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Looking Backwards into the Future: What Lessons can be Learnt from the Colonial Exchange-Standard for Understanding Globalisation and its Financialisation? *

By

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CONTENT

Abstract

*This paper attempts to go beyond engaging the on-going global crisis as another discourse on "**historical analogies**," which method-wise treats it as an unwelcome episode in an otherwise ordered and steady evolution of a singular unified and independent **global economy** and its **financialisation**. The colonial exchange-standard casts doubt on three ideas which I contest, namely: 1) the notion of a steadily evolving singular unified and independent global economy (**strong advocates of globalisation)** 2) the "global" nature of the global crisis, and 3) that nation states set the real limits to globalisation (**strong critics of globalisation)**.*

1: Introduction

- Writings in the Region have concentrated on 1) ***examining*** the crisis in the context of previous ones: Trinidad and Tobago (late 1980s and the early 1990s), and Jamaica (late 1990s where it is estimated to have cost the Authorities 30 percent of GDP (Worrell, et al. 2001). The CL Financial and Stanford collapse has exceeded previous ones in size, sectoral coverage, severity and jurisdictional impacts.

- ***Comparing*** policy responses now and then

- ***Drawing*** lessons/preventative measures to avoid future crises, and

- ***Deriving*** appropriate reform measures including: regulatory reform, banking structure reform; financial integration; risk management; crisis management; monitoring and diagnostic capacity (financial stress indicators); filling institutional and legislative gaps; and, protection from contagion.

1: Introduction (Cont'd)

These writings have rarely gone outside-the-box of main-stream theory. (Too) many are "imitative", in the sense of their uncritical application of techniques developed elsewhere, to regional data. The seeming lack of interest in:

- developing original databases
- theoretical innovation
- the exercise of independent critical power
- the advancement of techniques (as distinct from their mechanical transfer and application), has been staggering. Is this overly harsh (as the global crisis is still immediate)? Will the situation improve with time?

1: Introduction (Cont'd)

J. Brassett, ***et al*** (2010) posits a similar situation in Europe and North America:

> "Media and policy discourses on the subprime crisis and the ensuing credit crunch have been dominated by ***historical analogies*** whereby a sense of how bad things have been since the autumn of 2007 arises from comparing the situation directly to other notable moments of financial meltdown" (my emphasis).

Unavoidably, emphasis is then placed on specific exceptions: 1) "deviant behaviours" of financial agents 2) "flawed" financial instruments (securitisation) 3) "conflicted interests" within financial institutions 4) "weak" administration 5) regulatory and oversight "lapses" 6) "loose" legal infrastructure 7) "poor governance" of economic and financial institutions, and so on.

1: Introduction (Cont'd)

- This is important but ***not*** the ***exclusive*** focus on ***historical correction*** of anomalies. This would imply that were it not for these anomalies, the relation between the evolving ***global economy*** and its ***financialisation*** would be in ***dynamic equilibrium***. Both sides (***global economy*** and ***financialisation***) change, but, the overall relation remains in steady stable equilibrium.
- A remarkable regional departure from this approach is Thompson, G.F. (2004) interrogation: "Are there any Limits to Globalization? International Trade, Capital Flows and Borders" in Karagiannis, N. and Witter, M. (eds) ***The Caribbean Economy in an Era of Free Trade***, ***and his later work***. (See References)
- His writings pose two questions: 1) is the "global crisis" truly global? 2) what is the implied relation between the global economy and its financialisation in these "discourses"?

  I addresses both.

2: Q.I: Is the "global" crisis, global?

Financialisation indicators reveal ***inter-alia***, global growth of: financial assets; borrowing; cross-border capital flows; the foreign assets and liabilities/GDP ratio; banks foreign assets/liabilities; and, rapid reverses of capital flows; financial melt-down and bank failures. ***Disaggregated*** data reveal ***marked*** concentration of these in the AEs, raising the question: how global is the impact?

