

## Cataclysms and Change of World Society:

### The financial crisis as paradigm

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*WORLD\_DRIVES association  
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**Public 'backs economic reforms': A BBC World Service survey of 29,000 people finds broad support for global economic reform ahead of the G20 summit. (Headline 31/04/09)**

A world wide survey of 24 countries confirms that the financial crisis produces insecurity among people. It generates a strong appeal for measures to change the international as well as national Economic system. Nine from ten (for instance Portugal) and majorities of two thirds to three quarters of population support new regulations. It seems that emerging countries, India, Russia, Brazil are rather less articulating such international changes. However if one looks at the primary needs of people the rising food prices are the higher burden (47%) compared to the impacts of downturn in global economy (31%).

The financial crisis needs besides monitoring of events an indepth interpretation of its impacts summarised in the paper.



*World observatory  
six scenarios of global developments*

***Civil World:** trends shape the international society as civil society, the dream and vision of Immanuel Kant.*

***One World:** trends shape the international society as one world, the dream and vision of Adam Smith.*

***Domesticating World:** trends shape the international society as order based on power, the vision of Thomas Hobbes.*

***Negotiated World:** trends shape the international society as society of "round tables" and successful negotiations, the vision of Jean-Jacques Rousseau.*

***Own World:** trends shape the international society as coexistence of nations, imperia and regions based on identities and the own traditions, the vision of Konstantin Leontjew.*

***Threatened World:** trends lead the international society towards unsolvable problems, catastrophes; it is the vision of Cassandra.*

See for concept and event analysis:

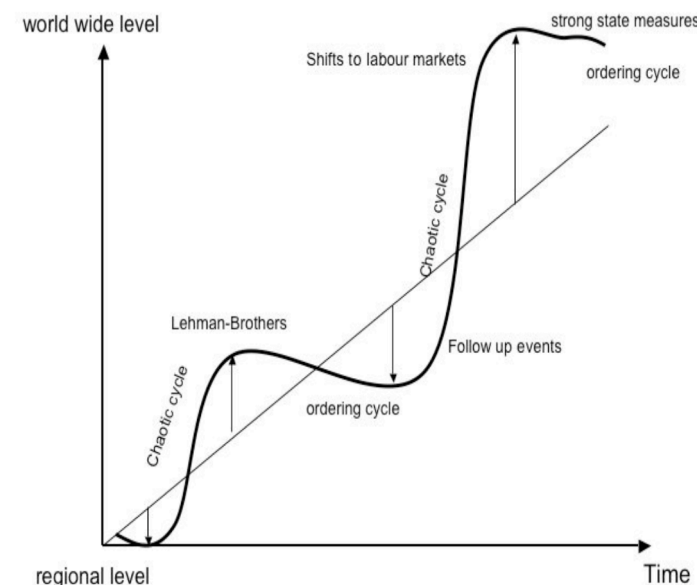
[http://www.culturprospectiv.ch/de/world\\_observatory](http://www.culturprospectiv.ch/de/world_observatory)

**Abstract:** The financial crisis is the most recent cataclysm generating a worldwide increase of insecurities. The essay outlines a concept of how current financial events impacted transnational and global processes. Thereby the efforts for filling the deficits by societal images due to financial affairs are emphasized, i.e. the symbolic aspects. It is rare in world society's recent history that well established images have been put into question without any offers for new orientations in such a short period. It seems that one stays before a new paradigm of world society's trajectory. The financial crisis is not the first but – in recent time – a very significant new type of global cataclysms compared to Chernobyl, Tsunami, Katrina and others. The essay shows that rules can be identified of how a crisis challenges the efforts to respond to chaos and deficits. It seems evident that the financial crisis goes beyond the financial and economic sectors, the scenario of one world (Smith) and affects the developments of nearly all streams of events, i.e. civil trends (Kant), power rivalries (Hobbes), negotiating efforts (Rousseau) and the relevance of own world (Leontjew) – see right.

