Best of Times, Worst of Times – the politics of a long crisis

Presentation, Global Futures Forum Seminar, 15 May 2012

David Steven

Best of Times, Worst of Times – the politics of a long crisis

An edited and expanded version of talk given to the 'Lessons from the Economic Troubles' panel at an international workshop on systemic lessons from the global economic crisis. The workshop was hosted by the Global Futures Forum and supported by the US Department of State, Defence Academy of the United Kingdom, and the Scottish government.

Introduction

In this talk, I have been asked to focus on 'the pathology of systemic uncertainty affecting global economics' and the potential this creates for 'strategic surprise'.

Given that the preceding speaker [Wendy Carlin, Professor of Economics at University College London and Advisory Board Member for the UK's Office of Budget Responsibility] has explored the failure of economic models to predict the 2008 financial crisis, I will focus primarily on the political dimensions of the Great Recession.

My aim is to:

- Place the current financial turbulence in a longer historical context, arguing that the economic system's problems are chronic rather than acute, and part of a broader long crisis of globalisation.
- Argue that we will continue to fail to understand the long crisis if we continue to downplay its politics.
- Set out tentative conclusions that will feed into the rest of this workshop, especially tomorrow's sessions which will explore the capacity we need to make more effective strategic decisions, if we are to build more stable and sustainable global systems.

"It was the best of times, it was the worst of times."

In recent months, I've had the opening of *Tale of Two Cities*, Charles Dickens's novel about revolutionary times, running around in my head.

It reads, in part:

> It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was the spring of hope, it was the winter of despair, we had everything before us, we had nothing before us, we were all going direct to heaven, we were all going direct the other way.

Until recently, optimists – those who believed that we live in a 'season of Light' – were very much in the ascendancy.

After the Cold War, history may not have ended but it paused for a while, as much of the world settled on a consensus that had three legs: liberal economies, open borders, and democratic political systems.

The consensus was only partial, of course. The world's largest country was not democratic. China was also far from alone in having substantial state control of the economy. And while borders were relatively open to the flow of capital and ideas, the movement of people was much more restricted.

But many believed, usually implicitly, that this simply reflected the fact that the modern world was still a work in progress. In the full version of the *End of History* (which started life as an essay in *The National Interest*), Francis Fukuyama argued that:

> Mankind will come to seem like a long wagon train strung out along a road. Some wagons will be pulling into town sharply and crisply, while others will be bivouacked back in the desert, or else stuck in ruts in the final pass over the mountains…But the great majority of wagons will be making the slow journey into town, and most will eventually arrive there.[1]

Twenty years after Fukuyama's book was published, it has become hard to remember how strong and pervasive elite consensus was for a brief period in which most of the key political questions were regarded as settled. We have moved swiftly from the 'season of Light' into much darker times, where it is hard to understand the present and even more difficult to make predictions about the future, and where there are stark disagreements about how best to respond to our predicament.

So what can we learn from this new period of crisis and pessimism?

First, the optimists are far from vanquished.

Wealth has grown fairly steadily over the past thirty years. Figure 1 shows an astonishing rise in global GDP per capita (shown in real terms and on a purchasing power parity basis), with the financial crisis reduced to little more than a blip. When Fukuyama was writing his book, global GDP per capita was under $5,000 – it has now more than doubled to over $11,000.

