Before and beyond the global economic crisis: an introduction

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In his presidential address to the annual meeting of the American Economic Association in 2003, Nobel laureate Robert Lucas declared that the problem of depression-prevention – the elusive goal of virtually all social and political projects of the twentieth century – had now been solved 'for all practical purposes' (Lucas 2003, p.1). Substantive reforms of financial regulation and of fiscal and monetary policies had finally achieved the synchronization of markets and politics that had eluded capitalist societies throughout the last century. As a consequence, the need for an interventionist state – except to perform the most basic of functions – had ceased to exist. Society and markets would and could instead continue to exist in harmonious interplay, shaped and reinforced by ideologies, norms and attitudes cherishing the values of individual self-determination and political restraint (Rodgers 2010).

Lucas's vision of a seamless integration of markets and society had spread widely by the mid-2000s, and taken up in notions like 'capitalism unleashed' in a finance-led economic growth model of remarkable stability and vitality (cf. Glyn 2007). Even more critical voices took the relative stability of the growth model more or less for granted and instead critiqued its articulation with global cultural and political processes (Hardt and Negri 2000). The stability of the growth model itself was never or only rarely questioned.

The collapse of the financial system that began in 2007 and that culminated in the fall of 2008 undermined the harbingers of a new era of crisis-free capitalism. The state re-entered the economy very hastily, rapidly crafting a combination of rescue packages and new sets of regulations, often at the behest of the financial actors themselves. In the process, financial markets moved from being perceived as the engines of economic growth and social relations into being seen as dangerous liabilities, and financial actors were transformed from heroes to villains. The question that this book deals with is the long-term impact of the 2007–08 financial crisis: are we about to enter a new era in state–society–market interaction and will the finance-led economic growth model be transformed?

The topic of this book has been a moving target. The work began in 2009 and was finalized in the spring of 2012. It has been surrounded by turbulence and even more crises of various kinds, to the extent that the title of the entire undertaking ('After the Crisis?') eventually seemed like a misnomer. Instead of having a distinct beginning and a similarly discrete end, the crisis of the financial system in 2007 and 2008 mutated into a phase of rapid political redeployment later followed by a sovereign debt crisis and a currency crisis which has triggered massive political responses and a recalibration of political relations and institutions not only in Europe but also in other regions of the world. Hence, and not surprisingly, the financial crisis has led to a political crisis, and will undoubtedly continue to trigger transformations in the social, political and economic fabric. Whether or not the crisis (and the crisis that it has triggered) will lead to a new socio-economic compact and a new economic growth model – and a parallel refurbishment of the political and institutional landscape – is more uncertain.

Furthermore, as the ensuing events have clearly shown, the crisis in 2008 had deep roots and followed a certain historical pattern (including the pretentious assumptions of this time being different and not prone to the same instabilities as others periods in time; cf. Reinhart and Rogoff 2009). This was no isolated crisis of the financial system – it was instead a crisis of an entire socio-economic model, following a path of systemic development, breakdown and restructuring well known in history, partially but not exclusively evolving in tandem with the rise and spread of new technologies. Hence, it gradually became clear that it would be difficult to locate the 'after' in our initial formulation of 'after the crisis'. What we could do was to locate a 'before', that is, the events that preceded the immediate crisis in 2007–08, and a 'beyond' the financial crisis – that is, how the crisis has played out and continues to influence ideas, policies and practices. After the apocalyptic events of the autumn of 2008 have faded away in memory, and with them some of the more drastic expectations and fears (and hopes) of a total breakdown of global economic relations, the long-term challenges that they highlighted are becoming increasingly clear, even though the resolution of the crisis and the socio-economic models that emerge remain open issues. There are only weak signs of a transformation of the neo-liberal agenda encapsulated in Lucas's 2003 speech. The crisis also, as several of the contributions to this book highlight, follows a familiar pattern of socio-economic development, and in this sense the crisis did not come unexpectedly. Nor does it surprise that the financial crisis has mutated into a sovereign debt crisis which has developed into a political crisis. However, the forms of 'crisis resolution', and the shape and form of a post-crisis compact are still open and no coherent alternatives to the policy models that have shaped the last three decades have yet crystallized.

