

The Meltdown of Capitalism

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Abstract

The demerits of barter system had ultimately resulted in the emergence of a media exchange which could facilitate not only the current transactions but also ensure discharge of future liabilities without disadvantage to any of the parties to that transaction. This media was eventually as Money which passing through various stages of paper currency has now being replaced by plastic money which saves the carriage and loss in transit risks. The instrument used in practice has further eased the availability of funds round the clock around the world. However the origin of Money which apparently brought blessing of economic growth resulted in wealth concentration in few hands and deprivation of the masses. It inculcates a seed of greed for heaping up wealth because of laissez-faire-free market, free choice of private property and profit motive. The process grew automatically and ultimately into an economic system. The system which caused this phenomenon was then named "Capitalism". Even the process of wealth accumulation is very interesting as the wealth grew without any efforts on the part of capitalists. The gap between have and have-not is widening day by day which has put the world economy in the whirlpool of debt multiplication. This paper will focus on the nature of capitalism, causes of failure resulting in financial crises and ultimate measures to save the world economic system from debacle in future.

Research Methodology; *In order to find out the root cause for suggesting remedies a thorough study of the operational mechanism of capitalistic system will help find out gaps which render the functional process to shatter. For this purpose secondary data from various sources will be collected and analyzed.*

Dependent Variables: *Production and unemployment*

Key Words: Capitalistic system, Driving force in capitalism, Growth of world economy, Business Fluctuations, Financial crisis, Major factors, Impact on Global Economy, Suggested remedies /Preventive measures

The Capitalism

Along with fast economic growth, fluctuating trends in the financial markets have been observed which have been disturbing the business world so severely that at times created worst type of depression resulting in the slow down of production process and consequently raising the rate of unemployment. Growing world population amidst the rising trends of unemployment are indeed alarming for those who really desire a world free of exploitation, poverty which phenomena alone can ensure amelioration of the masses. A stable economic system may result only out of the distribution system which can ensure socio-economic justice. It does not mean equal distribution of wealth. Rather it emphasizes on distribution of wealth on the basis of contribution by each factor of production. Capitalism has been recognized as an institutional arrangement whereby various factors of production freely join together to produce, distribute and consume goods and services. The system implies a freedom of choice to undertake any economic activity, acquire and own property to any extent and exert efforts to maximize profit or earning disregarding the means, manner and mode. Earnings may result from putting in the personal services or putting the capital into a channel wherefrom additional income is ensured. These three characteristics i.e. **freedom of choice, private ownership of property** and of **profit maximization motive** has differentiated this system from other economic systems.

The abolition of barter system and consequent monetization of the world economy facilitated the accumulation of wealth. Surpluses of the affluent went on piling which ultimately found those deficient with resources who could be lent these extra funds.

The process had significant attraction because of lucrative business ensuring the fund owner a fixed return without any fresh efforts. On the other hand, the fund employers had to exert all out efforts to generate income to liquidate the principal along with the payment of *interest*. Depending on the size of business the volume of lending and borrowing went on inflating. Economic activities in the face of growing business and expanding margin of profit received an effective push.

The process being so paying was subsequently institutionalized.

The class with larger purse became the decision makers because of their dominant role in the process of funding the economic activities. This class was eventually called the capitalists and was so named the system as **Capitalism**. The era of industrial revolution in the West in 17th century was in fact a gift of capitalism. Ever new inventions, innovations and subsequent Industrial Growth gave further momentum to economic development. Accumulation of wealth was a natural phenomena because of increasing economic activities. Due to multiplier and accelerator effect the employment opportunities increased. Aggregate income went on growing, expanding the scope for further industrialization. The idea of Corporate Sector was emerged which facilitated the acquisition of finance through institutions. Development of corporate sectors empowered the wealthier to exert their influence not only economically but also socio-politically. Those with abundance of resources began dominating. Under the circumstances a new class of people was recognized as last resort. Their wealth was not only the source of earning without efforts but enabled them to exploit the rest of people in their respective area of influence. Industrialized West and America had the opportunity to exploit both the developing as well as backward countries by putting their industrial products in these markets and in exchange heaping out the raw material. Lured by substantial potentials the advance countries made successful effort to dominate the political arena of the Asian and African countries. They first came in the guise of traders and industrialists and ultimately took over as rulers of the empires. Yes it was the very system of Capitalism which enabled the advanced nations to enslave the poor nations. East India Company-Chartered by Royal Crown, Britain played the major role on behalf Royal Crown in usurping the freedom of Asian and African states and remained ruling most of the world for more than two centuries.

