GEOGRAPHY N20
week 5 - 8/4/15

PART 2

Anatomy of a Crisis: From Wall Street to Shanghai
Current Events: China Update

- Gloomy data released about state of manufacturing sector
  - Caixin PMI index (Purchasing Manufacturer’s Index): Zero growth in July
    - Factory activity falls to weakest in two years’
    - Losses continue to hit commodity prices, container-shipping companies
  - Fall in stock market continues: mining & energy big losers
    - Small rebound at end of Tuesday trading: up 3.7 pct
  - Warnings about new bubbles: Credit Suisse
    - Largest Credit Bubble + Largest in investment (as share of GDP) + 2nd largest in real estate

- Market intervention: Government halts short-selling, foreign trading
  - Short-selling = borrowing on margin to buy stock, then turning it around on the same day to make a profit

- Continued worry about margin borrowing (high % of market capitalization)
Anatomy of the Global Financial Crisis: plan of inquiry – today’s class (tuesday 8/4)

Understanding Crisis: History & Theory Behind the 2008 Crash (7/30)
- Uneven Development: A Framework for Understanding Capitalist Crises
- The Wal-Mart Effect: Dollar Hegemony & the ‘special relationship’ w/ China
- The Long Downturn, ‘Asset-price Keynesianism’ and the Bubble Economy

Financial Crashes: Manias, Panics & ‘Animal Spirits’ (1st half)
- Bubblenomics & ‘Inside Jobs’: How Shadow Banking Escaped Economics
- Human Factors: Keynes, ‘Animal Spirits’ & the Minsky Moment

The Latest Aftershock: 2015 Chinese Stock Market Crash (2nd half)
- A ‘Multi-Polar’ World & the Question of Hegemony: 21st Century Challenges
- Financialization with Chinese Characteristics: Confounding the models
- Whatever You Do, Don’t Listen to Western Economists: What next for China?
**Chinese Financial Crash: Partial Bibliography**
(please post your suggestions to the bcourse website!)

Financial Crashes: Manias, Panics & ‘Animal Spirits’

2. Human Factors: Keynes, ‘Animal Spirits’ & the Minsky Moment
Setting the stage: Declining dynamism/profitability in US; growing dependence on cheap credit & financial voodoo (7/30 review)

- **Analytical assumptions/premises**
  - *Political* nature of economic systems (cannot be separated)
  - Anarchic & competitive nature of capitalism (*Brenner*)
  - Econ/Financial processes *materially* embedded in time & space (*Harvey*)
    - Historical & geographic *specificity* is key to determining outcome
    - Financial activity (no matter how esoteric) *always* anchored in real people/things

- **Underlying Problem: Uneven development/Crisis of profitability**
  - Differential entry of competing producers into world market
    - Leads to *redundant* commodity production; overproduction/overcapacity
  - Declining dynamism of real economy in OECD (1970s - Present)
    - ‘The Long Downturn’: Rate of profit in *real* production falls, never recovers
    - Unique position of US $ as reserve currency - allows for unlimited borrowing
      - Assumes role as *buyer of last resort* for global production
    - US as Consumer Nation: 2 strategies to avoid underconsumption
      - Lower prices of goods (Walmart) / Growth of household credit & debt
  - Establishment of DWSR & relationship w/ China (*Gowan*)
    - China buys T-bonds (dollars) for use of oil, production
    - Fed lowers interest rates to make borrowing as easy as possible
    - Shift in nature of credit/debt $ - from reinvested *past* profit to *future* claims on value
      - Financial economy decouples from real economy (or so they think...)
“Inside Job”
Sony Pictures Classics (2010) | directed by Charles Ferguson

View entire film online:
http://bit.ly/1ilNfTo

Parts 1-3:
How we got here; the Bubble & the Crisis
Bubblenomics 101: The Basic Model

Dr. Jean-Paul Rodrigue, Dept. of Economics & Geography, Hofstra University
Speculative Bubbles: wrecking the economy since the dawn of capitalism

- Colonial period: joint-stock companies & competitive trade
  - Dutch Tulip Mania (1634-37)
  - South Sea Bubble (1716-20)
  - British ‘Railway Mania’ (1840s)

- Wall Street Crash of 1929
  - Growing middle class; rising economic power of US
    - New technologies & products; extension of consumer credit
    - Industrial revolution in US; Corporate wealth, success, excess
      - Laissez-faire economy: no regulations on banks, speculation
      - ‘Rags to riches’ mythology; get-rich-quick mentality
  - End of ‘Gilded Age’ = high wealth + high inequality
    - Overinvestment → overproduction → underconsumption
    - Investment/stock bubble - ‘margin’ trading

