

References

- Acemoglu D (2009). The Crisis of 2008: Structural Lessons for and from Economics, MIT. Mimeo.
- Adrian T and Brunnermeier M (2008). CoVar FRB of New York Staff Report No. 348.
- Baumol WJ (2002). The Free-Market Innovation Machine. Princeton and Oxford, Princeton University Press.
- Bofinger P (2000). A framework for stabilizing the Euro/Yen/Dollar triplet. *North American Journal of Economics and Finance*, 11/2000, 137–151.
- Borio C (2008). The financial turmoil of 2007: A preliminary assessment and some policy considerations, Bank for International Settlements, Working Paper No. 251.
- Brunnermeier M (2008). Deciphering the Liquidity and Credit Crunch 2007–2008. NBER Working Papers 14612, National Bureau of Economic Research.
- Brunnermeier M et al. (2009). The Fundamental Principles of Financial Regulation, Centre for Economic Policy Research (CEPR).
- Capuano C (2006). Strategic noise traders and liquidity pressure with a physically deliverable futures contract. *International Review of Economics and Finance*, 15(1): 1–14.
- Chicago Mercantile Exchange (CME) Group (2008). Fundamental factors affecting agricultural and other commodities. Available at http://www.cmegroup.com/trading/commodities/files/Ag_Slides_12-31-08.pdf.
- Clarida R (1999). G3 Exchange Rate Relationships: A Recap of the Record and Review of Proposals for Change. NBER Working Paper, No. 7434, Cambridge.
- Committee of European Securities Regulators (CESR) (2008). CESR/CEBS's technical advice to the European Commission on the review of commodities business. CESR/08–752; CEBS 2008 152 rev. Brussels.
- Commodities Futures Trading Commission (CFTC) (2006a). Comprehensive Review of the Commitments of Traders Reporting Program. *Federal Register*, 71(119): 35627–35632.
- Commodities Futures Trading Commission (CFTC) (2006b). Commodities Futures Trading Commission Actions in Response to the “Comprehensive Review of the Commitments of Traders Reporting Program”, 5 December. Available at <http://www.docstoc.com/docs/873643/Comprehensive-Review-of-the-Commitments-of-Traders-Reporting-Program>.
- Commodities Futures Trading Commission (CFTC) (2009). About the commitments of traders reports. Available at http://www.cftc.gov/marketreports/commitmentsoftraders/cot_about.html.
- Conceição P and Marone H (2008). Characterizing the 21st century first commodity boom: drivers and impact, UNDP/ODS Working Paper. Office of Development Studies, United Nations Development Programme. New York, October.
- Congleton R (2009). On the Political Economy of the Financial Crisis and Bailout of 2008, Georgetown Mason University (GMU). Mimeo.
- Congressional Oversight Panel (2009). Special Report on Regulatory Reform.
- Coval J et al. (2008). The Economics of Structured Finance. Harvard Business School of Finance, Working Paper No. 09–060.
- Davidson P (2008). Reforming the World's International Money. *Real-World Economics Review*, issue no. 48 : 293–305.