The 20th century witnessed a new era of corporate sector expansion. Industrial growth boosted up the world trade and exchange of goods on international level helped the world enjoy diversified products at their doorstep. Increasing economic activities further boosted the trade and commerce. To meet the increased demand, the production process was accelerated which required additional finances. Resultantly the Banking and Financial sector developed at a much fast rate because of abundance of surplus funds in the hands of those who had strong hold on trade and commerce. The paper currency from the central banks and credit money of the commercial banks flooded the money market. Large quantity of money supply ultimately created macro level gaps in the demand and supply. Credit commitment to commerce and industry was on the basis of bank's power of creation of money. This indeed increased the money quantity but with flying entries. The bank while advancing money earned income, an income without real investment. Disregarding the outcome of the money lent by banks income began generating to depositors and stake holders of the banks. On the other hand borrowers had to meet their commitment and in case of failure of business venture there were definite default and ultimately leading to a loss of the lending institute. The entrepreneur could maneuver to be at safe side. Here from accelerated the concentration of wealth, a distinctive feature of **capitalism**.

The world business went on flourishing until it reached the peak. At time the availability of funds coupled with expertise in the hands of the West and USA facilitated the growth at much fast speed. The production was motorized and mechanized resulting in mass production which at time exceeded the demand. The available stock could not be disposed off. The business and industry could not meet its commitment. This was the worst of global business **Crisis** the world ever witnessed. The production process had to be slowed down.

Eventually Gross National Income fell in each country and so was the per capita income which subsequently decreased the purchasing power. International Trade fell by more than 30% which directly caused a fall in the employment opportunities.

In US alone the unemployment rose to more 25% and so were the difficulties with all other industrial as well as backward countries. In agrarian countries the fall in prices of agricultural produce by more than 60% worse hit the farming class. Consequently a decrease in aggregate demand was natural phenomena. This particular situation was called by the economists **Trade Depression**. The world production fell enormously and further added to miseries of the global trade and industry. The following tables depicts estimated fall in the trade and industry and eventual increase in the unemployment of some of the industrial countries.

Able No.1

(i)

	Industrial Production	Wholesale Prices	Foreign trade	Unemployment
USA	-46%	-32%	-70%	+607%
Britain	-23	-33	-60	+129
France	-24	-34	-54	+214
Germany	-41	-29	-61	+232

In USA the economy received the worst of shock when its industrial production fell to -46%, foreign trade to -70% and severe was set back to its employment level in the country where unemployment further rose by +607%. The second worse hit was Germany whose production fell to -41% which consequently increased its unemployment by +232%.

A very critical situation arose through out the business world. It is now remembered as **1930's Crisis**. The Economists attributed it to **Trade Cycle** and is commonly known as **30's Depression**. The Depression first started in the United States of America where the stock market received a severe setback due to fast declining trend in the stock prices which ultimately took the whole of economy into its trap. Infact the news was in the air worldwide on **29th October, 1929** that American stock market has crashed. The shock began to be felt through out the world. J.M Keynes a British economist was of the view that lower aggregate expenditure in the economy contributed to a massive decline in income and employment.(ii)

This was a severe setback to economic activities worldwide which immediately affected the banking and financial sector. Most of the economic historians find causes of the **Great depression** in massive bank failures and stock markets crashes. This View holds ground when factors responsible for Crisis are investigated because of the fact that over investment in relation to under consumption created the economic bubbles.

Irving Fisher was of the view that it was the over indebtedness and deflation which subsequently caused the failure of the banking sector. He has built a very interesting chain of factors which he thought were responsible for creating the mechanics of boom to bust. He opined that distress selling for debt liquidation, repayment of loans creating contraction in the quantity of money in the market, a decrease in the price of assets due to less quantity available in the market, decreasing trend in profits, leading to reduction in output and eventual employment, falling rate of interest, creating widespread pessimism resulting in hoarding of money.(iii)

Friedman held the Federal Reserve System of United State responsible for **Great Depression**. He argued that it was the poor monetary policy of the Reserve System which created a panic in the banking industry and failure of the New York Bank was one the examples. He further argued that this panic could have been avoided or at least its severity could be minimized had the Federal Reserve provided a cushion to the banking for increasing their liquidity. The Federal Reserve, however, could not help due to statutory limitation whereof atleast 40% gold were required to increase the money supply.