The observation of daily events reveals trends and paths of global development (figure 2). During September 08 the negative events in scenario one world (Smith) reached an extraordinary peak. In October 08 nearly all scenarios of global developments have been affected; mainly “Cassandra” notifying the financial as catastrophe-like events increased (p. 7). But also a clear shift to negotiate the impacts of crisis was evident (Rousseau). Are there rules explaining the change of responses to this exorbitant course of events?

### *Chaos versus order*

In figure 1 the cycle of images responding to a cataclysm are illustrated. In contrast to catastrophes like Chernobyl or Tsunami the financial breakdowns shocked at the beginning by data and figures followed later by suicides, falls of prominent leaders, tragedies of people illustrating the crisis. A first chaotic cycle of events was contextually restricted to the US. But evidently the financial affairs contaminated in very short time a series of banking institutions linked to the US money markets. This first cycle of chaotic events needed immediately strong efforts for ordering. Important



*Figure 1: The expansion of financial crisis – an example of chaotic and ordering cycles:*

*Waves of chaotic events have been responded by efforts for pacifying fears; the event analysis shows how the negative events and impacts expand on a worldwide scale. The order cycles fail, oscillation continues and the normal line (underlined by previous prosperities and success) is never reached until today. In the last days pressures for more (state) regulation increased strongly, mainly triggered by Obamas unexpected focus on ordering rules.*

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persons tried to pacify the disorders and associated fears. But it was not possible to contain the insecurities within the financial (and economic) sectors. A series of local, national and international conferences followed. However the crisis expanded and new waves of events reached transcontinental and worldwide extensions. They absorbed the ordering gestures and measures gained in the US and in linked national actors relevant in financial affairs. Responses (offered by experts, data collections and research) remained ambiguous, were rejected or evoked further doubts. The wave of chaos reached the international communities in the North, the East and the South.

In more general terms: a catastrophe in a world region leads to waves of chaos (unexpected events). They can be hardly flattened through convincing images that a new order can be established. The initial events in the restricted areas (US) transmitted the waves of chaos to international global level. Much more, the chaotic bad events in scenario *one world* (Smith) migrated to that of *civil society* (Kant): questioning established norms in financial affairs and to that of *negotiating* (Rousseau): trying to find

agreements by interactions and conferences. But as the crisis expanded worldwide the *domesticating* efforts (Hobbes) have been affected. US as centre of the crisis-events falls down as agent for order. Current the new soft strategies of Hillary Clinton in Asia verify this fall. US as hegemonic leader has to risk enormous efforts to overcome the insecurities. The election of American President Obama and its intense engagement for a state oriented pacification of the crisis is a response to the extreme deviation of world wide chaos from the normal line, in fact, the events could mark historical change.

Let's make a comparison to Chernobyl as earlier catastrophe: There is some evidence that the breakdown of the Soviet Union in the early 90-ties was one of the aftermath of the catastrophe and, connected with it, the erosion of the old trusty image of the overall control power competently concentrated in Moscow. It was dramatically illustrated by the waves of chaos produced through the Chernobyl accident also starting in a local arena but diffusing regional and transnational borders.

