

The end of Capitalism as we know it?

Published September 2012, Curaçao

Corresponding author

Dr. Miguel Goede is President of The Association for Public Administration of the Netherlands Antilles and Aruba. Miguel Goede can be contacted at: mpgoede@gmail.com.

Copyright Miguel Goede

The title of this article is not original. It was used by Gibson-Graham (1996) as the title of their book *The End of Capitalism (As We Knew It): A Feminist Critique of Political Economy*. They too were looking for alternatives to the current form of capitalism from a feminist perspective. The title has often been used, especially after 2008, when the global financial crisis was apparent.

This article is an attempt to understand events like: The Arab Spring that started in December 2010. These events are by some considered the continuation of Iran's Twitter revolution 2009, when millions of citizens took the streets to protest the outcome of the presidential elections. Other factors that are mentioned are: lack of freedom, violation of human rights, government corruption, Wikileaks, economic decline, unemployment,

extreme poverty, large number of young well educated internet savvy people but dissatisfied with rising expectations. The concentration of wealth in the hand of an old autocratic elite. Increasing food prices and food scarcity.

The protest in London, in August 2011. The peaceful demonstration after the funeral of a citizen killed by policy turned into widespread rioting, arson and looting. The causes were from socio-economic causes focusing on unemployment and government spending cuts, as well as social media, gang culture and criminal opportunism. The Occupy Wall Street protest movement, that started in September 2011, against social and economic inequality, high unemployment, greed and corruption and excessive influence of corporations on government, especially from the financial sector. This movement spread all over the world.

The Indian anti-corruption movement of 2011. Here also factors like poverty, social media and Wikileaks are mentioned.

These movements have many factors in common: the desire for more freedom, abusing of power by ruling political and economic elites, growing difference in income between the rich and the poor, dissatisfied internet savvy youth struggling with employment and inflation.

Scholars, analysts and professionals state that: Neoliberalism is unraveling. The free market, without civil regulation leads to speculation and monopoly. The free market does not lead to efficiency and wise management. The ratio of investment to speculative

capital has risen. It has been estimated that the value of all traded paper instruments exceeds the underlying value of the assets on which they are written by 3:1. This level of speculation is encouraged by the high concentration of wealth that has increased since 1973. It is the beginning of monopolizing the control of large amounts of assets. The rich get richer and the poor get poorer. In the 1980s, for every \$100 of world growth, the poorest 20 per cent received \$2.20. By the 2001 the poorest 20 per cent received just \$0.60. Real wage increases in the top countries of the Organization for Economic and Development (OECD) are below the rate of inflation since 1970s. Since the 1970s wage earners have been getting poorer and asset owners richer (Blond, 2008). The hands-off brand of capitalism has failed. According to the IMF the crisis comes from a failure of regulation and supervision. The stage is set, at least temporarily, for a restrained model of free enterprise, particularly in financial markets. However some parts of the world are progressing relatively well. This might lead to a push back in globalization in the financial markets (Faiola, 2008).

Stiglitz (2010) is the recipient of the Nobel Prize in Economics in 2001. He is also the former Vice President and Chief Economist of the World Bank and is known for his critical view of “free market fundamentalism”, the International Monetary Fund and the World Bank. Stiglitz states that the Great Recession, the world’s biggest in 75 years, began in 2008 in the USA and turned global. This was not expected, according to the “faith” in free markets and globalization. Even Alan Greenspan,

former Chairman of the Federal Reserve of the United States from 1987 to 2006, had to admit that there were imperfections in the reasoning that had supported the extension of free markets and that he had made a mistake(de Swaan, 2010). It is no wonder that the State of the Union of President Obama¹ and the World Economic Forum of January 2012 addressed among others the widening gap between the rich and the poor.

The question answered in this paper is: what is the future of capitalism?

The aspirations in this article are only to explore the question and the possible answers. Much more further thinking is required.

Methodology

To answer the research question literature on the history of capitalism is reviewed and critical thinking is applied. “Critical thinking is the intellectually disciplined process of actively and skillfully conceptualizing, applying, analyzing, synthesizing, and/or evaluating information gathered from, or generated by, observation, experience, reflection, reasoning, or communication, as a guide to belief and action. In its exemplary form, it is based on universal intellectual values that transcend subject matter divisions: clarity, accuracy, precision, consistency,

¹ <http://www.whitehouse.gov/the-press-office/2012/01/24/remarks-president-state-union-address> (Accessed on 5 February 2012)

relevance, sound evidence, good reasons, depth, breadth, and fairness.”² (also: Facione, 1990, p. 2).

