	52.000 / 62.000	350.000 / 560.000	7:50
<a href="http://www.attac.org/">www.attac.org/</a>	24.000 / 42.000	120.000 / 240.000	4:00
<a href="http://www.socialbusinesstour.com/">www.socialbusinesstour.com/</a>	< 10.000	Insufficient data	Insufficient data

Comparison:

<a href="http://www.greenpeace.org">www.greenpeace.org</a>	690.000 / 830.000	3,2 Mio. / 5 Mio	4:50 / 5.3
<a href="http://www.hrw.org">www.hrw.org</a>	200.000 / 170.000	830.000 / 1.1. Mio	5:20 / 6.0
<a href="http://www.amnesty.org">www.amnesty.org</a>	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



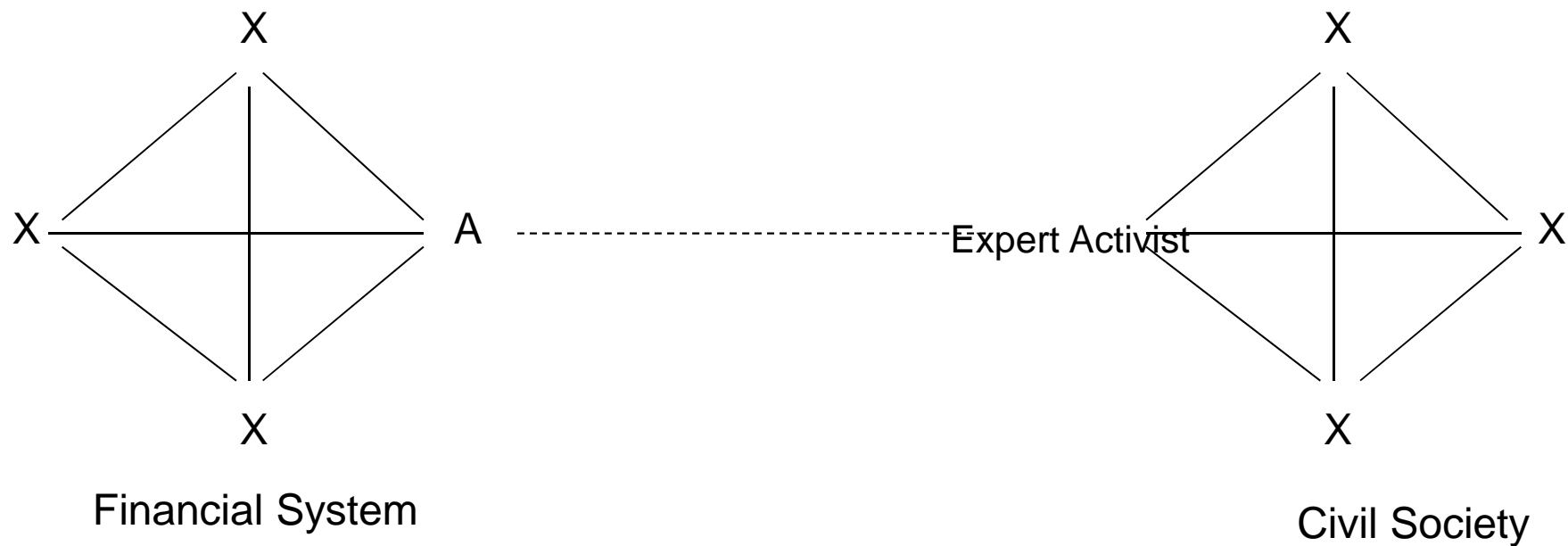


# Foundation Initiatives in Finance Field

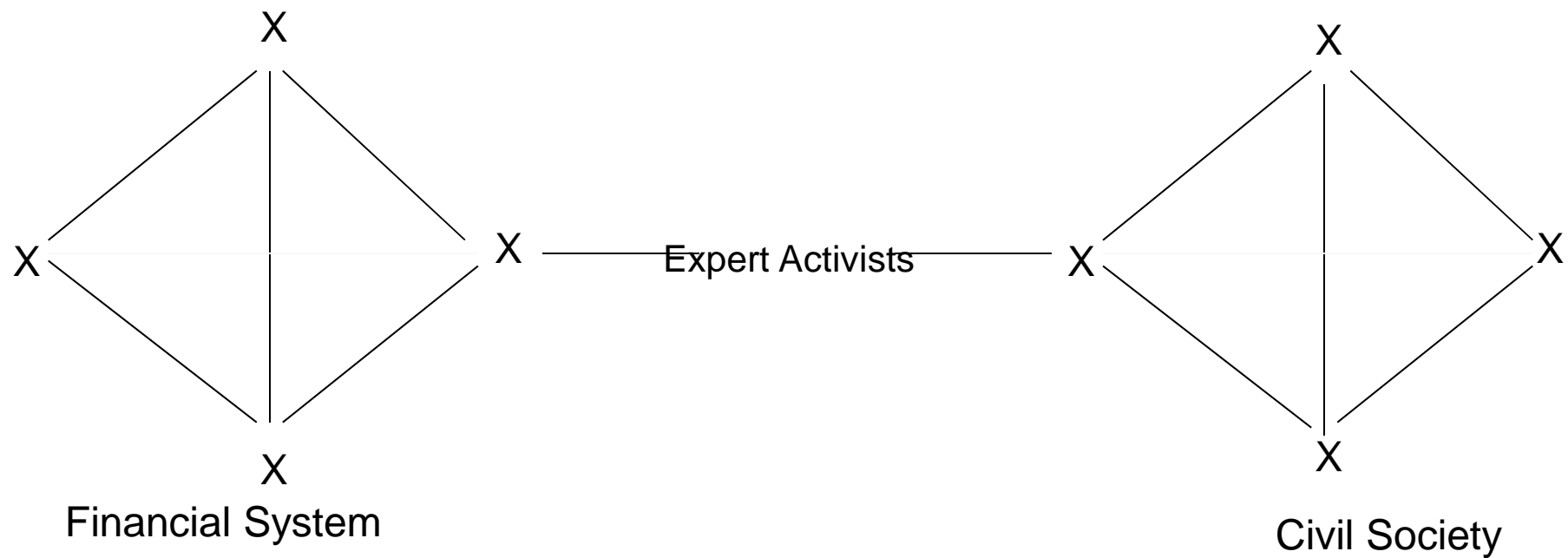