The long-term impact and the impact of the various forms of crisis management therefore remain to be seen – indeed, the repercussions, in politics and economics, continue to move back and forth and will continue to do so over an extended period of time. The crisis remains one that both reinforces and challenges the socio-economic model that has been dominant since the 1980s – and it is therefore of major interest to those (like the group represented in this volume) that engage in the long-run dynamics of capitalist economies and their social, political and economic institutions.

The uncertainties notwithstanding, it has been a crisis of many of the established dogmas of the recent decades:

- The focus on fiscal policy restraint turned into the opposite with radical increases in state expenditure and ensuing spikes in sovereign debt – which in their turn have triggered imbalances in global economic relations and cooperation, and the sharing of risks between states, financial institutions and global organizations. The placid and passive state that Lucas envisaged has instead become enmeshed in fundamental economic instability, with profound social and political repercussions.
- Privatizations and public withdrawal from the regulation, management and ownership of vital parts of the economy were (temporarily?) replaced by bailouts and widespread nationalizations of the finance sector and, in some cases, also injections of state support into key industrial sectors and firms.
- This may pave the way for a transformed role of the state in the economy, from reactive partnering with the market to enforcer not just of new sectors but also of new economic relations. This includes re-regulating corporate strategies and financial services, adjusting regulation to the psychology of economic crises and how they can be tamed and contained (Akerlof and Shiller 2009). Regulating and curtailing incentives in the financial sectors, partly as a result of nationalizations and/or public bailouts, is another expression.
- There has been a move away from retrenchment of welfare policies in the form of cost-cutting and market-conforming towards sheltering and reducing the strains of unemployment ('social investments'; Morel et al. 2011); and possibly also towards enhancing welfare policies to create a stable ground for long-term growth, for instance in relation to immigration and families, but also to the elderly, education etc.
- The search is on for a new socio-economic discourse and new and more realistic macroeconomic models, viewing the market as shaped by recurrent instability and by volatile relations between markets,

governments and citizens within a finance-led economic growth model (Sachs 2011; Skidelsky 2009; Wolf 2008; Boyer, this volume, Chapter 4).

- We may also envisage not only transformations in economic interaction as an outcome of crisis strategies (which may vary from protectionism to enhanced self-sufficiency), but also new types of geopolitical relations, enhancing the steering capacity of nation states and other political entities to absorb the impact of a volatile global economy (Cohen and DeLong 2010; Rodrik 2011; Sum, this volume, Chapter 9).
- More generally, a new understanding of the mechanisms of economic growth might be emerging, based less on reliance on reinforced market mechanisms and more on societal resilience and the capacity to formulate 'societal goals' for the economy rather than the other way around (Hull Kristensen and Lilja 2011; Hutton 2010; McDonough et al. 2010; Lundvall, this volume, Chapter 8).

All of the above points indicate that the crisis may turn out to be a watershed in the regulation of social, political and economic affairs. However, we need to be cautious as some of the dogmas that shaped economic and social policies in the last three decades have returned in full force after a brief hiatus of state-led crisis management (Crouch 2011; Jessop, this volume, Chapter 12). Hence, it would be far too early to assume that a systemic change is underway; it may instead turn out to be a continuation and deepening of the socio-economic model of the last decades. It may however also be a phase in which we will see divergent responses to the challenges of the crisis, where some countries and regions venture into the construction of new institutional responses whereas others recede to older patterns, in roughly the same vein as countries varied in their response to the political and economic crisis of the 1970s (Lindvall 2010).

