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Perspectives on Europe Series

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

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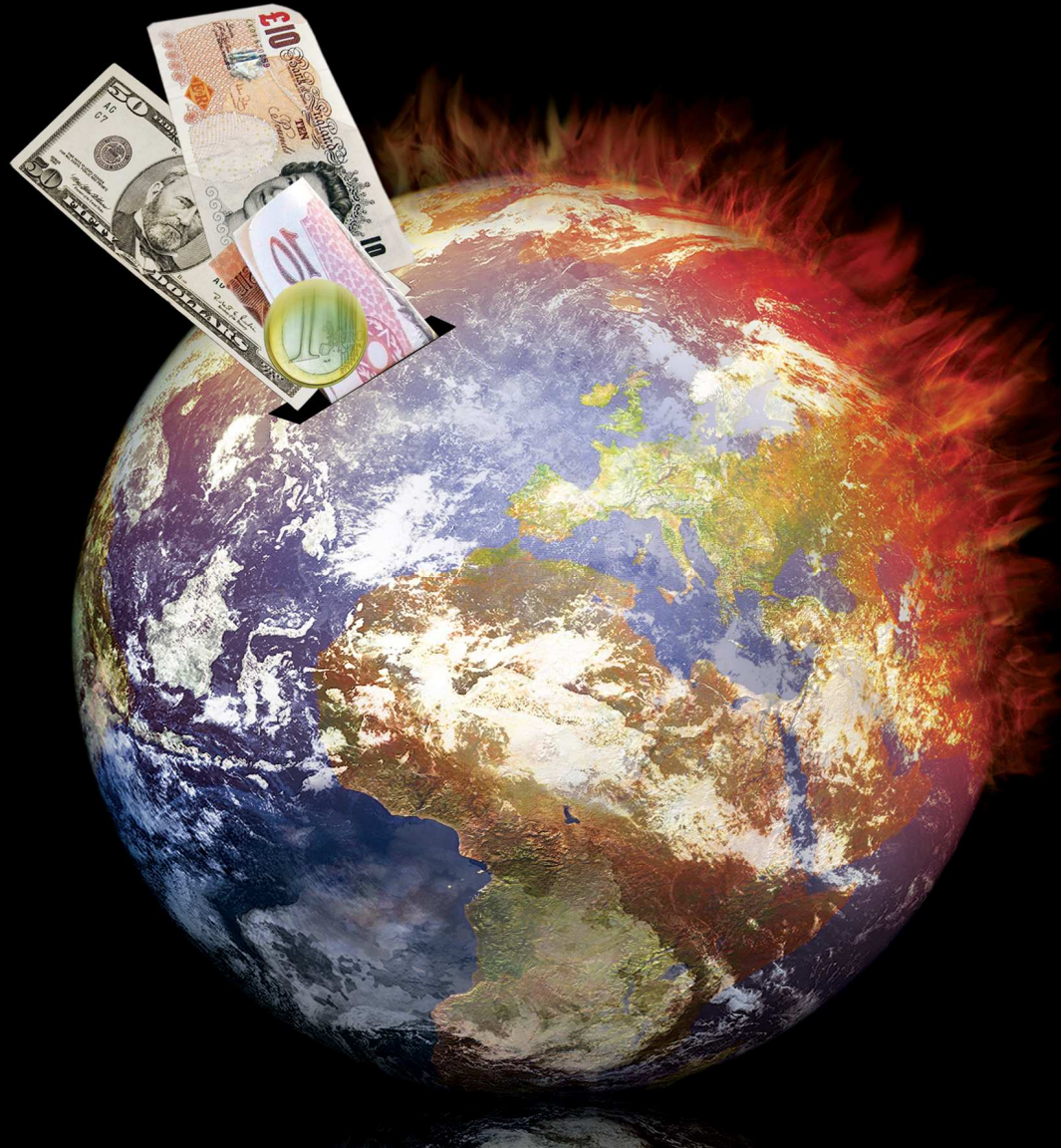
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After The Meltdown

The future of capitalism and globalization
in the Age of the Twin Crises

24/03/2010



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



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

After the Meltdown

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”**

Perception becomes Reality

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

BUT...