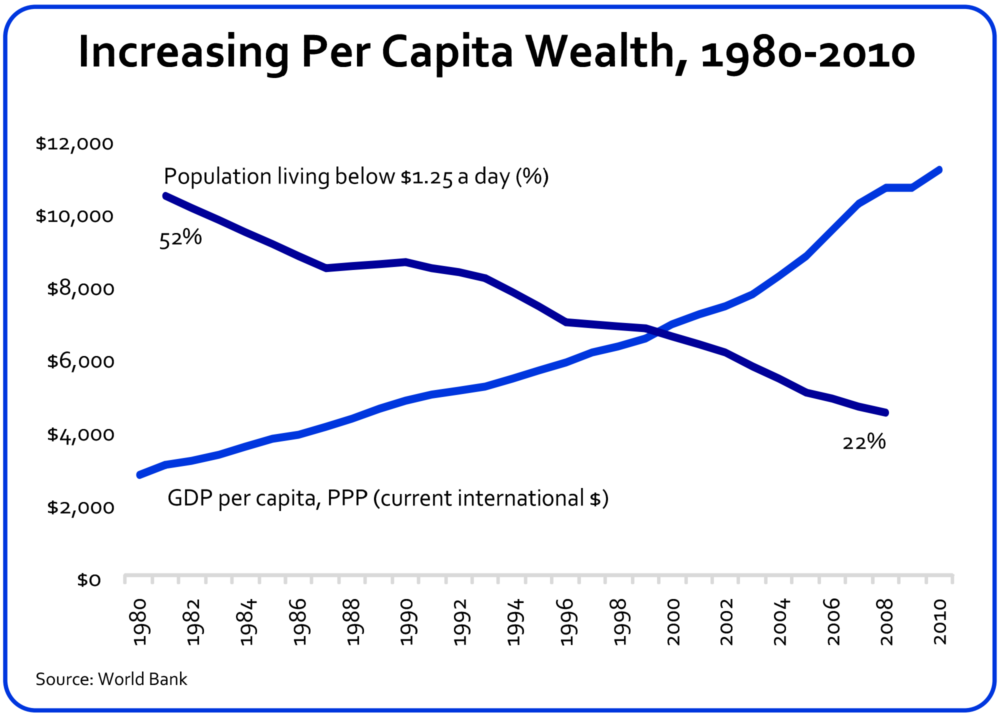

Figure 1

Growth has had a substantial impact on the world's poorest people. In 1990, 43% of the population of developing countries were living on less than $1.25 a day. That figure has now fallen by more than half. Progress has been fastest in Asia, but even Africa has seen an acceleration of growth in recent years, as its young population enters the labour market in growing numbers.

In his book, *The Coming Prosperity*, Philip Auerswald argues that we are at the beginning of a global boom.[2] The future will be defined by the "inescapable fact" that "the majority of the world's population is at last connecting with the global economy." Technology is also developing rapidly. The result will be a massive increase in wealth. "Human well-being will likely improve to a greater extent in coming decades than at any time in history."

So that's an argument that the best of times are still to come. But what about those who believe we are living in the worst of times?

Pessimists point to rising inequality and stagnant median incomes – growth, they say, has not brought broad benefits, but has largely benefited the richest. Moreover, they argue, the boom years were a mirage fuelled by debt and asset price inflation. According to Larry Elliott, the *Guardian's* economic editor:

> There was a dirty little secret about this supposed perpetual moneymaking machine. It required debt – and lots of it – to work. The real story of the noughties is that of how borrowing was used to plaster over the deep structural problems of modern global capitalism. We have almost reached the end of that road, but not quite.[3]

But above all, doomsayers – of which I am reluctantly one – point to turbulence in the global economy to support their pessimism. How can a system that has failed so badly be trusted to pick itself up and deliver the sustained prosperity that optimists promise us?

Shock or Long Crisis?

Alan Greenspan was perhaps the most famous and lauded booster of the boom years, becoming an unlikely cult hero. "With Greenspan, we find comfort," wrote Bob Woodward in *Maestro*, his turn of the century biography of the world's most powerful central banker. "He helps breathe life into the vision of America as strong, the best, invincible. The fascination with Greenspan has become one of the ways in which the country expresses confidence in itself and its future."[4]

According to Greenspan, the financial crisis of 2008 came as a bolt out of the blue. The dominant paradigm for managing risks was fatally flawed, with both regulators and financial institutions failing to grasp the "size, length, and potential impact" of the tail risks that were building up in the system.[5] The crisis was a "once in a century event" that left him in a state of "shocked disbelief", traumatised by discovery of a "flaw" in his model of how the global economy worked.[6]

But this was not the first time that the 'Maestro' had been caught out. According to Paul Blustein, the historian of global economic policymaking, Greenspan once told the G7 that "in almost fifty years of watching the US economy, he had never witnessed anything like the drying up of markets in the previous days and weeks."[7] That wasn't in Autumn 2008, but ten years earlier in the wake of the spectacular blow-up of Long-Term Capital Management, a hedge fund that managed to lose $4.5 billion almost overnight, triggering panic throughout the financial system.