Whether or not the crisis will lead to a broader restructuring of economic relations and market regulations, as the crises of the 1930s and the 1970s did, is therefore an open issue. In our work, we have striven to integrate different perspectives in the analysis of potential ways out of the crisis – from path-dependency ('more of the same') to the emergence of novel ways of regulating the economy and embedding economic relations. By stressing the temporal dimension – 'before and beyond' – we point out that our emphasis is on the historical roots of financial crisis and the particular features that shaped the current one: this pertains to the regulation of the financial system and to markets in general but also to the complex relationship between public policy, social relations and economic organization. The direction of the renewal ('beyond the crisis') cannot be ascertained at present; a multitude of paths beyond it are possible. The tendencies are all but clear and already now we find a bewildering variety of responses – from radically (if highly contested) fiscal expansion in the US to (equally contested) austerity policies in the EU, most prominently in Southern Europe, Ireland and the UK. Outside the confines of Europe and North America, we find a similar complex variety of responses, where short-term crisis responses have been complemented by structural measures to reduce the dependency on exports of manufactured goods for the volatile markets of Europe and North America (see Schön and Sum, this volume, Chapters 1 and 9). We find a similarly bewildering variety of social responses to the crisis – ranging from xenophobia to radicalization, from fatalism to social protest. However, so far, these responses have not triggered any major changes in the political or ideological landscape or the rise of new major social movements. Instead, the dogmas and recipes that dominated prior to the crisis still dominate the political landscape and genuine political alternatives seem distant.

The crisis has nonetheless fostered some discursive combats and some seeds of a potential political upheaval – this would include the intense debates in the US on the stimulus packages and the causes and remedies of the economic recession (Krugman 2012; see also Gustafsson, Hansen and Svensson in this volume, Chapters 10, 3 and 5). European debates have been more placid, with fewer direct confrontations between policy stances. The austerity policy that has followed the financial breakdown in the EU has not to the same extent fostered political debates and alternatives (except among the far right and some smaller left-leaning movements). China and the BRIC countries are portrayed as models of stability in a global roaring sea, but these accounts overstate the degree of social and political consensus (Sum, this volume, Chapter 9). Academic accounts also stumble over the interpretations of the crisis and the ways out of it. The sum of all these events might foster a watershed in the evolution of macroeconomic theorizing and doubt if such a change is underway (Backhouse 2010 and this volume, Chapter 2).

Nevertheless, it is noteworthy that economics has become a field shaped by slightly less uniformity after decades of at least overt consensus, as witnessed in the sharp debates on crisis analysis and crisis diagnosis being pursued on blogs and in popular debates (Cohen and DeLong 2010). The crisis has had the impact of revealing and provoking real controversies, not only between academic interpretations but also between crisis-management models. The neo-liberal sense of victory captured by Lucas's statement in 2003 seems less strong now and more open to fundamental critique, even though Lucas himself and others cling to a belief in the self-regulating market. The political debate in the US on the economy indicates a sharp diversion of standpoints focused around the recovery package. In other instances, the response is more path-dependent, building on rather than diverging from the policies and rhetoric pursued prior to the financial debacle. In the UK, it seems to have resulted in an even more conscientious implementation of some of the basic principles of the neo-liberal agenda – tight lids on public expenditure, cutbacks in social services, and a dedicated redistribution between the citizenry and industry, seemingly reflecting a lack of ability or willingness to depart from the finance-dominated economic growth path (Jessop, this volume, Chapter 12). However, it has also triggered etatist responses, and even some more far-reaching proposals as to the viability of the economic growth model of the last three decades (cf. Harvey 2010).

THE EVOLUTION OF SOCIETAL MODELS IN THE POSTWAR PERIOD

As an introduction to the volume, we now turn to a brief outline of the way into the crisis, and the alternative ways out of or through it. The first issue is therefore a stocktaking of the socio-economic experience in the postwar period, with a particular focus on the conditions in western Europe and North America: how relatively stable models of accumulation have developed and how they have been institutionally embedded and socially and politically supported, but also how they have been increasingly plagued by contradictions and weaknesses, and how these weaknesses have been addressed and dealt with.

After the first turbulent period following the Second World War, the world seemed to be moving towards a new socio-economic-political equilibrium. Europe has been singled out as a model of parallel social cohesion and economic dynamics (cf. Anderson 2009). In a classic study, *Modern Capitalism*, Andrew Shonfield (1965) highlighted the converging tendencies of developed countries in the postwar period, where various forms of state–market interactions had been established to even out economic fluctuations and to ensure the smooth introduction of new technology and rational corporate planning. Europe led the way towards this 'mixed economy' by virtue of its historical traditions of state planning, but similar tendencies were evident in North America.