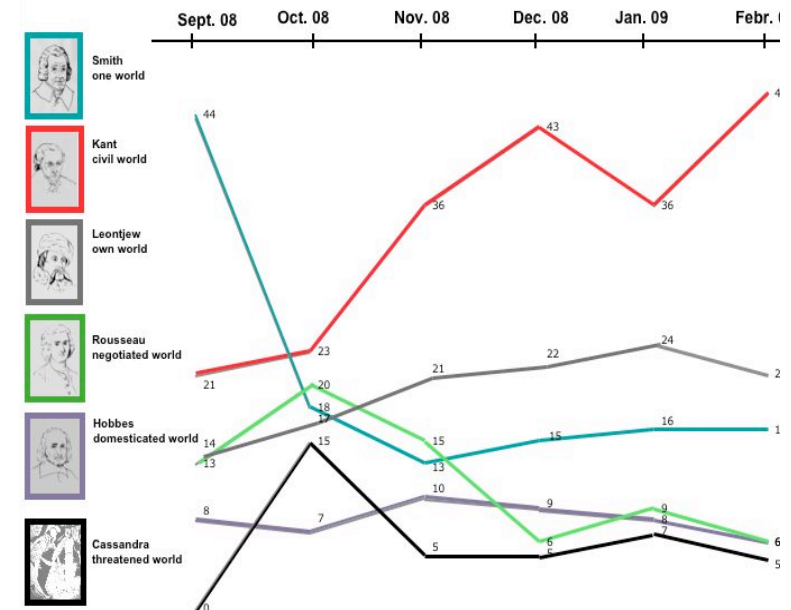


Figure 2: In September 08 the financial crisis dominated, i.e. the negative signals from one world. In October they affected the negotiating world and Cassandra, threatening world. Since that time civil society increases influenced by impacts of financial breakdowns, for instance strikes, disputes on ethics. The second scenario is that of own world.

Events of Smith scenario in March 09. The following list of events are a selection. It demonstrates how it changed the character since September 08.

**Grey zone:** The bad news of chaos migrated into events revealing negativ impacts on economy, society and future outlooks.

**Blue zone:** the events of Smith scenario reveal ordering intentions and interests by public and state intervention or help (i.e. the aspects of Hobbes's scenario).

**Red zone:** the events of Smith scenario reveal that intentions and interest to hold, regain or enlarge the transnational hegemony or questions of global leadership.

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### ***Symbolic games as power and structural rivalries***

As mentioned the election of Obama is linked to a power change triggered by the financial crisis. It illustrates a very relevant impact of crisis developments. Therefore, the events are games of actors; during a chaotic cycle the established figures are confronted with new actors. The chaos opens a range of facilities to mutate from excluded figures to included players. In the first periods they emphasize the chaotic information and fight against the mythical constructions or the forgotten or forbidden silent zones. The critics addressed to the financial management are unique in recent periods.

Opposing actors mobilise their own experiences, images and competences; they attack the over-stretched and flattened official information used by the players heading the institutions and responsible of the crisis. Events make visible struggles between new players in face of established ones as rivals. The question is who will win?

There are evidently cases where the catastrophe led to dismissals and caused a substitution of elites. But often the strategies and imagery helped to preserve the old elites in power. The

financial crisis confirms both rules. While some end in courts and prison, others regain influence and rewards for stabilizing and managing the crisis.

### ***How to fill the vacuum?***

High levels of fear, insecurities and panics have to be coped with: the creation of images providing orientations and sense is subjected to an enormous stress. For the financial crisis empirical studies are missing but first surveys are available (see global survey p.1). Other “hot periods” of critical events show that ad-hoc images respond to the chaos. These images created by actors can be described between two poles: at the first pole patterns focus on the *bad* versus *good* societal models. The liberal free-market model, for instance, is contested even as the best way to one world. This trend is obvious in many international and national arenas, for instance strongly supported by France. But there is still a lack of alternatives, since the free market model dominated during a period of expansion, development, welfare and richness; it became the “normal line” for large parts of global society. Intense efforts are necessary in order to find alternatives or

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**Public 'backs economic reforms'** A BBC World Service survey of 29,000 people finds broad support for global economic reform ahead of the G20 summit.

**France is threatening G20 walkout** France tells the BBC it will walk away from the G20 summit if its demands for stricter financial regulation are not met.

30

**Obama gives car firms deadlines** President Barack Obama gives US carmakers GM and Chrysler strict deadlines to complete restructuring before receiving more state aid.

**France set to ban bank bonuses** France confirms it will issue a decree banning bonuses for executives of banks that have received government aid.