² <http://www.criticalthinking.org/pages/defining-critical-thinking/766>

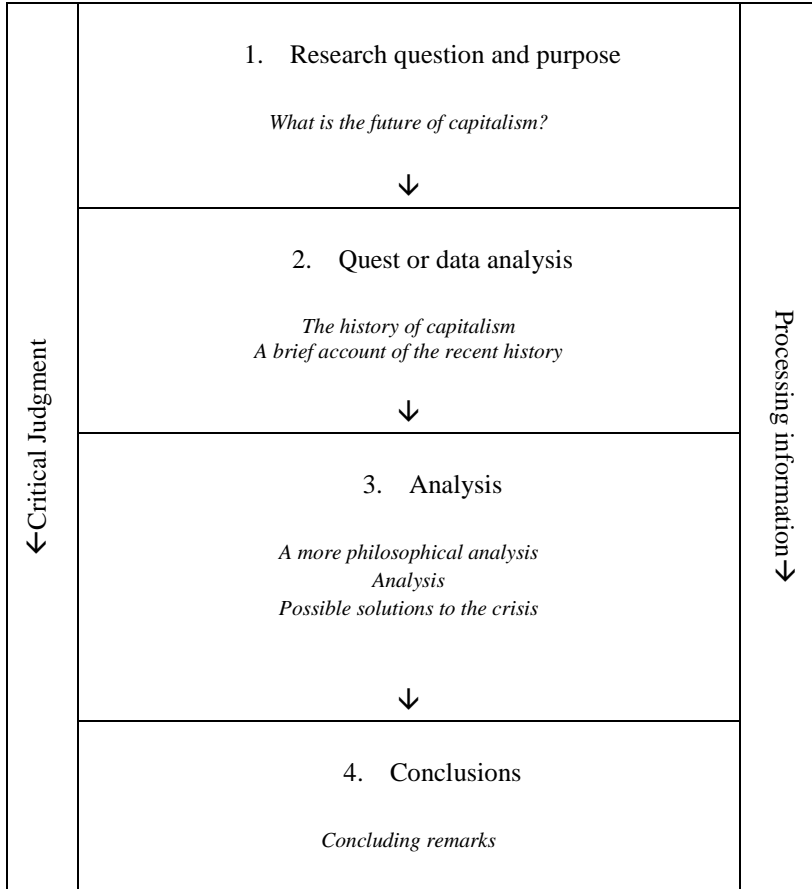


Figure 1: Schematic representation of the methodology of critical thinking, including the outline of this article.

The history of capitalism

Capitalism is not a given as some still think: it started in 16th century and has been around for four centuries. Prior to that 80% of the people in England lived on farms. The American economist Deirdre McCloskey (2010) states that around 1700, a new way of speaking about commerce gave birth to the modern world. It is about the emergence of the dignity of the bourgeoisie (Shaffer, 2011). The theory is somewhat related to the theory of the father of sociology, the German Max Weber. He attributes the emergence of capitalism to the protestant working ethics (Weber, 2011).

European imperialism was important for further development of capitalism. Among other things the *corporation* was born. Today, the corporation is one of the main actors in globalization (Parramore, 2010; Bakan, 2004). The industrial revolution that started in the late 18th century also contributed to the development of capitalism and the latest development is the internet, leading to the information or network society and globalization (Castells, 1996; Friedman, 2006).

Capitalism holds the essence of impertinent dynamism of “more”. In other words: greed. Capitalism is competition, meaning innovation, meaning constant change. The question is, whether capitalism in 2012 is dead in the water? Or, what is the future of capitalism? (Parramore, 2010; Schumpeter, 1942)

A brief account of the recent history

The period from 1914 to 1945 is the era of *private monopoly capitalism* or *small government capitalism* (Li,

2010). The corporation is the dominant institution applying the technology mass production. There were fundamental social transformations in urbanization, transportation and communication. A growing part of the labor force became proletarianized. The capitalist system was challenged in the centre, the rich western countries, as well as in the non-independent countries. This situation led to revolutions in Russia (1905 and 1917) and China (1912-1917). The British Empire was in decline and there was competition between the United States and Germany. Eventually this conflict led to war. The Great Depression caused by multiple factors among others by systemic failures of banks started in 1929 and lasted till the late 1930.

The second half of the twentieth century started after the Second World War, in 1945. The Second World War resulted in the hegemony of the United States. *State monopoly capitalism* or *big government capitalism* was established (Li, 2010). Government expanded both in size and in economic function. The welfare state, where the states plays an key role in providing socially and economically for the wellbeing of citizens, in especially Western Europe was born from a partnership between capitalism and labor. The seeds for this partnership were visible right after the Russian Revolution. The Marshall Plan of the United States to rebuild Europe and economic recovery after Second World War provided the funds

needed to support this system. The United States pushed for decolonization. It looks like the welfare state was a way to take away the drive for revolution by labor.

