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Global Economy: New Trends

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Abstract

The current global economic and financial crises led by free markets economies; that clearly indicates the collapse of Milton-Friedman's philosophy of Chicago university which was based on Adam Smith's classical economic theory, and policies of 'Thatcher-Reagan' free - market model; as dominated thinking for 30 years has been discredited. The systemic crisis of capitalism is looming right after. The pursuit of the model based on the growth of the real economy and of the consumption attached to it, has become, for the first time in history a real threat for the future of humankind and the planet.

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1 Introduction

Milton-Friedman's philosophy of Chicago University which was based on Adam Smith's classical economic theory, initially launched in South America. Since 1980 the USA and the United Kingdom applied such policies during Thatcher- Reagan' regimes. In the mid-of 1980s some donor dependent African countries followed these policies of 'free - market model. Since 1990s it has become a global phenomenon as dominated thinking for the last 30 years, now it has been discredited. A decade long economic depression has been a severe worldwide. The world over market is being crashed. All and sundry can see the crumbling of capitalism. All over unemployment problems rises in upward direction, wide income inequality gap, poverty, low profits, high inflation, plunging farm incomes, and lost opportunities for economic growth and personal advancement can be seen.

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The living standards of people dependent on wages and salaries are more affected by recessions than those who rely on fixed incomes or welfare benefits. The loss of a job is known to have a negative impact on the stability of families, and individuals' health and well-being. Research shows that low-skilled, low-educated workers and the young are most vulnerable to unemployment in a downturn. During what the IMF terms the past three global recessions of the last three decades, global per capita output growth was zero or negative. More than 1.14 billion people estimated in 2011[2] to be living below the international poverty line of 1.25 dollars a day. Close to two million children could die in the next five years if the crisis persists. Some of the poorest nations in the world (especially those in Sub-Saharan Africa) seem to have been left behind and marginalized by globalization, and they are poorer today (i.e., their average real per capita income is lower today) than they were two or three decades ago. The World Bank president Robert Joylaki also warns in the meeting of G-20[3] that "*due to unemployment problems, high petroleum prices, inflation especially increased price hike in food items, the current global economic crisis, and the Middle-east and North African political crisis could push 100 million people more into extreme poverty worldwide in 2011.*"[4]

Although the IMF estimates that global recession seem to occur over a cycle lasting between 8 and 10 years. Its causes are still uncertain and controversial, the net effect was a sudden and general loss of confidence in the economic future, and there is no hope to recover until the late 2018.[5] As IMF's chief economist has warned that the global economy will take a decade to recover from the financial crisis. Olivier Blanchard said he feared the Eurozone crisis, debt problems in Japan and the U.S., and a slowdown in China meant that the world economy would not be in good shape until at least 2018. Blanchard said "it will surely take at least a decade from the beginning of the crisis for the world economy to get back to decent shape.[6] Plagued by uncertainty and fresh setbacks, the world economy has weakened further and will grow more slowly over the next year.[7] The growth rate of global output, which had already decelerated from 4.1 per cent in 2010 to 2.7 per cent in 2011, is expected to slow down even more in 2012 to below 2.5 per cent.[8]

Objectives

This research investigates current global economic trends and performance in the era of globalization which is based on 'Milton-Friedman's neo-liberal philosophy. One of its purposes is to serve as a point of reference for discussions on economic, social and related issues. Why does affluence coexist with dire poverty not only across different continents but also within the same country or even the same city? Can traditional, low - productivity, subsistence societies to be transformed into modern, high productivity, high - income nations? To what extent are the development aspirations of poor nations helped or hindered by the economic activities of rich nations? These and many other questions concerning international and national differences in standards of living, in areas including

[2]Source: BBC Hindi News on 17th April, 2011.
[3]Source: BBC Hindi News on 17th April, 2011.
[4]World Bank (2010), *Global Economic Prospects: Fiscal Headwinds and Recovery*
[5]Source: Mr. Blanchard made his comments on a Hungarian website Portfolio.hu ahead of the IMF meeting by mid October 2012 in Tokyo.
[6]Source: Mr. Blanchard made his comments on a Hungarian website Portfolio.hu ahead of the IMF meeting by mid October 2012 in Tokyo.
[7]Source: IMF latest forecast by the first week of October 2012.
[8]Ibid.

health, and nutrition, education, employment, and life expectancies, might be posed on the basis of even this very superficial look at life around the world. Both developing and developed countries face economic shocks. There is a need to ask themselves whether growth and development strategies, economic policies and institutions need a complete rethink in these turbulent times.

2 Methodology

This study, based on critical analysis in historical contexts, sheds some light on what is really happening at the country level, and goes beyond vulnerability studies or global forecasts. The data collected from various sources include UNCTAD, IMF, World Bank, World Economic Outlook 2012, and analyzed it properly in the Marxist framework as well Third World perspectives.