That is why Great Britain, Japan and Scandinavian countries abandoned the gold standard in 1931. Incidentally World War II was a blessing in disguise for economic recovery as it created demand for goods and again reduced unemployment to 1.5 millions in Britain by 1937 and brought down to 10% in America in 1941. It is agreed that recovery from Great Depression was mainly due to World War II .(iv)

The world flourished abundantly by dint of expansion in money and ultimately met a fall again because of dearth of money.

Inference. *Business flourished, production increased, productivity improved, ratio of employment went up. This all happened -when finance was provided for the initiating and developing of business and industry. The process might have continued, had the flow of finances maintained. As soon as the banking sector withdrew the facilities, the economic activities began receiving severe shock which was directly attributed to changed attitude of the financiers, again a product of capitalistic system. Capitalism breeds germs of its own destruction.*

After the Second World War numerous new nations emerged as independent states.

The establishment of International Bank for Reconstruction and Development was one of the major resources of finances for war torn countries but it simultaneously started helping the backward states to initiate and accelerate their development activities.

Enthusiastic development schemes followed by autonomous investment and increased consumption due to induced investment boosted the over all economic activities.

The world economy ultimately survived but because of autonomous investment. The multiplier and accelerator's effect added fuel to the engine of production. The economic activities were geared up to rebuild the confidence and started accelerating process of production and distribution. Circulation of money increased due to increase in production and consequent rise in income. Over all business flourished and the decade 1960 was in fact a golden era in the history of most of the developing countries like Pakistan.

Economic horse suddenly smashed in the crisis. Economic activities which were hitherto growing at galloping speed was confronted by mass production because the world economy particularly the economies of the developing countries had no further sustenance to absorb the ever growing production. The leading economies were growing at fast speed. Their production and employment rate was really commendable.

The capitalistic attitude continued inducing the money-mongers indulge in making money disregarding the people on universe starving for a loaf of bread. The 90's decade was in fact the period when speculative business in financials was at a rise. Nick Leeson took speculative positions and lured by the ever business success Nick Leeson was crafty enough to avail the powers of a senior executive in the organization, began striking bargains of billions of dollars put at a stake in the business of *FUTURES*, *SWAPS* and *OPTIONS*. Non of the executives in Baring Brothers & company ever cared for the activities of Leeson who had since began using fictitious Account 88888 to hide some losses which eventually resulted in the collapse of the *BARING BROTHERS* Bank. The money holders in the race of money left no stone unturned in making maximum money out of the speculative activities.. The Baring Bank the oldest bank of UK had to suffer only because of unscrupulous transaction in Futures and Options which was in no way less than gambling in the financial market. Nick Leeson, the young executive of the company posted as General Manager in Singapore used to transact in *FUTURES* and *OPTIONS* and riskless *ARBITRAGINGS* with unauthorized speculative positions. By performing futures transactions at off-market prices, Leeson was able to achieve profits in the arbitrage accounts while placing offsetting losses in the 88888 account. During 1994, Leeson booked GBP 28.5MM in false profits.

Again a sudden shock to the US economy brought a wave of pessimism through out the world. This was because of the fact the US economy is virtually leading the global financial markets, A pinprick in the financial system of USA sends shock through out the body of the world economy. The following table reflects the economic fluctuation in the US economy.

Table. No.2 The Financial crunch in USA

Serial No.	Year/period of recession/crisis	of	Fall in GDP Rate	Unemployment rate
1	Nov.1948-Oct.1949 (11months)		-.5%	7..9
2	July1953-Sep.1954 (11months)		6.2%	6.1%
3	Aug.1957-April,1958 (8 months)	(8	Plummeted to10.4%	7.1%?
4	Apr.,1960-May,1961 (10 months)	(10	-5.1	7.1%
5	Feb.1970-Dec.1970 (11 months)	(11	-4.2%	6.1%
6	Nov.1973-Mar.1975 (Sixteen months)		-4.8%	9%
7	July,1980-Nov.1982 (22 months)	(22	-6.4%	10.8%
8	March-Nov.2001 (nine months)	(nine	-1.1%	5.7%
9	2008-2009 (18 months)	(18	-.7%	5..8---9..3 %

This table gives an interesting picture of the American Economy which faced periodical economic turmoil during the whole century of 20th and the first decade of 21st century saw very disturbing event of financial crisis. The financial crisis of 1980-82 had the worst repercussion when its GDP fell to -6.4% and the unemployment rate rose to the highest peak of 10.8%. Moreover the crisis had the longest tenure of 22 months which had shaken the entire economy. The American economy has, of long, been the leading legendary in the economic history of the 20th century. So it had affected the global economy tremendously. During the recent economic disturbances the worst was that of 2008 -9 which took almost all the world in to its pervasive effects.