**US plans to rein in Wall Street** US Treasury Secretary Timothy Geithner is outlining plans to strengthen the US government's grip on the financial system.

25

**Obama pledges economic recovery** US President Barack Obama tells Americans he sees signs of economic recovery, while urging them to be patient

24

**Top AIG bosses 'to repay bonuses'** Nine of the 10 executives paid top bonuses by US insurance giant AIG agree to return them, officials say.

22/23

**US details toxic asset programme** US Treasury Secretary Timothy Geithner gives details of a \$500bn plan to encourage private investors to buy up toxic assets.

20

**Renault jobs row rocks EU summit** A row over French protectionism breaks out as EU leaders at an economic summit pledge more help for struggling members.

**EU aims to double emergency cash** The EU says it may double emergency funding to help member states in trouble, as leaders meet in Brussels.



synergies of one world to other models of development.

At the other pole practices are stressed, which should reduce the disaster to management and human failures, which will be manageable by reforms and better management tools. But after a hot period the financial disaster affects the socio-political attitudes and images. The centre of one world (essentially the US and allies) loosed its *leading* image to be able to control financial and economic systems facing the diversity of global regions. The series of financial and economic events became socio-political ones. The latter have freed the world from the obsession of centres and big players and work as stimuli for its own images about what the financial disaster meant in personal, local, national and global terms. The coping with chaos offers an interesting piece for learning what Weber's rule to fill senseless reality by cultural strategies connotes.

### ***Polarisation of images***

The financial crisis shows that images are polarised between four zones of the symbolic cosmos (figure 3). At an early stage – immediately during and after a chaotic cycle – the images are shaped by the ambivalences and insecurities evoked by events in the *chaos* zone. They touch elites as well as people in everyday life mainly if they are linked to existential issues, for instance, the rising food prices or the future of labour due to the crisis-events. Such disturbances evoke strong images, i.e. trials to create a simple overall image. The *panorama* zone gains priority. It is linked to leadership in face of chaotic cycles: the charismatic leaders try to order the disorders by simple images assigning a sense to the disaster. This sense is available from different sources, for instance, through demonstration of alternatives, by seeking the culprits or by focusing on victims suffering illegitimate or hidden power. This symbolic game is often characterised by strong myths, which try to offer definite answers to chaotic events.

However, these symbolic fillings of the vacuum enable not to guarantee stable orientations because *dark* zones

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**Unemployment passes two million** The number of people unemployed across the UK goes above the two million mark for the first time since 1997

**Fed pumps \$1.2tn into US economy** The US Federal Reserve says it will buy \$1.2 trillion worth of debt to help boost lending and promote economic recovery.

18

**World Bank lowers China forecast** The World Bank cuts its forecast of China's economic growth in 2009 to 6.5% from 7.5% because of falling demand for its exports.

17

**Downturn 'risks Africa conflict'** Leaders warn parts of Africa could be plunged back into conflict if they do not get help to recover from the global crisis.

16

**Bernanke hopeful for US recovery** The head of the US central bank, Ben Bernanke, says he expects the country's recession to end this year.

15

**Opec to debate further quota cuts** Oil minister from the 12 Opec countries meet to discuss cutting production rates amid falling prices.

14

**G20 ministers meet amid divisions** Rifts emerge as finance ministers from leading rich and emerging economies prepare to discuss the global crisis.

13

**Rich list hit by economic crisis** The financial crisis takes its toll on the world's richest people, knocking 322 names off the Forbes 'rich list' of the world's billionaires.

**Madoff fraud investigation widens** With Bernard Madoff now behind bars, attention turns to whether others were involved in his \$50bn (£35bn) fraud.

