LSE European Institute – APCO Worldwide Perspectives on Europe Series

The Future of Capitalism and Globalisation: Global Perspectives and a European Agenda

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After The Meltdown
The future of capitalism and globalization in the Age of the Twin Crises
Basic purpose and scope

- To look forward and go beyond causes and growth predictions: the fundamental tectonic shifts
- To assemble, extrapolate and warn – not to predict
- To focus solely on the fundamentals of governments, markets, and capitalism as engines for economic growth
The future of Capitalism and Globalization - REDUX

- **Confusion**: the financial crisis a failure of laissez-faire economics

- **Myth**: liberal capitalism triumphant on the eve of the Subprime Crisis

- **Contagion and Peril**: state capitalism, Keynesianism, and neo-protectionism during and after the Twin Crises

- **Some food for thought**

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CONFUSION: The financial crisis, a failure of laissez-faire economics
The Crisis Narrative

“The culmination of a 30-year domination of economic policy by free-market ideology”

“The end of laissez-faire economics”

“American contagion”

“The U.S. economic model is terminally ill”

“Failure of globalism and US-led free market fundamentalism”

The global financial system needs to be “fair not laissez-faire”

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Perception becomes Reality

- No alternative model & no immediate take-over by a post-capitalist new left

BUT...

- The narrative has become part of election manifests and economic reform programs all over the world
- The center and the right have moved to the left

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The new spirit of our age

1981: “Government is not the solution to our problem; government is the problem.”

Now: The market is the problem; government is the solution.

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MYTH:
Liberal capitalism triumphant on the eve of the Subprime Crisis

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The “End of History” and “La Pensée Unique”

Democracy  Free markets

Globalization

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Two Illusions on the Eve of the Crisis

The state and regulation had never subsided – the era of big government was never over – *Pensée unique* but *réalité différente*

Trade liberalization and free market liberalism are not inseparable: Global is not identical!

– Entrepreneurial capitalism
– Big-firm capitalism
– Oligarchic capitalism
– State capitalism

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The world on the eve of the Twin Crises

- State capitalism surging: China, Russia, Petropolitics & resource nationalism
- Sovereign wealth funds on the march
- Democracy in decline
- Multilateral trade liberalization stalled – bilateral and regional trade blocks ascendant

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CONTAGION and PERIL: state capitalism, neo-protectionism, and Keynesianism during and after the Twin Crises

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Implications and dangers

Legacy 1: Intrinsic neo-protectionism
- Obama and GM
- China and the green economy + rare earth minerals
- France and its national loan

Legacy 2: retrenchment (banks & co), big companies (GM & co), and less competition

Legacy 3: risk of second round protectionism down the line (cf. financial reregulation)

Legacy 4: the politics of Keynesianism and the slippery slope towards planning

Counterproductive in the long run

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Neo-Globalization

- **Institutions** of globalization: prior, during, and after the crises

- **Politics** of globalization: intellectual agreement – public support and perceived national interest – international leadership

- **Geopolitics** of globalization: US from missionary to pilgrim & Beijing model increasingly attractive

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Some recent illustrations of the “New Normal”

- The G20
- GM/Opel in every stage
- China and rare earth minerals
- Brazil and new oil
- Renault, Total, and Sarkozy
- Long distance passenger rail services in the EU
- Cadbury takeover by Kraft Foods & UK M&A policy
- The electric car mesmerizes governments everywhere
- Taiwan, the US, and China
- The China-Russia axis
- Obama and nuclear energy
- Boeing v. EADS/Airbus
- Russia’s next “great leap forward”

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SOME FOOD FOR THOUGHT

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Towards the New Globality

- **The “West”**: unemployment and poor economic growth are enemies of markets and trade, but harbinger of governments

- **The “East”**: the state is the face of present and future economic growth

- **US decline** in model and in reality, furthered by its own policies, both domestic and foreign

- **From globalization to neo-globalization**, with more tension and more regional blocks

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The Decline of the West

BEFORE THE CRISES
- Demography
- Democracy
- Secularism and human rights

AFTER THE CRISES
- Economic growth
- Economic model

♫ A strategic and common EU-US cause

After the Meltdown
Thank you
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