Long-Term (with its superbly hubristic name and its two Nobel prize winners) was run by "intellectual supermen [who] had apparently been able to reduce an uncertain world to rigorous, cold-blooded odds."[8] But, like their successors in the run up to the blow-up of 2008, Long-Term's supermen had failed to understand the scale of the risks they were facing, as a chain of systemic failures rippled across a densely interconnected world.

The proximate cause of the fund's downfall was Russia's Rouble Crisis, when the country defaulted on its debt after the IMF refused to mount a second bailout. And Russia had found itself in the midst of a series of financial panics that started in Thailand in 1997, devastated other East Asian countries hard such as Thailand and Indonesia, and which would eventually batter Brazil and drive Argentina into a chaotic default on its sovereign debt.

Global policymakers struggled to keep up. IMF bailouts fell flat in one crisis-stricken country after another, with the announcements of enormous international loan packages followed by crashes in currencies and the deep recessions that the rescuers were supposed to avert. Western countries may have been shielded from the worst consequences, but in the late 1990s, Asian governments, in particular, were convinced that the global economic system was broken.

Eventually, however, trouble receded, or appeared to. Time magazine hailed "the committee that saved the world" on its cover in February 1999, lauding the "Three Marketeers" (Greenspan, Larry Summers, and Robert Rubin) for preventing global economic meltdown (see figure 2).[9] But while the global economy seemed once again to be in rude health, stresses were building, in part due to the policy response to what had happened in East Asia.

Figure 2

Greenspan's analysis was that the crisis of the late 1990s was caused by "more investment monies flow[ing] into [East Asian] economies than could be profitably employed at modest risk."[10] In response, the governments of these countries became determined that their economies should not be placed in a similarly vulnerable position again. According to Ben Bernanke, Greenspan's successor at the Federal Reserve, East Asian countries switched from being heavy importers of capital to being net exporters. Even countries such as China, which had survived the crisis unscathed, built up reserves, in part to hedge against future financial turbulence.

> In practice, these countries increased reserves through the expedient of issuing debt to their citizens, thereby mobilizing domestic saving, and then using the proceeds to buy U.S. Treasury securities and other assets.
>
> Effectively, governments have acted as financial intermediaries, channelling domestic saving away from local uses and into international capital markets.[11]

This left a lot of money that had once flowed into emerging markets looking for a home. During the dot-com era, it found it in technology stocks, but they crashed in 2000/2001, costing investors $5 trillion in losses. The sector had been gripped by a classic bubble (see figure 3). When companies were taken to market, only a limited number of shares were offered to the public. As a result, there was a 'price pop' on IPO day, with prices surging as soon as they were released. "The size of the price pop was like dynamite or nitro-glycerine or even fusion," write Charles Kindleberger and Robert Aliber in their history of financial crisis, "The United States seemed to have its own perpetual motion machine, one designed to enrich the fortunes of hundreds of thousands of families. The larger the price pop on the first day of trading, the greater the number of investors that were attracted to IPOs."[12]

