

Chapter 20: Culture and Community in the Global Age: 20-3h Global Financial Crisis
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20-3h Global Financial Crisis

The global financial crisis had complicated roots. During an Asian financial crisis a decade earlier, vast amounts of European and American investment in Thailand, Indonesia, South Korea, and other East Asian countries had created an illusion of great economic dynamism. In 1997, however, the investment boom collapsed, leading to a severe economic downturn. Cautious investors responded by moving their money elsewhere. The United States became a favorite place to invest, helping spur a rapid increase in stock and housing prices and massive growth in the purchase of imported goods. Seeing the value of their houses increasing every year, Americans became wedded to borrowing money with their homes as collateral.

The terrorist attacks of 9/11 shocked the world's financial system. The expansion of trade, global interconnections, and privatization of government enterprises that had gained momentum with the dismantling of socialist economies in the 1990s cooled abruptly in the wake of 9/11. The rate of growth in world trade fell from 13 percent in 2000 to only 1 percent in 2001. However, money from overseas invested in U.S. markets made it possible for the United States to fight wars in Afghanistan and Iraq while also lowering taxes. The Bush administration deemed it important to encourage business as usual after 9/11 so that al-Qaeda would not think it had seriously injured the United States. The American national debt soared, but the American financial system bounced back from the attacks and people continued to borrow money as if there was no limit on how much their homes were worth.

In 2008 the fevered boom in housing prices collapsed, leaving many homeowners so deeply in debt on their mortgages that they lost their homes. Their mortgages, however, were no longer being held by local banks in the traditional fashion. New and risky lending techniques based on homeowners' assumptions that home prices would continue to rise had caused the bad debts to be distributed throughout the banking system, not just in the United States but around the world. Similar housing speculation occurred in Spain and other countries.

When Lehman Brothers, one of America's foremost financial firms, declared bankruptcy in September, recession turned into catastrophic economic downturn. Stock prices fell, banks teetered on the brink of collapse, and unemployment climbed as employers laid off workers they could no longer afford or did not need to meet falling consumer demand. The effects spread worldwide. Knowledgeable political leaders and economists proclaimed it the worst economic crisis since the Great Depression of the 1930s.

Growth in China and India had resumed quickly after 9/11, and the large populations of these two countries marked them as future economic powers. Their growth increased pressure on world energy supplies. Though the United States continued to consume a

quarter of the world's petroleum production, by 2012 it had resumed its position of world's largest producer through the practice of fracking to extract oil from shale deposits.

OPEC's manipulation of world oil prices, combined with political instability in the Middle East, had caused crude oil prices to soar between 1973 and 1985. But aside from those years, the average price of oil remained consistently below \$20 per barrel (adjusted for inflation) throughout the second half of the twentieth century. In the year 2000, however, oil prices began a new period of increase caused not by OPEC but by rising demand and confidence in the fevered pace of world economic expansion. By the middle of 2006, the price of a barrel of crude had crept past \$70, and in 2008 it spiked to \$145 a barrel. This increase fueled ambitious economic programs in producing countries like Russia, Venezuela, Iran, Saudi Arabia, and the sheikhdoms of the Persian Gulf, as well as in the newer OPEC members Ecuador, Nigeria, and Angola. With the financial crisis of 2008, prices fell abruptly, but by 2012 the price per barrel was back in the \$90–100 range.

By 2014–2015 a world supply had overtaken world demand. In addition, Saudi Arabia decided to impose financial pain on Iran, a Shi'ite state that it considered a threat to Sunni Islam and Saudi leadership, by increasing production and thereby causing oil prices to drop as precipitately and unexpectedly as they had in 2008. Countries like Venezuela that depended overwhelmingly on oil revenues suffered badly, and Saudi Arabia itself began to face budget deficits.

Unlike the situation in 2008, the prospect of a quick return to high prices seemed dim. The slowing of rapid-growth economies like China's, combined with continuing sluggishness in the United States and European Union (EU), tarnished the vision of neoliberal global transformation and contributed to the reappearance of populist and nationalistic political movements reminiscent of the fascist movements of the Great Depression era. Moreover, the global COVID-19 pandemic (see [Chapter 19](#)) triggered a dramatic worldwide economic downturn that hit small businesses and poorer people especially hard, and is likely to accelerate the decline of brick-and-mortar businesses, boost online commerce and the tech sector, and thus create an increase in regional and global inequality.

Section Review

- The last third of the twentieth century saw an increase in political action inspired by religious belief.
- Militant Islam has risen in response to authoritarian oppression in many Muslim countries and to the theory that the United States supports such authoritarianism.

Abandoned Housing Development

The bursting of the housing finance bubble brought hundreds of planned development projects to a sudden halt. This picture in Arizona shows sold homes with landscaping, unsold homes without landscaping, and vacant lots.