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

The new spirit of our age

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

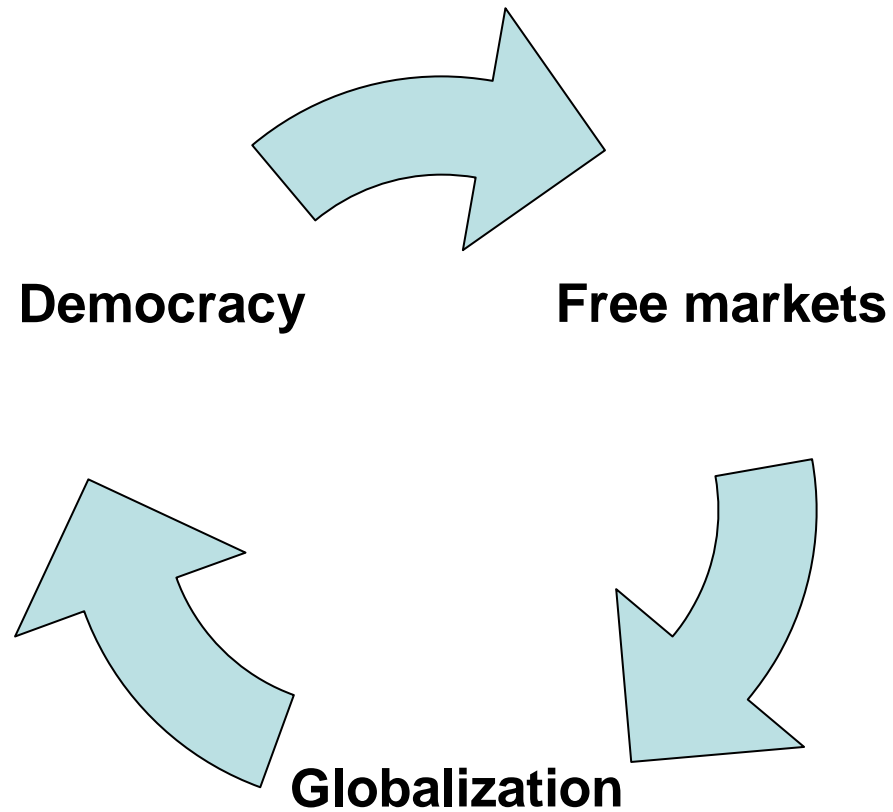
- **Now: The market is the problem; government is the solution.**



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

After the Meltdown

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



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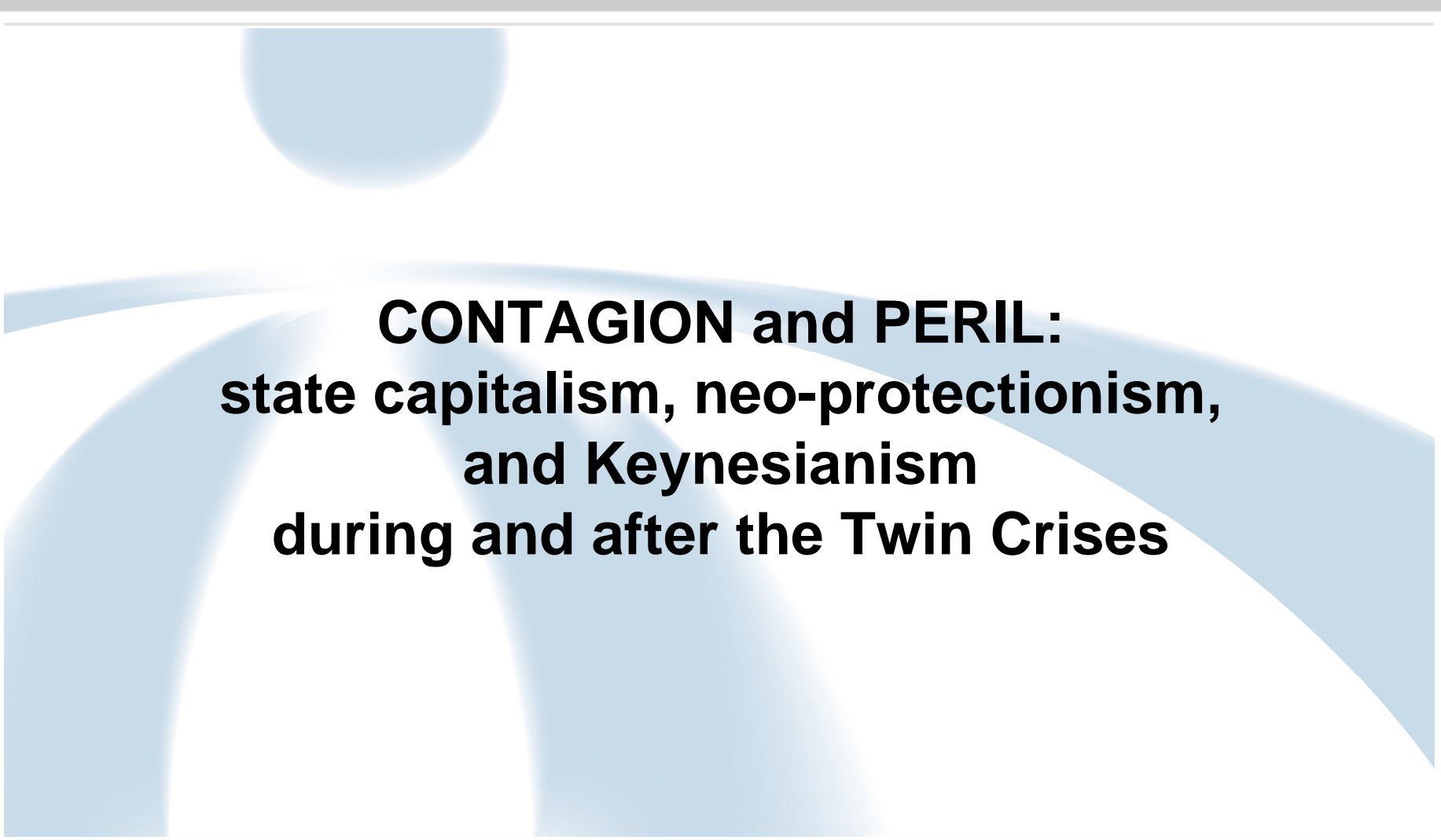
Two Illusions on the Eve of the Crisis