- Post-1970s: Global slowdown → ‘Bubble Economy’
  - Dependence on more frequent, volatile bubbles (*In reader: Brenner)
So...WTF, Economists?
how an entire profession missed the biggest bust of all time

- 2008 - not just economic crisis, but crisis of economics
  - Krugman in NY Times: How did they get it so wrong?
  - Cassandra Syndrome - Nouriel Roubini as ‘Dr. Doom’
  - Discourses challenged: failure of ‘free markets’
    - Harvard economics class walks out on prof

- Bad models - General Equilibrium
  - Mainstream GE models cannot predict a crash
    - Generally limited by pricing mechanism
    - DGSE model (‘dynamic-stochastic’ GE)
      - better but still can’t match historical data
  - Other long-term historical models
    - Kondratiev & Schumpeter - ‘long’ economic cycles
      based on technological advancement (integrate historical data)

- Core question: *Inherent tendency to crisis?*
Human Factors: Keynes on Markets, Minsky Moment
the role of fallibility, euphoria, & greed in economic fragility

- Keynes’ ‘General Theory’: on stock markets
  - Markets as Beauty Contest
    - "It is not a case of choosing those [faces] that, to the best of one's judgment, are really the prettiest, nor even those that average opinion genuinely thinks the prettiest. We have reached the third degree where we devote our intelligences to anticipating what average opinion expects the average opinion to be."
    - (Keynes, General Theory of Employment, Interest and Money, 1936).
  - Markets are guided “by animal spirits, not by reason”

- Hyman Minsky: Financial Instability Theory
  - Stabilizing an Unstable Economy (1986)
    - Stable enviro + profit-seeking → risky behavior
      - Higher Risk → Higher Return
      - Speculation + Risk = higher instability
  - The ‘Minsky Moment’: When the bubble pops
    - Work was re-discovered after 2008 crash
    - Three phases of a credit/debt bubble
      - Hedge → Speculative → Ponzi
      - Debt: current cash flow → reliance on future
    - Height of ‘Ponzi’ phase: Debt risks revealed
      - Borrowing outpaces ability to pay; defaults begin
      - Investors cash out; collapse in asset values

- Political Factors: What allowed banks to take on such risk in the first place??

- Stability leads to instability. The more stable things become and the longer things are stable, the more unstable they will be when the crisis hits.
(aka ‘how the good ol’ boys do it on wall street’)

F I C T I T I O U S   C A P I T A L

Lagging profits? Invent a financial commodity based on asset prices
('Financial Innovation')

Call friends in high places! Work gov’t connections to deregulate financial speculation
('Investor-friendly policy environment')

MANIA TAKE$ OVER! The ‘cocaine and hookers’-phase
('Irrational Exuberance')

The bubble bursts: Sell-off wipes out excess value
('Market Correction')

THE MINSKY MOMENT:
Debt risks become unsustainable
Worried investors begin to cash out

Brief rally: illusion of recovery
('dead cat bounce')

Massive loss of value
Recession ensues
- Huge losses to small investors
- 1000s of layoffs; lost pensions
- Drop in consumer demand
- Home foreclosures

Aftermath: AUSTERITY
National coffers hit by loss of value, bailouts, reduced tax revenue; cuts in public sector, 'socialized losses' spark public anger

CRASH!

Example: Credit default swaps
Credit default swaps are a form of insurance that investors seek when they worry about a company's ability to pay off a bond.

120 Pips
In any event, the 120 Pips gets an extra 120% of the value of the bond from ABC.

656 Bank
Instructs the bank for 120 Pips and agrees to pay them the value of the bond less 120%.

Trouble in paradise: Euphoria → Instability

Lobbyists: ALEC (American Legislative Exchange Council)
Stimulate demand for investments by encouraging public to buy more assets (take on more debt):
- Subprime mortgages w/ cheap teaser rates

Obama's golf buddy: President of UBS Bank

Get a boat with a GARAGE for your other BOAT!