From 1968 to 1989 state monopoly capitalism went through a crisis. In 1968 all advanced capitalized countries were challenged by workers and students. Great cultural transformations took place. New values and norms emerge to replace existing ones. The West secularized and de church lost a lot of its influence. Demographic growth was another important factor. The population grew due to improvements in the health system, social conditions. Many migrated from the Third World to the First World. It was about keeping and expanding the welfare state. The global capitalists were able to isolate and defeat the revolutionary challenges and the political initiative passed into the hands of the ruling elite.

The world experienced the Oil Crisis in 1973. This crisis, in a way, was artificial because oil was widely available. The crisis was the consequence of the ending of the Bretton Woods Accord governing monetary relations among independent nation-states, the Organization of the Petroleum Exporting Countries (OPEC) imposing higher prices on crude oil and Yom Kippur War between Arabs and Israel leading to an oil boycott of Arabic oil producing countries of countries supporting Israel.

In 1973 the *Chicago boys* went to work in Chile. They were a group of young Chilean economists most of them trained by the American Milton Friedman by some considered the father of neoliberalism, the Noble Prize for Economics in 1976 and Arnold Harberger, at the University of Chicago.

In 1971 the counter-revolution in China eventually opened China to the global capitalist economy by Deng Xiaoping. Margaret Thatcher came to power in Britain (1979 – 1990) and Ronald Reagan in the United States (1981 – 1989). And so Neoliberalism became the mantra of American global hegemony. This trend is also manifest in the Washington Consensus, first coined in 1989. It points to a set of policy tools promoted by the IMF and the World Bank to promote the free market in the developing countries (Williamson, 2004). In 1989 the Berlin Wall came down and marked the end of the Cold War between East and West but also the end of big government capitalism.

The international financial world changed in 1988 by the agreement called Basel One. This required banks to hold 8% of their risk-weighted assets. Russia and OPEC started to deposit their oil dollars in Europe. This made capital available for emerging markets like Latin America, which was one of the factors that led to the debt crisis of the Third World (Stiglitz, 2006). Globalization took off with the awakening of the BRIC countries,

Brazil, Russia, India and China. The balance between the North and the South altered. The Davos Forum, the World Economic Forum (WEF), founded in 1971, shifted the focus from Europe to the globe. Globally corporate governance became an issue, especially after scandals like Enron (McLean, B. and Elkind, 2004) and WorldCom. Globally the rich became richer. There is a huge pool of money in the *clouds*. There is this strange paradox: the globe has become more democratic but the rich become richer. Capitalism erodes old cultures and civilizations. Some use the term “McDonalization” of societies.

The period from 2001 to 2025 is the crisis of neoliberal capitalism. Stiglitz (2011) states that the United States did not see this crisis coming, because they did much better than the “enemy”, the Soviet bloc. In 1997 there was the Asian Financial crisis caused among others due to lack of supervision of the financial institutions (Karunatileka, 1999). Some believe this was the beginning of the current financial crisis. In 2001, the stock market bubble in the United States started to burst. This was hidden by the aftermath of 9/11/2001, the wars in Iraq and Afghanistan. That same year the economy in Argentina collapsed. Some attribute the Argentina crisis to the application of the Washington Consensus. Neoliberalism lost credibility in Latin America and made way for socialist-oriented and populist governments.

After 2001 the BRIC countries were the drivers of global capitalism (Prestowitz, 2005), by exploiting cheap labour (Klein, 2000). The laborers in those countries were deprived of purchasing power. The extra purchasing power was created through increasingly higher levels of debt-financed consumption in the advanced capitalist countries. Given the challenge of the emerging economies, especially China, the United States is reintroducing import barriers. The neoliberal strategy is economically and environmentally unsustainable. Inequality has also increased in Europe and the next recession is just around the corner (Van Duijn, 2011, p. 193). One of the problems is the real-estate market. The second problem is the loans to the state. The third problem is that some institutions are “too-big-to-fail”. Eventually this all led to the global financial crisis that started in 2007, the disturbances in the Arab Spring, London, the Indian anti-corruption movement and the *Occupy Wall Street* movement. This led to the message of the WEF 2012 that the global inequity is of great concern³.