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Diversity & Dominance

Conflict and Civilization

In 1993 Samuel P. Huntington, a professor of government at Harvard University, published “The Clash of Civilizations?” in the journal Foreign Affairs. This article provoked extraordinary debate, particularly after the 9/11 attacks on the World Trade Center and the Pentagon. Some readers deemed it an accurate description of a post–Cold War world in which Islamic countries were destined to conflict violently with the countries of Europe and North America. Others saw it as imprecise in its failure to clarify what a “civilization” is, imperialistic in its unquestioning assumption of Western superiority, and encouraging of anti-Muslim prejudice.

Civilizational identity will be increasingly important in the future, and the world will be shaped in large measure by the interactions among seven or eight major civilizations. These include Western, Confucian, Japanese, Islamic, Hindu, Slavic-Orthodox, Latin American and possibly African civilization. The most important conflicts of the future will occur along the cultural fault lines separating these civilizations from one another.

Why will this be the case?

First, differences among civilizations are not only real; they are basic. Civilizations are differentiated from each other by history, language, culture, tradition and, most important, religion. The people of different civilizations have different views on the relations between God and man, the individual and the group, the citizen and the state, parents and children, husband and wife, as well as differing views of the relative importance of rights and responsibilities, liberty and authority, equality and hierarchy. These differences are the product of centuries. They will not soon disappear. They are far more fundamental than differences among political ideologies and political regimes. Differences do not necessarily mean conflict, and conflict does not necessarily mean violence. Over the centuries, however, differences among civilizations have generated the most prolonged and the most violent conflicts.

Second, the world is becoming a smaller place. The interactions between peoples of different civilizations are increasing; these increasing interactions intensify civilization consciousness and awareness of differences between civilizations and commonalities within civilizations. North African immigration to France generates hostility among Frenchmen and at the same time increased receptivity to immigration by "good" European Catholic Poles. Americans react far more negatively to Japanese investment than to larger investments from Canada and European countries....

Third, the processes of economic modernization and social change throughout the world are separating people from longstanding local identities. They also weaken the nation state as a source of identity. In much of the world religion has moved in to fill this gap, often in the form of movements that are labeled "fundamentalist." Such movements are found in Western Christianity, Judaism, Buddhism and Hinduism, as well as in Islam. In most countries and most religions the people active in fundamentalist movements are young, college-educated, middle-class technicians, professionals and business persons....

As people define their identity in ethnic and religious terms, they are likely to see an "us" versus "them" relation existing between themselves and people of different ethnicity or religion. The end of ideologically defined states in Eastern Europe and the former Soviet Union permits traditional ethnic identities and animosities to come to the fore. Differences in culture and religion create differences over policy issues, ranging from human rights to immigration to trade and commerce to the environment.... Most important, the efforts of the West to promote its values of democracy and liberalism to universal values, to maintain its military predominance and to advance its economic interests engender countering responses from other civilizations....

The interactions between civilizations vary greatly in the extent to which they are

likely to be characterized by violence. Economic competition clearly predominates between the American and European subcivilizations of the West and between both of them and Japan. On the Eurasian continent, however, the proliferation of ethnic conflict, epitomized at the extreme in “ethnic cleansing,” has not been totally random. It has been most frequent and most violent between groups belonging to different civilizations. In Eurasia the great historic fault lines between civilizations are once more aflame. This is particularly true along the boundaries of the crescent-shaped Islamic bloc of nations from the bulge of Africa to central Asia. Violence also occurs between Muslims, on the one hand, and Orthodox Serbs in the Balkans, Jews in Israel, Hindus in India, Buddhists in Burma and Catholics in the Philippines. Islam has bloody borders.

Rejoinders to Huntington's thesis saw it as a cornerstone of the aggressive policies adopted by the Bush administration after 9/11. As an alternative, they stressed the common values held by peaceful societies and the need for intercultural understanding. Mohammed Khatami, the president of the Islamic Republic of Iran, found support for a more positive framing of the matter when the United Nations, following his proposal, declared 2001 the year of “Dialogue Among Civilizations.” Almost simultaneously, the Organization of the Islamic Conference (now called the Organization of Islamic Cooperation), a 57-member international body headquartered in Saudi Arabia and composed of states with large Muslim populations, elaborated upon this concept in the “Tehran Declaration on Dialogue Among Civilizations.”

Tehran Declaration on Dialogue Among Civilizations

Praise be to Allah and peace and blessing be upon His prophet and kin and companion.

