International Journal of Trade and Commerce-IIARTC
January-June 2013, Volume 2, No. 1
ISSN-2277-5811(Print), 2278-9065(Online)

Redefining Capitalism: *Questions on Future and Survival*

Paritosh .K. Roopak[a*],
Ritu Jain[b]

[a]*Asst. Prof. Vidya School of Business, Meerut,*
Email Address: pkroopak@gmail.com
[b]*Asst. Prof. Vidya School of Business, Meerut,*

Abstract
The current world wide recession has once again shaken the root of capitalism and its long run survival. In the past century, most progressive economists believed that capitalism is the only form of economy that could be more stable and survive forever but the recent trends and trauma in most economies have changed the notions of economists, policy makers and the governments. This paper gives an insight into the root cause of economic and societal problems generated due to failures of premises of capitalism. It further tries to suggest the ways and the changes that can help to overcome the problems and making capitalism more meaningful and stable in the present socio-economic conditions and making it more efficient.

Keywords: *Capitalism, Socio-economic conditions, neoliberals*

PAPER/ARTICLE INFO
RECEIVED ON: 15/07/2012
ACCEPTED ON: 31/05/2013

Reference to this paper should be made as follows:
Paritosh .K. Roopak
"Redefining Capitalism: *Questions on Future and Survival*" *Int. J. of Trade and Commerce-IIARTC,*
Vol. 2, No. 1, pp. 138–149

**Corresponding Author*

1. INTRODUCTION

Most of us may not remember the early traumas which the economies around the globe had suffered in early and mid of 20th century but we are very much aware and actively discuss the recent economic set back. The frequent turnaround of economic activities in spite of several strong and deliberate measures by governments, policy makers and innovative models suggested by economists around the globe could not protect the economies from getting affected in a period of less than three years. We don't say that capitalism is based on totally wrong premises and there was something fundamentally misperceived in its very beginning but certainly there is something not going well at the current century with the advent of new theories in Social Science, Paradigm shift and Advancement in Science and Technology. We are not certainly assured of the stability of this System when there is a substantial change in Socio-Economic priorities, advent of new Business Models, expanding size of Business firms and intense competition among them, dismantling barriers between nations with the view of economic and strategic benefits. The socialist critics may condemn the very essential assumptions of capitalism that create ever expanding gap in distribution of incomes and wealth, domination of handful of rich over majority proletariat class but the reality is not very much rosy from the perspective of a welfare economist.

The economic defense of capitalism is premised on the ubiquity of competitive markets, providing for the rational allocation of scarce resources and justifying the existing distribution of incomes. The political defense of capitalism is that economic power is diffused and cannot be aggregated in such a manner as to have undue influence over the democratic state. Both of these core claims for capitalism are demolished if monopoly, rather than competition, is the rule. The modern capitalistic world led by globalization rather creating a competitive market for everyone, it is fundamentally leading to a oligopolistic market form with major market share in the hands of few large firms who dictate the terms and price for the consumers and thus accumulating huge wealth, Creating a wide gap between poor and rich, causing stagnant situation in economy and so on. According to the reports, the inequality in distribution of Income and Wealth is not reducing; instead the relative gap is widening (**Anand and Segal, 2008**)

Under competitive conditions, investment will, as a rule, be greater than under conditions of monopoly, where the dominant firms generally seek to slow down and carefully regulate the expansion of output and investment so as to maintain high prices and profit margins—and have considerable power to do so. Hence, monopoly can be a strong force contributing to economic stagnation, everything else being equal. With the United States and most of the world economy (notwithstanding the economic rise of Asia) stuck in an era of secular stagnation and crisis unlike anything seen since the 1930s—while U.S. corporations are sitting on around $2 trillion in cash—the issue of monopoly power naturally returns to the surface.

Understanding Keynesian Economics of Capitalism, free market in capitalism is of worth when competitive forces bring meaningful benefits to everyone either producers or consumers. This directly points out Keynes's expectation that the economic problem (and the material problem in general) might be solved in a hundred years. On the one hand, the economic problem—the existence of hunger and inequality—is perpetuated and in many ways made worse by capitalism itself. On the other hand, the pretense that "foul is fair", advocated by Keynes, is resulting in a rapid deterioration of the material conditions of existence. It is now rational, as Jared Diamond explains in his new book '*Collapse*' to consider the possibility of the ecological collapse of global capitalist society, in ways analogous to earlier ecological collapses of civilizations.