Obama's golf buddy: President of UBS Bank

The 'Revolving Door' between Gov't & Wall St (ex.: Hank Paulson)

Greater demand needed to keep asset price rising; banks take more risk

The bubble bursts:
- Sell-off wipes out excess value
- Huge losses to small investors
- 1000s of layoffs; lost pensions
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Asset prices return to mean

Political influence secures top rating from agencies

Prep devices

Predatory lending

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Asset prices return to mean

Political factors/decisions that facilitate bubble formation
Global Contagion:
how the financial crisis spread to other sectors & economies

- Immediate effect: Epic FAIL of investor ‘confidence’
  - Bank ‘exposure’ in a globalized financial system
    - Lehman Brothers failure sent shock waves thru Europe
    - Relaxation of reserve limits - 10:1 → 33:1 (overleveraged banks)
    - Involvement in housing bubble; holdings in toxic securities (CDOs, CDSes)
      - National banks: Ireland, Spain, Greece, Iceland, UK
      - Sovereign wealth funds w/ large deficits, lo $ reserves (Balkans, PIIGS)
  - Seizure of credit → lack of liquidity; system grinds to a halt

- Exacerbated underlying problem: weakness of real economy
  - USA = Impact of crisis on effective demand from the Consumer Nation
    - Tightening of household credit; high # of defaults
      - Subprime AND Prime
    - Weak $: price index for imports vs. GDP
      - Higher prices for imports; $ purchasing power declines
    - Dropping demand → slowdown of production
      - Drop in commodity prices (oil, raw materials); reduced income to producers
    - ‘Jobless Recovery’ - aid to banks, not people
      - Supply-side stimulus: financial liquidity w/ no guarantee of investment in new production
      - Search for new ‘bubbles’: Food, tech, real estate (again)
  - Eurozone = Austerity policies (fiscal crises caused or exacerbated by bank bailouts)
    - Massive impact on public sector employment, social infrastructure (*In reader: Oxfam)
    - Stronger nations (Germany) make up for weakened econ by recycling debt thru periphery
      - (*In reader: Lapavitsas) - PIIGS (Portugal, Italy, Ireland, Greece, Spain)
Where did the money go??
bank bailouts, failures of supply-side stimulus & the cost of austerity

- **Total Wealth Destruction (Globally): $34.4 trillion***
  - $22 trillion lost in US alone (GAO)
  - $14 trillion of household wealth lost (income + home equity)
  - $23 trillion in government bailouts (use of public funds to provide liquidity)
    - Transfer of wealth from taxpayers \(\rightarrow\) banks
      - Bank bailouts - neoliberal ‘supply-side’ model: put $ in hands of investors
      - Of $700bn TARP bailout (USA): $33bn went to bonuses for bank execs
    - After 2/12 yrs: global market capitalization recovered by $16.4 trillion
      - $3.6 trillion / 17.5% of bailout “burned up”
    - Total US public money spent on rescue: $14 trillion *(Bloomberg)*

- **Government’s social policy response: Austerity**
  - Bailouts + lost investments = sovereign debt crises
    - Austerity as idea: ‘Growth in a Time of Debt’
      - Economics paper by Reinhart & Rogoff - debunked in 2013
    - Neoliberal ‘Shock Therapy’ now applied to developed economies: USA, Eurozone
      - Austerity measures, fiscal balance required conditions for bailout loans *(sound familiar?)*
      - Deep public spending cuts - schools, hospitals, public services \(\rightarrow\) mass unemployment
      - Negative growth outcomes (freefall in GDP, consumer demand)
      - Sparks massive popular protests across the world *(Mason book)*

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The New Austerity Regime: the global north’s ‘permanent crisis’ in graphic detail

Austerity & GDP Growth

Youth unemployment in the Eurozone

Protest movements

Rejecting Austerity: Argentina & Iceland

Falling effective demand

Austerity isn’t working

Greek crisis
1. A ‘Multi-Polar’ World & the Question of Hegemony: 21st Century Challenges
2. Financialization w/Chinese Characteristics: Economic specificity & relation to finance
3. Whatever You Do, Don’t Listen to Larry Summers: Why discourses matter

Aftershocks move East: Chinese Stock Crash of 2015
2000-2010s: A Multi-Polar World?  
questions of hegemony on a new map of economic power

- **Underlying Crisis:** Global overproduction, US underconsumption
  - US leverages oil, dollar hegemony into debt-fueled ‘bubble economy’ *in conjunction* with China’s rise as manufacturing power
    - US as ‘consumer of last resort’ underwriting export-oriented growth model

- **Attacks of 9/11/2001 & the ‘War on Terror’**
  - Shift in US military hegemony: covert → overt war
    - War profiteering & expense of Iraq, Afghanistan wars = over $3 trillion (*Stiglitz*)
    - Importance of continued oil hegemony (Iraq ‘euro bourse’ theory)
  - War becomes financially unsustainable as a modality of power