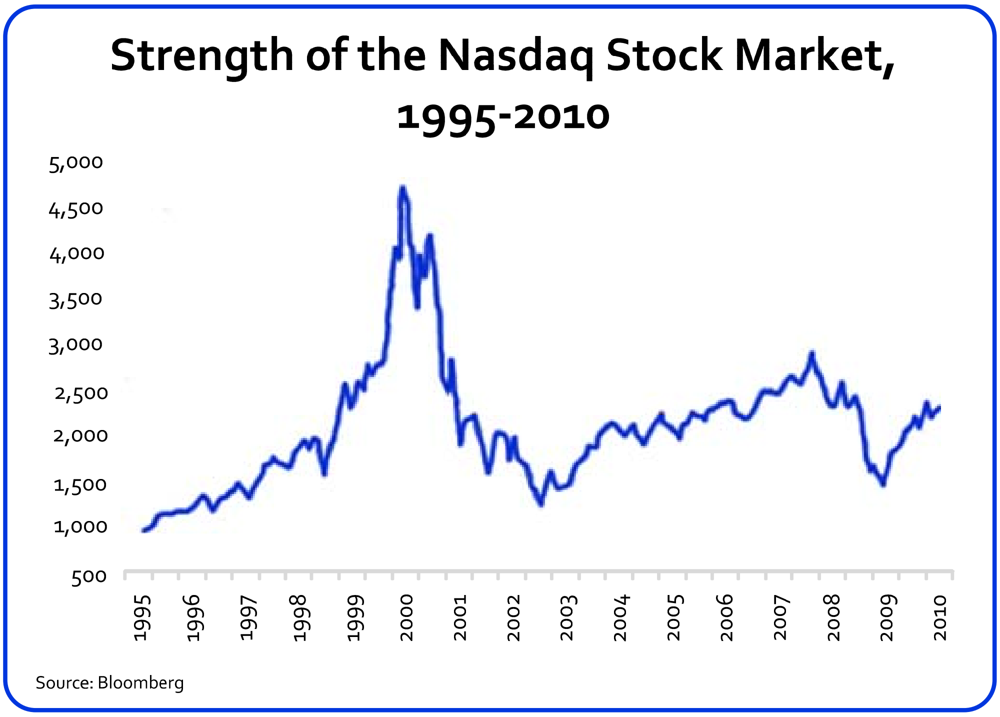

Figure 3

Once again, the policy response to the shock sowed the seeds of future economic trouble. To restart the party, Alan Greenspan cut interest rates savagely (and even more so after 9/11). Monetary policy remained lax for a protracted period, with interest rates down at 1% well in 2004. As a result, the United States (and the UK and various other deficit countries) was faced by the toxic combination of low interest rates and what Bernanke dubbed a 'global savings glut' (e.g. lots of capital competing to find risk).

And how the debtors loved it! Bankers lost all sense of restraint, as lending standards collapsed and a massive asset bubble was inflated. As we know, it ended in a colossal hangover for the West (this time Asia was well protected) once US housing prices finally started to fall in March 2006. We then discovered that consumers were over-extended, most financial institutions were either insolvent or inextricably intertwined with others that were close to bankruptcy.

As Greenspan wrote in his post-mortem of the crisis, which was published by the Brookings Institution, "more than a decade of virtually unrivalled global prosperity, low inflation, and low long-term interest rates reduced global risk aversion to historically unsustainable levels… heavy leveraging [then] set off serial defaults, culminating in what is likely to be viewed as the most virulent financial crisis ever."[13]

Crisis is Quick; Politics is Slow

The brief historical sketch that I have presented is, I hope, an antidote to the conventional wisdom that the current financial crisis started in 2007 and has largely been confined to the West. Instead, my argument is that we are witnessing the economic and financial dimensions of a 'long crisis' of globalisation that is global in nature and has had (so far) four main waypoints:

- *The East Asian crisis* – a sovereign debt crisis that centred on Asia but hit other countries and risked causing panic in global financial markets.
- *The dot.com crash* – where a wave of money flowed into and out of technology stocks.
- *The 'subprime' crisis* – a debt-fuelled boom in property markets, which burst with consequences that were exacerbated by the securitisation of this debt.
- And, of course, a second *sovereign debt crisis*, mostly confined to the Eurozone, and where responses are significantly complicated by the extreme fragility of large parts of Europe's banking system.

Throughout this systemic crisis, policy responses have – as one would expect – been constrained and shaped by political realities, but analysis of these political dimensions has been lacking. As we saw during the East Asian financial crisis, a serious economic shock creates considerable potential for policymakers to make mistakes, as they react to short-term political incentives that exacerbate the crisis. It can feed social unrest of the type that was seen in Indonesia, sweeping away governments, and – in extreme cases – political systems. It can also create geopolitical friction, with Asian countries (China included) emerging from the crisis with much greater scepticism about the likelihood that the international system could be trusted to act in their long-term interests.