Consider:

1. The world's financial assets peaked at US$194 trillion or 343% of global GDP in 2007.
2. Annual cross-border capital flows also peaked at US$10.5 trillion in 2007 (rising from about US$0.5 trillion or 4.5% of world GDP (1980) to US$10.5 trillion and 11.9%).
3. Financial assets fell to US$178 trillion in 2008, the largest decline (US$16 trillion) since 1990. These represented 293 percent of global GDP.
4. Capital flows also fell by a whopping 82 percent in 2008 – down from US$10.5 trillion (2007) to US$1.9 trillion (2008). The capital flows/GDP ratio fell from 11.9 percent (2007) to 3.2 percent (2008).

2: Q.I: Is the "global" crisis, global? (Cont'd)

5. Global financial losses and write-downs (IMF) are projected to reach US4.1 trillion by end 2010. (Share of EU/US GDP!)
6. Details:
   - Biggest decline was equities, (down from US$62 trillion in 2007 to US$34 trillion in 2008). Indeed the other categories of financial assets grew modestly at face value!
   - Biggest decline in cross-border capital flows was "cross-border lending" and "reduction in foreign deposits" ("debt securities," "foreign assets" and FDI fell more modestly).
7. Global borrowing rose 70% to US$131 trillion (2008) – principally the US & EU.
8. Globalised bank deposits US 61 trillion (2008) were mainly held in the AEs (three-quarters).

2: Q.I: Is the "global" crisis, global? (Cont'd)

9. World trade as a ratio of world GDP doubled over the quarter-of-a-century ending in the year prior to the eruption of the global crisis with the AEs share falling. Their share of global financial assets and liabilities remained four-fifths.

10. In the decade before the global crisis the emerging economies increased their share of 1) world GDP 2) world trade 3) financial market capitalization, and 4) foreign reserves. (See Table 1)

Table 1: Global Share of Advanced Economies

	Years (% of Global Totals)			Years (External Categories)	
	1996	2006		1996	2006
Trade	67	58	Debt Assets	84	89
Stock Market Capitalization	88	83	Debt Liabilities	80	90
Debt Securities Outstanding	94	91	Portfolio Equity Liabilities	93	91
Bank Deposits	87	79	FDI Assets	90	86
Foreign Assets	84	85	FDI Liabilities	72	74
Foreign Liabilities	81	87	Reserves	48	28

Source: Lane and Milesi-Ferretti (2008) Table 1.

2: Q.I: Is the "global" crisis, global? (Cont'd)

11. AEs cross-border asset and liabilities positions have a median value well in excess of 200 percent of their GDP; for the "non-advanced economies" the median value is about 70-80 percent of GDP.

12. While global credit losses are expected to top US$4.1 trillion by the end 2010, the vast share of this liability is held in the AEs.

To recap, the crisis has shown: 1) huge declines in capital flows 2) huge increases rise in government debt 3) large increases in currency volatility 4) large declines in equity and household wealth 5) large increases in toxic assets, and 6) a widening of risk spreads. Unquestionably, most of the reverses are located in the AEs.

2: Q.I: Is the "global" crisis, global? (Cont'd)

Many factors account for the marked concentration of cross-border financial integration in the AEs, including:

1. financial innovation (securitization);
2. expansion of new financial institutions;
3. off-shore special purpose vehicles;
4. regulatory arbitrage;
5. financial integration of the European Union (including the creation of the Eurozone);
6. decline in information and communication costs; and
7. supportive government policies

2: Q.I: Is the "global" crisis, global? (Cont'd)

The previous growth in financialisation was driven by equities and private debt in AEs. Future growth is uncertain:

> *"it is uncertain whether and when global capital flows will rebound after the recession"(McKinsey 2010) [indeed] "the 30-year rise in financial globalisation may now stall" (**ibid**, p.17).*

Recent research indicate a continuing "***home-bias***" in the asset/ liabilities structure of financial businesses and household portfolios in the AEs similar to that revealed in international trade. The ***law of one price*** does not operate, as price dispersion across frontiers continues to occur [See Hau and Rey (2008) and Lewis, K. (1999)].

2: Q.I: Is the "global" crisis, global? (Cont'd)

The bursting of the US household housing bubble, which triggered the global crisis was associated with real estate booms in parts of Europe, Canada and Australia during the period 2000-2007. These exceeded the rise in the housing price index of the USA! (Global real estate value has been estimated at US$91 trillion in 2009. Of this total the US, EU and Japan accounted for about 85 percent).