Type of Engagement	Civil society initiatives with support from philanthropic foundations
<b>Research, Awareness, Information, Education</b>	<ul style="list-style-type: none"> <li>• Institute for New Economic Thinking</li> <li>• Task Force on Financial Integrity and Economic Development</li> <li>• New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

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

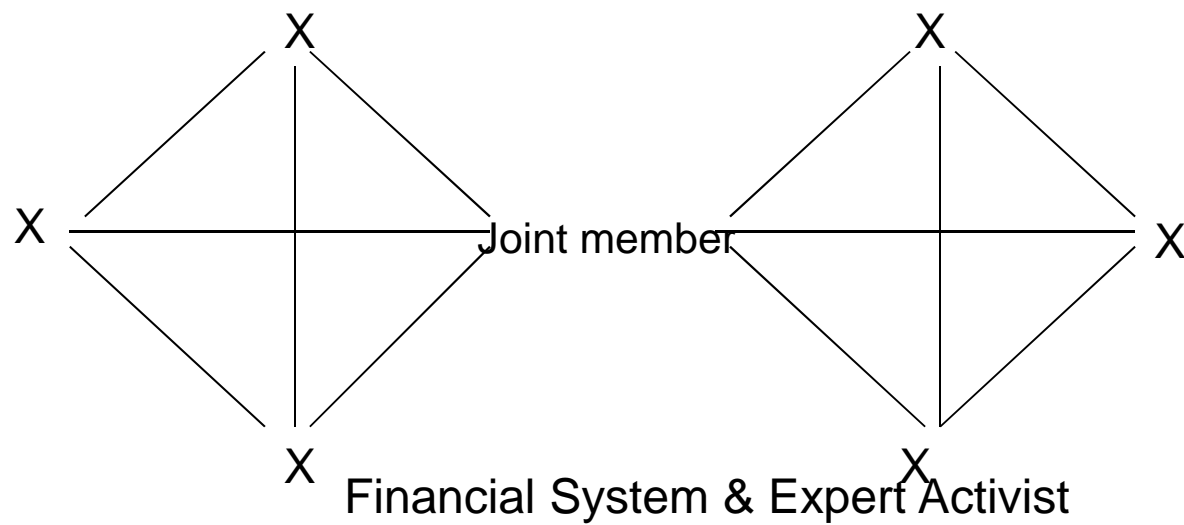
# A. Weak Tie Configuration



## B. Structural Holes and Closure



# C. Structural Folds and Intergroup Cohesion





- 
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