In short, in a world where everything has been turned over to the market, that is, to capital accumulation and earning huge profit at the cost of welfare of mass, the fundamental problems dividing and endangering human society and the planet are bound to worsen.

As we have already discussed, in the past century, capitalist mode of production represented a great advance over all of the preceding ones, however problematical and indeed destructive this historical advance in the end turned out—and had to turn out—to be. By breaking the long prevailing but constraining direct link between human use and production, and replacing it with the commodity relation, capital opened up the dynamically unfolding possibilities of apparently irresistible expansion to which—from the standpoint of the capital system and of its willing personifications—there could be no conceivable limits. For the paradoxical and ultimately quite untenable inner determination of capital's productive system is that its commodified products *"are non-use-values for their owners and use-values for their non-owners. Consequently they must all change hands….* Hence commodities must be realised as values *before they can be realised as use-values."*

Quoting Karl Marx- the end of capitalism would see four features, all of which are in place now.

1. The rate of profit would fall, reducing the motive to invest and producing slower growth and bigger recessions. Although observed, past profit rates are high, companies' reluctance to invest and the low valuations on shares suggest that bosses and shareholders anticipate very low future profit rates.
2. Low returns on real assets would lead to speculative bubbles and swindles and hence financial crises. To some extent, the banking and euro area debt crises are the results of the dearth of real investment opportunities arising from the fall in (expected) profits. This lack of investment, combined with high Asian savings drove bond yields down. That led to the growth of mortgage securities, as banks tried to synthesize securities to meet demand for them, and encouraged governments to borrow. In this way, the seeds of the financial crises were sown by the fundamental crisis of real profitability.
3. Increased inequality would exacerbate economies' propensity for crises, by creating a mass of people too poor to buy the goods which capitalism produced. This has not quite happened. But, as IMF research has argued, inequality has had a very similar destabilizing effect. It led to the build-up of debt which contributed to the banking crisis. The financial crises in 1990s in South East Asian Countries and European debt crises in 2010-11 are the major examples of inequitable distribution of income and wealth.

4. By its end, capitalism would cease to be a means for developing the economy's productive forces and become instead a barrier to their development. The current world economic scenario has brought the circumstances proving Marx's prediction of capitalistic economies to some extent and the uncertainties prevailing can further deepen the roots of problems of capitalism.

What we see today is the self-contradictory inner determination of the system, which imposes the ruthless submission of human need to the alienating necessity of capital expansion, is what removes the possibility of overall rational control from this dynamic productive order. It brings with itself perilous and potentially catastrophic consequences in the longer run, transforming in due course a great *positive power* of earlier quite unimaginable economic development into a *devastating negativity,* in the total absence of the necessary reproductive restraint.

The widening and deepening of capitalism, which many economists claim as globalization, has had traumatic impacts on workers. Sped up by what has been called *neoliberalism* (basically, the political program of modern global capital), the growing penetration of capitalist production and consumption relationships around the globe has literally pitched workers from pillar to post. For example, the North American Free Trade Agreement (NAFTA) has forced hundreds of thousands of Mexican peasants and wage workers to abandon their home country and migrate to the United States. Similarly, government austerity and "free market" programs—curbing food and health subsidies to the poor, closing and selling state enterprises, suppression of worker and peasant protests, and the like—in countries like India and China have deprived many workers of what security they had attained and pushed peasants from their land into cities.

2. THE MAJOR SETBACKS OF CAPITALISM

The first problem is the financial turbulence that has gripped the economy of the United States and other major economies and has had widespread effects. It is a crisis that further discredits mainstream Anglo-American economics. Although economists are not at unanimous whether this is purely the problem of capitalism or socio-political crises, but the impacts are far reaching and enrooted in the core of human society and can be further considered as a systemic failure. Most importantly, a party formation capable of explaining how such crises are inherent in the nature of the functioning of capitalism and of inspiring a socialist alternative would have to mobilize a movement of the sort that ended apartheid in South Africa. Without the last, even a deep and painful crisis will be, at best, only the occasion for reforming and not abolishing capitalism.