**Switzerland eases banking secrecy** Switzerland agrees to relax its banking secrecy rules, but insists it will protect account holders from "unjustified watching".

need symbolic expression. Since valid accepted information about the background of events is often missing (mainly in financial affairs), individuals allude to omitted or unknown circumstances. In fact, a part of the symbolic order is produced in the dark zone. Here events evoke various narrations and stories among people and the media, which are associated with non-conscious spheres of life. After a catastrophe they are crucial because such images, suggestions and beliefs undermine the official images, myths as well as attempts for rationalisation. The financial crisis produced a lot of attitudes, dispositions and fears under the level of official and manifest images about what the crisis does mean.

The financial crisis challenges the fourth zone of *matrix*-knowledge. The damages and impacts are measured and fixed by statistical values; like in a fall-out map of nuclides such images try to discern contaminated value-papers from sober ones. The whole crisis seems to be domesticated by numbers, facts, figures and functions. These images

open the hope for an accurate handling and treating of the concerned sectors and people; they seem to be rational and pragmatic. However in fact they are not as powerful as suggested by experts creating them. It is difficult to find the stable codes by matrix approach; it is too analytic in order to embrace the communities' feelings as well as that of individuals. In addition to rectifiable errors there are always omissions between the lines and intersections of a matrix. Taking a matrix as the image of a society is insufficient; the other forms of imagery survive and can even be strengthened by such "numeric" responses. It is difficult to produce balanced images in situations of extreme change.

### ***Overstretching and flattening***

In times of catastrophes like the financial Tsunami individuals and groups need orientations, which answer to their concrete experiences and situations, in other words: the private mode of images. The aesthesia for creating accurate images is difficult to afford during and after the disaster. So the official making of orientations suffers under the stress of scarce time. As a consequence the public and official images are overstretching. They try to

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**Japan's exports halved in January** Japan imported more than it exported for the first time for 13 years in January, official figures show.

6

**Asian shares slide as fears grow** Markets fall in Asia, after fresh concerns over the American economy drive US shares to a 12-year low.

**US jobless rate rises to hit 8.1%** The number of people unemployed in the US rose by 651,000 in February, official figures show.

2

**Euro rates and growth outlook cut** The European Central Bank cuts interest rates for countries using the euro to 1.5% from 2.0% and cuts its growth forecasts.

**'Substantial doubt' for GM future** There is "substantial doubt" about the ability of General Motors (GM) to stay afloat, the firm's auditors say.

**China 'faces most difficult year'** Chinese Premier Wen Jiabao says the country faces unprecedented challenges, as he gives details of its economic stimulus plans.

3

**Toyota arm seeks government loan** Toyota, the world's biggest carmaker, says it is seeking a Japanese government loan to help its car financing unit.

**Brown to hold Obama economy talks** UK Prime Minister Gordon Brown arrives in the US for his first meeting with new President Barack Obama.

1

**EU holding economic crisis summit** European leaders gather for emergency talks amid concern at the scale of the economic crisis within the European Union.

**Asean group seeks economic action** South East Asian leaders call for greater co-ordinated regional action to help restore their damaged economies.

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say something across an enormous number of private situations and expectations. The public information says nothing to all and lacks the essential for individuals. This is linked to a second feature; the images are flattened, remain on the surface and are far from the experiences and emotions of people. The real narrations and imaginations of people are told “among itself” and contrast to the official information offers. It is evident that the communications of banking and financial institutions have been full of such abstract information.