Surprisingly the turbulence in the American economy was severely felt not only in the developing countries but it proved equally dangerous for the most economically advanced countries. in the world. Like past in the 1930's the 2008's crisis were also the direct outcome of unscrupulous banking operations which used to indulge into mortgage financing without taking into account the repaying capacity of the mortgagors or for that matter those who had to pay back the finance amount. With least paying capacity the borrowers were constrained to default because between 2004 and 2006 the US interest rate rose from 1% to 5.35% slackening down the US housing finance business which by then had reached the peak. The rise in interest rate directly adversely affected the repaying capacity of the borrowers. Default began rising to the alarming level by April,2007. The shrewd bankers and financiers smell the catastrophe. The mortgage financing specialists like New Century Financials sold out many of its debts to other money dealers due to an apprehension that the sub-prime market is likely to collapse. Consequently the financial institutions and banks like Lehman Brothers Ltd had to suffer the malady of falling to liquidation because of their failure in meeting current liability requirements.

Steven Crawshaw, Chairman of the Council for Mortgage Lenders speaking on 11 April,2008 realized the severity of the problem heaved a sigh of sorrow by expressing his feeling **"I have a deep sense of shock at how deeply our successful industry has already been hit by these unprecedented funding market conditions"**

Resultantly by February 2009 the total US 's bailout for banks was nearly \$9.7 trillions to pay off more than 90% of America's home mortgages.

In April 2008 the Royal Bank of Scotland ,in order to strengthen its equity base, resorted to a right issue of GBP 12 billions which is considered the biggest issue in the corporate history of UK. It also announce a largest write off to the tune of GBP 5.9 billions out of its investments. This was indeed a big shock to the British banking sector.

The British Govt. had ultimately to take control of the bank's £50 billions mortgages and loans and sell its savings operations along with branch network to Santander of Spain.

The Swiss bank UBS had already lost \$37 billions of its assets by May 2008

The financial problems of the banking industry triggered the crisis because failure of banks in meeting their commitment erupted the industry another way too. The pessimism felt in one sector abruptly adversely affected the whole economy and the global economy as well. The credit disbursement was reduced to the minimal which damaged the production process. The reduced level of money supply due to restricted credit resulted in a sharp cut in aggregate effective demand causing alarming rise in the rate of unemployment. Shocks were felt throughout the world and many rather most of the European advanced countries had to cut down the rate of interest to accelerate the induced investment after injecting trillions of dollars in the banking sectors for its bailout

The world economy has undergone drastic changes. The prominent parameter, now, is the mass amelioration. Countries which can contribute towards the socio-economic wellbeing at a larger scale are considered the countries having achieved the target. The social justice demands that each individual of the society may be benefited from the economic advancement. This can be possible only when each one has the access to employment opportunities. Therefore, rate of employment is more instrumental in the measurement of socio-economic justice. Incidentally the financial fluctuation, which is the direct outcome of CAPITALISM, in the world economy has disturbed the distributive system.

The capitalistic profit motive least cared for the corporate social responsibility.

A small financial jerk to every corporate entity directly affects the labor market because the capitalists never absorb the financial shock, rather he immediately shifts it to the suppliers via reduced demand. The labor unfortunately suffers much because of no storage arrangements of the hours passing. That is the reason that financial crisis, always adversely affect the labor class. The repercussions of the 2007-8's financial crisis are evidenced from the following Table No.3 which depicts fast growing unemployment rate in the world's industrially advanced countries.