As a result of erratic economic growth in the 1970s and 1980s, the model came under immense strain, and was a battleground for a wide variety of political-economic recipes, from neo-liberalism to etatism. Europe became, in the words of a famous analysis, the scene of a confrontation of '*capitalisme contre capitalisme*' (Albert 1998), or between different versions of an emerging mode of regulation, all emphasizing increasing work supply and the flexible adaptation of firms and labour markets to technological opportunities and market fluctuations (Scharpf 1987). The US and UK had already ventured on a post-compromise pattern, releasing the forces of their financial industries and deregulating previously controlled markets for labour, infrastructure and services (Hall 1986; Gamble 1994). Some argued that a few European countries, primarily Germany, had squared the circle of economic globalization by developing models of 'diversified quality production' that could withstand the competition on increasingly open markets (Streeck 1992); more pessimistic observers instead argued that Europe was poorly adapted for the very same global challenges and had to couple a declining industrial sector with a growing service economy to retain the commitment to full employment (Scharpf and Schmidt 2000). Europe at this time (circa 2000) seemed to be confronted by the rise and seemingly better fit of a 'thinner' capitalism, with market-conforming institutions regulating labour markets and the service sector and with denser networks around finance and knowledge dissemination and innovation (Crouch and Streeck 1997). The organized and coordinated Social Democratic–Christian Democratic experience in all its varied forms seemed poorly equipped to deal with the emerging conditions of an open and knowledge-based economy. While the US at the time appeared as an unflappable system, it too underwent dramatic changes in the postwar period, when a fairly detailed system of state economic planning, combined with ambitious if patchy developments of welfare programmes and commitments in areas like education, health care and environmental protection, was gradually dismantled (Graham 1976). Furthermore, a gradual liberalization of financial services (which triggered increasingly adventurous financial innovations) together with an increasingly lax monetary policy underpinned US growth. High-technology industries could thrive on the dynamic research systems and the rich supply of venture capital, while increased liquidity of the US households sustained a long period of growing prosperity and employment (Nocera 1994; Rivlin 2010; Lowenstein 2001).

After the European postwar model was declared obsolete by observers like Crouch and Streeck (1997), deemed unfit for the emerging innovation-led and finance-driven economy, the first decade of the third millennium saw the focus shifting decisively to an emulation of the US examplar, with the financial system and high-technology clusters reinforcing one another, accompanied by positive spillover effects to the entire economy. European countries, herded by the European Union, tried to mimic the US growth model by pursuing a soft monetary policy, support schemes to spur European high-tech clusters and networks, and deregulations of the

European finance sector. An important driver in this development was the EU, capitalizing on the perceived weakness of the nation states to bring about institutional reforms, primarily in the areas of research, innovation and education (Borrás 2003).

The period of ‘capitalism unleashed’ (circa 1995–2008; Glyn 2007) therefore highlighted the difficulties of the coordinated European economies in adapting to the new ‘rules of the game’, and the growing interrelation between the US and China further stressed the interpretation that Europe was losing its role as a distinct and productive ‘institutional alternative’ in the ‘global knowledge-based economy’. The EU and the European nations seemed unable to produce a coherent or viable alternative to US hegemony and to the growing mutual interpenetration of the US and Chinese economies (‘Chimerica’ – Ferguson 2008). Instead, the US growth machine seemed unparalleled, at least among the ‘developed’ economies, and the successful integration of a vibrant financial sector with dynamic and fast-growing industries like biotechnology and information technology triggered intense policy debates on the institutional preconditions for a durable socio-economic compact. Debates centred around activation policies to manage social exclusion and limit public welfare expenditure, relaxations of financial services regulation to lubricate the economic machinery and shifts of responsibility for certain social services from state to market. The entire package was encapsulated in a centrist programme of aligning market liberalism with modest ambitions of social inclusion and redistribution, for a European way into the future (the ‘Third Way’ – Giddens 1998).

Hence, the decade before the 2007–08 crisis erupted was perceived as one of a virtuous circle between finance-dominated growth and docile if sometimes mildly redistributive public policies as shown in, for instance, the ‘Third Way’ debate and the design of various kinds of pan-European growth strategy. In this period, a recurrent theme was that the welfare state had to be curtailed to contain costs and to support the mechanisms of the emerging globalized economy (Jessop 2002). In the run-up to the financial crisis, there seemed to be few alternatives to ‘private Keynesianism’ and financialization as drivers of economic growth and social cohesion; indeed, the political and discursive landscape seemed to become increasingly narrow, with prominent political and intellectual leaders arguing for a ‘new middle’ in politics, inhabited by market-conforming but socially ambitious political leaders, who on the one hand removed the fetters from market forces – in particular those within the financial system – and on the other hand carried through a selective number of policies for social redistribution and social services.

