Part II

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Crises in the world-system
Theoretical and policy implications

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So (1990) has noted that the world-system approach has been critiqued for an absence of historical specification in the analysis of global dynamics. This chapter seeks to remedy this critique by demonstrating how short-term crises are best understood through an analysis of the world-system approach and the *longue durée*. Specifically, by understanding how broad historical and economic forces have developed over hundreds of years, we are better able to understand how perceptions influence agents and social structures in policy making during crises. Our conclusion is that if the world-system approach influences the most immediate social occasions, then it probably influences broader social change, as has been claimed by some of the foremost contributors to this volume.

Using the example of the 2004 Indian Ocean tsunami and the 2008 global economic crisis, we develop three propositions that we highlight herein. *First, the initial policy response to crisis is heavily influenced by core entities representing short-term economic interests, with little exploration of long-term implications on semiperipheral or peripheral zones of production.* Following the Indian Ocean tsunami, core interests took the form of corporate, non-governmental entities, and governments offering unprecedented levels of assistance to the impacted regions, with little consideration of those impacted by the catastrophe (Inderfurth et al 2005). During the 2008 economic crisis, core interests sought to stabilize the economy via governments serving as a lender of last resort to troubled financial institutions through commercial paper facilities, direct loans or capital injections, with little discussion of how best to resolve the underlying problems of financial leveraging and liquidity shortfalls.

*Second, core intervention tends to result in greater exploitation of semiperipheral or peripheral zones of production.* Following the Indian Ocean tsunami, there were numerous positive reports of assistance in the United States media, with the focus on a neo-Marshall Plan that would “help those in need,” but what was lost in these reports was the high degree of inappropriate aid (e.g., hamburgers to Hindus) and lack of attention to requested resources by those impacted (Usborne 2005). During the 2008 economic crisis, the United States and Western governments were quick to inject billions to shore up unstable financial institutions, which securitized billions more in Alt-A and subprime loans, but were slow to write down or refinance the affected peripheral areas of global finance that fell into bankruptcy, default, or foreclosure.

*Third, as core intervention results in greater exploitation, semiperipheral and peripheral zones become increasingly financially and socially unstable in the long-term, leaving the world-system increasingly vulnerable to future crises.* The Indian Ocean tsunami left fishing and tourist communities more vulnerable, as
resources needed to stimulate development never materialized. Loans stunted growth and
development in ways strategic grants would not have, and the burden of debt they imparted
continues to grow. Similarly, following the 2008 economic crises, many households that were not
able to roll over their debt went into foreclosure, while neighbors’ property value declined,
leaving thousands of mortgages under water. In short, when core interests intervene with little
understanding of the long-term implications, semiperipheral, and peripheral regions remain
compounding areas of surplus extraction. This produces increasing crises in quantity and intensity.
However, such policy outcomes are not inevitable, as prior research has shown that policies
focused on the efficient coordination of local resources in concert with local interests can
effectively remedy crises in a more equitable method for those affected (Easterly 2001;
Price 1955).

To date, little research has focused on crises in the world-system (cf. Bergensen and Lizardo
2004; Letukas and Barnshaw 2008). The conventional reason is that historically, disasters,
catastrophes, and crises were conceptualized as short-term aberrant occasions with little impact
on the long-term development of economic, political, and social institutions. We believe that the
world-system approach does influence economic and political decisions following crises, and that
further research should explore its influence on short-term crises. For example, if core zones of
production are to continue to intervene in future crises, they should coordinate responses with
semiperiphery and peripheries in ways that are mutually beneficial. Specifically, this can take the
form of offering grants to normalize stability rather than providing loans. Admittedly, this
approach may at best offer a softer landing for global exploitation and inequality, but hopefully
future research can show how the larger historical forces of the world-system can offer solutions
that do not antagonize core-periphery relations when peripheral regions are at their most fragile
and unstable in crises.

References

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