A second crisis is that of few powerful nations-led corporate imperialism, which has been discredited both in terms of its regime-change-wars-of-choice and the increasingly effective resistance to the international financial and trade regime we know as the Washington Consensus. Because of the incalculable harm neoliberalism has done, and continues to do, it is now ideologically on the defensive. It is not merely a political crisis but an economic set back emerged from political agenda of some of the countries leading to cynicism of capitalistic economies.

A third point of crisis is the rise of new centers of power in what had been the peripheries of the capitalist system and the tensions this has unleashed, providing room to maneuver for countries wishing to break with the United States.

A fourth area of crisis has to do with resource usage, the uneven distribution of the necessities of life, and a growth paradigm that is no longer sustainable. Here grassroots social movements in South Africa and elsewhere are leading actors in resisting privatizations and the imposition of a hyper-individualism that brings disaster for the most oppressed and exploited.

How much damage the current financial meltdown will cause remains to be seen, but the harm is already extensive. At the level of systemic crisis an important issue relates not just to the economic costs and the way rescue operations are premised on tax payer bailout, but whether financial capitalism can sustain itself. **Martin Wolf**, the *Financial Times* senior economic columnist, writes about capitalism "mutating" from "mid-20th century managerial capitalism into global financial capitalism." **John Bellamy Foster**, editor of *Monthly Review*, argues "that although the system has changed as a result of financialization. Financialization has resulted in a new hybrid phase of the monopoly stage of capitalism that might be termed 'monopoly-finance capital.'" Finance has been able to restructure productive capitalism, the economy that actually produces real goods and services people consume. In a new way it appropriates more and more of the surplus created in the processes of production, not only in the core, but in what has been the periphery of the world system.

Taken as a whole the corporate profits of the financial sector of the U.S. economy in 2004 were $300 billion, compared to $534 billion for all non-financial domestic industries, or about 40 percent of all domestic corporate profits. They had been less than 2 percent of total domestic corporate profits forty years earlier, a remarkable indication of the growth of financialization in the U.S. political economy. The contribution of profits of financial sector increased to $553 billion in 2010 and it was about 3.8 percent of US GDP. This was both an economic and a political development, as the financial sector gained leverage over the rest of the economy, in effect gaining the power to dictate priorities to debtors, vulnerable corporations, and governments. As its power grew, it could demand greater deregulation, allowing it to grow still further and endangering the stability of the larger economic system.

In the light of above discussion, it is very much apparent that Financial sector plays very important role in capitalism and is vulnerable to any crises that can push the economy into a critical situation which may be called as depression or chronic recession. The Euro zone crisis of 2012 is the latest example and proof of sensitivity of Banking and financial sectors. The Debt crisis of major banks of Euro Countries especially Greece, Irelands, Spain and later Portugal and Italy created an alarming situation for the other countries of Europe and other parts of the globe about the lenient and easy credit conditions that may further cause a collapse of Countries Economies.

The European sovereign debt crisis resulted from a combination of complex factors, including the globalization of Finance, easy and liberal credit policies followed during the period of 2002-2008 that encouraged high risk lending and borrowing practice, the 2007-2012 global financial crisis, international trade imbalances, the real-estate bubbles and it's burst especially in US and other parts of Globe, 2008-2012 back to back global recession, liberal fiscal policies and the bail out measures adopted by several Economies to protect the troubled banking industries and bondholders etc.

