

Capital's Globe-wide Risks

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Under the darkening shadow of capital's crisis hundreds of world capital bosses are meeting in Davos, a snow covered Swiss mountain village. On the eve of this annual meeting of the World Economic Forum (WEF), capital's salvation-searching convention, the *Global Risk 2012* report "reveals a constellation of fiscal, demographic and societal risks signalling a dystopian future", George Soros apprehends possibilities of riots and violence in the center of the center of the world capitalist system, and forecasters apprehend a lost decade for the UK. While about 1.1 billion people worldwide were either unemployed or living in poverty, as the ILO's latest *Global Employment Trends* report claims, capitalism is being questioned by its proponents. Prof Klaus Schwab, the founder of the WEF, said: "Capitalism in its current form no longer fits the world around us." ("Davos 2012: Has capitalism got a future?", *BBC*, Jan. 24, 2012) All these developments and pronouncements unerringly show capital's inherent incapacity in resolving its own crises that are disproportionate to its capacity.

The *Global Risk 2012, insight report (GR)* identified five risks: economic, environmental, geopolitical, societal and technological. Based on a survey of corporate leaders the most frequently chosen Centres of Gravity, the risks of greatest systemic importance, in today's world are: chronic fiscal imbalances, GHG emissions, global governance failure, unsustainable population growth, and critical systems failure.

"Analysis of the 2012 Global Risk Map", the *GR* said, "reveals four risks as playing significant roles in connecting the Centres of Gravity to each other. These four Critical Connectors [...] are: severe income disparity; major systemic financial failure; unforeseen negative consequences of regulation; extreme volatility in energy and agriculture prices." "The signs already exist that the world is becoming more fragmented, inconsistent and mistrustful; the question is the extent to which these developments could lead to a global dystopia", said the report.

Global governance failure, the *GR* mentioned, is the most interconnected of the 50 global risks having a direct connection with 75% of the risks covered in the report. The *GR* said: "[D]ominant issues of concern emerged from the Arab Spring, the 'Occupy' movements worldwide and recent similar incidents of civil discontent: the growing frustration among citizens with the political and economic establishment [...]. In developed economies, such as those of Western Europe, North America and Japan, the social contract that has in recent decades been taken for granted is in danger of being destroyed."

Almost-similarly, the *Edelman Trust Barometer*, a global survey, suggests there has been a sharp decline in public trust, not only in business, but in governments around the world also.

Experts, the *GR* said, anticipate that high unemployment rates will increasingly co-exist with employers' unmet demands for skilled labor.

There are, the *GR* said, important factors of concern with unknown consequences that are emerging. It admits combination of chronic labor market imbalances, chronic fiscal imbalances

and severe income disparity amplified by extreme demographic pressures that could lead to “the emergence of a new type of critical fragile states – formerly wealthy countries that descend into a spiral of decay as they become increasingly unable to meet their social and fiscal obligations.”

Young and old of the world, the report said, could face an income gap and a skills gap so wide that threaten social and political stability. “In the absence of viable alternatives, this could precipitate a downward spiral of the global economy [...]”, said the report.

Significant questions for stakeholders were raised by the *GR*: (1) How can countries collaborate more effectively to correct chronic labor imbalances? (2) What will “social contracts” be like in 2022? (3) What steps can be taken to reduce income disparity? (4) How can fostering entrepreneurship prevent the seeds of dystopia from taking root? (5) How can leaders break the pattern of crises? (6) How can appropriate regulations be developed so that firms will undertake effective safeguards? (7) How can businesses and governments prevent a rapid breakdown in trust following the emergence of a new widespread risk? (8) How can business, government and civil society work together to improve resilience against unforeseen risks?

At the same time another warning came from the IMF: The world’s economy is “deeply into the danger zone” because of risks from the euro zone. The escalating euro zone debt crisis could derail the global economic recovery, the international lending agency said in its latest *World Economic Outlook* report. The IMF hacked its 2012 global growth forecast warning the outlook had devolved in most regions. With the same tone, the IMF chief warned: The global economy could fall into an economic spiral reminiscent of the 1930s unless action was taken on the euro zone crisis. She has called on Europe to construct a wall against financial contagion. Echoing the warning, the IMF chief economist said: “The world could be plunged into another recession.”