2.1 Hypothesis

Capitalism has neither the capacity, nor the morality, nor the ethics to solve the problems of poverty, unemployment, inequality, malnutrition and inflation.
How China replacing the G-7 in the wake of the economic crisis, through sharing their own science and technology to improve and transform in agriculture and industrial sectors in Africa, Latin America, and Asia, and, through using FDI/ investment in all over the world, willing to buy the USA and the EU Government's debt, through creating a huge production networks of SMEs (approximately 42 million SMEs), and willing to compete all over the world, emerged as a 'new business leader'?

2.2 The Data Analysis

Despite a very modest improvement of GDP growth in the United States and a more significant one in Japan, developed economies as a whole are likely to grow by only slightly more than 1 per cent, and world's gross domestic product (GDP), which had already decelerated, is expected a further slowdown to around 2.5 per cent in 2012. The immediate problem is the inability of the developed countries (like the USA, the EU and Japan) to return to a normal growth pattern, but there is also an equally serious problem of contagion. Amidst their fragile recovery, an unreformed (and unrepentant) financial sector and macroeconomic policies that are timid at best and counterproductive at worst.

Table: 1Output Growth 2004-2012 (Annual percentage change)

Region/Country	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
World	**4.1**	**3.5**	**4.1**	**4.0**	**1.5**	**-2.3**	**4.1**	**2.7**	**2.3**
Developed Countries	**3.0**	**2.4**	**2.8**	**2.6**	**0.0**	**-3.9**	**2.8**	**1.4**	**1.1**
United States	3.5	3.1	2.7	1.9	-0.4	-3.5	3.0	1.7	2.0
Japan	**2.4**	**1.3**	**1.7**	**2.2**	**-1.0**	**-5.5**	**4.4**	**-0.7**	**2.2**
European Union (EU 27)	**2.8**	**2.0**	**3.3**	**3.2**	**0.3**	**-4.4**	**2.1**	**1.5**	**-0.3**
France	2.5	1.8	2.5	2.3	-0.1	-3.1	1.7	1.7	0.3

Germany	1.2	0.7	3.7	3.3	1.1	-5.1	3.7	3.0	0.9
Italy	1.7	0.9	2.2	1.7	-1.2	-5.5	1.8	0.4	-1.9
UK	3.0	2.1	2.8	3.5	-1.1	-4.4	2.1	0.7	-0.8
European Union (EU 12)	5.6	4.8	6.5	6.0	4.1	-3.7	2.3	3.1	1.2
South-East Europe and CIS	**7.7**	**6.5**	**8.4**	**8.6**	**5.2**	**-6.5**	**4.2**	**4.5**	**4.3**
Russian Federation	7.2	6.4	8.2	8.5	5.2	-7.8	4.0	4.3	4.7
Developing Countries	**7.4**	**8.8**	**7.6**	**7.9**	**5.3**	**2.4**	**7.5**	**5.9**	**4.9**
Africa	7.9	5.4	6.1	6.0	4.8	0.9	4.5	2.5	4.1
Sub-Saharan Africa,	12.8	5.8	6.9	7.2	5.6	0.6	5.8	4.8	4.9
South Africa	4.6	5.3	5.6	5.6	3.6	-1.7	2.8	3.1	2.7
Latin America and the Caribean	5.8	4.6	5.6	5.6	4.0	-2.0	6.0	4.3	3.4
Central America	4.2	4.8	6.4	7.0	4.1	-0.2	4.0	4.9	4.5
South America	7.1	5.0	5.5	6.6	5.4	-0.2	6.5	4.5	3.1
Brazil	5.7	3.2	4.0	6.1	5.2	-0.3	7.5	2.7	2.0
Asia	8.0	7.9	8.7	9.0	5.9	4.1	8.4	6.8	5.5
East Asia	8.3	8.6	10.0	11.1	7.0	5.9	9.4	7.6	6.3
China	10.1	11.3	12.7	14.2	9.6	9.2	10.4	9.2	7.9
South Asia	7.5	8.2	8.5	8.9	5.8	5.5	7.3	6.0	5.2
India	8.3	9.3	9.6	9.7	7.5	7.0	9.0	7.0	4.1
South East Asia	6.5	5.8	6.2	7.0	4.0	1.3	8.0	4.5	4.9
West Asia	8.8	6.9	6.7	4.5	3.8	-1.1	6.5	6.9	3.7
Oceania	2.2	3.5	2.9	3.6	2.7	2.1	3.4	3.8	3.8

Source: UNCTAD Secretariat calculations, based on United Nations, Department of Economic and Social Affairs (UN/DESA), World Economic Situation and Prospects (WESP), Global Data Watch, IMF, World Economic Outlook, 2012.