3. THE CURRENT ISSUES IN CAPITALISM:

Capitalism is by nature a form or method of economic change that continues for an indefinite time but never can be stationary. And this evolutionary character of the capitalist process is not merely due to the fact that economic life goes on in a social and natural environment which changes and by its change alters the data of economic action; this fact is important and these changes (wars, revolutions and so on) often condition industrial change, but they are neither its prime movers nor is this evolutionary character due to a quasi-automatic increase in population and capital or the vagaries of monetary systems of which exactly the same thing holds true

The buzzword "globalization" replaced the previous buzzword "development." The so-called Washington Consensus preached privatization of state productive enterprises, reduction of state expenditures, opening of the frontiers to uncontrolled entry of commodities and capital, and the orientation to production for export. The prime objectives were to reverse all the gains of the lower strata during the Kondratieff A-period. (The cyclical process of up and downs of economic activities is often called Kondratieff long wave.) The world right sought to reduce all the major costs of production, to destroy the welfare state in all its versions, and to slow down the decline of U.S. power in the world-system. The major crisis that the current system of Capitalism is facing is very apparent in almost every economy of the world today.

Shifting of focus from production arena to financial arena: Discussing the major setbacks that the Capitalism is shifting of it's focus from production arena to financial arena. Till mid of twentieth century use of resources for production maximisation was the main focus of capitalists and to sell them in market, but in the later decades of the century the focus had shifted to financial arena and investing therein. The focus in financial arena was the most extensive continuous series of speculative bubbles in the history of the modern world-system, with the greatest level of multiple indebtednesses. This indebtedness could not sustain the Economic growth rate for a longer period.

The other crisis in this system of modern capitalism that can also be called as a structural crisis which the world-system is facing at the present time is Chaos. Economists also believe that Chaos is one of the primary characteristics of a structural crisis of Capitalism. Chaos is not a situation of totally random happenings. According to **Immanuel Wallestein (2011)** it is a situation of rapid and constant fluctuations in all the parameters of the historical system.

Working of Degrowth factors: In spite of gradual growth rate in early decades of twentieth century, the later half of the century has seen a steady or lower growth rate. Later, in the beginning of twenty first century, Degrowth factors have become more active giving a jerk to most of the economies following capitalism. French Economist and **Professor Serge Latouche** himself wrote in 2003 that "there would be nothing worse than a growth economy without growth. The Barcelona Degrowth Declaration simply pronounced: "So-called anti-crisis measures that seek to boost economic growth will worsen inequalities and environmental conditions in the long-run"

To be sure, when faced with "actual degrowth" in the Great Recession of 2008-2009 and the need for a transition to "sustainable degrowth," noted ecological economist **Joan Martinez-Alier**, who has recently taken up the degrowth banner, offered the palliative of "a short-run Green Keynesianism or a Green New Deal." The goal, he said, was to promote economic growth and "contain the rise in unemployment" through public investment in green technology and infrastructure. This was viewed as consistent with the degrowth project, as long as such Green Keynesianism did not "become a doctrine of continuous economic growth.

The widening disparity and gap between poor and the rich: Given the long tenure of capitalism and the unceasing contentions of its adherents, it seems fair to ask if it is true that we are "slouching toward utopia." (slouching toward utopia,"—the phrase coined by University of California at Berkeley economist **J. Bradford DeLong**—slowly but surely heading toward a world in which everyone will have achieved a U.S.-style middle-class life). Let us look at three things: the extent of poverty and inequality in the richest capitalist economy—that of the United States; the extent of poverty and inequality in the poor countries of the world; and the gap between those countries at the top of the capitalist heap and those at the bottom. According to the OECD survey report 2012, top 0.001 percent population of the world (91,000 people) owns 30 percent of the total world wealth (USD 16.7 trn), next 0.01 percent people (800 thousand) owns 19 percent wealth (USD 10.7 trn), the next 0.1 percent population (8 million) owns 32 percent wealth (USD 17.4 trn) while the bottom 99.9 percent population (6 billion) owns only 19 percent wealth (USD 10.3 trn).

Over the two decades prior to the onset of the global financial crisis, real disposable household incomes increased an average of 1.7% a year in its 34 member countries. However, the gap between rich and poor widened in most nations – the OECD journalist resource (2011-05) entitled "Growing Income Inequality in OECD Countries" states that with the exceptions of only France, Japan and Spain, wages of the 10% best-paid workers have risen relative to those of the 10% least-paid workers and the differential between the top and bottom 10% varies greatly from country to country: "While this ratio is much lower in the Nordic countries and in many continental European countries, it rises to around 14 to 1 in Israel, Turkey and the United States, to a high of 27 to 1 in Chile and Mexico.