A full analysis of the political dimensions of the current financial crisis is beyond the scope of this talk. Instead, I will focus more narrowly on the mismatch between the pace at which the political and economic dimensions move. For much of the time, the political response is unable to keep pace with a systemic crisis. But political forces are like tectonic plates – nothing appears to be happening even as unseen forces are building. As a result, a new political reality can emerge very suddenly. For this very brief period, the politics are quick, but the crisis is slow.

Let's illustrate this by looking at events since 2008, when we see the political response moving through four phases.

***Phase 1*: Premature declaration of victory (*or* the patient is on the mend).**

The financial crisis had hardly begun before politicians began declaring that it was over. This was brought home to me when Alex Evans and I presented to heads of government at the Progressive Governance Summit in April 2008.

In our paper for the summit, we warned leaders that the world's economic, social and political systems were coming under sustained pressure and would soon hit a point of crisis. "We are much more susceptible to shocks than we like to think," we wrote, "As we have made our economic systems more efficient, we have also made them less resilient, by taking away buffers and reducing margins of error."[14] This was not an especially far-sighted observation. Northern Rock had been nationalised six weeks previously, after the first run on a British bank in living memory. The summit's chair, Gordon Brown, was clearly still somewhat shell-shocked by what had happened.

The dominant sentiment in the conference room was not concern for the future, but could be summed up in these five words: "Thank God that's all over." The head of the IMF, Dominique Strauss Kahn, was at the heart of the summit's discussion of 'lessons learned' from what was then called the 'credit crunch'. He took his recovery message to the public a month later, telling the media that the "worst news is behind us." With Lehman Brothers still in business, nothing could be further from the truth, either for the global economy or for DSK personally.

***Phase 2*: Belated panic (*or* time to call the emergency services)**.

Lehman's collapse triggered the acute phase of the crisis, with its bankruptcy nearly taking the rest of the financial system with it.

Even as carnage unfolded, there was still widespread resistance in the United States to the idea of a forceful response. Presidential candidates Barack Obama and John McCain were opposed to any government intervention, as were the leadership of the Republicans and Democrats. "Sentiment against helping Lehman had coalesced in a form rarely seen on Capitol Hill: fervent and fully bipartisan," writes Roger Lowenstein in *The End of Wall Street*, his history of the crisis.[15] But eventually the seriousness of the situation became clear, as financial institutions faced failure across the Western world. Nationally and globally, the rescue was on.

The iconic event in the acute phase of the crisis was the G20 London Summit, when leaders of the world's most powerful countries finally got serious about putting together an emergency response. The Brits love to muck in in an emergency and Gordon Brown's ill-fated government was at its best as it prepared for the summit. As demonstrators took to the streets, G20 countries split along now-familiar fault lines – pro and anti-austerity, fans of laissez faire and of greater regulation.[16] Eventually, however, they united around a common response to what they described as "the greatest challenge to the world economy in modern times."[17]

In their final communiqué, they made six pledges. They would work together, they promised, to (i) restore confidence, growth, and jobs; (ii) repair the financial system to restore lending; (iii) strengthen financial regulation to rebuild trust; (iv) fund and reform our international financial institutions to overcome this crisis and prevent future ones; (v) promote global trade and investment and reject protectionism, to underpin prosperity; and (vi) build an inclusive, green, and sustainable recovery.

So what did London deliver? Alan Beattie, the FT's International Economy editor, is scathing. The summit, he believes, revealed the G20 to be little more than "a pantomime horse manned by a troupe of slapstick clowns."[18] It delivered plenty of high-blown pronouncements, but little or nothing in the way of action. His qualification of this indictment is revealing however. Central banks did, indeed, intervene in the markets to keep global markets moving, while "the world did not return to economic isolationism…protectionist actions were fewer than in other recessions."

The patient had been stabilised and delivered to hospital, in other words, and a course of treatment could begin.

***Phase 3*: Recovery (*or* the trials and tribulations of chemotherapy).**

It is in the recovery phase that the mismatch becomes most obvious between the treatment the patient needs and that which the politics will allow.