2.3 An Overview of the Global Economy

Low growth and uncertainty in advanced economies are affecting emerging market and developing economies through both trade and financial channels, adding to home-grown weaknesses. The U.S. growth forecast slightly, to 2.2 per cent this year from 2 per cent in July. For 2013, though, it expects U.S. growth of 2.1 per cent, down from 2.3 per cent by the IMF. Among the 17 nations that use the euro, low growth in the major "core economies," such as Germany and France, will be offset by outright contractions in the smaller economies, leading real gross domestic product to fall by about 0.4 per cent in

2012, the IMF said. It forecasts growth in the euro area will stay flat in the first half of 2013 and tick up to about 1 per cent in the second half of the year.[9]

Indian economy has to grow 4.9%. China's economy will likely expand 7.8 per cent this year, down from July's 8 per cent forecast, though a pickup in construction projects is expected to spur growth late in the year. India's economy will grow 4.9 per cent, down from 6.1 per cent. Asian Development Bank (ADB) says lowered India's growth for the current fiscal to 5.6 per cent from 7 per cent as projected earlier, citing falling global demand and impact of delayed monsoon on agricultural production. For the Asian region as a whole, the ADB Update expects the Gross Domestic Product (GDP) growth rate to drop to 6.1 per cent in 2012 from 7.2 per cent in 2011. The growth rate for the region has been projected at 6.7 per cent in 2013.[10]

This new trends can be seen globally: as export sectors sharply declined. Service sectors and construction have virtually halted in many countries. Personal income, tax revenue, profits and prices dropped, while international trade plunged by more than 50 per cent. Unemployment in the U.S. rose to 10 per cent and in some countries rose as high as 51 per cent. Cities all around the world hit hard, especially those dependent on heavy industry. Farming and rural areas suffered as crop prices fell by approximately 80 per cent. Facing plummeting demand with few alternate sources of jobs, areas dependent on primary sector industries such as cash cropping, mining and logging suffered the most. Brazil's growth will be only 1.5 per cent, compared to 2.5 per cent.

While the conventional economists were ignoring its coming development and consequences, especially in Europe. We must speak now about depression and no more about recession. In terms of access to food, after two major international price spikes in 2007-08 and 2010-11, populations in nearly 60 developing countries are paying 80 percent more, on average, for local foodstuffs in 2012 compared to pre-crisis price levels.

Regarding labor markets across the globe, they are characterized by fewer, lower-paying jobs and proliferating the incidence of working poverty that had already trapped nearly one billion workers and their families, with two out of every five workers in the world currently unable to find a job. Further, rampant youth unemployment coupled with a quickly expanding supply of young labourers—more than one billion are expected to enter the world's labour market between 2012 and 2020—are only adding to ongoing labour market woes.

Access to public goods and services is also increasingly being challenged in the worldwide drive toward austerity. In 2012, 133 countries are forecasted to reduce annual spending by 1.6% of GDP, on average, with 30% of governments characterized as undergoing excessive contraction, defined as cutting expenditures below pre-crisis levels.

Despite the world's fixation on austerity in high-income economies, the untold story is the scope and depth of austerity that is taking place among developing countries, which are contracting at nearly double the rate as their developed counterparts (-1.8% versus -1.0% of GDP in 2012, respectively).[11]

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[9] Source: IMF latest forecast by the first week of October 2012.

[10] Source: Asian Development Bank (ADB) updated outlook 2012.

[11] Source: A "Recovery for All", a new book by UNICEF's Policy Division details how the economic crisis continues to inflict devastating social consequences worldwide. The book is edited by Isabel Ortiz and Matthew Cummins. The book can be downloaded at: http://www.unicef.org/socialpolicy/index_62107.html

2.4 A Highly Indebted Private Sector and a Vulnerable Financial System

Developed countries have left in its wake a highly indebted private sector and a vulnerable financial system, with rising non-performing loans and limited access to inter-bank financing. Significant deleveraging was set in motion as banks sought to recapitalize and the private sector was unable or unwilling to take on new debts, strongly hampering domestic demand. Expansionary monetary policies, which included huge money creation in addition to very low policy interest rates, prove inadequate for reversing this situation. High levels of unemployment and wage stagnation or compression further hindered private consumption. On top of already weak private demand, fiscal tightening has been adopted in several developed countries with a view to reducing public debt and restoring the confidence of financial markets. These problems have been particularly severe in the EU, where economic activity is set to shrink in 2012: a fall in domestic consumption and investment since 2011 was only partly compensated by a rise in net exports.