Table No.3 Unemployment Growth rates of the industrially advanced countries(5)

Country	2007	2008	2009	2010	2011Q1	2011Q2	2011Q3
U.S	4.6	5.8	9.3	9.6	8.9	9.1	9.1
Australia	4.4	4.2	5.6	5.2	5.0	4.9	5.2
Canada	5.2	5.3	7.3	7.1	6.7	6.5	6.3
France	8.1	7.5	9.2	9.4	9.3	9.2	9.2
Germany	8.7	7.6	7.8	7.2	6.8	6.6	6.5
Italy	6.2	6.8	7.9	8.6	8.3	8.2	8.3
Japan	3.6	3.7	4.8	4.8	4.4	4.3	4.1
Netherland	3.6	3.1	3.7	4.5	4.3	4.2	4.4
Sweden	6.1	6.0	8.2	8.3	7.6	7.4	7.3
United Kingdom	5.4	5.7	7.7	7.9	7.8	7.9	8.3

Table No.3 reveals that the unemployment rate of 4.6 % in 2007 has risen to 9.1 % during the 3rd quarter of 2011 in the United State of America which is in reality the strongest economy of the world. The worsening employment situation in the USA ultimately instigated the willing to work population of the State to riots and agitation.

The Wall Street incidents of the last year have further aggravated the situation.

The French economy, the strong economy, equally received shocks of the financial crisis. Resultantly its GDP growth rate fell to -2.5 % by the year 2009. It is one of the large economies of the world which have been giving support to most of the euro zone countries but its unemployment rate also went up from 8.1 % in 2007 to 9.2 % at the end of 3rd quarter of 2011.

Canada was no exception and its unemployment also rose from 5.2% in the year 2007 to highest level of 7.3 % in 2009 and slightly improved to 6.3% in the 3rd quarter of 2011.

The Italian Economy equally suffered because its unemployed labour force increased from 6.2 % to 8.3 % at the end of the 3rd quarter 2011.

The financial turmoil of 2007 did not spare even the fast growing economy of Japan which had to face unemployment during the financial crisis of 2007-8 by hitting its employment situation. The rate of unemployment fast moved from 3.6% in the year 2007 to 4.8 % at the end of 2010. However, the rate improved during the year 2011 and at the end of its 3rd quarter it fell to 4.1 %.

Only exception can be claimed by the German economy which sustained the strain and not only maintained its employment level but substantially improved its employment gradually bringing down the rate of unemployment from 8.7 % in the year 2007 to 6.5 % at the end of 3rd quarter of 2011.

United Kingdom the industrial tycoon once accredited to be the leader of industrial revolution in the world of seventeen century could not maintain its labour force and to cut down the jobs for its population due to financial turmoil. Incidentally 2.9 % of its additional population lost jobs during the period from 2007 to 2011 when its unemployment rate went up from 5.4% to 8.3% gradually going up from the year 2007 to the 3rd quarter of 2011.

The highly fluctuating character of the capitalistic system is evident from the following Table No.4
Table.No.4

Name of Country/Area	Real GDP percent change %						Exports		
	2003	2006	2008	2009	2010	2011	2009	2010	2011
World	3.63	5.27	2.79	--0.66	5.11	3.96	-10.49	12.84	7.51
United States	2.54	2.66	0.34	--3.49	3.03	1.53	-9.53	11.79	8.00
Euro Area	0.73	3.21	0.41	--4.25	1.79	1.62	-14.28	11.46	6.42
Japan	1.41	2.04	1.16	--6.28	3.96	0.47	-24.15	24.18	4.72
Emerging & Developing economies	6.24	8.24	6.03	2.80	7.33	6.40	-		
Advanced Economies	1.93	3.06	0.09	--3.36	3.07	1.61			
Developing Asia	8.13	10.33	7.44	7.17	9.46	8.22			

Source: IMF World Economic Outlook, September 2011

United States is, no doubt, the leading economy of the world Industrially advanced and financially sound could not maintain the tempo of growth in GDP . Its growth rate of 2.54% in the year 2003 fell to 0.34 % in the year 2006 and subsequently came down to minus 3.49% during the 2009 . This economy did survive In the year 2010 by achieving a growth rate of hardly 3.03 % which suddenly again fell to 1.53 % during the year 2011. Japan after its defeat in the second world War had succeeded in surpassing the western world in industrial innovation and dominating the world electronic and artificial fiber market. However, it too received severe economic shocks when its real GDP fell to minus 6.28 % in the year 2009. Though it geared up its economy in the year 2010 raising the GDP rate to 3.96 % yet it could not even maintain the tempo of growth and resultantly the rate again fell to 0.47 % in the year 2011. Interestingly the developing Asia could escape the impact of financial crunch, the advanced countries were suffering from, through out the first decade of 21st century. The developing countries in Asia, however, succeeded in maintaining the growth rate between 8 to 9 % during the period.

