

# Economics



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22 March Summary of the article: People all over the world have, for long, remained under the influence of American culture because America has traditionally managed to become and remain rich. Economists Brad DeLong and Stephen Cohen have expressed in their book, *The End of Influence* that as other nations are rapidly gaining economic power, people will soon experience a major change in life style. People have conventionally tried to associate themselves with America in terms of culture and life style because Americans, being rich, have been idealized. In the recent years, the free-market capitalism has put American economical stability into crisis and has transferred the power to the economy of emerging nations as India, China and Latin America. This transfer of economical power will soon put an end to the long sustained dominance of American ideology, culture and fashion over other nations. This will essentially be an end of “ the neoliberal dream”. It is being realized that in early 2000s, policymakers in America unnecessarily became too satisfied with the trends of economical power and stability whereas the actual situation required them to think otherwise. Some economists are of the view that banks should look forward to an inflation target of 4 % instead of the targeted 2 % so that they can manipulate things as required. Blanchard suggests that raising the inflation now would ease the monetary policy during financial crisis, and the fiscal positions would thus be saved considerably. Blanchard has encouraged policymakers to make use of such tools as leverage, inflation, interest rates and asset prices to gain control over the deteriorating economic health of US. IMF has conventionally fostered, financial deregulation and anti-inflation policies. All countries have been trying to adopt the free market norm. This gave rise to “ conditionality” which meant getting deprived of IMF funds upon breaking the rules.

Developing countries have for long, maintained strict anti-inflation strategies and Blanchard's consent sounds just too abstruse to follow. Last week, Chairman of the Financial Services Authority, Lord Turner made a speech in Mumbai disregarding the innovations suggested by economists in the recent years. He evaluated the usability of "financialization" of the world economy. He said that financialization of the world economy did offer such benefits as efficient allocation of capital globally, and identification of assets' true value. He said that in 2006, IMF appreciated the now-notorious derivatives of credit but in 2007, the credit default swap market rendered the major bank's defaulting risk as the lowest. Time has shown that financial liberalization caused the risks in the markets to increase instead of making them safer. Having heard the speech of Turner, most of the Indians did not completely approve of the concept of neoliberal orthodoxy. The current economic recession spread all over the world has completely shattered the ideology that formerly advertised the American economic ideas all over the world, even within Washington and London. Such developing countries as India, China, Russia and Brazil have already adopted different strategies for development, and will hopefully be in the lead in the future world economy.

Works Cited: Stewart, Heather. "The credit crunch has shattered America's 'neoliberal dream'". The Guardian. 22 Feb. 2010. Web. 22 Mar. 2011. .