Economic rescues are traditionally carried out behind closed doors, but politics is a spectator sport. We want it to be dramatic and, if it is not, we will work hard to make it so. The London Summit fed this need, pulling together the world's most prominent political figures at a time of maximum alarm. But when they went home, they did not leave a 'global steering committee' behind. The capacity to deliver on pledges was very limited. Their audience, however, demanded a continuation of the drama. To stretch our medical metaphor a little further, what we wanted was a life-saving operation, with the patient spending a dramatic night on the operating table, surrounded by a team of ashen-faced medics. The outcome should be a touch-and-go for a time – but not too long. By morning, the danger should be over as we head back into phase 1 – with the patient on the mend.

As a banking crisis metastasised into many sovereign debt crises across the Eurozone, we have seen multiple attempts to play out the 'life saving operation' narrative, with all night, last ditch summits that teeter close to failure, but always pull through to an agreement that is going to save the day. Nicolas Sarkozy was usually first to announce the happy news to the media. "I think we are turning the page," he promised in February 2012, "We are in the midst of exiting this crisis." Sarkozy would become the first sitting French president not to win re-election in thirty years, but I suspect this wasn't the 'exit' he was pointing to.

An operation is, of course, the wrong metaphor. Faced by a complex system which we understand poorly – and which may be too complex to be effectively controlled – the only treatment we know how to administer is a form of chemotherapy. Pump in money here and take it out there; loosen the regulatory reins to help the weakest while tightening them to protect the strongest; remove diseased flesh where possible, in the hope that this will keep the rest of the body healthy. It's maddeningly slow, beset with side effects, and – worst of all – no-one really knows whether it will work.

And politically it is a disaster. Which is why, if the course of treatment lasts long enough, we enter a fourth phase where political division undermines the potential to act, the credibility of traditional politics actors has become increasingly corroded, and disruptive political change becomes increasingly likely.

Phase 4: The Revenge of Politics (*or* the patient strikes back).

Economic crises are not brief affairs. On average, a banking crisis takes around four to five years to unravel in developed countries and costs around 12% of GDP to resolve – emerging economies tend to feel more pain, but recover faster (see figure 4).[19] The impact on the 'real economy' is also considerable. In their study of "eight centuries of financial folly", Carmen Reinhart and Kenneth Rogoff find that, on average, an economic shock knocks 9% from output and pushes unemployment up by 7%. Government debt increases by 86%, while 35% is lost from house prices and 55% from equities.[20]

	Average Crisis Length (years)	Average Fiscal Costs of Banking Resolution (% of GDP)
All Countries	3.7	18
Emerging Market Countries	3.3	20
Developed Countries	4.6	12
Banking Crises Alone	3.3	5
Banking and Currency Crises	4.1	25

Figure 4

This has a fairly predictable impact on national unity. Using Reinhart and Rogoff's database, a team of academics from the National Bureau of Economic Research have found clear evidence of increased political division in the wake of an economic crisis, with "greater ideological polarization in society, greater fractionalization of the legislative body, and a decrease in the size of the working majority of the ruling coalition."[21] Coalitions become smaller, governments weaker, and the opposition stronger. Gridlock makes it harder for a coherent national response to be developed. While we have little experience of truly global economic crises, I would expect these problems significantly to be compounded as divided countries attempt to work with each other to mount a rescue operation that crosses borders.

In the East Asian crisis, the imperfect solution was for the IMF to impose order, with the United States as global superpower at its back. But in the current phase of the crisis, no actor has the power to insist. The results have been striking. The United States led the way, as the Tea Party took the country to the brink of a voluntary default in the summer of 2011. Its counterpart on the left was the Occupy movement which recently issued a manifesto that called for (i) radical improvements in public services and increases in benefits; (ii) employment or a universal income for all; (iii) a reduction in working hours, without reduction in income.[22]

Occupy did not say how these demands would be paid for. Even more strikingly, it dismissed the role of all actors who might have a chance of meeting them. "We do not make demands from governments, corporations or parliament members, which some of us see as illegitimate, unaccountable or corrupt," the manifesto proclaimed.

Now the Eurozone is verging on collapse as its citizens rebel against the demands that are being placed upon them. We have seen a political cataclysm in Greece, which seems more likely than not to drive the country out of the Euro. The Irish people may well be on the verge of rejecting the European Stability Treaty in a referendum that its business community claims could see Ireland also being forced out of the Treaty. Much attention has been paid to the weakness of Spain and Italy's economies, but their political systems are extremely fragile as well. Around Europe, we are seeing the 'revenge of politics' – even if politicians are able to forge another rescue pack, it is not clear that voters will leave them time to implement it.