- **Space opens for emergence of alternate economic ‘poles’**
  - ‘Pink Tide’ = rise of leftist/center-left governments in Latin America
    - Argentina’s default (2001); desire to ‘decouple’ from US-dominated trade
      - Creation of MERCOSUR & ALBA as alternatives to IMF/World Bank
  - Rise of BRICS (Brazil, Russia, India, China, South Africa)
    - Establishment of BRICS bank - 2015; role of China
  - Eurozone monetary union; IMF ‘basket’ of reserve currencies
    - 2002: Inauguration of the euro currency
    - IMF Special Drawing Rights (SDR/XDR) - average of 4 currencies (US$, Euro, GBP, Yen)
      - Reviewed every 5 years; recent China bid to include RMB/Yuan
      - Considered potential alternative to US dollar in case of crisis

- **2008 Financial Crisis = rupture in US-dominated neoliberal regime**
  - Peaceful shift away from US is necessary; How to do so in context of ongoing crisis?
Rise of China: ‘Workshop of the World’
market reform & the ‘economic miracle’ in global/historical context

- Various descriptions in Western discourse
  - ‘Market Socialism’
  - ‘State Capitalism’
  - ‘Communist Capitalism’ (?)
  - ‘Market Socialism with Chinese Characteristics’
  - ‘Authoritarian Capitalism’
  - ‘Bureaucratic Capitalism’
  - ‘Socialist Market Economy’

- Unique economic model = unique success; ‘workshop of the world’
  - Unparalleled growth of manufacturing - comes online as Global North weakens
    - late-entry industrialization + relatively cheap labor costs
    - Large trade surplus/cash reserves + state controls = internal robustness
  - Dollar hegemony & ‘special relationship’ w/ US (see last week’s lecture)
    - Chinese purchases of $-denominated T-bonds = US deficits, credit for US consumers
    - Politics of currency markets/exchange rates for FDI
  - Important Features (to remember for analysis of market crash)
    - ‘Decentralized market governance’ = polycentric economic geography
      - Local state corporatism (local gov’t as owners/managers of SOEs)
    - Export-oriented mfg = imbalance between trade surplus vs. domestic consumption
      - Domestically: high savings rate & wage ‘repression’ (until recently)
      - Reinvestment of surplus abroad (bi-lateral & multi-lateral deals)
    - Fundamentally interrelated w/ global economic regime & balance of trade
      - Pragmatic approach to foreign relations - cooperation vs. hegemony
      - Fallout from financial crises, austerity in US & Europe = problem of effective demand
The 2015 Crash, Revisited:
stock bubble as a signal of underlying issues

- Consensus that stock crash *itself* will not cause an economic crisis
  - Stocks ~7% of total economy; less than 10% of household assets invested
  - China’s growth model still centered in *real* economy (production)
    - Stimulus via infrastructure/urbanization projects; rise in real wages
- SO - Why did a stock bubble develop in the first place?

Source: Datastream, Macquarie Research, August 2015
Where it gets Real: Manufacturing Slowdown
latest reports on china’s factory sector: growth engine stalled

- **Macquarie’s Macro Monday report (Australian bank)**
  - Exports as share of GDP growth = zero
  - Demand for construction equipment
  - Container movement through ports

- **Other key indicators**
  - Auto sales - Indicates consumer confidence
  - Purchasing Managers’ Index (PMI)
  - Gross Fixed Capital Formation (GFCF)
Short Triggers, Long Effects
proximate causes & underlying ‘fundamentals’ behind slowdown

- Stock markets: Government bans ‘short selling’
  - Several foreign hedge funds suspended (Citadel)

- ‘Twin Drivers’ of mfg growth: Consumption & Investment
  - July slowdown: collapse in foreign & domestic demand
    - Compounded effect of financial crises, austerity in US & Eurozone
      - US: tightening labor market, rent/cost-of-living increases
      - High unemployment in Eurozone (plus Greece woes)
      - Emerging markets hit by falling commodity prices, reduced income
    - Policy shift away from export-oriented model → bolster domestic demand
      - Rising real wages, infrastructure/urban stimulus
      - Real estate market lagging behind construction
      - Urban-centered middle/upper classes prefer imported luxury goods
      - Deflated yuan (against strong dollar) = makes goods more expensive at home
  - Investment & Debt: the ‘albatross’
    - Decentralized structure of SOEs = Competition between enterprises
      - Redundancy of production + overcapacity (w/ lack of demand)
      - Total corporate debt = 180% of GDP ($16.1 trillion/¥100 trillion)
        - S&P warns of ‘high concern in Chinese real estate default risk’
    - Central bank: cuts interest rates and bank reserve requirements
      - ‘Twin’ deregulations not seen since 2008; encourages risky borrowing
‘Crossing the rivers by feeling the stones’: evolution of market reforms & China’s national economic ‘regimes’