2.5 Slow Expansion of Global Trade

International trade expansion, after a strong rebound in 2010, slowed to only 5.5 per cent in 2011, and is likely to further decelerate in 2012. In most developed economies- particularly in the euro zone- trade volumes have no recovered to their pre-crisis levels, although in the first-half of 2012 they did grow somewhat in Japan and the USA. Trade was comparatively more dynamic in developing countries, but its growth has slowed down significantly even in these countries to around 6-7 per cent in 2011. The exceptions are some commodity exporters, which were able to increase their imports at two-digit rates owing to gains from the terms of trade. These countries benefited from commodity prices that remained high by historical standards in 2011 and the first half of 2012. However, those prices continue to display strong volatility and have been exhibiting a declining trend after peaking during the first months of 2011. Fortifying domestic demand is all the more crucial given weakening trade trends. The IMF forecasts that growth in world trade volume will slump to 3.2 per cent this year from 5.8 per cent last year and 12.6 per cent in 2010.

Governments of 158 countries are considering four main reforms:

- Cutting or capping wage bills, which can impact the salaries of public sector workers that provide essential services to the population (under consideration in 73 countries)
- Reducing or removing subsidies, including on food and fuel products at a time when food prices are at unprecedented highs in many places (in 73 countries)
- Targeting and rationalizing social protection programs, this is, reducing social protection coverage at a time when governments should be considering scaling up a social protection floor for all persons rather than scaling down benefits (in 55 countries).
- Governments are also pursuing other budget slashing strategies that could lead to heightened vulnerabilities and cause further contraction of economic activities, such as tax increases on basic goods and services that are principally consumed by the poor (in 71 countries).

When combined, the cumulative and simultaneous effects of the price, income and service delivery shocks have potentially severe and irreversible consequences, especially for children. Among these include increased hunger and malnutrition, worsening health outcomes, lower school attendance, higher rates of child labor and domestic violence, rising vulnerability to future shocks and widespread social unrest.

2.6 High Unemployment and Growing Inequality Fuel Social Unrest around the World

After the global financial and economic meltdown, there is a majority of countries where the risk of social unrest has increased. This is not surprising given that good jobs remain scarce and income inequality is rising. There is a growing sense that those most affected by the crisis are not receiving adequate policy attention. Out of 106 countries with available figures, 54 per cent reported an increase in the score for the risk of unrest in 2011 compared to 2010. The two regions with the highest risk are Sub-Saharan Africa, and the Middle East and North Africa. However, there are also important increases in advanced economies and in Central and Eastern Europe. On the other hand, Latin America and some Asian countries have experienced a decline in the risk of social unrest over this period. In the case of emerging and developing countries, emphasis should be placed on public investment and social protection to reduce poverty, income inequality and stimulate aggregate demand. There is a need to focus on the unemployed, especially young workers, to help them find new jobs. At the same time, there is a need to stimulate investment. This can be done through public infrastructure investment and support to small-and-medium-sized enterprises (SMEs). Jobs must be provided and income matter much more to people than economic growth per se. However, the developing countries have performed relatively well in terms of creating jobs and reducing income inequality — although there are still concerns regarding poverty and high informal employment in China, India and much of Latin America. In advanced economies, the situation is very different. Unemployment rates remain high in the majority of countries and income inequality has increased in more than half of the cases.

2.7 Comparative Analysis of 1930s and 2008 Great Depressions

In the autumn of 2008, we came closer to such a financial meltdown than at any time since the 1930s. Two big issues have dominated headlines in recent times: sovereign debt problems in the two biggest economic groupings, the United States and the European Union. To a dispassionate observer, it can be a source of wonder that what began as a crisis generated by the irresponsible excesses of financial markets has ended up as a problem of debt sustainability for the very governments that were forced to step in and clear up the mess. But this is an old story, for in history almost every financial crisis has been followed by a crisis of public debt: because the crisis itself causes governments to spend more in bailouts as well as in reviving the economy during the subsequent recession.

The difference is that this time the outcry against public "profligacy" and the attacks by bond markets against what are pronounced to be "unsustainable" levels of government debt have begun well before the global economy is out of the woods. As a result, everywhere the clarion cry is for fiscal austerity and reductions in government expenditure. This is so even though employment has not really recovered from the Great Recession in most major economies.

In the earlier episode, the collapse of the banking system led to the Great Depression. In the recent crisis, some of the world’s largest financial institutions failed. Key markets stopped functioning. Credit dried up, even for healthy borrowers. As a result, vibrant companies that relied on short-term loans to pay their employees and buy materials faced potential ruin. Even some fundamental ways that we make payments for goods and services were threatened. Gasping for air in this financial crisis, the global economy since 2007 sank into the deepest, broadest, and longest downturn since World War II. Around the world, tens of millions of people lost their jobs. It is not only the advanced capitalist countries but almost all the capitalist nations who have been integrated or depending on the USA and the EU's markets; face serious economic and political challenges. This prolonged crisis indicates the unsustainability of international finance capital-led, "oil Texas', and 'military-industrial complex' capital-intensive 'mode of production' in the US, and heavily dependence on 'financial sectors' led by Euro money lending agency in the EU, globalization has failed.