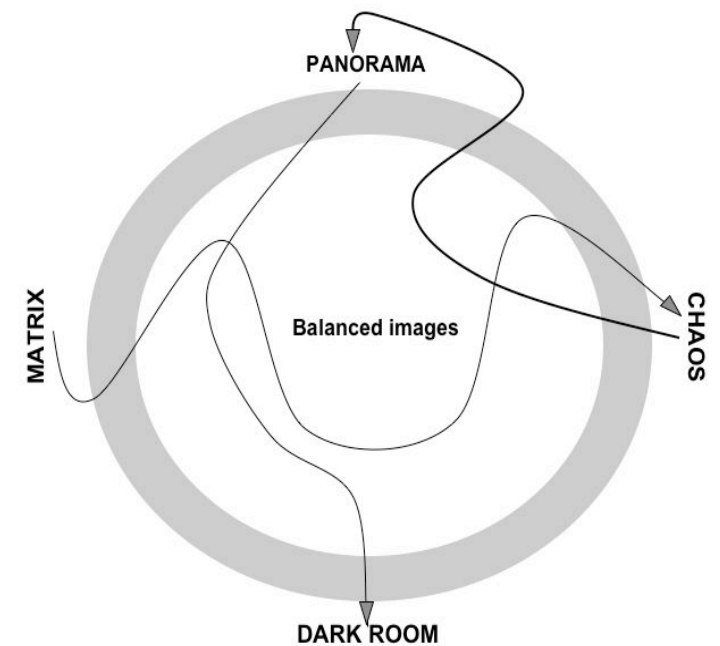
### ***Continuity in discontinuity***

The world looks different after critical events. Indeed, disasters are a rupture of time orientation between past, present and future. How can a society survive symbolically in face of hard discontinuities? In the case of financial crisis looking back is very relevant. The loss of the past, of ordered financial settings, challenges its reconstruction. The collective memory is rebuilt by the remembrances to the past. One goes back to the big crisis of the 20ties, to the heroes like for instance Keynes or Lincoln. Manifold examples we observe in Eastern European countries with

traditions of planning society by the state. The patrimonial state protection of the socialist period evokes nostalgic expectations and critical perceptions and assessments of the present state, new elites and reforms. Loosing a position or the social security due to financial whirls and risks turns into revitalization of previous orientations and practices.

### ***Who creates the balanced image?***

To succeed in a crisis needs a leading image is essential that pacifies the emotions. There are experts who try to create such leading images under the umbrella of international agencies. In that sense the international financial organizations hope to have said the last and final words about a crisis. But in the current case they will surely not find the final *balanced* image in the next months. Too far the financial events oscillate around the normal line of events. – But nevertheless the question remains crucial: Who will find the leading images for the largest, the world society, in the future where further, maybe even harder, disasters wait (see “Cassandra” – right).



*Figure 3: A disaster evokes chaotic events at a first stage, which need strong responses facing fears. Such responses are mostly produced as “overall” images, i.e. efforts to regain the overview like in a panorama at a second stage. However the dark zones are activated (at the third stage) if overall images are not convincing and falsified by further events: the financial crisis is a typical example; the secrets became more relevant than the manifest declarations. The struggle for a leading image concentrates on facts and figures, the matrix zone, during the different stages. But it is not probable that such expert-images are able to become the leading image as long as chaotic events increase.*

***Cassandras monitoring from September until the end of 2008: 48 events have been registered as signs of threatened world.***

***Priority 1) The breakdown of one world, of financial systems and its impacts on economy, embraces the half of Cassandra's assessments, illustrated for instance by the event: "Recession fears hit stock markets: European and Asian markets fall sharply amid growing concerns that the world economy will enter a protracted slump" (20/11/08).***

***Priority 2) The endangers of civil society, of security for people in face of natural or human made catastrophes and accidents embraces 11 assessments, visible for instance in event: "Zimbabwe cholera toll 'hits 978': The United Nations says 978 people have now been killed by the cholera outbreak in Zimbabwe, an increase of 25% from the last figure given three days ago" (20/11/08).***

***Priority 3) The fear of threatening the planet's future are assessed by 8 events, evident for instance in the event:  
"Huge year for natural disasters': The past year has been one of the most devastating ever in terms of natural disasters, one of the world's biggest re-insurance companies has said." (29/11/08).***

***Priority 4) Cassandra registred 5 events of war-like clashes of civilisations, the risks of own world scenario, illustrated by the event: " Battle rages for Mumbai hostages: Fresh explosions and gunfire have been heard at Mumbai's Taj Mahal Palace hotel, one of several sites targeted in attacks that have killed at least 130". (28/11/08)***