The representatives of Heads of State and Government of OIC member states . . . [recognizing] the United Nations General Assembly resolution 53/22, designating the year 2001 as the United Nations year of Dialogue among Civilizations;

Guided by the noble Islamic teachings and values [*each of the following principles is accompanied by reference to a verse in the Quran*] on human dignity and equality, tolerance, peace and justice for humankind, and promotion of virtues and proscription of vice and evil;

Drawing upon the Islamic principles of celebration of human diversity, recognition of diversified sources of knowledge, promotion of dialogue and mutual understanding, genuine mutual respect in human interchanges, and encouragement of courteous and civilized discourse based on reason and logic;

Reaffirming the commitment of their Governments to promote dialogue and understanding among various cultures and civilizations, aimed at reaching a global

consensus to build a new order for the next millennium founded in faith as well as common moral and ethical values of contemporary civilizations;

Requests the Secretary-General of the OIC to submit this declaration for endorsement to the Chairman of the Eighth Islamic Summit and the 26th Islamic Conference of Foreign Ministers for appropriate action:

A) General principles of dialogue among civilizations

1. Respect for the dignity and equality of all human beings without distinctions of any kind and of nations large and small;
2. Genuine acceptance of cultural diversity as a permanent [quality] of human society and a cherished asset for the advancement and welfare of humanity at large;
3. Mutual respect and tolerance for the views and values of various cultures and civilizations, as well as the right of members of all civilizations to preserve their cultural heritage and values, and rejection of desecration of moral, religious or cultural values, sanctities and sanctuaries;
4. Recognition of diversified sources of knowledge throughout time and space, and the imperative of drawing upon the areas of strengths, richness and wisdom of each civilization in a genuine process of mutual enrichment;
5. Rejection of attempts for cultural domination and imposition as well as doctrines and practices promoting confrontation and clash between civilizations;
6. Search for common grounds between and within various civilizations in order to face common global challenges;
7. Acceptance of cooperation and search for understanding as the appropriate mechanism for the promotion of common universal values as well as for the suppression of global threats;
8. Commitment to participation of all peoples and nations, without any discrimination, in their own domestic as well as global decision-making and value distribution processes;
9. Compliance with principles of justice, equity, peace and solidarity as well as fundamental principles of international law and the United

Nations Charter. . . .

A few years later, a joint proposal by the governments of Spain and Turkey received a similar endorsement by the United Nations. This led to the creation of the Alliance of Civilizations. The underlying principles of this organization were expressed in the 2006 report of its “High-Level Group,” a body of eminent political, intellectual, and spiritual figures from around the world.

Alliance of Civilizations Report of the High-Level Group

I. Bridging the World’s Divides

1.1 Our world is alarmingly out of balance. For many, the last century brought unprecedented progress, prosperity, and freedom. For others, it marked an era of subjugation, humiliation and dispossession. Ours is a world of great inequalities and paradoxes: a world where the income of the planet’s three richest people is greater than the combined income of the world’s least developed countries; where modern medicine performs daily miracles and yet 3 million people die every year of preventable diseases; where we know more about distant universes than ever before, yet 130 million children have no access to education; where despite the existence of multilateral covenants and institutions, the international community often seems helpless in the face of conflict and genocide. For most of humanity, freedom from want and freedom from fear appear as elusive as ever.

1.2 We also live in an increasingly complex world, where polarized perceptions, fueled by injustice and inequality, often lead to violence and conflict, threatening international stability. Over the past few years, wars, occupation and acts of terror have exacerbated mutual suspicion and fear within and among societies. Some political leaders and sectors of the media, as well as radical groups have exploited this environment, painting mirror images of a world made up of mutually exclusive cultures, religions, or civilizations, historically distinct and destined for confrontation.

1.3 The anxiety and confusion caused by the “clash of civilizations” theory regrettably has distorted the terms of the discourse on the real nature of the predicament the world is facing. The history of relations between cultures is not only one of wars and confrontation. It is also based on centuries of constructive exchanges, cross-fertilization, and peaceful co-existence. Moreover, classifying internally fluid and diverse societies along hard-and-fast lines of civilizations interferes with more illuminating ways of understanding questions of identity, motivation and behavior. Rifts between the powerful and the powerless or the rich and the poor or between different political groups, classes, occupations and nationalities have greater explanatory power than such cultural categories. Indeed, the latter stereotypes only serve to entrench already polarized opinions. Worse, by promoting the misguided view that cultures are set on an unavoidable collision course, they help turn negotiable disputes into seemingly intractable identity-based

conflicts that take hold of the popular imagination. It is essential, therefore, to counter the stereotypes and misconceptions that deepen patterns of hostility and mistrust among societies.

AP® Historical Thinking Skills

Making Connections *How important are culture and religion, as opposed to political ideology or economic inequality, in explaining current world conflicts?*

Contextualization *How have the structure and goals of global interactions both changed and remained the same since the attacks of 9/11?*

Sources: Samuel P. Huntington, "The Clash of Civilizations?" *Foreign Affairs* 72, no. 3 (1993); "The Tehran Declaration on Dialogue Among Civilizations," Organization of the Islamic Conference, www.isesco.org.ma/english/publications/dig/CH11.php; United Nations, *Alliance of Civilizations: Report of the High-level Group, 13 November 2006* (New York: United Nations, 2006).

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