From risk to resilience

Let me draw the following conclusions from this survey of the 'pathology of systemic uncertainty' that has beset the global economy.

First, is this the best of times? Or the worst of times? Like Dickens, I'd argue that it's both. The world has more people, earning more, and living lives that are increasingly densely interconnected with each other. To me, that's what success looks like. But humanity has achieved this feat by giving increased power to globalised markets that are poorly governed and prone to breakdown. Success, in other words, has driven risk up.

Second, there's an asymmetry at work here. Gains must be made patiently over time, but losses can occur quite suddenly and unexpectedly. Imagine a game of snakes and ladders, where there are snakes, but no ladders. The player inches up the board a square at a time, but *only* if he or she avoids the snakes that can suddenly wipe out many rounds of progress.

Third, this pushes risk management to the heart of politics. Economic progress results from the diffuse actions of billions of individuals and millions of firms. Their interactions are governed by institutions that set the 'rules of the game' – so the design of these institutions matters a great deal. But, at best, we can only hope to create a series of 'dumb rules' that will produce good outcomes up to a point, but then reveal the flaws that allow them to be exploited. Effective political systems are those that spot and minimise these failures.

Fourth, risk management is primarily the psychology of groups of people. Instinctively, we see the process of managing risks – especially financial and economic ones – as a technical matter. But the media makes it hard for governments to take risks seriously, and electorates are – at the moment at least – unforgiving when their leaders bring them bad news. Governments therefore find themselves in a position where they are often accused of either over or under-reacting to risks (or often of doing both at the same time).

Finally, this requires us to rewire governments so they become more effective risk managers. In part, this is a global problem. Governments need to organise themselves more effectively at an international level so they can influence outcomes on issues over which they have only limited natural sovereignty. But it's also a local issue – how they interpret the world we live in to their citizens and how they gain a mandate to take steps that will keep the risks that world brings under control.

In sum, the challenge is one of resilience, which is formally defined as the capacity to "absorb disturbance and reorganize while undergoing change, so as to retain or enhance effective function, structure, identity and feedbacks." How effectively can we absorb disturbance? And can we maintain the cohesion needed to reorganise as change hits us at a growing speed?

Or will the political realities of a 'long crisis' strip societies of their adaptive capacity, as they lose the ability to respond to what an accelerating version of the best and worst of times is throwing at them?

About the Author

David Steven is a policy analyst, strategic consultant and researcher, and is a Senior Non-Resident Fellow at New York University's Center on International Cooperation (CIC), where he works on geopolitical risk, resource scarcity, and development policy. He is currently leading the team that runs the Geopolitics of Scarcity project for Managing Global Order, which is a joint initiative between Brookings Foreign Policy, Center on International Cooperation (CIC), and the Center for International Security and Cooperation (CISAC) at Stanford University.

Further Reading

David's recent publications include *Beyond the Millennium Development Goals* (CIC, 2012, co-authored with Alex Evans); *Making Rio 2012 Work – setting the stage for global economic, social and ecological renewal* (CIC, 2011, co-authored with Alex Evans); *Confronting the Long Crisis of Globalization: Risk, Resilience and International Order* (Brookings, 2010, co-authored with Alex Evans and Bruce Jones) and *Time to Stop Betting the House: Mortgages, Resilience and Finance* (Long Finance, 2010). He also jointly edits www.GlobalDashboard.org, the global risks and foreign policy blog.