These sobering outcomes are not intended to discredit that there have been serious spillovers to "non-AEs". There is however, a vital distinction between on the one hand, the financial effects of disruptions in closely interrelated national and regional economies, financial systems and markets, and those that would have occurred if there existed a truly unified single global financial system.

2: Q.I: Is the "global" crisis, global? (Cont'd)

Writers like Arestis and Basu (2003), Arestis et al (2005) and Thompson (2010) argue: the impossibility of a single unified global financial system lies in risks and uncertainties embedded in the international system:

- Existence of different national currencies
- No single global currency
- National financial systems and national Authorities functioning as lenders of last resort, currency issuers, and controlling the supply of money.
- A restricted number of countries that can borrow on international markets in their own currency, for use domestically
- The corollary: the vast majority of countries in order to borrow from international markets to finance their domestic needs must do so in some other country's currency.

- Support for this in recent regional banking performances, which indicate, despite clear outliers like Jamaica, there has been relatively minimal devastation on regional banks from a supposed unprecedented global financial crisis.

2: Q.I: Is the "global" crisis, global? (Cont'd)

These report during the crisis: 1) risk-weighted capital adequacy ratios have been better than statutory requirements 2) non-performing loans have been broadly within regional and international norms and 3) good bank profitability ratios. Indeed, several Central Banks claim to the regional banking system has remained robust during the crisis, with sound indicators revealing appreciable resiliency to exogenous shocks.

While regional stock exchanges have experienced similar patterns of price declines to those in the UK and the USA during the steepest phase of the equities crisis (Q4 of 2008), stock volatility differs markedly. Annualized standard deviations of returns on regional, UK and US stock markets show steep increases in the latter two (ranging from 111 to 158 percent) between 2007 and 2008 and far more modest ones in the Region (ranging from 24-31 percent). As ECLAC, 2009 posits: "Caribbean stock markets are not highly integrated with stock markets of the United States and Europe".

2: Q.I: Is the "global" crisis, global? (Cont'd)

Since independence, economic recession and financial crisis in the more industrialized/developed countries have ***always*** spelt economic downturns, banking and currency crises, as well as major sovereign debt situations in the wider Latin American region. But for:

> *"the first time since Latin America gained its independence in the early 1800s, that a major economic contraction and financial calamity in the industrialized world has not caused a wave of currency, sovereign debt or banking crises in the region" (Porzecanski, A., 2009).*

Reasons argued for this success in Latin America include 1) reduced currency mismatches in the region 2) more flexible exchange rate regimes 3) enhanced capitalization, funding and supervision of banks 4) the strong evolution of local capital markets and 5) sounder macroeconomic (monetary and fiscal) policies (***ibid***).

2: Q.I: Is the "global" crisis, global? (Cont'd)

Similar reasons have been advanced for the favourable banking results in the Region, but also including inter-alia:

- The process of local/regional incorporation of overseas-based branch banks
- Credit expansion linked closely to deposit mobilization
- Minimal foreign loans held in banks' portfolios
- The substantial role of Canadian-based subsidiaries

I argue that both in LA and the Caribbean, the less than truly global nature of the global crisis, has reduced the impacts of contagion. Explanations given for this, reflect efforts by successive governments to foster a "home-bias" in national economies and financial structures, to ensure "resilience" to exogenous shocks. In a unified globalised financial system, foreign assets would have had to compete continuously and directly with domestic assets, in all banks whether they are local, regional, or external-based.

2: Q.I: Is the “global” crisis, global? (Cont’d)

(Note the region’s non-banking sector did not fare nearly as well as its banking sector.)

Nesvetailova and Polan, (2008) locate the crisis to a geopolitical region: the North Atlantic. The point is the same: the notion of a single undifferentiated and unsegmented or seamless international financial system is being challenged, while acknowledging growing interrelations between national and regional economies, markets, and financial systems, and along with these the risks of financial contagion.

