

Summary of Day1, and Setting-up Day2

Geneva – PRUF

Crisis diagnoses and Recovery Scenarios

- Failure of particular variant of capitalism (anglo-US finance cap, separation of finance from real)
- Crisis not simply failure of financial system, rooted in contradictions in current development trajectory and paradigm
- Green shoots, yellow-weeds – V, U, L W, ?
Scenarios (“L” for LIC in all likelihood)
- Recovery vs. sustainable recovery (expansion in post-bubble deficit vs. expansion in surplus countries)

Key Channel (s)

- Trade – not just as export (for-ex) engine but as productive capacity utilization
- But also others – new debt crisis, collapse remittances (much greater proximity to poverty), LIC/DC crowding out (700bn financing gap), impending currency collapse/interest rate wars
- Most important: permanent/generational losses (nb: 2005-15, MDG already lost decade), child malnutrition, socio-political (violence)

What can countries do? Policy responses

- Failure of EMH, question self-regulating mkts; active bubble monitoring (preempting); push for cap controls, hard regulation (so called blunt tools CRR, SLR –financial sector)
- 6%growth 25yrs (WB) good enough? OR ‘midwives’ to ushering in ‘paradigm shift’ (UNCTAD): focus on productive capacities, investment and innovation, emp creation, agri sector, demographic shift
- Lets get countercyclical – who pays? (push for permanent international funding facility)
- Push for debt moratorium

- Crisis, pre-crisis (return to past unsatisfactory)
- Voice: if you are not on the table, you are on the menu
- Third world 'Resilience' – what does it mean?
- Emp takes 2x output to recover; housing bubble led recession much longer

Larger issues

- Long term viability of export led model (WB: export/DD false distinction)
- Trade/exp critique: commodity boom driven FDI; “jobless growth”
- Critique of trade finance (PPP, backstop liability) non-viable of large infra undertakings conceived in boom yrs
- Doha/market access: limited gains
- Crucial issue: Data – do we know whats going on? In time?
- Risk-weighted Basel II: preserve of large banks, procyclical; strained recovery

Governance

- G20: live with it, strategies/options for reform; receptivity as need for credibility
- Reduce (EU) and increase (regional constituencies)
- Danger same inst complicit in crisis emerge stronger with 0 change; retro conditionality; idealization of pre-crisis yrs – self criticism with started may stop
- Need to think what countries can do themselves (DRM?)

What we havent covered, hope today

- Employment trends and monitoring picture
- Rethinking financial regulation from DC/LIC perspective
- Development footprint of regulatory reform discussion
- The upcoming UN conference, proposals of Experts Commission and GEC
- Private sector responses