- Doyle E, Hill J and Jack I (2007). Growth in Commodity Investment: Risks and Challenges for Commodity Market Participants. Financial Services Authority (FSA) Markets Infrastructure Department, London.
- Fabozzi F, Bhattacharya A and Berliner W (2007). *The Handbook of Mortgage-Backed Securities*. McGraw-Hill, United States.
- Fisher I (1933). The Debt-Deflation Theory of Great Depressions. *Econometrica* 1.
- Flassbeck H (1988). Preise, Zins und Wechselkurs. Wirtschaftswissenschaftliche und wirtschaftsrechtliche Untersuchungen des Walter Eucken Instituts Freiburg i. Br.
- Flassbeck H and Spiecker F (2007). *Das Ende der Massenarbeitslosigkeit*, Westend Verlag, Frankfurt/Main.
- Folkerts-Landau D, Dooley M and Garber P (2004). The Revised Bretton Woods System. *International Journal of Finance and Economics* v9: 307–313.
- Gilbert CL (2008a). Commodity speculation and commodity investment. Forthcoming in *Journal of Commodity Markets and Risk Management*.
- Gilbert CL (2008b). How to understand high food prices. Mimeo.
- Greenspan A (2008). Transcript of Congressional hearings on the Financial Crisis and the Role of Federal Regulators. Thursday, 23 October 2008. House of Representatives, Committee on Oversight and Government Reform. Washington, DC. Available at: <http://oversight.house.gov/documents/20081024163819.pdf>.
- Group of 30 (2009). Financial Reform: A Framework for Financial Stability, Special report by the Group of thirty.
- IMF (2006). Global Financial Stability Report. International Monetary Fund.
- IMF (2008a). IMF Agrees \$15.7 Billion Loan to Bolster Hungary's Finances, IMF Survey Online. Washington, DC, 6 November.
- IMF (2008b). Iceland Gets Help to Recover From Historic Crisis, IMF Survey Online. Washington, DC, 2 December.
- IMF (2008c). IMF Executive Board Approves €1.68 Billion (US\$2.35 Billion) Stand-By Arrangement for Latvia, IMF Press Release. Washington, DC, 23 December.
- Irwin SC et al. (2008). Recent convergence performance of CBOT corn, soybean, and wheat futures contracts. *Choices*, 23(2): 16–21.
- Issing O and Krahen JP (2009). Why the regulators must have a global 'risk map'? *Financial Times*, 19 February.
- Issing O et al. (2008). New Financial Order: Recommendations by the Issuing Committee. Preparing G-20, Washington, DC, 15 November.
- Kansas City Board of Trade (2008). Agricultural markets performance. Talking points, April 2008. Available at http://www.cftc.gov/stellent/groups/public/@newsroom/documents/file/event042208_c026.pdf.
- Kashyap A, Rajan R and Stein J (2008). Rethinking Capital Regulation, University of Chicago. Mimeo.
- Keynes JM (1919). The economic consequences of the peace. In: *The Collected Writings of John Maynard Keynes II*. Published for the Royal Economic Society in 1971. Macmillan St. Martin's Press, Cambridge, United Kingdom.
- Keynes JM (1930). A Treatise on Money – The Pure Theory of Money. In: *The Collected Writings of Keynes JM*, London and Basingstoke, Macmillan Press, 1973.

- Krugman P (2008). The oil nonbubble. *New York Times*, 12 May.
- Krugman P (2009). Revenge of the Glut. *The New York Times*, 1 March.
- Kuttner R (2007). The Bubble Economy. *The American Prospect*, October.
- Lamont L and Thaler R (2003). Can the Market Add and Subtract? Mispricing in Tech Stock Carve-outs. *Journal of Political Economy*, 111(2): 227–268.
- Lukken W (2008). Keynote Address Before FIA Futures and Options Expo, Chicago, Illinois.
- Nugée J and Persaud D (2006). Redesigning Regulations of Pensions and other Financial Products. *Oxford Review of Economic Policy*, 22 (1): 66–77.
- Pistor K (2009). Reforming the Financial System: Beyond Standardization on “Best Practice” Models, VOX EU, 2 February.
- Rajan R (2005). Has Financial Development Made the Wrong Riskier? Federal Reserve Bank of Kansas City, August.
- Rodrik D (2008). Now’s the time to sing the praises of financial innovation, 22 September. Available at: Dani Rodrik’s weblog: http://rodrik.typepad.com/dani_rodriks_weblog/2008/09/news-the-time-to-sing-the-praises-of-financial-innovation.html.
- Sanders DR, Irwin SH and Merrin RP (2008). The adequacy of speculation in agricultural futures markets: too much of a good thing? Marketing and Outlook Research Report 2008–02. Department of Agriculture and Consumer Economics. University of Illinois at Urbana-Champaign. *Forthcoming in Review of Agricultural Economics*.
- Schumpeter JA (1939). *Business Cycles: A Theoretical, Historical, and Statistical Analysis of the Capitalist Process*. McGraw-Hill, New York and London.
- Schumpeter JA (1911). *The Theory of Economic Development*. Cambridge, MA, Harvard University Press (English translation 1936).
- Segovia B and Singh M (2008). Counterparty Risk in the Over-the-Counter Derivatives Market. IMF Working Papers No. 08/258, 1–19, November.
- Shin HS (2009). Nature of Systemic Risk: Where Should Regulation be Aimed? Presentation at: The Fundamental Principles of Financial Regulation, 11th Geneva Conference on the World Economy, 24 January.
- Soros G (2009). The game changes. *Financial Times*, 29 January.
- Stiglitz J (2009). Testimony before the congressional oversight panel on regulatory reform hearing, 14 January.
- Subramanian A and Williamson J (2009). Put the puritans in charge of the punchbowl. *Financial Times*, 12 February.
- Tobin J (1984). On the Efficiency of the Financial System, *Lloyds Bank Economic Review*, vol. 153, July.
- UNCTAD (2007a). Recent developments on global financial markets, TD/B/54/CRP.2, Geneva.
- UNCTAD (2007b). The development role of commodity exchanges, TD/B/COM.1/EM.33/2, Geneva.
- UNCTAD (2007c). Global and regional approaches to trade and finance, UNCTAD/GDS/2007/1, Geneva.
- UNCTAD (2007d). Report of the Secretary-General of UNCTAD to UNCTAD XII. Globalization for development: Opportunities and challenges, TD/413. New York and Geneva, United Nations.
- UNCTAD (various issues). *Trade and Development Report*. United Nations publications, New York and Geneva.