To confirm this:

1. global financial institutions do not mobilise and distribute global savings ensuring that each unit of global investment secures a rate of return (risk-adjusted) which is greatest, worldwide. Existing financial exchanges, market places and enterprises do not intermediate effectively between all global investment (investors) and global savings (savers). Financial markets do not arbitrage away differences in interest or profit rates, as wide dispersion in these exists worldwide.

2: Q.I: Is the "global" crisis, global? (Cont'd)

2. Only when global markets as indicated here exist can we speak of a seamless integration of financial markets at the unified global level. Instead, as economists term it, "home bias" in favour of national markets will continue to prosper. This deep embeddedness of "home-bias" in domestic markets is incompatible with a single unified global financial system.
3. As Brassett ***et al*** (2010) puts it:

   *"Quite distinct from there being a global financial system what we in fact see is a set of nationally demarcated systems and that the global spread of the Anglo- American credit crunch is in fact merely a classic case of contagion with symptoms jumping from one system to the next"(Brasset, … **et al** 2010).*

Or, as Thompson, G. (2010) describes his intent in a recent article:

*"This article challenges the strong notion that the recent financial crisis was global in scope. It argues the international financial system is quite differentiated, being made up of domestic-national, supra-national regional and international aspects. The system is characterised by contagion, however, and the article goes on to consider the role of this in generating spillovers into the wider economic mechanism"(**ibid** P.127).*

3: QII: Is there a singular unified global economy?

Proposition I:

In ***perfect domestic markets*** "local" economic agents would function in a defined economic space/national economy independent of localities and sub-regions (while incorporating these through domestic institutions) in perfectly competitive markets. Similarly, in a ***truly global economy*** economic agents are expected to operate in a global economic space, independent of national economies (while incorporating them) and to likewise function through institutions, which dis-incentivises domestic economy-dependent behaviours, or home bias.

3: QII: Is there a singular unified global economy? (Cont'd)

Proposition 2:

In domestic equilibrium, the financial system ***intermediates*** to secure outcomes where among domestic surplus–deficit budgets, lenders–borrowers, savers–investors available savings are allocated so as to maximize their objective functions, as well as result in the risk-adjusted rate of return determining resource allocation. In general equilibrium all prices (goods, services, productive factors, and financial flows are optimized).

Preposition 3:

General equilibrium theory with perfect competition at the ***international*** level secures similar conditions. Competitive global financial intermediation results in the risk-adjusted rate of return guiding the flow of global savings from ***all*** sources to potential investors everywhere. Thus the prices of all goods, services and financial flows, wherever they are formed, are subject to the ***law of one price***. The conditions of the factor price equalization theorem are also satisfied.

3: QII: Is there a singular unified global economy? (Cont'd)

Proposition 4:

Given the price of any good or service (i) in any country (x) this would eventually become the same as that ruling at the world level. The world level price is the equilibrium price $P_w^{i(e)}$. The difference between this price and the actual price in an economy (P_x^i) gives a measure of the amount by which global welfare (G^w) can be increased as we move from competitive price formation in the domestic economy toward the same at the world level. It is a measure of the ***gains from trade*** (exchange and specialization).

Preposition 5:

Consequently, globalisation is not only deepening ties between national and regional economies, but in fact the creation of an ***independent global economic space***, pitched at a higher level of theoretical abstraction than ties, relationships, and interconnectedness between national and regional economies worldwide in the areas of trade in goods and services, financial flows and the mobility of productive factors.

3: QII: Is there a singular unified global economy? (Cont'd)

Thus Carnoy (1999) defines the global economy as:

> *"one where strategic core activities, including innovation, financing and corporate management function at a planetary scale on real time".*

Thompson (2009) distinguishes between an hyphenated "***inter-national" economy*** defined as:

> *"made up of a series of individual national economies that interact between themselves mainly via activities … (trade, investment and labour flows across borders" and a* ***global economy*** *defined "as a single economy in its own right somewhat beyond the interacting individual economies [and] driven by market forces and competition between 'footlose' economic agents … That are not clearly tethered to any single national economy but which would take the global arena as their sphere of operations".*

3: QII: Is there a singular unified global economy? (Cont'd)

The main argument ***against*** the existence of such a global economy is that nation states creates a disjuncture which will prevent this from ever occurring. The main argument in ***support*** is usually presented on the basis of general equilibrium theorising, and in particular the use of computable–general economic models (C-GEMs). I discuss in the Paper my concerns about these models:

- Using (along with gravity models) these to measure the benefits of a truly globalised economy
- Assertion of undisputed benefits of open trade systems (small economies)
- Claim that short-sighted policy stances reduce the benefits of a truly globalized economy.
- In practice, C-GEMs have evoked considerable theoretical controversy for its:
  - simplistic assumptions/rudimentary proxy indicators/behavioural assumptions.