- **Early reforms (1978-late 1980s): Rural Industry & Local Enterprise** *(Reading: Oi)*
  - Fiscal reforms encouraged *local* economic development & diversification
  - Decollectivization/‘household responsibility system’ = devolved control to local govts
  - Two major strategies taken by local governments (many variations)
    - ‘Developmental state’ type role: infrastructure/subsidies for private industry; taxed profits
    - ‘Rural collective enterprises’ (*xiangzhen qiye*) → Township/Village Enterprises (TVEs)
      - *State-owned enterprises* managed by local governments
      - Subcontracting agreements w/ TNCs; *competition* among local states for FDI
      - Profits distributed as income for residents, financing for village infrastructure/services
  - By 1988: 46.6% of municipalities w/ rural industry; more than ¥100million in output

- **1980s-90s: Price reform, privatization → ‘Post-Maoist’ regime** *(Reading: Hung)*
  - Late 1980s price reform: from fixed/planned commodity prices → floating market rates
    - Sharp inflation in price of key commodities (gasoline, cement, steel, etc)
    - Local autonomy + competitive pressure → ‘rent-seeking’; New ‘investor’ class emerges
  - 1994: New leadership cadre in CCP (Shanghai/Jiang Zemin); Privatization of TVEs
    - Shift in policy to favor urban-based, foreign-funded SEZs (instead of rural TVEs)
      - Priorities: economic liberalization, improving export competitiveness & attracting FDI
    - Rural-urban migration → surplus labor in cities; *Hukou system* = suppressed wages, consumption

- **2005-present: Attempted transition to domestic consumer economy**
  - Response to mounting labor unrest + risk (then reality) of financial crisis in US/Europe
    - Rise in real wages (*ILO report*); New Labor contract law; increased investment in rural sector
    - Urbanization as stimulus program: infrastructure projects provide more jobs → consumption
Financialization w/ Chinese Characteristics:
particularities of the chinese economy & its relationship to finance

- **Global Imbalances** *(Reading: Hung review of Pettis book)*
  - Trade-surplus countries gain advantage thru export manufacturing + low wages
    - Surplus must be exported in order to fuel demand for products
      - Large trade surplus *balanced* by large *deficit* somewhere else
    - China’s surplus → US ; Germany’s surplus → PIIGS (Portugal, Ireland, Italy, Greece, Spain)
    - Exported capital → finance *(instead of real econ)*; bubbles form → burst, collapse of consumption
    - Fiscal austerity policies aimed at balancing budget erode consumption even more
  
- **Attempts to rebalance economy**
  - Context of ‘open economies’ in neoliberal regime - sets the stage for entire system
  - Nature of China’s capital outflow/FDI → Global South countries (Brazil, African nations)
    - Emerging markets w/ raw material export economies
  - China accounts for roughly *half* of the overall demand for raw materials; explains why manufacturing slowdown = slump in global commodity price index

- **Challenges of transition from export-led → domestic consumer growth model**
  - Many decentralized, small companies & investors (as opposed to large institutions)
    - Question of economies of scale - how to aggregate investment; function of stock market?
  - Currency status of renminbi/yuan = application to IMF for reserve status *(reading: Friedman)*
    - Kept devalued by state for export competitiveness; but also suppresses consumption
    - Reserve status = guarantee of value; ‘safety net’ as China will be required to float exchange rate
  - Stimulus through infrastructure/urban development - still requires advance investment
    - Would need to run deficits, establish foreign ‘capital market’ (more securitization = more risk)
Financialization w/ Chinese Characteristics: embedded & pragmatic capitalism confounding ‘market society’

- Deng Xiaoping: ‘Gradualist’ & ‘Pragmatic’ approach to market integration
  - ‘Black Cat, White Cat’: whatever works for China’s national benefit
    - Originally said in context of ‘opening up’ Communist society to market reform
    - Reflected in Xi Jinping’s approach? ‘Pragmatism trumps ideology’ *(Reading: Johnston)*
  - Significance for geopolitical & economic relations
    - Sheer size + position as ‘workshop of the world’ = economic, not political hegemony
    - Historical lessons: high cost of militarism (World Wars; USSR & Afghanistan; US & Vietnam, Iraq)
      - Imperialist nations ultimately pursue ‘Pyrrhic’ victories (hegemony at cost of stability)
    - Building IR through strategic cooperation instead of hegemony (SCO, AIIB, Silk Road Initiative)
    - Significantly: ‘stepped back’ from opportunity for controlling stake in BRICS bank *(Hung, NYT)*
  - Rather confusing to analysts accustomed to Cold War geopolitical framework

