



SESSION SKETCHES

Asan Plenum 2013: "New World Disorder"
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Crisis and Reform of Global Capitalism

Panel: Plenary Session III (Regency Room)

Date/Time: Wednesday, May 1, 2013 / 10:30-11:45

Speakers: Philip Stephens, The Financial Times
Bark Taeho, Republic of Korea's Ministry of Foreign Affairs
Kwon Goohoon, Goldman Sachs
Guy Sorman, the Manhattan Institute
Yang Baoyun, Peking University

Rapporteur: Chip Bishop, George Mason University

In the wake of the 2008 financial crisis, and the ripples it has sent throughout the world, it is incumbent to evaluate the condition of the global capitalism system and to draft expectations for the future. As moderator, Philip Stephens remarked that there appear to be three distinct groups in the post-crisis world: rising countries that appear to still be growing, established countries like the US which seem to be recovering well, and European countries growing at a sluggish rate. Global economic and political bodies have show signs of adapting to fit the new realities of the global economy, but it is unclear what changes will be made. But the question emerges, can we continue to have a global financial system without the tools of global governance?

Regarding governance issues, Bark Taeho explained that the reason we don't have a conclusive direction to take is because there is disagreement between the involved parties. Namely, there are three fundamental issues. First, there needs to be compromise by large and rapidly developing nations. Second, less developed countries do not feel that the World Trade Organization is doing enough on their behalf. And third, global trade organizations are a public good from which countries need to feel that all parties can benefit.

Kwon Goohoon, managing director of Goldman Sachs (Asia), in discussing the sustainability of the global architecture (like the G20, WTO, World Bank, and others), cited two areas facing the global market: cyclical and structural issues. Regarding cyclical concerns, the near term problem is how to get out of the lasting recession, and the longer term

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issue is how to coordinate changes to the liquidity markets to encourage growth while implementing safety mechanisms to avoid another crisis. Structurally, free markets and democracy are the pillars of the global economy, and the challenge is how to employ and balance them against each other.

Guy Sorman provided a counter perspective that the free market system is not the problem but is the solution. Free markets are inherently unstable, and that is the benefit. Innovation, spontaneous order, and entrepreneurship are all elements that produce uncertainty but also drive economic growth. Governments act on political incentives and therefore often retard economic growth, so we should desire a simple body that can preserve the rule of law. However, informal and unbinding associations, such as the G20, should be encouraged because they align incentives rather than divide them.

Yang Baoyun, professor at Peking University, explained that, due to the integration of the global economic system, the financial crisis of 2008 had many implications in individual countries. The economic crisis provided the trigger for many political, social, and even cultural issues around the world. The challenge we face is the politicization of economics. Thus, reform is needed. However, there is no guarantee which countries will adjust or what the particular reforms will actually be.

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