The linchpin of the ‘new middle’ was an acceptance of the productivity and capacity for self-organization in the financial sector, also among parties and organizations of the political left, which have been traditionally sceptical about the long-term capacity of markets to secure their own reproduction (and even more sceptical of their capacity to ascertain social redistribution). Instead, a liberalization of markets seemed to secure not only economic growth in a much less erratic way than in the long aftermath of Keynesianism: it could also serve as a foundation for a new wave of social reforms, in what could be called an 'inverted embeddedness' (Blyth 2002). First, more stable growth seemed to create more employment, thereby lessening the dependence on public welfare. Second, financialization functioned also as a redistributive mechanism, for instance by allowing new groups into the housing market and by transforming owned property into 'cash machines' for households. Third, to a lesser extent, the long wave of high growth enabled the construction of some expansions of public commitments in welfare, primarily in education (UK) and in social security and/or health care (US).

All of this made what seemed a new historical compromise possible, navigating between popular interests and market dynamics, as they now seemed to enjoy a productive relationship. A new pragmatic centre-left made aggressive interventions to reduce state regulation of the financial sector, seemingly not as a response to the political interests of the financial sector but rather to serve their own political self-interest. Markets were not to be contained and embedded; if properly and responsibly disembedded, they were powerful allies for a new progressive political bloc of progressive political leaders.

Everything seemed indeed to work smoothly in this alleged depression-free economy. Then in 2007 the stability began to crack. It began in the UK with the run on the Northern Rock bank. In parallel, signs were becoming increasingly troubling concerning the state of the US housing market. The events that then unfolded, culminating with Lehman Brothers filing for bankruptcy protection on 15 September 2008, have been thoroughly described in several journalistic accounts, depicting the behaviour of leading actors during the crisis and showcasing the stress, even panic, under which policies were pursued (Sorkin 2009; Lowenstein 2010). In such accounts, the crisis and its aftermath emerge as a series of actions, beginning with the government-orchestrated take-over of Bear Sterns by JP Morgan in March 2008, followed by the failed reorganization and eventual bankruptcy of Lehman Brothers in the spring and summer of 2008 and then the panicked introduction of the Troubled Assets Rescue Package (TARP) to circumvent any further falls of giant financial firms. In such accounts, events culminate with the de facto nationalization of the world's largest insurance company AIG and the massive insertions of capital into the troubled financial system, where even such megafirms as JP Morgan and Goldman Sachs were affected (a similar account has been given of the financial crisis in the UK in Brummer 2008).

Hence, while the dramatic events in 2007 and 2008 forced through radical policy measures – measures that deviated from the orthodoxies of the last two decades – the basic premise was that the crisis should not lead to a radical change in the regulation of the financial sector, because of the strength of the institutional set-up and the general mechanisms of economic growth ('financialization'). Crisis policies were pursued not to transform the financial system, but rather to rescue it.