UNCTAD Policy Brief (2008a). The crisis of a century. UNCTAD Policy Briefs, No.3, UNCTAD/PRESS/PB/2008/3, Geneva, October.

UNCTAD Policy Brief (2008b). Rebuilding financial multilateralism, UNCTAD Policy Briefs, No. 4, UNCTAD/PRESS/PB/2008/4), Geneva, October.

UN-DESA/UNCTAD (2009). *World Economic Situation and Prospects*. New York, United Nations.

Von Braun J and Torero M (2008). Physical and virtual global food reserves to protect the poor and prevent market failure. Policy Brief 4. International Food Policy Research Institute (IFPRI), Washington, DC, June.

Wallison P (2009). Everything You Wanted to Know about Credit Default Swaps-but Were Never Told. RGE Monitor, 29 January.

Whalen C (2008). The Subprime Crisis: causes, effects and consequences. Policy Brief No. 04, Networks Financial Institute, Indiana State University.

Wolf M (2009). Why dealing with the huge debt overhang is so hard? *Financial Times*, 28 January.

World Bank (2001). *Finance for Growth: Policy Choices in a Volatile World*, May.

Key messages

UNCTAD's longstanding call for stronger international monetary and financial governance rings true in today's crisis, which is global and systemic in nature. The crisis dynamics reflect failures in national and international financial deregulation, persistent global imbalances, absence of an international monetary system and deep inconsistencies among global trading, financial and monetary policies.

National and multilateral remedies

- Market fundamentalist laissez-faire of the last 20 years has dramatically failed the test. Financial deregulation created the build-up of huge risky positions whose unwinding has pushed the global economy into a debt deflation that can only be countered by government debt inflation:
 - *The most important task is to break the spiral of falling asset prices and falling demand and to revive the financial sector's ability to provide credit for productive investment, to stimulate economic growth and to avoid deflation of prices. The key objective of regulatory reform has to be the systematic weeding out of financial sophistication with no social return.*
- Blind faith in the efficiency of deregulated financial markets and the absence of a cooperative financial and monetary system created an illusion of risk-free profits and licensed profligacy through speculative finance in many areas:
 - *This systemic failure can only be remedied through comprehensive reform and re-regulation with a vigorous role by Governments working in unison. Contrary to traditional views, Governments are well positioned to judge price movements in those markets that are driven by financial speculation and should not hesitate to intervene whenever major disequilibria loom.*
- The growing role and weight of large-scale financial investors on commodities futures markets have affected commodity prices and their volatility. Speculative bubbles have emerged for some commodities during the boom and have burst after the sub-prime shock:
 - *Regulators need access to more comprehensive trading data in order to be able to understand what is moving prices and intervene if certain trades look problematic, while key loopholes in regulation need to be closed to ensure that positions on currently unregulated over-the-counter markets do not lead to "excessive speculation".*
- The absence of a cooperative international system to manage exchange rate fluctuations has facilitated rampant currency speculation and increased the global imbalances. As in Asia 10 years ago, currency speculation and currency crisis has brought a number of countries to the verge of default and dramatically fuelled the crisis:
 - *Developing countries should not be subject to a "crisis rating" by the same financial markets which have created their trouble. Multilateral or even global exchange rate arrangements are urgently needed to maintain global stability, to avoid the collapse of the international trading system and to pre-empt pro-cyclical policies by crisis-stricken countries.*

Global economic decision-making

- The crisis has made it all too clear that globalization of trade and finance calls for global cooperation and global regulation. But resolving this crisis and avoiding its recurrence has implications beyond the realm of banking and financial regulation, going to the heart of the question of how to revive and extend multilateralism in a globalizing world.
- The United Nations must play a central role in guiding this reform process. It is the only institution which has the universality of membership and credibility to ensure the legitimacy and viability of a reformed governance system. It has proven capacity to provide impartial analysis and pragmatic policy recommendations in this area.