At least for last two decades, Capitalism is facing a major realization crisis—an inability to sell the output produced, i.e., to realize, in the form of profits, the surplus value extracted from workers' labor. Economists call it as Neoliberalism. This Concept of Neoliberalism can be viewed as an attempt initially to solve the stagflation crisis of the 1970s by abandoning the "Keynesian consensus" of the "golden age" of capitalism (relatively high social welfare spending, strong unions, and labor-management cooperation), via an attack on labor. It succeeded, in that profit rates eventually recovered in the major capitalist economies by the 1990s.

Non Predictable Financial Mechanism: Now, with the collapse of the financial mechanisms that allowed for all the debt, it is unclear how these state policies can overcome the realization crisis. The deregulation of financial markets and the consequent innovations in mortgage-backed securities, collateralized debt obligations (CDO), and credit default swaps facilitated the debt-led growth model. These innovations, combined with the "originate and distribute" model of banking, have multiplied the amount of credit that banks could extend, given the limits of their capital. The premiums earned by the bankers, the commissions of the banks, the high CEO incomes, and the commissions of the rating agencies all created perverse incentives that led to a short-term mindset and ignorance about the risks of this banking model. Even if the risk of default in the subprime credit market was known, it was not perceived as a major issue. Most of these loans were sold to other investors in the form of mortgage-backed securities with high ratings, and in case of default, the houses could be repossessed.

Financial sector profits in many ways displaced profits from actual production. As finance became dominant, the investment behavior of business firms was increasingly shaped by a shareholder-value orientation. A shift in management behavior from "retain and reinvest" to "downsize and distribute" occurred. Remuneration schemes, based on short-term profitability, shifted the orientation of management toward shareholders' objectives. Unregulated financial markets and the pressure of financial market investors created a bias in favor of asset purchases, as opposed to asset creation

As the debt-led growth model produced high short-term growth and profits, optimism was stimulated and fed on itself, so that risks were more and more under-estimated, even by those who were conservative at the beginning. In a competitive world, even those who see the risks are forced to take risky positions, if they are to keep their jobs as dealers, bankers, or CEOs. Just a couple of weeks before the big collapse in July 2007, the ex-CEO of Citibank, Chuck Prince, said, "When the music stops, in terms of liquidity, things will be complicated. But as long as the music is playing, you've got to get up and dance. We're still dancing" When the shock came, a credit crunch and the collapse of the debt-led growth model was inevitable.

A crisis might conceivably have been averted, at least for a while, if something had been done about the growing inequality in income and wealth that would eventually stifle aggregate demand. But the powerful global elites who have great influence over global policy-making would not agree to this solution. Everyone hoped for a "soft-lending" that would correct the bubbles without touching the distribution issue.

The debt-led consumption model helped generate a current account deficit in the United States that exceeded 6 percent of the Gross Domestic Product. This deficit was financed by the surpluses of developed countries such as Germany and Japan, "emerging economies" such as China and

South Korea, and the oil rich Middle Eastern nations. In Germany and Japan, current account surpluses and the consequent capital outflows to the United States were made possible by wage moderation, which suppressed domestic consumption and fueled exports. This again was an outcome of the crisis of distribution.

The slowdown in global demand, the decline in foreign direct investment (FDI) inflows, portfolio investment outflows, the contraction in remittances, and the credit crash are affecting all the developing countries, but the degree of accumulated imbalances will determine the differences in the depth of the effects among these countries. The Baltic Countries, Hungary, Romania, and Bulgaria, are more exposed than Poland, the Czech Republic, Slovenia, and Slovakia. But even the latter group is suffering from the slowdown in global demand and the decline in FDI inflows.

Market failure and market instability is another major crisis of free market mechanism based capitalistic model. Market failure is a term used by economists to describe the condition where the allocation of goods and services by a market is not efficient. Keynesian economist **Orson Krugman** views this scenario in which individuals' pursuit of self-interest leads to bad results for society as a whole. Lack of perfect information and perfect completion, the situation of market failure occur in present capitalistic model. Economists, who criticize capitalism, believe that market instability as a permanent feature of capitalist economy. Due to the unplanned nature of the system, capitalists produce without knowing in advance what they can sell, while at the same time unleashing huge productive capabilities through industrial organization. While working in a non-predictable and instable market, capitalists cannot involve in a perfect decision.