A more philosophical approach

We humans shape our tools, and our tools shape us, our values and morals. Human beings are social beings who

³ http://www.huffingtonpost.com/2012/01/29/davos-2012-income-inequality_n_1240158.html

need a group to survive and have a sense of belonging (Robertson, 2009). Humans are interdependent and cannot be self-sufficient. In groups, a division of tasks emerges. In the beginning this was organized by the tribe and its chief. The laws were divine and received through the chief. Over time the exchange economy developed and gold came to play an important role in this exchange economy. Gradually the money economy emerged. Rules nowadays are determined through the political process. Often this is a democratic political process. Rules are not longer based on religious principles. This is the effect of the industrial revolution and decreasing role of religion and the church. In the beginning this led to great progress. Adam Smith (1776), the Scottish social philosopher and a pioneer in political economy described the invisible hand that organized the market. And he saw how the structure was being manipulated to favor a small group. He developed the concept *self-interest well understood*. This concept was never well understood and greed continued to grow. Eventually money became digitalized. The creation of money happens digitally. Money is created without gold or the production of goods or services.

The current global crisis is still underestimated. Increasing inequality is a big issue. Not only are economic flaws exposed, but also flaws in society. Too many people have been taking advantage of others. Stiglitz's book *Freefall* is a call to reflect on what kind of

society we want to have. We have gone too far on the materialistic path. The growth is not sustainable environmentally and socially (Schweickart, 2009). We do not tackle common goals because market fundamentalism and individualism have eroded the sense of community. Economics led to lack of moral responsibility. This can be attributed to a misinterpretation of Adams Smith's work. Extreme individualism and market fundamentalism has led to an undermining of trust and lack of empathy. And trust is what makes every society function and can hardly be substituted by legal enforcement. Even legal enforcement is based on trust. We trust the system will treat us all equally, punish each and every one in the same way. In the current crisis, trust, especially in bankers, has been lost (Stiglitz, 2011; in 't Veld, 2006). Adam Smith wanted to create a system that would lead to efficient production. This would mean meeting the biggest possible demand, meaning that the price, including profit, must be as low as possible. This is totally different from striving for the highest profit per unit. It means meeting the demand and keeping the profit as low as possible. Everything else is greed and inefficiency. The objective must be the lowest possible profit per production unit. The regulation of the market must stop speculation and encourage real long-term investment. This is not what hedge funds do.

“We are not greedy to the core; greed is not the origin of capitalism but to a large part its effect. People are placed in structures in which greed and selfishness are rewarded. Hedge fund operators have walked away with tens of millions, sometimes hundreds of millions of dollars, and then successfully used their wealth to lobby Washington for low taxes. Meanwhile, teachers who are dedicated to helping everyone achieve their full potential must struggle to get by. Artists who want to make our world more beautiful, and us happier in the process, must struggle to get by. Hard-working maids and janitors must struggle to get by. People who do not like to compete but just want to do a good job must struggle to get by. But those who are only dedicated to money and themselves can indulge in every imaginable luxury.” (Robertson, 2009)

The focus of a corporation should shift more in the direction of the interest of consumers and the employees. Supervisory boards should look after this behavior on the part of corporations. The wages of the CEOs should be in accordance with these principles.

In 1999,⁴ Pope John Paul II criticized the neoliberal system. This was remarkably early and from an institution that is not well known for its stands on economic and social issues. Fact is that the Roman Catholic Church is one of the largest and oldest organizations in the world and potentially influences a large number of human beings and so governments:

⁴ <http://www.ewtn.com/library/papaldoc/jp2amer.htm> (Accessed 1 November 2011)

“More and more, in many countries of America, a system known as ‘neoliberalism’ prevails; based on a purely economic conception of man, this system considers profit and the law of the market as its only parameters, to the detriment of the dignity of and the respect due to individuals and peoples. At times this system has become the ideological justification for certain attitudes and behavior in the social and political spheres leading to the neglect of the weaker members of society. Indeed, the poor are becoming ever more numerous, victims of specific policies and structures which are often unjust.”

Pope Benedict (2007)⁵ states that globalization unites people, but he has criticized both neoliberalism and Marxism. In theory they both promise a solution, but the reality is different. neoliberalism increases the differences between rich and poor and degrades people, while Marxism destroys the human spirit. The role of the church is to teach values.

The World Economic Forum (2010) also refers to these early expressions of the Popes warning us about the excesses of neoliberalism. They also refer to the same type of expression by another global spiritual leader Dalai Lama, who stated in 2009 that the current crisis is a crisis in values. The Sunni Muslim scholar Yusuf al-Qaradawi and leaders of other religions, their

⁵ <http://en.mercopress.com/2007/05/14/pope-ends-visit-criticizing-marxism-and-neo-liberalism-policies> (Accessed on 1 November 2011)

explanations of the current crisis go in the same direction.

