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Global Economic Crisis or Collapse of Global Capitalist System

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Global Economic Crisis or Collapse of Global Capitalist System

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This is the greatest economic crisis, experienced by the people of my generation. Of course, I have read in history books about the great depression of 1930 and had a glimpse of the Asian financial crisis but this is the most disastrous event so far. Therefore, we need to make some extraordinary approaches to understand it and efforts to deal with it. What we need to know is, how this crisis arose, where it originated from and how to respond to it. Some people attempted to limit the scope and implication of this crisis only to the financial sector at first but in my view, it is something that strikes at the global system regardless of any specific sector. The crisis in food, energy, real estate, finance, services and manufacturing sectors are the outcomes of this stroke. This is a crisis of the whole system rather than the problem of any particular sector.

The media is trying to keep it limited that is the rule of the media in our society, to provide us with stories of human interest rather than the real news. There is no doubt that, we are living in a global capitalist economy, where interest rate, exchange rate, stock and commodity prices are intimately interrelated globally. The global financial markets have their own impact on global economies.

Albeit the existence of fast and globally connected capitalist system, unfortunately the development of a global economy could not match with the development of a global society.

Surprisingly, all the key regulatory authorities both at national and international level had failed to predict the collapse of this system. Some economists argue about the self correcting concept. In their views, the global economy can flourish without any need for a global society. This means that the best way to serve the common interest is to allow everyone to promote their own interests and any attempt to protect common interest by collective decision making destroys the market mechanism. It seems to me the rule of market values over all political & social values. By allowing this dominance; we ultimately lead towards the downfall of the global capitalist system.

Collective decision making is mandatory to ensure a healthy balance between market values and social values. Unfortunately, market fundamentalism (free market) has ignored the collective decision making and started to worship at the altar of individualism. The goal pursuing of individual interests in a free capitalist system is concerned only about their own success regardless the success of the whole system. We can see conflict among the individual's self interest and the interests of the society as being very much alive and heating up in our global capitalist system. This situation reminds me of Adam Smith's work "The Theory of Moral Sentiments" He had established that a rational individual will not hurt the interests of the society¹ but today, rational individual is hurting the interest of the society to maximize his own interest.

In the famous words of ex-chairman of British Leyland, Lord Stokes, "I'm in business to make money, not cars!" This is a perfect expression of the mindset of the entire capitalist class. In the movements of social unrest such as labor strikes, civil rights marches and anti-war rallies, the law and enforcement agencies have always protected the property owners.

¹ For further details, see the Adam Smith's work "The theory of moral sentiments"

In today's global world, where billions of people are living under \$ 1 (one) income/day, the top 20 rich people are holding multibillions of dollars. In my country Pakistan, where political leaders were negotiating for \$4 Billion loan from IMF to save the country from default, at the same time those politicians are holding Billions of dollars in their personal overseas accounts. At present, 500 top companies together with several banks and finance houses control the World economy.

The time when the classical economists predicted free trade in the future, Marx explained the development of monopoly from competition². The wages are falling, layoffs are rising, and more workers have to put in hard time to keep their heads above water but the governments are announcing the bailout plans to save the individuals and MNC's which are indeed responsible for this crisis. It has become our compulsion to squander the money of poor people to help the fat cats of Wall Street and fortune leaders to save the nearly collapsing system. It seems to me trying to stabilize the castle in the air.

We need to encounter those who actually practice free market values and maximize their own well being at the cost of the society as whole by claiming to having done so within legal rules and procedures. Those people should never indulge in such practices and the rules must be fixed to prevent them from such practices in the future.

Here the question arises that, is it possible for the Governments to formulate and implement the rules and procedures which would guarantee the society that those individuals operating under free global capitalist market do not harm the interest of the society, as we have seen in recent global economic crisis and during Asian financial crisis.

² The Process of Capitalist Production, Capital, A critique of political economy, edited by Frederick Engels

Rules are made by the authorities but in democratic societies particularly in developing countries, Governments and authorities are chosen by the some interest groups, due to a lack of institutional building. The authorities and political leaders held hostage by those interest groups. The political candidates appeal to voters for only the interest of certain individuals who financially support the political candidate, and probably the candidate who got more money and good bargains from those interest groups get selected. Thus after joining the office, the winning candidate tries to form only rule and procedure beneficial for his financial supporters with a single stroke of his pen. This phenomenon is pushing us towards severe class differentiated society. Despite all the allusions to freedom and democracy, the elite class (interest groups) is ruling our entire society.

The role of class economy is to cover up the exploitation of the working class and to prove the superiority of capitalist society. Today, due to the impact of the economic crisis, the people like me have developed a curiosity for economics. They are trying to know the forces which dominate their lives. Why periodically, the booms are followed in regular succession by periods of slump? The hidden forces of production, built by class society, can abolish once and for all the criminal scandal of so-called overproduction in a world of want and starvation. We immediately need to transform the class society. The structural reforms in the capitalist system and the introduction of a planned economy by the independent collective decision making authorities can end the nightmare of unemployment, economic crisis, slump and chaos in the future.

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