The World Bank has slashed its growth forecasts, and is now predicting a 0.3% contraction for the Eurozone in 2012, as the ensuing global downturn is likely to be deeper and longer-lasting than the great recession of 1930s. Advanced capitalist countries do not have the fiscal and monetary space to stimulate the global economy. "Developing countries need to evaluate their vulnerabilities and prepare for further shocks, while there is still time," said World Bank chief economist Justin Yifu Lin. In a veiled attack on Europe's austerity policies the bank said "it is not yet clear whether there is an end in sight to the vicious circle whereby budget cuts to restore debt sustainability reduce growth and revenues to the detriment of debt sustainability".

2.8 The North-South Conflict is still Remained

The basic fundamental contradiction between the north and the south is still remained. The major character of this systemic crisis is related to the natural resources of the planet, now less abundant than half a century ago. The North-South conflict constitutes for that reason the central axis of coming struggles and conflicts. The production and consumption-waste system at the moment forbids the access to the world natural resources for the majority of the planet, i.e. the peoples of the South. Previously, an emergent country could take its share of these resources without questioning the privileges of the affluent countries. But today, it is no more the case. The population of opulent countries -15% of the planet's population- has to monopolize for its own consumption and waste 85% of the world resources, and cannot tolerate that newcomers may reach these resources, since they would provoke shortages for rich people's standard of living. If the USA has formulated an objective of military control of the planet, it is because, without it, they cannot secure the exclusive access to these resources. As we know: China, India and the South as a whole need them as well for their development. For the USA, they must limit the access and ultimately, there is only one mean: war.

On the other hand, to preserve energy sources of fossil origin, USA, Europe and others develop production of bio-fuel projects to a large scale, to the detriment of food production, still accusing the rise of prices.

According to industry figures from Market the services activity index dropped from 53.7 to 52.2 and employment fell, adding to gloomy surveys of the construction and manufacturing sectors. Hyperinflation strategy in Europe, America, Japan, India, and other capitalist countries, though, would not be beneficial as they are just assuming that it's a necessary and desirable relative price adjustment.

2.9 Illusory Answers of the Governing Powers

Governing powers, under the rule of financial oligopolies, do not have any other project except to restore the same system. However, their success is not impossible, if they can inject enough liquidities to restore the credibility of the financial investments, and if the reactions of the victims –working classes and nations of the South- remain limited. But, in this case, the system steps back to better jump and a new financial collapse, still deeper, is unavoidable, since the "adjustments" for the management of financial and monetary markets are not wide enough, because they do not question the power of oligopolies.

Furthermore, answering the financial crisis by injecting phenomenal public funds to re-establish the security of the financial markets is amusing: first, profits were privatized, if they are jeopardized, the losses are socialized! Reverse, I win, head, you lose.

2.10 A Recovery not for Oligopolist but for All Poor and Hunger People

The current capitalist system is dominated by a handful of oligopolies that control the basic decisions making of the world economy. These oligopolies are not solely financial; such as the banks or the insurance companies, but include enterprises involved in industrial production, services, transports and the like. The way they are financiarized is their chief characteristic. We must understand here that the main source of economical decision has been transferred from the production of surplus value in production towards the redistribution of profits between the oligopolies. To that effect the system needs the expansion of financial investments. In that respect the major market, the one which dominates all other markets, is precisely the monetary and financial market. This is my definition of the "financiarization" of the global system. Such a strategy is not the result of independent "decisions" of banks, it is rather that the choice of the "financiarized" groups. These oligopolies hence do not produce profits; they just swipe the monopolies' rent through financial investments.

This system is extremely profitable for dominating sectors of the capital. Thus, the system should not be qualified "market economy" (which is an empty ideological qualification) but as a capitalism of financiarized oligopolies. However, financial investment could not continue indefinitely, while the productive basis was growing at a low rate. Consequently, we have the logic of a "financial bubble", the sheer translation of the financial investments system. The gross amount of financial transactions reaches two thousand trillion alone, while the world GDP is 44 trillion only. Quite a huge multiple! Thirty years ago, the relative volume of such transactions did not have this extent. As a matter of fact, those transactions were directed in general and expressly to cover the operations linked to production, and internal and external trade. The overall outlook of this financed oligopolies system was the Achilles' heel of that capitalist structure. The crisis was doomed to be initiated by a financial collapse.

