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Davos elite confronts crisis of Western capitalism

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Leaders of the global business elite were confronted with the fear that the Western model of capitalism has failed and is about to be shoved aside by emerging powers.

Over four decades, the annual World Economic Forum in the Swiss ski resort of Davos has become an emblem of the triumphant market but this year delegates admitted that state capitalism on the Chinese model is in the ascendant.

Even political leaders, including German Chancellor Angela Merkel, also said it was time for a rethink among European policy-makers.

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Four days of public debate and private networking kicked off with a stark warning from a panel of experts that the historic motors of the 20th century global economy will have to reform or die.

Even political leaders, including German Chancellor Angela Merkel, also said it was time for a radical rethink among Europe's policy-makers.

"I think we have three to four years in the West to improve the economic model that we have, and if we don't do that soon I think we've lost the game," warned David Rubenstein, managing director of the Carlyle investment fund.

The 62-year-old billionaire has done very well out of financial capitalism, the US firm paid him a \$134 million annual bonus this month, but he warned that the West needs to get its deficits under control and return to growth.

"If we don't do that soon, when we are here in three to four years ... the game will be over for the type of capitalism that many of us have lived through and thought was the best type of capitalism," Rubenstein said.

Global labour leader Sharan Burrow, general secretary of the International Trade Union Confederation, urged corporations and governments to work with workers to develop a new economic model -- and warned of a backlash.

"Let's get a seat at the table for the real economy. Will the real economy please stand up, because the financial markets are killing you," she said. "No-one will like the social unrest that will follow."

But on the same panel, Professor Raghuram Rajan of University of Chicago, warned the 20th century strength of the western economy had already failed to live up to its promises to rich world workers.

"Governments made a ton of promises in the 1960s, when growth was very high. We had the welfare state across the industrial world. And then growth started falling off in the 70s, in the 80s," he said.

"Some countries, the UK and the US, tried to revive it through deregulation and managed for a while, but in general growth is too slow in the industrial world relative to the promises we have made," he said.

Dozens of heads of government will join the titans of commerce and industry in Davos to discuss everything from the eurozone crisis to Iran's nuclear programme as well as trends in science and the arts.

German Chancellor Angela Merkel, delivering the first of the keynote addresses, said Europe "is a continent that needs to debate new methods".

She warned that protectionism was on the rise in the wake of the marathon impasse in efforts to reach a comprehensive deal for world trade.

And she added that structural weaknesses within the 17-nation eurozone had been painfully exposed.

"We have to address them. Now we really have to do something about them," she said. "Now have a serious erosion of confidence in the rest of the world. They are not sure we are going to do something about it."

Other G20 leaders due to speak in the coming days are British Prime Minister David Cameron and Canada's Stephen Harper.

They will join a new generation from countries such as Tunisia and Thailand which are trying to emerge from turmoil as well as African heads of state including South Africa's Jacob Zuma.

While US Treasury Secretary Timothy Geithner will ponder the challenges for the US economy, a sizeable contingent from emerging powers including India and South-east Asian nations will consider: 'Is this truly the Asian century?'

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