To solve today's problems, eroded values must be (re-)established. Values that are suggested are: recognition of interdependence; self-determination; diversity and tolerance; compassion for others; upholding the principle of equity; recognition of the rights and interests of non-humans; respect for the integrity of natural systems; and respect for interests of future generations (Porritt, 2007). The objective must be to meet the biggest possible demand by the biggest possible offer. The balance between *Me* and *We* must be re-established. It is not about maximizing profits but about maximizing the satisfaction of needs in society. This will lead to sustainable development. Is this the balance that Bottom of the Pyramid (BoP) is trying to reach? BoP advocates an approach to eradicate poverty while making a profit (Prahalad, 2010). This is a kind of social entrepreneurship.

Some argue that there is a relationship between the pyramid of wealth and the pyramid of Maslow. Self-realization can only be reached by those at the top of the pyramid. And this top can only be reached by greed, so enslaving the people at the bottom of the pyramid. These persons remain skeptical (Porritt, 2007).

In 2012 it is becoming clear that we need to move from *rationalizing* to *acting meaningfully*, from *mastering* to *stewardship*. More than ever individuals are interdependent. According to Adam Smith the market is the way to structure this interdependency. Price is cost plus profit. If profit goes up the price also goes up or efficiency has to be increased. If the price is too high, some cannot satisfy the needs in society. Production is meaningful as long as buyers can pay the production cost, including profit. Profit is a condition for the continuity of production. Profit is kept low only if the value and the norm of the corporation is to serve *We* and not *Me*.

Analysis

The neoliberal phase of capitalism is in a crisis (Li, 2010). The current crisis is likely to be followed by a prolonged period of global instability that could last many years. And the question is, What is next? The current crisis is different from the crisis in 1945. The hegemony of the United States is in decline. This time, the new *New Deal* will have to include the laborers of the third world, including Africa, and it is not probable that capitalism can pay for that. Last but not least there are no cheap commodities anymore. The oil reserves are depleted and the demand for fossil fuel in the BRIC countries is still rising (Prestowitz, 2005). This situation

is called *Peak Oil*. The outcome will be innovation in exploration and new uses or reuse technologies of commodities. This scarcity might also lead to war. The response through massive increase in government deficits is not working. By 2015 even China will be confronted by the crisis. It is a matter of time before workers in China to learn to get organized and challenge the system. The advanced capitalist countries will be confronted with a long-term fiscal crisis resulting from the arrangements of the welfare state, such as pensions and healthcare programmes. This will lead to confrontations between workers and the system.

Climate change is the most important symptom of the global environmental crisis. Nuclear and renewable energies are subject to many technical and economic limits. We are reminded by the dangers of nuclear power plant by the earth quake in Japan 2011. To avoid major climate catastrophes like Katrina in 2005 a massive coordinated transformation of the entire economic infrastructure is required. This issues will be addressed during the United Nations summit Rio+20.

Innovation shifts the demand for commodities from scarce commodities towards more available commodities and is a disincentive to recycle. The internet makes information accessible to everyone, including the poor at the bottom of the pyramid. This information feeds the feeling of discontent. The masses do not only get their

information from the internet; they use it to express their discontent and to organize their protests and even their revolutions. Governments and other institutions try to control the internet. There is a pressure towards more democratization. But the popular solution is not always the best one.

American capitalism has been offered as a solution around the world from the 1960s onwards. But it does not work. The bail out of banks in the United States effectively is the nationalization of banks. After the financial crisis in the 1930s. The Europeans moved towards a system of *democratic socialism* which is still in place. The US never went that far and retreated from that direction in the 1980s and 1990s. Many blame this move for the crisis today. In the 1930s and 1940s Keynes came to the rescue. Today Keynes' solution is no longer an alternative in the global economy that connects all economies and links all currencies. All G20 countries have become too-big-too-fail. The ten year economic cycles from 1970 to 2000 were predictable but the future cycles seem to be less predictable. The outcome is that the rich became richer. Unions and left wing political parties are incorporated in this economic model. Corporate governance legislation gave more power to the rich. Hedge funds emerged. Investors become speculators. The senior managers of corporations earn huge salaries and bonuses. There is peer pressure to increase profits. Accountants and consultants become part of the system.

These developments are based on the theories of the Chicago School of Friedman. Naomi Klein (2007), in her book *The Shock Doctrine*, exposes how corrupt this system is. There is no alternative school today. Perhaps we should look at China and India for the intellectual lead. Some see two flavors of capitalism emerge: *democratic socialism* and *communist capitalism* (Treder, 2008).