To attract the attention on the financial collapse is not enough. Behind it, a crisis of real economy is standing out, since the financial drift was continuously asphyxiating the growth of the production basis. Solutions brought to the financial crisis can just lead to a crisis of the real economy, i.e. a relative stagnation of the production with its side effects: regression of wages, growth of unemployment, growing precariousness and aggravation of poverty in the Southern countries. We must speak now about depression and no more about recession. Behind this crisis, the systemic crisis of capitalism is looming right after. The pursuit of the model based on the growth of the real economy and of the consumption attached to it, has become, for the first time in history a real threat for the future of humankind and the planet. The massive transfer of private debt into public debt by sovereigns as a synchronized response to the global financial and economic crisis unleashed in 2008 by the collapse of Lehman Brothers, is failed to resolve the crisis, and it was a lay the seeds for an even more virulent global economic crisis by 2012. With a global sovereign debt crisis now an established reality and the Eurozone teetering while America has had its previous AAA credit rating downgraded by at least one major ratings agency, neither a continuation of failed policies nor gimmickry by politicians and central banks brought an end to the global economic crisis in 2012.

One of the most important rich-club's member like Japan's trade deficit surged to a record high in January 2012. Japan has been hurt by a slowdown in its key export markets such as the US and the Eurozone.

2.11 Growth in Developing and Transition Economies has been Driven by Domestic Demand with High Inflation

Until the financial crisis, the credit, consumption and property bubbles in the USA generated a highly favourable global economic environment for developing economy in trade and investment, capital flows and commodity prices. At least one-third of pre-crisis growth in China was due to exports, mostly to the USA, and the ratio is even higher for smaller Asian export-led economies. China's accession to the WTO also gave a major impetus to outsourcing and exports by removing uncertainties surrounding its access to the US market.

Now in developing countries' overall GDP is expected to be approximately 5 per cent. Indeed, most developing countries have managed to regain the ground they had lost as a result of the crisis. This owes much to the adoption of expansionary demand-side policies. For example, China was able to absorb a dramatic fall in its current account surplus with only a small reduction of its overall growth expectation and without restraining real wage growth. The contrast with Germany, which could not avoid economic stagnation despite its huge surplus, is striking.

Private consumption and wage rate growth have played a crucial role in the superior performance of many developing countries. Although GDP growth is slowing down moderately in Latin America and the Caribbean, it is expected to remain in the order of 3.5 per cent in 2012. This growth stems from strong domestic demand, which is being sustained by rising real wage and credit to the private sector. Several countries have been responding to the deteriorating external environment with countercyclical policies, including higher public spending and a more accommodative monetary stance. They have been profiting from the policy space made possible by higher public revenues and active financial policies, including the management of foreign capital flows. As a result, investment rates are on the rise and the unemployment rate has fallen to its lowest level in decades.

Growth rates overall maintained at pre-crisis levels, and in some cases increased in Africa, owing to continuing expansion in sub-Saharan Africa and to economic recovery in the Northern African countries following an end to the internal conflicts in 2011. Relatively high prices for primary commodities benefited external and fiscal balances, enabling many countries to adopt fiscal stimulus measures. Investment in infrastructure and in natural resources also supported domestic expenditure and growth.

Asia is experiencing an economic slowdown, with GDP growth expected to fall from .8 per cent in 2011 to slightly below 6 per cent in 2012. Several countries- including China and India have been adversely affected by weaker demand from developed countries and by the monetary tightening they applied in 2011 to prevent a rise in inflation and asset prices.

The transitional economies are expected to maintain a growth rate exceeding 4 per cent in 2012. This is entirely due to the dynamism of members of the Commonwealth of Independent States (CIS). Growth in the CIS is based on strong domestic demand, spurred by gains from the terms of trade and/or strong workers' remittances, while on the supply side the recovery o the agricultural sector has also played a significant role.

2.12 Conditions for a Genuine Positive Answer to the Challenges

To say that the State's interventions may change the rules of the game, lessen the drifts, is not enough. We must define the logics of that intervention and its social purpose. Of course, we could come back in theory to the formulas associating public and private sectors, to a mix economy as it existed during the glorious thirties in Europe and at the time of Bandoung in Asia and in Africa, when State capitalism was largely dominant, accompanied by strong social policies. But this kind of State intervention is not on the agenda. Also, are the progressive social forces able to impose such a transformation? Not yet to my viewpoint.

The other choice is the toppling of the oligopolies' exclusive powers, unthinkable without, finally, their nationalisation leading progressively to the socialisation of their management. End of capitalism? I do not think so. Yet, I submit that changes in classes' relations are possible, imposing adjustment to the capital, in answer to the demands of working classes and peoples. The conditions for such an evolution to occur imply the progress of social struggles, still fragmented and on the defensive position altogether, moving towards a political coherent alternative. In that perspective, the long transition from capitalism to socialism becomes possible. The advances in this direction are obviously always uneven from one country to the other and from one phase to the other.