Looking at the current scenario, Capitalism is facing a major realization crisis, what we can say as an inability to sell the output produced, i.e., to realize, in the form of profits, the surplus value extracted from workers' labor. In the last decade of twentieth century none of us could think of such scenario when it would be difficult for the producers to sell out the output and expanding revenue and profits in the same pace. The Neoliberalism which began in later years of 80s of last decade could recover the growth rate in most capitalistic countries in 90s. Even the social welfare spending was increased by economies and new hope for survival of Capitalism got several new supporters. More and more countries began to adopt the model with modification and changes.

The major Economies tried to protect the success of Capitalism with neoliberalism increasing profits that would help in overcoming the *potential* realization crisis, due to low wages and investment. The dramatic deterioration in wages limited consumption, forcing workers to resort to increased borrowing. The decline in investment in physical capital went hand-in-hand with the growth of so called Casino Economy, in which profits were funneled into speculation in financial assets. In the last two decades, the rapid financialization of the U.S. economy helped to increase demand through various wealth effects and debt-credit stimuli, despite the weakening of the underlying economy. Eventually, however, debt-led growth could not be sustained. Beginning in the summer of 2007, this solution also collapsed, and the capitalist economy has come to face a major systemic crisis, comparable to the Great Depression—except for the unprecedented state intervention moderating the visible dimensions of the downturn. Now, with the collapse of the financial mechanisms that allowed for all the debt, it is unclear how these state policies can overcome the realization crisis.

The decline in the labor share and stagnant real wages has been a potential source of a realization crisis for the system. Profits can only be realized if there is sufficient effective demand for the goods and services produced. But the decline in the purchasing power of labor has a negative effect on consumption, given that spending out of profit income is relatively lower than that out of wages.

Financial innovations seemed to offer a short-term solution to any realization crisis: debt-led consumption growth. Of course, without the unequal income distribution, the debt-led growth model would not have been necessary. In the United States and in parts of Europe, household debt increased dramatically. The increase in mortgage debt and house prices reinforced one another. Increased housing wealth served as collateral for further debt, and then money from the loans fueled consumption and growth, maintaining high profit rates.

4. OVERCOMING THE PROBLEMS OF CAPITALISM

Frequent jolt from deregulated market has always questioned on the survival of Capitalism. In recent years capitalists more focused on investing in financial market rather in physical assets which could not contribute much in real production but increased returns and profitability. The dramatic change which is being observed today is the declining of labor's bargaining power and reduction in their purchasing power. Consequently, the capitalists amassed huge wealth and majority of population left with low real wages leading realization problems in recent years.

Another dramatic change that has been in practice is the Debt led Consumption Model. Most American and Western Economists who advocate present system of capitalism stressed in the short-term solution of realization crisis with their innovative idea of increasing household consumption debt to increase market demand for consumers goods as well as the demand for the real estate by easy and soft credits that could only provide the short-term solution and shifting the crisis for the future. Unless the real wages of labor increase and the gap in income distribution reduces, Debt led consumption model would fail to bring out the economies from the in-depth crisis of Capitalism. An increase in the real wages will certainly help in solving the realization problem.

Rapid Financialisation of leading Capitalistic Economies has led the emergence of Casino Economy reducing the investment in Physical assets and most Corporate Profits were funneled into speculation in financial Assets. Speculation has led wealth creation and debt led Economic growth which has further widened the inequality of wealth and income. To revive the capitalism, the focus is required to be shifted from speculation based investment in financial assets to productivity based investment in Physical Assets. Speculation in Financial Arena creates hyper optimism that makes the investors, bankers to invest in high risk assets and further creates problems like Sub-prime crises of US in 2007. It is, thus, a policy matter for banking and financial regulator to control Speculation in Financial Instruments and debt-led consumption growth model.