[1] Francis Fukuyama, 1993. *The End of History and the Last Man*. London: Harper Perennial
[2] Philip Auerswald, 2012. *The Coming Prosperity: How Entrepreneurs Are Transforming the Global Economy*. New York: Oxford University Press
[3] Larry Elliott, 2009. 'The global economy's decade of debt-fuelled boom and bust'. *The Guardian,* 21 December. Available at http://www.guardian.co.uk/business/2009/dec/21/global-economy-decade-boom-bust
[4] Bob Woodward, 2000. *Maestro: How Alan Greenspan Conducts the Economy*. London: Simon & Schuster.
[5] Financial Crisis Inquiry Commission, 2010. *Testimony of Alan Greenspan*. 7 April. Available at http://www.scribd.com/doc/29547698/Testimony-of-Alan-Greenspan-to-the-Financial-Crisis-Inquiry-Commission
[6] Edmund L Andrews, 2008. 'Greenspan concedes error on regulation'. *New York Times,* 23 October. Available at http://www.nytimes.com/2008/10/24/business/economy/24panel.html
[7] Paul Blustein, 2003. *The Chastening: Inside the Crisis That Rocked the Global Financial System and Humbled the IMF*. New York: Public Affairs
[8] Roger Lowenstein, 2002. *When Genius Failed: The Rise and Fall of Long Term Capital Management*. London: Fourth Estate
[9] *Time,* February 15 1999. Vol. 153 No. 6
[10] Dick K Nanto, 1998. 'The 1997-98 Asian Financial Crisis'. *CRS Report for Congress,* 6 February. Available at http://www.fas.org/man/crs/crs-asia2.htm
[11] The Federal Reserve Board, 2005. 'Remarks by Governor Ben S Bernanke at the Sandridge Lecture, Virginia Association of Economists, Richmond, Virginia'. 10 March. Available at http://www.federalreserve.gov/boarddocs/speeches/2005/200503102/
[12] Charles P Kindleberger and Robert Aliber, 2005. *Manias, Panics, and Crashes: A History of Financial Crises.* New Jersey: John Wiley & Sons
[13] Alan Greenspan, 2010. 'The Crisis'. *Brookings Papers on Economic Activity,* Spring. Available at http://www.brookings.edu/~/media/projects/bpea/spring%202010/2010a_bpea_greenspan.pdf
[14] Alex Evans and David Steven, 2008. *Shooting the Rapids: multilateralism and global risks.* Available at http://www.globaldashboard.org/2008/04/05/shooting-the-rapids-multilateralism-and-global-risks/
[15] Roger Lowenstein, 2010. *The End of Wall Street*. New York: Penguin USA
[16] Mure Dickie, 2009. 'Aso lays bare G20 split on downturn'. *Financial Times,* 31 March. Available at http://www.ft.com/cms/s/0/137b240e-1e23-11de-830b-00144feabdc0.html#axzz1v2WDobC4
[17] G20 communique, 2009. 'London Summit – Leaders' Statement', 2 April. Available at http://www.imf.org/external/np/sec/pr/2009/pdf/g20_040209.pdf
[18] Alan Beattie, 2012. *Who's in Charge Here? How Governments are Failing the World Economy.* London: Penguin (Kindle Edition)
[19] Michael Gomez, 2008. *Emerging Markets Watch: Back to Berra.* Pimco, August. Available at http://www.pimco.com/EN/Insights/Pages/Emerging%20Markets%20Watch%20August%202008%20Gomez%20Back%20to%20Berra.aspx
[20] Carmen M Reinhart and Kenneth Rogoff, 2011. *This Time Is Different: Eight Centuries of Financial Folly*. New Jersey: Princeton University Press
[21] Atif Mian, Amir Sufi, and Francesco Trebbi, 2012. 'Resolving Debt Overhang: Political Constraints in the Aftermath of Financial Crises'. NBER Working Paper No. 17831, February. Available at http://www.google.co.uk/url?sa=t&rct=j&q=&esrc=s&source=web&cd=2&ved=0CGQQFjAB&url=http%3A%2F%2Fwww.aeaweb.org%2Faea%2F2012conference%2Fprogram%2Fretrieve.php%3Fpdfid%3D451&ei=d262T772EIiHhQfLpPiMCQ&usg=AFQjCNFg3jLIopacB5F5s6dS1SgaxaJspw
[22] Occupy Movement, 2012. 'The 'GlobalMay' manifesto of the International Occupy assembly'. *The Guardian,* 11 May. Available at http://www.guardian.co.uk/commentisfree/2012/may/11/occupy-globalmay-manifesto