The dimensions of this desirable and possible alternative are numerous and concern all aspects of economical social and political life. I will recall here the general lines of this necessary answer:

- The reinvention by the working people of adequate organizations allowing the construction of their unity, bypassing the fragmentation due to the forms of exploitation (unemployment, precariousness and "informal").
- The awakening of theory and practice for democracy associated to social progress and respect of people's sovereignty, not dissociated from them.
- The emancipation from the liberal virus based on the myth that the "individual" has already become the subject of history. Frequent rejects of ways of living associated to capitalism (multiple alienations, patriarchal relations, consumerism and destruction of the planet) signal the possibility of this emancipation.
- To get rid of atlantism (NATO) and militarism, associated to it, aiming at the organization of the planet on the basis of apartheid on the world scale.

In the countries of the North, the challenge is to avoid that the general opinion adopts a consensus in support of privileges unacceptable by the peoples of the South. The necessary internationalism goes through anti-imperialism and not the "humanitarian.

In the countries of the South, the strategy of the world oligopolies is to transfer the weight of the crisis on these peoples (devaluation of money reserves, fall of the export raw resources prices and rise of import ones). In counterpoint the crisis presents the opportunity for the renewal of national, popular, democratic alliance of working classes, and on that basis the move from a pattern of capitalist dependent development with growing exclusion of majorities towards an alternative pattern of inclusive development, in other words “delinking”. This involves:
The national control of monetary and financial market (moving away from the integrated global monetary and financial “market”).

- The control of modern technologies, accessible now (defeating the exclusive monopoly of the North, overprotected by WTO rules on industrial property).
- The recuperation of the use of natural resources.
- The defeating of global management, dominated by the oligopolies (WTO) and the military control of the planet by the USA and their allies.
- The liberation from the illusions of an autonomous national capitalism system as well as of passeist myths (para religious or para ethnic).
- The agrarian question lies in the heart of decisive choices in Third world countries. An inclusive pattern of development needs an agrarian radical reform, that is a political strategy based on the access to the soil for all peasants (half of humankind). On the opposite, the solutions proposed by the dominant powers –to accelerate the privatization of arable soil, and its transformation into merchandise- lead to massive rural disintegration. The industrial development of the concerned countries being not able to absorb this overabundant manpower, this one crowds together in shantytowns or risks its life trying to escape in dugouts via the Atlantic Ocean. There is a direct link between the suppression of access to the soil and the migratory pressures.
- Can regional integration, while encouraging the emergence of new development poles, constitute a resistance and an alternative? Regionalization is necessary, may be not for giants such as China, India or even Brazil, but certainly for many other regions in South-East Asia, in Africa or Latin America. The BRICS, the Indian Ocean Rim (IOR), and ASEAN+3 partners (include China, India and South Korea) have recently emerged. Venezuela has rightly chosen to create ALBA (Bolivarian Alternative for Latin America and the Caribbean’s) and the Bank of the South (BANCOSUR), long before the crisis. But ALBA –an economical and political integration project- has not yet received the support of Brazil or even Argentina. However, BANCOSUR, whose aim is to promote another development, gathers these two countries, even though they still have a conventional conception about the role of this bank.

A Stable Expansion of Consumption and Investment in Productive Capacity are needed
In practice, while finance capital led globalization and technological change, and their interplay, have created both winners and losers, their apparent adverse impacts on overall income distribution in many countries must be understood in the context of the macroeconomic, financial and labour market policies adopted. Those policies have caused unemployment to rise and remain high, and wages to lag behind productivity growth, and they have channeled rentier incomes towards the top one percent of the income ladder. Neither globalization nor technological improvements inevitably require the kind of dramatic shift in the distribution of income that favours the very high rich and deprives the poor and the middle-class of the means to improve their living standards. On the contrary, with more appropriate national and international policies that take into account

the critical importance of aggregate demand for capital formation, structural change and growth dynamics, job creation can be accelerated, inequality reduced and the requisite degree of economic and social stability guaranteed.

Because uncertainty is high, confidence is low, and financial sectors are weak, the significant fiscal achievements have been accompanied by disappointing growth or recessions especially in the United States and the European Union countries. The main problem is: on the question of 'how to recover their economies', is still contradictory. Due to debt burden international financial organizations are pressurizing to reduce their government's public budgets, cut all types of subsidies and welfare schemes in one hand and as a result of that due to reduction in public budget, domestic demand can't be increased. It means; there are no job opportunities.

Almost all signs point to 2012 witnessing an acceleration of the negative economic and fiscal metrics that plagued advanced and major emerging economies in 2011. In particular, the Eurozone debt crisis, which dramatically worsened in 2011, shows no sign of abating in 2012. In fact, there is now a clear consensus among economists that the Eurozone has entered a double-dip recession in 2012. Nations such as Greece, Ireland, Spain and Portugal are currently in a recession so deep, it meets the definition of a full-blown economic depression.