Minsky (1992) introduces the Financial Instability Hypothesis: “The financial instability hypothesis is a model of a capitalist economy which does not rely upon exogenous shocks to generate business cycles of varying severity. The hypothesis holds that business cycles of history are compounded out of (i) the internal dynamics of capitalist economies, and (ii) the system of interventions and regulations that are designed to keep the economy operating within reasonable bounds.” (Minsky, 1992) In other words instability and crisis are inherent to capitalism.

Golob *et. al.* (2009, p. 628) refer to Rugina and summarizes why the current neoliberal capitalism is unsustainable:

- The system is constantly facing crisis.
- The unjust distribution of wealth.
- The abnormal concentration of financial and economic power.
- The stock market is full of speculation and adds to the instability.

- The welfare state is ineffective in capitalism.

The conclusion is that the current capitalist system is under great stress.

Possible solutions to the crisis

There are different scenarios for the outcome of the current crisis: The first is the successful restructuring of capitalism and production for profit and wealth accumulation will continue. The second scenario is the overthrow of the capitalist system will come about, but no alternative is able to develop. This will lead to chaos and barbarism. The third scenario is the rise of a new global system based on ecological sustainability and production characterized by a higher level of economic, social and political democracy. The third scenario is an acceptable outcome (Li, 2010). These three scenarios are not only possible outcomes but are also possible stages towards the third scenario.

Stiglitz (2011) states that the markets will remain at the heart of every successful economy, but governments need to play a role. This role is not to rescue markets but to regulate them. There must be a balance between the role of government, the role of markets and non-governmental organizations. The question is whether the dangers will allow us to see the opportunity to restore the balance between market and state, the balance between

individualism (*Me*) and community (*We*), and between man and nature (Stiglitz, 2011). The solution is the rebalancing of the three P's (people, planet, profit) in the three domains: Public, NGOs and Market. This new balance will transform the knowledge economy to the sage society (Goede, 2011), a society seeking a balance between a social, environmental and economic agenda. There is a consensus that during the period of neoliberalism too much was claimed by the market. There is a consensus today that government should regulate more and NGOs have shown themselves to be responsible actors that demand a new balance between public and private domain. Some use the term "the third sector" (Golob *et al.*, 2007, p. 632). Given globalization, this balance will also be looked for on a global level, in and between Intergovernmental Organizations, International Non-Governmental Organizations and Global Corporations (Stiglitz, 2006). This is the quest for transgovernance or metagovernance (in 't Veld, 2011). "Governance in its simplest form concerns a certain system but for a society, to be considered as a collection of systems, as a whole a multiplicity of interacting systems is the subject matter of governance. The modes of governance will differ from system to system. The main categories are hierarchy, market and network. The majority of the existing arrangements consist of mixtures of these three archetypes. Each society has a multiplicity of these arrangements. We should consider how these

modes interact in a specific situation. We call this type of considerations metagovernance.” (in ‘t Veld, 2011)

Public domain	NGOs	Market domain
People , Planet, Profit (<i>Hierarchy</i>)	Planet , People, Profit (<i>Network</i>)	Profit , Planet, People (<i>Market</i>)
Intergovernmental Organizations	International Non Governmental Organizations	Multinational Corporations or Global Corporation
Core Government	Non Governmental Organizations	International companies
Semi Government	Movement	Local business

Figure 1: The three domains seeking a new balance of the three Ps (Goede, 2009)

To balance the Ps in the three domains and to resolve the crisis wisdom is required. Wisdom is action that not only benefits the individual taking the action (*Me*) but also benefits others (*We*). As with people, organizations need to become wise as well. The central issue is about efficiency, effectiveness, explicability and ethics. Also, wise government is required (Goede, 2011). This is

related to knowledge democracy. The concept of a knowledge democracy is meant to enable a new focus on the relationships between knowledge production and dissemination, the functioning of the media and our democratic institutions.

Corporations pursuing only profit are not sustainable (Bakan, 2004). Corporations should pursue the triple bottom-line: people, planet and profit. A company that can do this is a green or wise company, which can be identified by its practice of corporate social responsibility (Goede, 2011). Corporate social responsibility has been around as long as the corporation. The corporation always had a moral obligation to society. This was not always acknowledged. For example, in 1919 Ford Motors was ordered by the court to pay the maximum dividend to its shareholders, the Dodge brothers. Henry Ford wanted to use part of the profit to serve society. In 1999 Ford's great-grandson did get the approval of shareholders and other stakeholders to serve the society (Moura-Leite & Padgett, 2011). But corporate social responsibility is more than neoliberal corporations adopting CSR as part of their corporate strategy. It should be a true conviction that corporations should serve society.

