LSE European Institute – APCO Worldwide
Perspectives on Europe Series

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

Karel De Gucht
European Commissioner for Trade

Peter Sutherland
Chair, LSE

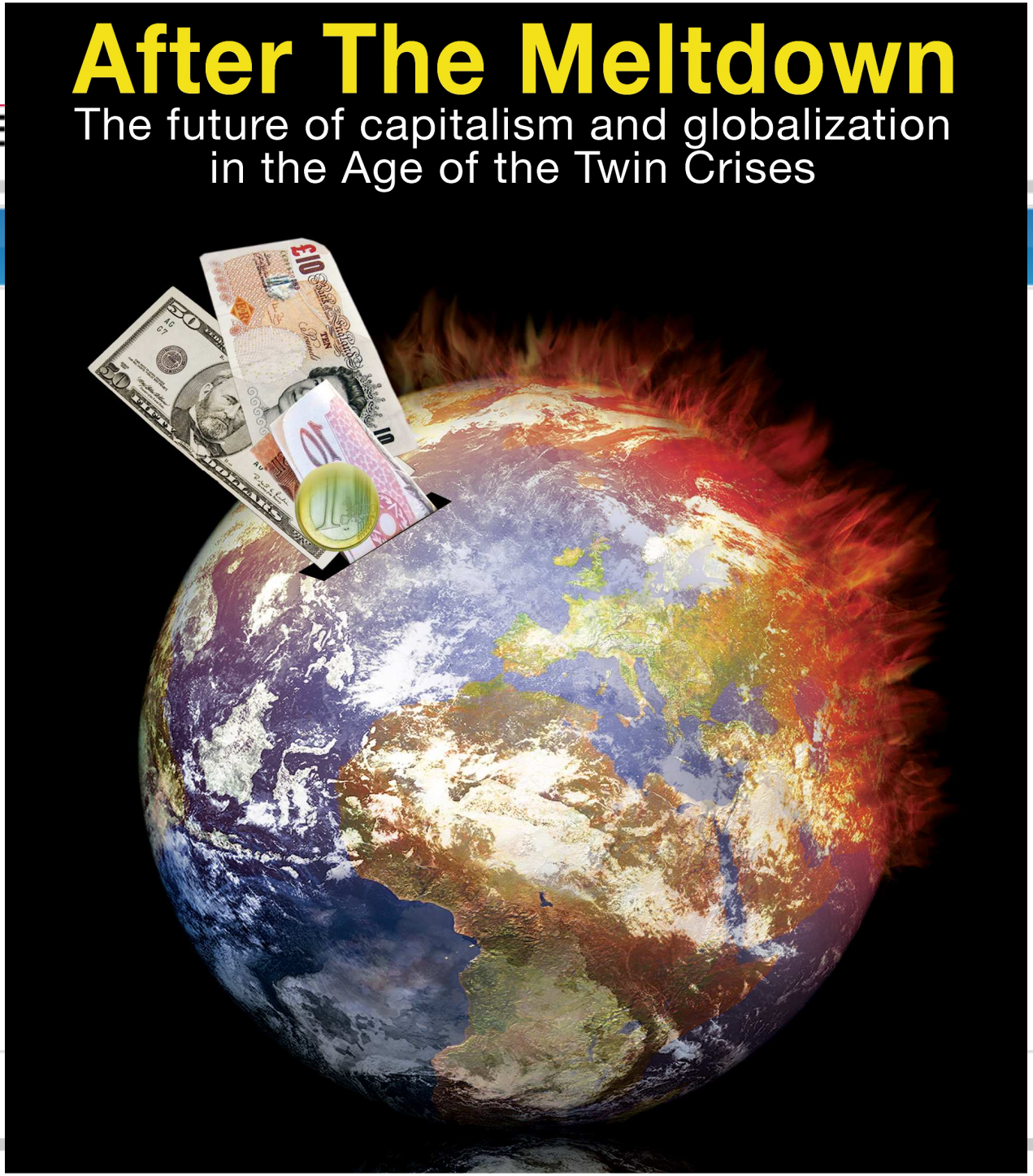
Professor Marc De Vos
Professor, Ghent University Law School

ITINERA INSTITUTE

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

ITINERA INSTITUTE

24/03/2010

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

ITINERA INSTITUTE

24/03/2010

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.”

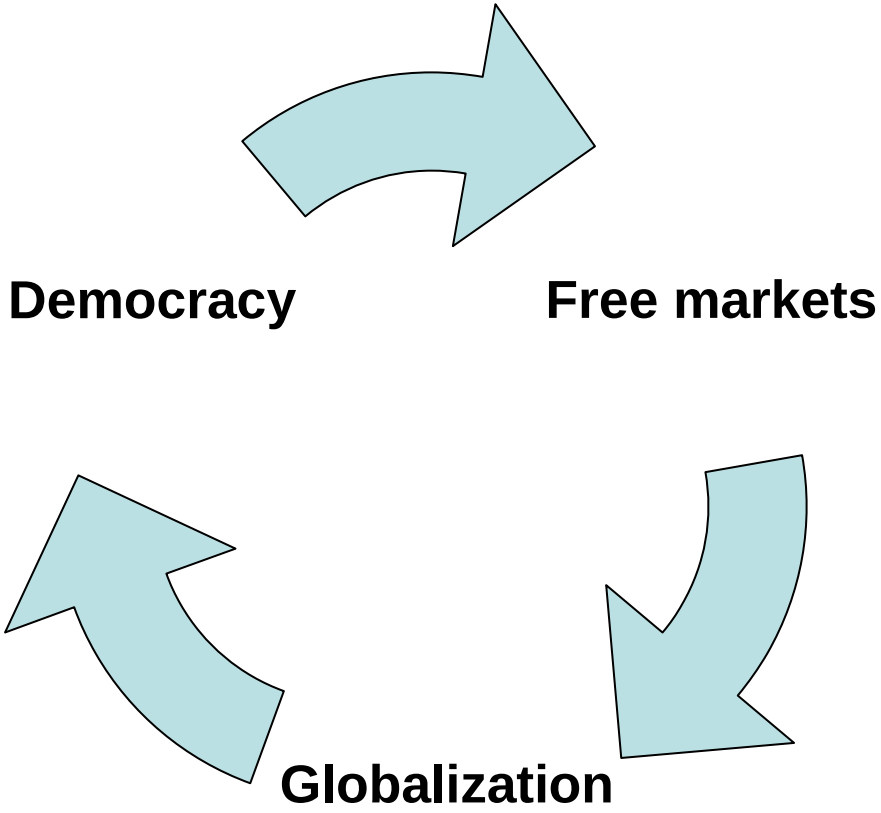
- Now: The market is the problem; government is the solution.

ITINERA INSTITUTE

24/03/2010

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

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



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

ITINERA INSTITUTE

24/03/2010

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

ITINERA INSTITUTE

24/03/2010

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

After the Meltdown

ITINERA INSTITUTE

24/03/2010

ITINERA INSTITUTE

24/03/2010

ITINERA INSTITUTE

24/03/2010

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**

ITINERA INSTITUTE

24/03/2010

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

ITINERA INSTITUTE

24/03/2010

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”

ITINERA INSTITUTE

24/03/2010

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

ITINERA INSTITUTE

24/03/2010

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
www.shoehornbooks.com

LSE European Institute – APCO Worldwide
Perspectives on Europe Series

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

Karel De Gucht
European Commissioner for Trade

Peter Sutherland
Chair, LSE

Professor Marc De Vos
Professor, Ghent University Law School