Around the world, it cost tens of millions of workers their jobs. In the United States, millions of families lost their homes and their wealth. To stem the crisis, governments and central banks took aggressive and, in many ways, unprecedented actions. In Greece, almost 70 per cent urban people migrated to rural home. They have lost their jobs. Due to hyper-inflation they cannot survive in the town/cities. So, they moved from urban to rural areas. We have seen aggressive people's movements anti-wall streets (against capitalism) in the USA. The stories happened in England, Spain, and other European countries. Advanced economies are risking recession, the international lending organization said in a quarterly update of its World Economic Outlook. Conditions could worsen if the United States doesn't deal with its budget crisis soon, the IMF said.[12]

The policy-makers and the governments of developed countries have failed so far to present a convincing solution to the area's internal imbalances and related debt overhangs. The chosen policy of unconditional austerity is suffocating the return to sustainable economic growth. Indeed, a further deterioration of economic conditions in Europe cannot be excluded. In the USA, a sluggish recovery remains vulnerable to events in Europe given their strongly intertwined financial systems. Europe as whole is on the brink of a deep depression, with some members having been stuck in reverse gear for several years. In both cases, attempts to overcome the present crisis are dominated by fiscal austerity, combined with calls to further "flexibilize" their labour markets. In practice, this means wage restraint and in some cases massive wage reductions.

However, these policies are more likely to further weaken growth dynamics and increase unemployment instead of stimulating investment and job creation. At the same time, as has been demonstrated with similar structural reform policies in the developing world over the past 30 years, they will also serve to reinforce the trend towards greater inequality, which has become a visibly damaging feature of finance-driven globalization.

How can confidence in national governments be restored?

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[12]Source: IMF latest forecast by the first week of October 2012.

An important criterion since lower confidence in governments can be an indication of people's dissatisfaction with how policy makers are responding to the crisis. In 2011, 54 per cent of the countries analyzed reported lower confidence in their national government compared to 2010. It is not surprising to see low levels of confidence in some Arab countries. This can be seen as a consequence of the recent struggle for democracy. In advanced economies, notably in Europe, there is also a decline in confidence towards national governments. On the other hand, we see an increase in confidence in Latin America and the Caribbean, East Asia and Sub-Saharan Africa.

Therefore, a fundamental policy reorientation is needed, recognizing that healthy and inclusive growth will require a stable expansion of consumption and investment in productive capacity based on favorable income expectations of the working population and positive demand expectations of entrepreneurs. This requires a rethinking of the principles underlying the design of national economic policy and supportive international institutional arrangements.

Key policies include: strengthening labour market institutions and ensuring that wages grow in line with productivity (not less, as has been the case until now); adopting special measures – and there are many examples of good practices in this area -- for young workers and other vulnerable groups; restoring credit to small firms, which are key providers of jobs; and, in Europe, avoiding ill-conceived fiscal austerity – which has affected job prospects while failing to reduce fiscal deficits. Governments have also been long on promises and short on action when it comes to financial sector reform. All these measures would help to enhance the sense of fairness that the current model of globalization is so lacking.

However, the current crisis also presents an opportunity to rethink socio-economic policies for all persons. This requires shedding the myopic scope of macroeconomic and fiscal policy decisions of the past and, instead, basing them on their potential to achieve food security, full employment, human development, and inclusive and sustainable growth.

There are alternatives, even in the poorest countries. It is often argued that social and economic investments that benefit children and poor households are not affordable or that government expenditure cuts are inevitable during this adjustment period. However, there are six broad areas that governments can explore to expand fiscal space today, which are supported by policy statements of the United Nations. These include: re-allocating public expenditures; increasing tax revenues; lobbying for increased aid and transfers; tapping into fiscal and foreign exchange reserves; borrowing and restructuring existing debt; and/or adopting a more accommodative macroeconomic framework.

Recently, a number of policy initiatives have been undertaken to strengthen the banking system and reassure financial investors. Among these is a new fiscal architecture that includes a requirement for national budgets to be in balance or in surplus, long-term refinancing operations by the European Central Bank, writ-down of part of the Greek debt, reinforcement of the European Stability Mechanism and new rules for bank recapitalization. However, improvements in financial markets and confidence indicators in response to these measures were short-lived because the underlying causes of the crisis persist.

Progresses in this or that direction, North and South, the basis of workers and peoples internationalism, constitute the only guarantees for the reconstruction of a better, multipolar democratic world, the only alternative to the barbarism of the aging capitalism. More than ever, the struggle for the 21st century socialism is on the agenda.

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