3: QII: Is there a singular unified global economy? (Cont'd)

- Assuming no residual "trade barriers" (informal or formal)
- Naive macroeconomic assumptions (budget neutrality, fixed employment, trade and balance of payments neutrality, absence of capital and risk markets.)

When such assumptions are relaxed in model variants, estimated welfare gains decline (and in some instances sectors of developed economies and some developing countries lose).

3: QII: Is there a singular unified global economy? (Cont'd)

The ***virtue*** of C-GEMs is seeking to analyze markets ***comprehensively*** and ***simultaneously***, for ***both*** their ***direct*** and ***indirect effects***. Information requirements are enormous: (all sectors of the economy; supply and demand balances for all markets; and, all resource and budget constraints, simultaneously). Restrictive assumptions, and arbitrary data-fixing occur by default!

Finally,C-GEM analysis is typically based on comparative statics; in the sense of an assumed equilibrium ***prior*** to a policy change and the new one ***consequent*** to the policy change. The ***in-between*** process is not fully exposed, although in practice this has turned out to be key to an appreciation of the forces at work.

4: The Colonial Exchange-Standard

This paper argues the colonial sterling exchange-standard (British Caribbean Currency Board System) has lessons to teach us about 1) the ***limits*** to the financialisation of the international economy and 2) the project of creating an independent unified global economic space (that is more than the aggregation of all economies and systems worldwide, enjoying financial and economic interrelations).

4: The Colonial Exchange-Standard (Cont'd)

Table 2 (handout) portrays ***highly stylized*** versions of the colonial exchange-standard and the Caribbean-type economy.

These establish ***sufficient*** conditions for any given colonial territory to be a fully integrated unit into the exchange-standard.

This is an imposing structure of laws/regulations/rules, which ***placed*** colonial economies in a subsidiary relation to the imperial center, a degree of subsidiarity which cannot prevail in a world of freely independent nations.

The ***intent*** in every colony was the same:

1) laws and regulations governing currency and banking
2) mandatory policies (monetary, fiscal and macroeconomic)
3) specific rules for capital market operations
4) Specific processes of price formation (including the inflation rate, interest rate, exchange rate and the profit rate)
5) operations of the real economy, and the
6) "Other Features" (item VIII of Table 2) ***secured the exchange-standard***.

4: The Colonial Exchange-Standard (Cont'd)

Altogether the legal edicts, administrative procedures, economic incentives and disincentives sought to construct a ***single unified imperial economic space,*** which subsumed individual colonies while simultaneously becoming more than the sum of the colonial economies and the metropole and the economic and financial relations between them.

Three economic theorems (briefly addressed) were in vogue at the time. These underscored the subsidiary relation between colony and metropole. First, a ***colony could not have a balance of payments problem***. Second, ***small colonies always gained from the freer trade -*** "importance of being unimportant", fashionable in trade optimization theory. Third, **necessary and sufficient conditions for full financial and capital market integration were satisfied and the benefits therefrom secured for every territory**.

4: The Colonial Exchange-Standard (Cont'd)

Why did the exchange-standard collapse (given the all-powerful supporting imperial framework)? Firstly, it did not fail because the colonies possessed sovereignty over their national affairs and used the state to impede this project! (Having said this however, I hasten to admit that if the colonies had possessed sovereignty over their economic affairs, this would have been an absolute impediment).

In its absence therefore, I posit that it was not state power ***per se***, which deconstructed this imperial project, but the politics which undergirded the ***political economy*** of colonial systems and, by extension, all social-economic systems.

Historically, political relations (representation) have been based on the local (territorial) level. Political arrangements (including the electoral machinery) remain irreducibly territorial, simply because territory is the primary base of human activity.