- ➔ **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

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**



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

After the Meltdown



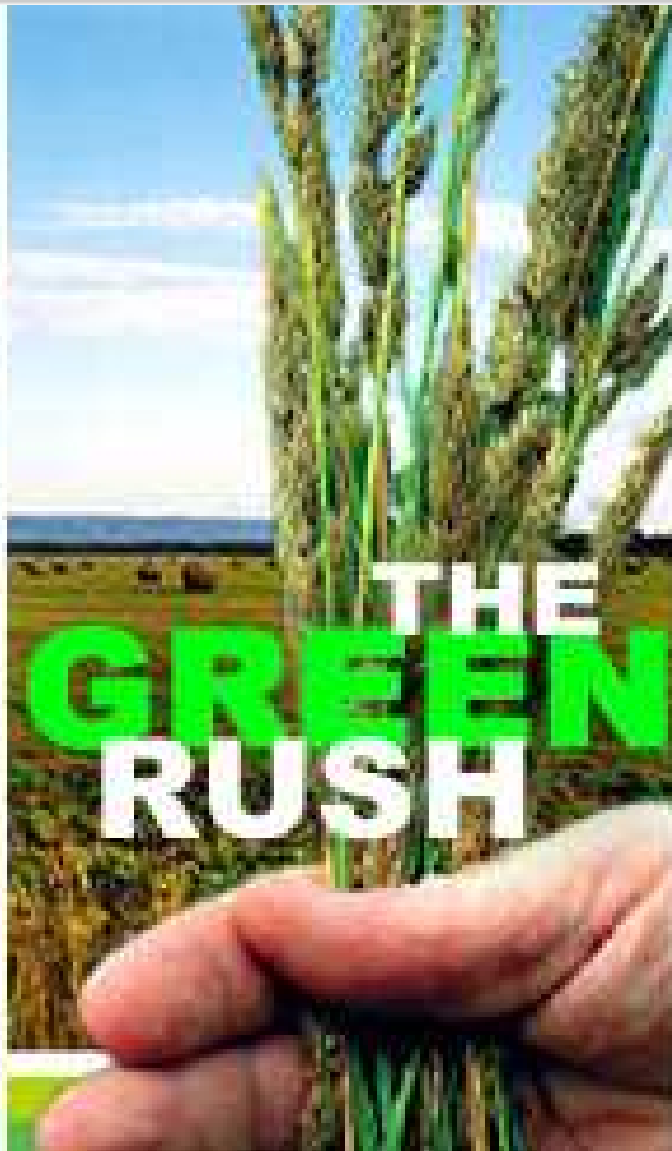


GOD'S STIMULUS PLAN



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**



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**

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”**



SOME FOOD FOR THOUGHT

After the Meltdown

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

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



Thank you

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