The euro zone is set for a “mild recession” in 2012, the IMF predicts. Italy and Spain could be the first cases. Growth estimates have been reduced for the main euro zone countries including Germany, the euro zone powerhouse, and France. Central and eastern Europe and Asia could also be hit by the euro zone crisis. A sharp slowdown in the pace of growth in emerging and developing countries has been predicted by the IMF. It reduced Asia’s growth outlook for 2012.

The IMF cut its projection for Japan, and said: the US and other advanced economies would likely not escape unharmed if Europe’s crisis widened further. Moreover, the advanced economies “have homegrown challenges [...] including overcoming political obstacles”, the lending agency said. The EU economic affairs commissioner is also apprehending a “moderate recession” across Europe in the first half of this year.

News from the UK is not good. There are increasing concerns that the credit crunch will ultimately result in a “Lost Decade” for the UK. Many fear the UK is already experiencing the early stages of a lost decade. (“Could Britain Be Facing A ‘Lost Decade’?”, *Sky News*, Jan. 22, 2012)

The UK government debt, as BBC reported, has risen to a record £1 trillion. The current net debt total is 64.2% of the UK GDP, and number of its unemployed citizens rose to 2.69 million. The unemployment rate rose to 8.4%, the highest since January 1996. The number of persons claiming Jobseeker's Allowance in December rose by 1,200 to 1.6 million. The number of young

persons looking for work reached a record height: 1.043m. Citing the Office for National Statistics *BBC* informed these figures on Jan. 18, 2012.

The world unemployment reality is also discouraging. The ILO report said: The number of “discouraged workers”, persons stopped looking for work because they think they are unlikely to find a job, is 29 million. With this number of discouraged workers, the global unemployment rate jumps to 6.9% from 6%, and the number reaches to about 225 million persons worldwide, the report said.

“Judging by the present course, there is little hope for a substantial improvement in their near-term employment prospects”, said the ILO’s *Employment Trends* report. The outlook for the world labor market has worsened from last year, the ILO said.

This capitalist reality does not make George Soros, one of the most cunning investors in the world, hopeful. According to two US media outlets including *Newsweek*, Soros perceives: “The euro must survive because the alternative — a breakup — would cause a meltdown that Europe, the world, can’t afford.” “At times like these, survival is the most important thing,” he said. Soros doesn’t just mean it’s time to protect assets. Rather, he signals: it’s time to stave off disaster. The world, Soros feels, faces one of the most dangerous periods of modern history — a period of “evil.” A strange pronouncement indeed; as in Reaganspeak, “evil empire”, the Soviet Union, is no more on the world map. It is capitalism only that now dominates the globe. Soros has more perceptions: Europe is confronting a descent into chaos and conflict. In the US, he apprehends riots leading to a brutal clampdown and dramatic curtailment of civil liberties. The global economic system could even collapse altogether as Soros predicts. “The situation is about as serious and difficult as I’ve experienced in my career,” Soros tells *Newsweek*. “We are facing an extremely difficult time, comparable in many ways to the 1930s, the Great Depression. We are facing now a general retrenchment in the developed world, which threatens to put us in a decade of more stagnation, or worse. The best-case scenario is a deflationary environment. The worst-case scenario is a collapse of the financial system.” (“George Soros on the Coming U.S. Class War”, Jan. 23, 2012)

The almost self-explanatory facts cited above and conveyed by mainstream media tell some truths, bitter for it: (1) crises-ridden condition of the world capitalism; (2) the way the system has generated its crises, one after another, one gravitating the other, one influencing another; (3) width, globe-wide, and magnitude of the crises; (4) the system’s worshippers’ confused intellectual condition; (5) its extent of power that cannot control itself; (6) its need for a huge reserve army of labor to keep labor press down to dust, to bargain favorably, and at the same time, it cannot escape the possibility of facing force of labor pent up in reserve labor; (7) its ulterior motive: preparing ground for an onslaught on labor. While capital continues waging its class war against the working people it raises hue and cry as if it is being targeted. The only salvation path capital can find is: create havoc in social reality, in mass-mindset, burden down masses with the pressure of hardship and hunger, name of which is “austerity”. Not only is the system’s economy facing danger. Its governing system, capital’s dictatorship, is losing credibility and coming under question. The mainstream admits this, one of the primary condition for a retreat. A significant admission, indeed!