

# AFTER THE MELTDOWN

## – THE FUTURE OF CAPITALISM AND GLOBALIZATION IN THE AGE OF THE TWIN CRISES.

### MARC DE VOS

In the last quarter the UK continued its move out of the recession with a 0.3% GDP growth. Now that the recession and the sub-prime crises are over it's time for Gordon Brown or David Cameron to deal with the long term consequences. “After the Meltdown” by Marc De Vos initially starts with providing a background of the policies and actions taken by governments that caused the Twin Crises.

Before 2007 “the world was enjoying one of the greatest periods of economic development in history.” Free trade, labour migration, technological innovation were all booming. These resulted in a sevenfold increase in the value of global trade between 1980 and 2007 and a fourfold increase in those employed by it. Poverty was in decline; 400 million people in China alone moved out of poverty, Africa and India were also growing at incredible rates. Globalisation was in full flow, creating a new type of finance and globalising financial markets including the stock market, insurance market and real estate market. Commercial banking was losing market share, the money made from bank loans dropped to 45% from 75%. All this contributed to creating a perfect storm.

De Vos argues how risk was thrown out of the window and that the financial markets were ripe for abuse. As Karl Marx said “The circulation of money as capital is an end in itself, for the expansion of value takes place only within this constantly renewed movement. The circulation of capital has therefore no limits”.

He addresses updating the Washington Consensus in the next chapter, The Great Confusion and how political rhetoric and public perception has led to condemnation of the free market policies in general. Next comes The Great Myth - that market liberalisation didn't cause the financial crisis, free trade was already declining and it never delivered a single economic model.

The Great Contagion discusses state capitalism, how governments around the world have been bailing out their own banks as well as other organisations and how these rescues have been aimed at the big players to the detriment of the small and medium sized companies. State involvement has caused a decrease in entrepreneurial capitalism and although growth will occur in the long run, it will be inefficient which could cause this to be a long long run!

De Vos then discusses the six plagues of neo-globalisation. They are:

- Reality of globalisation
- Institutions of globalisation
- Legitimacy of globalisation
- Perception of globalisation
- Policies of globalisation and geopolitics of globalisation.

State capitalism is going to continue to rise, market liberalisation and capital liberalisation won't. We are going to see a strained state over the next few years with overwhelming demands placed on it.

The Great Peril that we face is that Keynesian-infused state capitalism will appear to be working, however it can be unfair, addictive, unsustainable and counterproductive. To be successful we will need to reduce the demand placed on the state and unleash market forces where possible. The question is whether the leading political parties will have the courage to allow this to happen.

It won't be the USA and the European Union that shape the future of capitalism and global growth, it will be Asia and this is The Great Unease. The fiscal burden and ageing population will be a shackle around the ankle of many countries affecting global growth; those in developing countries will not have this burden. Decoupling will occur, and whereas the West declines and the East grows, they will be able to harness global economic growth and determine how global capitalism looks once they have recoupled.

This book finishes with how the world should take advantage of the financial crisis in The Great Opportunity. We have had the first global recession since World War Two, capitalism is in the balance, now is the time to lay out a path that leads us to a stable future of globalisation. "We need a smart state. We need a fiscally responsible state. We need a state that is efficient, effective, and a strategic partner for long term private sector growth and competitiveness. This requires an enabling state, much more than a deciding state. "

"An excellent perspective on the financial crisis and its aftermath, and the role between governments and economics. "

Jim O'Neil – Head of Global Economic Research, Goldman Sachs

Marc De Vos is a law professor at Ghent University and Director of the Itinera Institute, a non-partisan Brussels think-tank. He frequently publishes lectures and debates on issues of globalization, European integration, labour market reform, pensions, aging, healthcare, and the welfare state.

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