In parallel, welfare policies were mobilized in the short term to mitigate the consequences of the rapid economic downfall. Prior to the 2008 crisis, European welfare policy had been geared towards adapting to the 'new' conditions of the globalized economy, with cost restraints but also new social relations and network-based welfare models – including the devolution of state authority and the introduction of 'private Keynesianism' in the form of market-based provision of resources to households and families (Crouch 2004). This reflected the remarkable belief in, and presupposition of, the efficiency of market-mediated mechanisms to manage private and social risk, also in a long-term perspective. It thereby also served the economic policy goal of shifting responsibilities from the public purse to private sources. However, the current issue is the impact of the financial crisis and its aftermath on social policy: will it trigger a further devolution of responsibilities from the state to civil society and to families for social reproduction? This is clearly the case in the UK where the notion of a 'Big Society' has been conjured up as a response to the fiscal hardship of the British state. As a contrast, the debates on a 'social investment state' envisage a more activist approach of the state to pave the way for a return to employment via social protection. The most viable model may include a combination of both, as the Scandinavian experience in the 1990s crisis indicates. As Åsa Lundqvist argues in her contribution, the cost-cutting and market-shifting ambitions paid off in the short term, protecting advanced welfare states (like the Swedish) from the pressure of sovereign debt and international economic exposure, but it simultaneously exposed them to the more creeping challenges of social reproduction. As a response, austerity was transformed rather rapidly into a return to some if not all of the social policy measures of the pre-crisis period. The Swedish case might give some lessons for the European countries which are now shifting from generosity in the face of the financial crisis to austerity as a response to the debt crisis. The Swedish case actually shows a family policy renaissance after the period of austerity, even though the marginalization of certain families seems to remain, despite the improved conditions. A crisis of the welfare state now plagues the Southern European states, which are in dire need of reformed family policies to enhance labour market participation and to decrease the dependence on male breadwinners as the sole providers, but which cannot both afford them *and* comply with the demands of international lenders and creditors.

The Asian countries, which have weathered the crisis well this time, face similar challenges to reform and expand their social policies, especially those relevant to families, as they face declining fertility and ageing populations. Hence, one of the more prominent trends in social policy must be expected to take place in family policy, which currently impedes growth patterns in countries both affected and not affected by the financial crisis. As Lundqvist's analysis shows, family policy is a field dominated by entrenched beliefs and interests, and any attempt to adopt a gender-equal regime is likely to meet with much resistance.

The evolution of social policies is also mixed. In the short-term perspective, the economic crisis triggered a reversal of the pattern of cost-cutting and market-based solutions of the past decades: social policy measures have been mobilized to contain some of the turbulence of the contraction, primarily through unemployment support but also through labour market policy measures, notably in the US but also in many EU countries and perhaps most spectacularly in China with massive infrastructural projects. There is also an intertwining with welfare policies and the crisis measures for the financial sector: rescue packages for the financial sector were motivated by the detrimental effects of a financial collapse on the housing market. Similarly, the rapid decline in employment in some vulnerable regions and industrial sectors forced through policies for employment-sheltering and corporate support, and even bailouts and government takeovers of critical firms including global giants like General Motors (cf. Rattner 2010). Similar initiatives to shelter economic actors and social interests were taken in Europe, where public interventions in several manufacturing sectors, in particular the automotive industry, were incepted to counteract the impact of the rapid decline in economic activity following the financial debacle. In this sense, welfare policies, labour market measures and crisis management reinforced one another at the onset of the crisis.

However, as governments have been abdicating from the state of siege, they have sought increasingly for ways out of their public obligations to provide support for employment and corporate survival; in this they have been driven partly by concerns for sovereign debt, partly by political path-dependency and a return to the political dogmas of the pre-crisis period. The 'great transformation' of market-based solutions still shapes social and political interests, and new interests and models of economic governance are not discernable yet (Blyth 2002; Backhouse, this volume, Chapter 2). Some attempts have, arguably, been made to afford alternative visions for growth, employment and inclusion. Lundvall's contribution to this volume (Chapter 8) is an example, envisaging a new deal where major investments in education and training serve the purpose of enhancing both social inclusion and economic efficiency. Other contributions discuss the preconditions for a 'green new deal' with the transformation of society and economy driven by the inclusion of ecological concerns regarding social and economic reproduction (Schön, this volume, Chapter 1; cf. Friedman 2008). Mild versions of such a growth programme have been incepted in the US and Germany, with government-sponsored schemes for solar energy and wind technology. On the basis of a long-term analysis of patterns of structural economic change, and highlighting the complex interplay between demand, prices and supply, Schön's contribution outlines the structural contractions but also the opportunities released in the crisis, and in particular how different regional blocs may capitalize on the rise and continued deployment of new technologies and new patterns of demand (including the search for new sources of energy). In Schön's interpretation, Europe somewhat surprisingly emerges as the potentially leading region in the introduction and generalization of a new growth paradigm based on energy and climate constraints; Lundvall's contribution also points to the social and organizational capacity of Europe, even though the structure of the European Union, and the fragmentation of economic, social and industrial policies within Europe, hamper European countries in the process of technological and economic change. A major issue for the future, not only in Europe but also in North America and Asia, is therefore the design of efficient and legitimate institutions for a new, long wave of growth, similar to the regulation of the wage-labour nexus in the 1930s or, for that matter, the deregulation initiatives of the 1980s and 1990s. Robert Boyer's and Lars Jonung's contributions (Chapters 4 and 11) on their side points not only to the need for more durable regulatory mechanisms beyond those that were erected to curtail the impact of the financial crisis (and the social and political unrest that ensued), but also to the variation and experiments in institutional design during a crisis. Hence, we can expect the coming years and decades to be shaped by contested interpretations of the sources of economic growth and the adjacent institutional forms to articulate and embed these forces.

