We appear to have got away with it once again. The most serious crisis since the 1930s has not led to financial meltdown or the collapse of substantial parts of the real economy; unemployment has not surged and political instability has not increased significantly; nor has there been a heightening of international conflicts to worry about. At least, that is how things stand at the moment. Some experts warn, however, that another crash could occur at any time as long as toxic securities worth billions lie dormant in balance sheets, gambling on asset markets is not restricted, and hardly anyone takes an interest in the causes of speculative bubbles. Warning voices are every bit as unpopular as they were between 2002 and 2007, when financial market actors, with political approval, inflated the absurd house price and mortgage bubbles, which burst in autumn 2008. The most senior European central banker, Jean-Claude Trichet, once called this phase of continuous growth the Golden Age of the world economy. A host of experts rallied to the cause, who were endlessly inventive in conjuring new arguments to prove that the economic boom would just keep on going.

As fears of the great crash recede, the capacity for self-criticism diminishes and demands for far-reaching measures in response to the crisis become more muted. Why should governments venture reconstruction when the period of greatest danger appears to have passed? And why should financial market actors, in particular, want to change anything, when no one is forcing their hand and everything is going splendidly for them? The European Central Bank supplies the banks with liquidity on extremely favorable terms: they receive money from the ECB at one percent and lend it out again at five percent. After a respectable period of time the problem of toxic securities has, in a way, »solved itself.« But at any time situations could arise in which such securities – which have been described as »modern weapons of mass destruction« – might resume their destructive course. As long as the banking system is not reined in, not only is there a latent threat to macroeconomic stability, but the supply of credit to the economy will continue to fall short.

Thomas Palley, in his contribution in this issue of INTERNATIONAL POLITICS AND SOCIETY, addresses the calls for far-reaching restructuring of the economic and financial system, resuming the debate on systemic causes and the resulting need for change in which this publication has participated since the outbreak of the crisis, for example, with the contributions of Hansjörg Herr and Rainer Stachuletz (3/2008) and Jacques Sapir and Eric Helleiner (1/2009). Palley shows that, given the macro-

economic arrangements of the past few decades, the generation of speculative bubbles was almost inevitable if continuing growth was to be ensured. The basis of the American growth model, in other words, was the creation of demand via debt and asset price inflation; the traditional link between increasing productivity and rising wages was broken. In this way, an imbalance arose between the real economy and the financial sphere, which became more and more distended.

Add to all this the external economic imbalances. While it is true that US consumers shore up international demand, they consume and invest more than they produce and the difference must be financed from the surpluses of those who consume less than they produce. The efforts of the financial markets of significant industrialized countries to attract these surpluses favored the formation of speculative bubbles. Asset prices rose to unrealistic levels and, as the money flowed, people were willing to countenance ever riskier forms of investment.

When growth can no longer be maintained by debt, asset price inflation, and cheap imports, a decision must be taken on what the levers of growth are to be in the future. The post-War growth model, which was based on rising middle class incomes, was dismantled in the wake of the neoliberal reforms in the 1980s. The neoliberal model, meanwhile, has itself imploded. The correction of defective regulation in the financial sphere cannot be gainsaid. However, that alone would not be sufficient to bring economies back onto the path of development without the formation of bubbles and the risk of crashes. A new growth and development model is required and, according to Palley, one which unconditionally restores the nexus of income and productivity development which ensured prosperity from 1945 to 1980.

Two other contributions deal with matters pertinent to the debate on economic paradigms. Central to Sebastian Dullien's analysis are the instruments available to the EU to avert excessive endebtedness. These are aimed at preventing the eruption of debt crises, which can emerge in the public sector or the private economy, because in the EU such crises are extremely contagious and, in the worst case, bring economic activity to a standstill. Adalbert Winkler looks at the effects of international imbalances between production and consumption. But although he does not consider them to be direct causes of the crisis, the underlying malfunctions must be corrected. In particular, the emerging and developing countries must be made aware that forcing export growth, combined with the accumulation of reserves – in other words, unbalanced growth –

is no guarantee of prosperity. A growth model based on domestic demand, however, also requires substantial changes in the international financial system.

Other topics: Birgit Mahnkopf criticizes the approach to combating piracy at the Horn of Africa; Anika Oettler and Peter Peetz interpret the conflict in Honduras as a power struggle within the elite; Sinah Marx warns of conflicts about resources at the North Pole; and Heiko Kretschmer and Hans-Jörg Schmedes provide a critical evaluation of EU efforts to control lobbying.