

Roubini and Bremmer: Chinese Economic Model way of the Future

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America's invasive war capitalism ruptures West

The global financial crisis just might give those in the U.S. who advanced the idea of a "new world order" their wish – but not exactly in the way they wanted.

Ian Bremmer, president of Political Risk Research, and influential economist Nouriel Roubini lay out a [compelling argument](#) in the September Institutional Investor asserting that the free-market system of capitalism has been so damaged by the recent financial crisis that the U.S., Europe and Japan face a future in which they will struggle to keep pace with deep-pocketed developing nations like Brazil, India, China and Saudi Arabia. The result could be a world in which the Western political and economic dominance that existed prior to the crisis is gone, with little hope of coming back.

"Conventional wisdom has it that a U.S.-dominated unipolar global system is giving way to a multipolar order, one in which various emerging powers advance competing ideas for how the world should be run and act to further their agendas," the men write. "The financial crisis and global market meltdown have created conditions for a 'nonpolar' order -- one in which America's chief competitors remain much too busy with problems at home and along their borders to bear heavy international burdens."

The Era of State-Driven Capitalism Has Dawned

In a new global economy in which countries compete for market share on almost everything, national self-interest and protectionism is likely to flourish. With many of the major free-market economies mired in slow growth as they recover from the financial crisis, emerging nations with faster-growing economies and authoritarian governments will begin using state-sponsored capitalism to attempt to dominate markets.

"An era of state-driven capitalism has dawned, one in which governments inject political calculation into the performance of markets," Bremmer and Roubini write.

The two men predict that with national politics guiding many global economic decisions, former trading partners will become rivals for market share, and nations with the wealthiest and fastest-growing economies will gain influence and political power internationally. Free-market capitalist nations and state-driven capitalist nations may wind up forming two camps. Conflicts between nations over monetary policy, currency devaluations and other critical matters will increase: The G-20 group of nations will likely be unable to agree on sustainable measures to prevent cycles of financial crises from reoccurring with greater frequency.

While these grim projections are not etched in stone, Bremmer and Roubini offer enough evidence to suggest free-market nations have a tremendous job ahead of them to repair their waning economic influence and prevent such a sorry scenario from unfolding.

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