Michael E. Porter has suggested a good idea of creation of shared Value. Porter believes that to overcome the current economic and financial problem of Capitalism, the system should not only give thrust on economic value creation, but also creating assets that generate benefits for the whole society. The concept of share value can be understood as a model that creates value of assets or expanding the total pool of economic and social value. It is not sharing of already created value by firms as the redistribution approach. In another way, it can be understood as policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates. It focuses on identifying and expanding the connections between societal and economic progress.

5. CONCLUSION:

Economic activities cannot be seen as completely individual profit motive that provides benefits to a small section of society at the cost of benefits of larger sections of the society. The environmental issues, Corporate Social Responsibilities etc. are to be in the core of policies of Giant Corporations as well as for small firms. Capitalism in present form is suffering from it's own deficiencies. The economists now need to involve their attention to innovative and creative solutions to fix the system. For survival of the system, the big divide between countries and people within a country to be reduced. The present system of Capitalism is suffering from it's own drawbacks which themselves weakening the system and raising a question on it's future survival. Now, the time is for redefining the new boundaries and premises that can bring the system on track again controlling the frequent shocks and degrowth elements.

REFERENCES:

[1] Edward M. Graham and Paul R. Krugman, (1995). Foreign Direct Investment in the United States. Institute for International Economics Press, Washington D.C. PP- 193.

[2] Foster, John Bellamy (2011). Capitalism and Accumulation of Catastrophe. The Monthly Review, Vol. 63(07), pp-119-128.

[3] Foster, John Bellamy (2011). Capitalism and Degrowth: An Impossibility Theorem. The Monthly Review, Vol. 63(08), pp-227-243.

[4] Foster, John Bellamy, and Sweezy, Paul M. (2011). On the Laws of Capitalism. The Monthly Review, Vol. 63(01), pp-64-73

[5] Friedman, Milton, (1962). Capitalism and Freedom. Chicago University Press of Chicago, Chicago, pp-119-20.

[6] Herman, E. Daly. (1991). Steady-State Economics. Island Press, Washington D.C. p- 17.

[7] John, Ballamy Foster, Robert, W. McChesny, and R. Jamil Jonna (2011). The Global Reserve Army of Labor and the New Imperialism. The Monthly Review , Vol. 63 (06), pp- 76-89.

[8] Klein, Naomi. (2007). The Shock Doctrine: The Rise of Disaster Capitalism. Henry Holt-Macmillan, New York. pp-143-44.

[9] Magdoff. Harry and Sweezy. Paul M. (1987). Stagnation and the Financial Explosion. New York: Monthly Review Press, pp- 30-32.

[10] Marx, Karl. (1981). Capital. Vol. 3, Penguin Press, London, pp-948–50.

[11] Onaran, Ozlem,(2010). The Crisis of Capitalism in Europe, West and East. The Monthly Review, Vol.62 (05), pp-228-246.

[12] Porpora, Douglas (2011). Asia and Great Financial Crisis. The Monthly Review, Vol. 62 (11), pp-102-114.

[13] Porter, Micael E. and Kremer, Mark R. (2011). Creating Shared Value. Havard Business Review, pp-52-67.

[14] Sweezy, Paul M. (1989). Capitalism and the Environment. Monthly Review Vol.41(2),p- 6.

[15] Sweezy, Paul M. (2010). The Guilt of Capitalism. The Monthly Review, Vol.62(06), pp-178-89.

[16] Takis, Fotopoulos, (2007). Is Degrowth Compatible with a Market Economy? The International Journal of Inclusive Democracy, Vol. 3(11).

[17] UNCTAD, World Investment Report, 2010 (New York: United Nations, 2010), 17-18.

[18] Wallerstein, Immanuel, (2011). Structural Crisis in World Economy. The Monthly Review. Vol. 62(10), pp-36-51.

[19] William H. McNeill, (1992). The Global Condition. (Princeton: Princeton University Press) pp- 135–49.

[20] Yates, Michael D, (2004). Naming The System: Inequality and Work in the Global System.The Monthly Review Press, New York, pp-307.

[21] http://journalistsresource.org/studies/government/international/income-inequality

[22] http://www.oecd.org/social/dividedwestandwhyinequalitykeepsrisingspeech.htm