Will the crisis lead to a reconstruction of the political landscape? Will new movements appear and new ideological and institutional models with them? The crises of the 1930s paved the way for the postwar compact with the combination of Keynesian economic regulation and Fordist production organization. In a similar vein, the crisis of the 1970s fostered the neo-liberal turn which facilitated and embedded the rise of finance-led growth (Boyer 2000). Policy tendencies in the run-up to the crisis were decidedly in the direction of state policies conforming to, and propelling, continued financialization, and avoiding public measures distorting market exchanges. The question is whether new political alternatives and blocks are emerging in ways similar to those of the 1930s and 1970s (cf. Berman 2006). Johannes Lindvall's contribution (this volume) points to the cyclical developments of political blocs and political ideas (policy innovation) within and beyond economic crises. Historically, crises have been parts not only of structural economic change but also of structural political change, in the 'great transformations' that were discussed above. However, as Lindvall and Jessop note in their respective contributions, the political space appears more curtailed today, narrowing the search for new compromises and alliances in the shaping and reshaping of economic institutions. The sheer size and complexity of the financial market – together with the lax regulations (that were in themselves driven through by the financial actors) – have conjointly shrunk the space for viable institutional alternatives and, therefore, for genuine policy alternatives.

Despite this smaller political space, the crisis has opened up the political debate for a wider set of alternatives, which range from a retreat to an orthodoxy (where 'too big to fail' is deployed as a policy rationale and where markets will be left responsible to themselves again) to a revival of state activism more directly in the economy but also with more far-reaching public programmes for welfare and employment policies (Judt 2010). Some call for a return to welfare policies as market-correcting and indeed market-shaping interventions, focusing on human need rather than market dynamics (Wright 2010), while others point at the inherent imbalances of the financially dominated growth model without specifying a direction for societal development (Reich 2010; Stiglitz 2010; Akerlof and Shiller 2009). A whole range of studies have emerged of the human fallacies that led to the crisis, in particular how regulatory mechanisms were subverted by innovative and sometimes outright deceitful corporate behaviour (e.g. McLean and Nocera 2010; Tett 2009), and some of their descriptive insights may be translated into dynamic measures to regulate financial services (Boyer, Jonung, this volume, Chapters 4 and 11). Despite the lock-in effects of the explosive expansion of the financial sector, and the difficulties of creating durable regulatory measures, there is a tendency to search for new avenues for economic growth such as clean technologies and renewable energy. Public investments (and policy expectations) tend to go in that direction, often however blended with austerity policies to rescue ailing public finances. The Europe 2020 strategy, as a ten-year programme for 'smart and inclusive growth', encompassed both of these stances, as do the economic policies of the Obama administration in the US and possibly also some of the European Union member states. Such a piecemeal future may be the most ambitious crisis management model there is at the moment. It will not be unchallenged, either by those who baulk at even the most placid of regulations and interventions or by those who suffer from the social and economic consequences of the crisis.

STRUCTURE OF THE BOOK

Our work progresses along the following lines:

Chapters 1 to 4 by Schön, Backhouse, Hansen and Boyer trace the composition and anatomy of the 'growth bloc' of the post-Keynesian period, from its macroeconomic regulation and structure (including the structure of the global economy, techno-economic paradigms and their variegated deployment, and global trade and economic relations patterns) to microeconomic movements and relations. The chapters contribute to the understanding of the structural composition of the economy prior to the financial crisis as well as to the emerging and evolving patterns of growth and economic regulation beyond the crisis. They also deal with the evolution of institutional ensembles and their impact on growth patterns – including market regulation, in particular the regulation of microeconomic behaviour and incentives in the financial sector.