“Companies must take the lead in bringing business and society back together. The recognition is there

among sophisticated business and thought leaders, and promising elements of a new model are emerging. Yet we still lack an overall framework for guiding these efforts, and most companies remain stuck in a ‘social responsibility’ mind-set in which societal issues are at the periphery, not the core.” (Porter *et al.*, 2011)

The financial sector, especially banks, should be regulated. Risk taking by bankers should be restricted. The bonus system for bankers is contra productive (Wawoe, 2010). The too-big-to-fail banks should be broken up. The bail-out solution does not address the real causes of the recession. But it has given the message that the roles of the market do not apply to privileged institutions, which are too-big-to-fail. This will lead to future crises caused by risk-taking at the public’s expense. (Stiglitz, 2011).

One of the changes suggested is to increase the money that is kept in the bank and not used for investment. Van Duijn (2007) states that in the coming years banks should be required to keep more equity in reserve. Some state that there should be regulation prohibiting or limiting banks from investing the savings of their clients. Some propose to split savings into a separate bank, calling those banks safe banks.

The balancing of the three Ps should start at an individual level (Goede, 2011, Golob *et al.* 2011, Stiglitz, 2011). This means that education should train people, especially the training of the next generation, to focus on this balance or new system of values and norms. In the recent

past the emphasis was on the neoliberal market. The schools must be transformed from temples of neoliberalism to centers for sustainable development (Goede, 2011; Adams et. al., 2011; Metze, 2011). The debt issue can only be handled by behavioral changes of all the actors involved. According to Van Duijn not only the banks and government are to be blamed but also households that overspent, especially by purchasing too expensive houses.

NGOs should develop alternatives for production and distribution like corporatism. Corporatism is a social organization that groups people according to the community of their interests and a system to coordinate labor and capital in relation to their common interest.

Concluding remarks

Capitalism based on neoliberalism is coming to an end. The remedy is to balance the three Ps (People, Planet, Profit) at the bottom line. A new social system based on social ownership of the means of production, democratic planning and global cooperation is required. There are three scenarios. The successful restructuring of capitalism and production for profit and wealth accumulation will continue. The overthrow of the capitalist system but no alternative is able to emerge. This will give rise to chaos and barbarism. The last scenario is the rise of a new global system based on ecological sustainability and production characterized by

a higher level of economic, social and political democracy (Li, 2010) The three scenarios might be stages leading to the last scenario. If history is our guide, the most likely outcome is a new structure of capitalism led by the BRICs at the expense of the populations in other countries. Or might the United Nations summit Rio+20 provide an alternative direction?

References

Adams C., Heijltjes, M., Jack, G., Marjoribanks, T., Powell, M. (2011), "The development of leaders able to respond to climate change and sustainability challenges: The role of business schools", *Sustainability Accounting, Management and Policy Journal*, Vol. No 1, pp.165 – 171.

Appleby, J., (2010), *Relentless Revolution: A History of Capitalism*.

Bakan, J. (2004), *The Corporation: The pathological pursuit of profit and power*, Penguin, Canada.

Benedict XVI, (2007), "Pope ends visit criticizing Marxism and neo-liberalism policies", *MercoPress*, Monday 14 May 2007.

de Swaan, A., (2010), "Hoe wetenschap plots een meninkje werd", *NRC*, 30 oktober 2010.

M. Castells, (1996, second edition, 2000). *The Rise of the Network Society, The Information Age: Economy, Society and Culture Vol. I.* Cambridge, MA; Oxford, UK: Blackwell.

Blond, Ph. (2008), “The end of capitalism as we know it?”, *The Independent*, 23 March 2008.
<http://www.independent.co.uk/news/business/comment/outside-view-the-end-of-capitalism-as-we-know-it-799494.html> (Accessed on 30 October 2011)

Facione, P.A. (1990), *Executive Summary – Critical Thinking. A Statement of Expert Consensus for Purposes of Educational Assessment and Instruction*, California Academic Press, Millbrae, CA, .

Faiola, A. (2008), “The End Of American Capitalism?”, *Washington Post*, Friday, 10 October 2008.
<http://forum.prisonplanet.com/index.php?topic=64115.0> (Accessed on 20 October 2011)

Friedman, Th. (2006), *The World is Flat*.

Gibson-Graham, JK. (1996), *The End of Capitalism (As We Knew It): A Feminist Critique of Political Economy*, Oxford UK and Cambridge USA: Blackwell Publishers.

Goede, M. (2009), “Van government naar (global) governance, sustainable development en media”, *Bestuurskunde*, Vol. 18 No3, pp. 92-99.

Goede, M. (2011), “The Wise Society: Beyond the Knowledge Economy”, *Foresight*, Volume 13 No1, pp. 36-45.