Fluctuating economic trends and unpredictable growth rate verifies the instability of the system. Uncertainty and pessimism prevails over the economic scenario. Desperation clicks the signal of falling income as an alarm to the financial and banking institution to stop further accommodating the economic activities leading to a gloomy atmosphere discouraging the investment level. A decline in production process further aggravates the situation because a decrease in the individual income contracts demand and eventually leads to further slow down of production process in the mid of falling demand. It is now established beyond doubt that the system of capitalistic economics is highly instable ,exposed to external factors and breeds germs of its own destruction, has totally failed to ensure a full employment and durable livelihood to the masses because it takes care of only a selected class of people.

This class is, under this system, considered the privileged class because of its hold on the resources or for that matter deprivation of the rest of the people of the community. As a result of the phenomena class conflicts and surge of protest and agitation is a natural consequence. The Wall Street *agitation* of May, 2011 and further *general protest* in Europe and America on 13th May, 2012 against *economy drive* launched by industrialists and capitalists are outcome of the income disparities and wealth concentration in the hands of a selected class of people.

Future Pathway

- The industrially advanced countries of the world have, no doubt, made substantial arrangements for collecting taxes and providing for the welfare of the out of job and senior citizens but the affluent class of the people has least cared for the masses.
- Man has been created as vicegerent of ALLAH on earth and has been granted two types of knowledge;
 - 1) Through sense perception i.e. eyes, ears, head and heart. This scientific knowledge for the conquest of the nature around us.
 - 2) Second Knowledge ,through revelation which has been granted to man for the conquest of his own nature.

Ends and values are perceived through revelational guidance. A combination of both the knowledge can create an **all-round individual** who can seek success in this life and can also seek blessings of ALLAH in the life hereafter.

To maintain the sanctity of humanity two important rights must be accorded due regard..

- 1) Right to life
- 2) Right to property

- Right to life is accorded sanctity by all religions and if life is preserved by seeking a part of the wealth of the riches. But if there is a need higher than that for the preservation of life. Nature seems to sanctify that provision as well. As opposed to Karon 's philosophy of non share ability of property for the preservation of life. The Have-nots in fact have a right in the lawful earning of the rich and privileged class.
- Unbridled currency issuance and unscrupulous credit expansion have always been the root cause of financial crisis. Ever increasing quantity of money brings ultimate miseries in its wake. Banking and financial systems operating in each country needs to be properly framed and passed through regular verification and criterion approval. The maxim of "lend umbrella when it is shining and withdraw immediately when it rains " ought to hold its efficacy. Briskly business, if not regulated in time, will lose ground and definitely collapse. Well managed monetary and fiscal system can only ensure a steady and smooth sailing. The recent past experiences tell a different story with regard to the operation of capitalistic system. Here the crisis started from the industrially advanced countries due to excessive credit expansion disregarding the repaying capacity of the borrowing class.
- **Steven Crawshaw**, Chairman , Council for Mortgage Lenders, speaking on 11 april, 2008 had rightly said **"I have a deep sense of shock at how deeply our successful industry has already been hit by these unprecedented funding market conditions"**

Regulating both the money and credit markets must be the top priority of central banks particularly of the economically advanced countries which generally find difficulty in meeting their financial commitment in the first instance due to slackness in aggregate demand for goods and subsequently reduced supply primarily due to lack of financing. It will be possible only when strict vigilance is exercised over the market trends and planned lending process is made incumbent to be followed in letter and spirit. The importance of veteran banking and financial experts with tested qualification and proven honesty needs no exaggeration. Strong regulatory authority besides central bank can ensure implementation of monetary policies strictly in accordance with the need and financial status of respective economy.

A best alternative to interest based financing, which is in fact the life blood of capitalism, can be found in the expansion of corporate sector which not only ensures fund sufficiency but also allows the mechanism to operate within available resources.

Risk sharing of the operational results of the corporate entities keeps the stakeholders more cautious and prudent . Least dependence on borrowed funds and planned operation definitely avoids credit crunch which has been putting the global economy in the whirlpool of financial crisis.

- Also profit and loss sharing under partnership by small investors will not only minimize the chances of occurrence of financial hazards but will also promote a class of entrepreneurs who can run their individual concerns with their own resources. Let China be the role model sustaining her economy, initially emerged from small scale manufacturing , now competing the world's most advanced countries.

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