Chapters 5 to 7 by Svensson, Lundqvist and Lindvall deal with the social and political consequences of economic crises. A crisis of great depth and magnitude causes major disturbances in state functions and in social and political mobilization; these include transformed political patterns (electoral and party-based), as Lindvall highlights in his chapter, as well as transformations in policymaking and policy discourses, as dealt with in Svensson's chapter. Major economic crises also question established forms of interplay between social welfare and economic growth, as Lundqvist shows in her analysis of the transformation of family policy between two major economic crises in Sweden. These chapters together contribute to debates on the redeployment of economic and social policies in response to economic crises, as well as the reconfiguration of electoral and ideological landscapes (and their discursive forms) and of welfare state regimes within and beyond economic crises.

Chapters 8 to 12 by Lundvall, Sum, Gustafsson, Jonung and Jessop deal with the shape of the post-crisis society, economy and polity. Lundvall points to the importance of post-crisis visions and coalitions, including the mobilization of public and private resources behind 'new deals' that can simultaneously propel economic growth and address social and ecological concerns.

The financial crisis has triggered both new relations among leading economic powers as well as the formation of new power blocs, including the rise of the so-called BRIC countries. Sum in her chapter draws upon a cultural political perspective in scrutinizing the projections and visions enmeshed in the 'BRIC' concept and how it has been mobilized as a crisis measure to counter the impact of the North Atlantic financial crisis. The crisis of 2007–08 came at the height of an intense period of finance-dominated growth, and instantaneously provoked debates on the nature of the crisis as well as routes out of it – including the discursive construction of socio-economic relations, and the media's constitution of the crisis as an 'event' – as an outcome of human shortcomings, poor timing, deceptive behaviour or, even, systemic imperfections. The way out of the crisis can be seen as a battlefield between different linguistic constructions of the economy, and it has indeed fostered debates regarding how a more 'sustainable', 'robust' or 'resilient' model of socio-economic relations can be constructed, as Gustafsson points out in her chapter.

The broad issue behind Jonung's and Jessop's respective contributions (Chapters 11 and 12) is the relationship between short-term crisis management on the one hand and the possible emergence of a 'new' wave of economic growth embedded in a durable ensemble of socio-economic regulation on the other. Will new sources of growth and social identities emerge beyond the finance-led phase, and how may social mobilization, public policies and growth paths be aligned in that process? Jonung affords an in-depth analysis of the future of financial regulation and how new modes of regulation may be established to control the volatility of financial markets. Jessop's contribution scrutinizes the conditions for a productive interplay between economic growth and socio-economic regulation, including new forms of socio-economic imageries.

FINAL WORDS

To sum up, different ambitions have shaped this work. First, we have attempted to understand how the financial crisis emerged, what consequences it has had, how it has been understood, interpreted and acted upon. Second, we have sought to make a more general contribution to the understanding of crises as such, and the role they play in economy, polity and society, in shaking up existing growth models and institutional regimes and paving the way (or not) for new ones. Third, and perhaps most importantly, we have searched for novel combinations of state–society–economy relations, 'beyond the crisis', and ask if the financial crisis of 2007 and 2008 has led to the reconsideration of economic relations and their institutional embeddedness, the direction of which may be more open.

In doing so, we have realized that economic crises are multifaceted phenomena, in themselves, in their societal consequences, and in how they are met by, and form the basis of, institutional 'responses' of various kinds. We have done so drawing upon perspectives from economics and structural economics on incentives at the micro level and the dynamics of socio-technical development blocks on the macro level; from welfare studies of the articulation between economic growth models and social welfare regimes; from politics in our focus on governance issues; and from linguistics with regard to the discursive framings of economic models and relations.

The literature on economic crises, their historical roots and the factors that contributed to them is vast. What we can contribute in this respect is a wide and deep discussion of institutional responses, an issue that still remains rather weakly developed in the literature, which still focuses on various crisis interpretations. In this way, we hope to make a modest contribution both to the way out of the current crisis and to what lies beyond it.

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