Golob, U., P. Klement & M. Lah, (2009), “Social economy and social responsibility: alternatives to global anarchy of neoliberalism?”, *International journal of Social Economics*, Vol. 36 No. 5, pp 626-640.

in ‘t Veld, R. (2006), *Governance als prothese voor deugdzaamheid; Oratie, uitgesproken bij aanvaarding van het ambt van hoogleraar governance aan de universiteit van de Nederlandse Antillen op donderdag 16 maart 2006.*

in ‘t Veld, R. (2011), *Transgovernance; The Quest for Governance of Sustainable Development*, This report results from the project *Science for Sustainable Transformations: Towards Effective Governance* (TransGov), at the IASS Institute for Advanced Sustainability Studies Potsdam.

John Paul II, (1999), *ECCLESIA IN AMERICA (The Church in America)*, Given at Mexico City, January 22, in the year 1999.

<http://www.ewtn.com/library/papaldoc/jp2amer.htm>
(Accessed 1 November 2011)

Karunatileka, E. (1999), *The Asian Economic Crisis*.

Klein, N. (2000), *No Logo: Taking Aim at the Brand Bullies*, Knopf Canada.

Klein, N. (2007), *The Shock Doctrine: The Rise of Disaster Capitalism*.

Li, M. (2010), “The End of the “End of History””, *The Structural Crisis of capitalism and the fate of Humanity, Science & Sociology*, Vol. 74 No. 3, July 2010, pp. 290-305.

McLean, B. and Elkind, P. (2004), *The smartest guys in the room; The amazing rise and scandalous fall of Enron*, Penguin Group.

McCloskey, D., (2010), *Bourgeois Dignity: Why Economics Can't Explain the Modern World*, University of Chicago Press.

Mteze, M. (2011), *De hoogmoedigen*, Uitgeverij Balans.

Minsky, H. (1992), “The Financial Instability Hypothesis”, *Working Paper No. 74*, May 1992.

Moura-Leite, R., , Padgett, R. (2011), “Historical background of corporate social responsibility”, *Social Responsibility Journal*, Vol. 7 No. 4, 2011, pp. 528-539.

Parramore, L. (2010), “Lewis Lapham on “the end of capitalism”, *Salon*, Thursday, 23 Sep 2010.
http://www.salon.com/2010/09/23/lynn_parramore_lewis_lapham/ (Accessed on 19 October 2011)

Porritt, J. (2007), *Capitalism: As if the World Matters*, Earthscan.

Porter, M. and Kramer, M. (2011), “Creating Sharing Value”, *HBR*, January 2011.

Prahalad, C.K. (2010), *The Fortune at the Bottom of the Pyramid: Eradicating Poverty Through Profits*.

Prestowitz, C. (2005), *Three Billion New Capitalists: The Great Shift of Wealth And Power to the East*.

Robertson, A. (2009), “The End of Capitalism?”, Global Research, 5 January 2009.

Schumpeter, J., (1942), *Capitalism, Socialism and Democracy*.

Schweickart, D. (2009), “Is Sustainable Capitalism an Oxymoron?”, *On Global Development and Technology*, Vol. 8 No 2-3, pp. 599-580.

Shaffer, M. (2011), “The dignity of the bourgeoisie”, *Policy*, Vol. 27 No. 2, pp. 39 – 44.

Stiglitz, J. (2011), “Joseph Stiglitz: Why we have to change capitalism”, *Telegraph*, Friday 11 November 2011.

<http://www.telegraph.co.uk/finance/newsbysector/banksandfinance/7061058/Joseph-Stiglitz-Why-we-have-to-change-capitalism.html> (Accessed on 24 October 2011)

Stiglitz, J. (2006), *Making Globalization Work*, Penguin Books.

Treder, M. (16 September 2008), *The End of Capitalism?*
http://www.crnano.org/new_news.htm (Accessed on 20 October 2011).

Van Duijn, J. (2011), *De schuldenberg; Hoe de wereldwijde schuldenlast ons allemaal gaat raken*, Bezige bij, Amsterdam.

Wawoe, K. (2010), *Bonus; Een Nederlandse bankier vertelt*, Bezige bij, Amsterdam.

Weber, M.; Baehr, P. ; Wells, G. (2002). *The Protestant ethic and the "spirit" of capitalism and other writings* . Penguin.

Williamson, J. (2004), “A Short History of the Washington Consensus”, Paper commissioned by Fundación CIDOB for a conference “From the Washington Consensus towards a new Global Governance,” Barcelona, September 24–25, 2004.

World Economic Forum, (2010), *Faith and the Global Agenda: Values for the Post-Crisis Economy*.