- ‘Safety First’ pragmatism not accounted for in free-market social theory
  - Assumed ‘subject’ in free-market economic models: the self-maximizing individual
    - The ‘cheater’ in Nash equilibrium; ‘homo economicus’ *(see: Curtis’ film ‘The Trap’)*
    - Actions that hold back from increasing accumulation literally does not compute in GE models
    - Risk-averse subject: more like ‘moral econ’ than ‘market econ’? *(see: CNN video on Beijing street mkt)*
  - ‘Pragmatism trumping ideology’ in policy practice
    - Initial transformation of village collectives → collectively owned TVEs
    - 2005 response to labor unrest = strengthening wages, labor (as opposed to Reagan/Thatcher)
    - In stock crash: suspending trades instead of ‘letting market correct itself’ (to dismay of Wall Street)
    - Jinping’s policies: deliberately slowing growth; actual crackdown on corrupt cadres (instead of bailout)
Caveats and Open Questions:
this is neoliberal capitalism, after all...

- **Foreign Investors in Stock Market**
  - Short selling - issue in latest crash

- **‘Currency Wars’ / IMF & Reserve-currency status**
  - Recent devaluation of yuan
  - China: de facto economic hegemony, but not yet political hegemony
    - Reserve currency status reflects historical political hegemony of Western elites
  - Liberalizing currency = more flexibility but more vulnerable to international destabilizations (i.e. contagion from financial crises)

- **Persistent problem of underconsumption/effective demand**
  - Despite raise in real wages within China & shift towards domestic-consumption driven growth, demand from US, Europe still the primary drivers of mfg growth
    - Domestic consumption in cities tends toward imports
    - Chinese consumers still relatively sensible; no history of advertising, consumerism

- **The Whale in the Room: Climate Change & Limits to Growth**
  - What are environmentally sustainable AND socially equitable paths of development?

- **Conclusion: Our Fates are Interconnected**
  - Chinese manufacturing has an interest in combating austerity in US & Europe, reducing overall world inequality, putting effective demand in hands of worker/consumers, curtailing excesses of elites & financial markets, & pursuing sustainable development
Whatever You Do, Don’t Listen to Larry Summers: why discourses & ‘common sense’ make all the difference in the world

- **Different perceptions re: function of stock markets**
  - Normal function in a decentralized market system: coordinates productive investment
  - BUT - in bubblenomics: a really big casino

- **Trajectory of ‘Development’**
  - Discourse: a country can just ride the ‘development’ train to be a mass consumer economy
  - NOT a level playing field; structured thru politics, history, uneven development

- **Betting the farm (**literally!**) on endless growth; ‘Systemic Risk’**
  - Uneven development - can capture rents for a while, but competition will catch up
  - Redundancy & overproduction/overcapacity = **SOMEONE STILL HAS TO BUY ALL THE STUFF**
  - U.S. had *unique* position as Consumer Nation; built on endless debt, rabid consumerism
    - Crisis of US market = crisis of entire system; nothing quite takes its place
  - Climate change exacerbated by urbanization push (heat island effect, risk of food insecurity)

- **Problem of effective demand & rising inequality**
  - System built on low wages + devalued currency = low consumption
  - Financialization = boosts consumption (for a short while & for a lucky few)
  - Fiscal austerity → high inequality & repressed wages for the majority = low consumption
  - Double Movement: quality of life can only deteriorate so much before there is *reaction*

- **Some (many?) players in Western banks/financial firms are shady as hell**
  - Especially when a LOT of money is at stake. *Plus: cocaine is a terrible drug.*
  - US ‘Revolving Door’ (between business & govt) - lets certain people write rules in their favor
  - Sensible & pragmatic approach to economy = NOT the American Way
Moment of Truth:
what’s your discourse? what kind of regime do you want to live in?

THURSDAY:
- Double movement: against the crisis & the new austerity regime
- Policy responses: demand-side stimulus, CCTs/conditional cash transfers, new regional development banks
- Brainstorm/Survey: What would you do? How can you help build a new and better regime?