4: The Colonial Exchange-Standard (Cont'd)

At that time, the colonial political economy was undergoing momentous transformations. Mass political movements (in the absence of the nation state) favoured the break-up of colonial forms of structured domination, and, the Currency Board system was one manifestation of this.

Despite its imposing appearance, its deconstruction had become essential to colonial emancipation. Thus, as the colonial exchange-standard was being constructed, it was politically doomed to dissolution.

It is this deeper political economy which scuttled the imperial Currency Board system, and which forms the real limit to the creation of a single unified **global economy**, above and beyond the sum of interrelations between nation states.

4: The Colonial Exchange-Standard (Cont'd)

People live in particular localities and communities within national economies, yet economists conceptualise/theorize an economic space (national economy) in which economic agents function more or less ***independent*** of these localities and communities, while simultaneously subsuming /incorporating them into the national economy. They do so because the political economy favours it.

By parity of reasoning, a truly unified ***global economy*** requires subsuming/ incorporating national economies (and transnationalized regions), while remaining independent of those in order to establish a viable theoretical abstraction. This is certainly the trajectory of globalisation held by ***strong*** theorists of the process.

Since the growth of the national economy deconstructs localities and communities as the truly defined economic space within countries, globalisation would be expected to similarly deconstruct national economic spaces.

Nation states (transnationalized regions) can continue to exist ***only*** in a subsidiary relation to the ***global economy***, if the notion of the global economy expresses more than the sum of activities taking place in each economy plus the activities between them.

4: The Colonial Exchange-Standard (Cont'd)

I recognise that territories or countries may voluntarily support the creation of a transnationalized regional (economy), as is witnessed by the evolving EU and the aspirations behind CARICOM's CSME project.

To repeat: ***the limit to the creation of a single unified global economy is not only defined by the existence of nation states. It resides in the political aspirations of communities, which may or may not have state power.***

At present, the vast majority of people and their communities have only expressed a commitment to nation states or perhaps some form or other of transnationalized regionalism; nothing more.

Some theorists however, argue otherwise. They claim that in parts of the world there is an expressed commitment to globalisation, revealed by the existence of 1) "stateless" consumers 2) "borderless" transnational businesses as well as 3) theorists (supporters) who define the "global city – region" as:

> *"the motors of the global economy and, at the same time, the most appropriate space for governance in a world in which nation-states and macroeconomic analysis seem to have lost their significance … [and] as new key territorial units for accumulation and governance in an inevitably globalizing and competitive world".*
>
> *(S. Montero-Munoz, 2009).*

4: The Colonial Exchange-Standard (Cont'd)

Making use of global super-electronic highways these economic agents 1) seek to rid themselves of the bureaucratic management-styles of states, 2) exercise rational consumer choice and 3) link to mobile "stateless/ borderless" production networks operating through global markets (which provide their own coordination and governance), resulting in state interventions being resource-distorting.

However, this remains a small fraction of the global economy. Thus while a global market for consumers whose rational choices and incomes can sustain a wide swathe of luxury products, such as top-of-the-line smart phones; exclusive boutique-style fashion and designs; exclusive recreation/holiday/travel locations and resorts; super-luxury vehicles; high-priced consumer products; personal care, watches, jewellery, the value of these sales (which bring rich rewards to the businesses that supply the products), as a proportion of global consumption remains tiny. Global luxury-products trade has been estimated to have global sales at about 170-182 billion Euros, up to the start of the global crisis, against a global GDP of US$60+ trillion (Bain & Company).

Concluding Remarks

First, I remain open to the likely duration, scope and ultimate "costs" of the global crisis. The interview between the Head of Lehman (Bryan Marsal) and German Handelsblatt (business daily – Germany) explains why:

"Handelsblatt: you are handling the largest bankruptcy in human history. Can anything like this happen again?

Bryan Marsal: It is even likely that a case like Lehman's will repeat itself – in any event, as long as nothing fundamental changes in financial regulation and in financial institutions. Wall Street has not really learned a lot from the situation. There is still too much leverage in the market, and credit default swaps remain completely unregulated. Even with regulators and in the companies little has been done after the global catastrophe.

HB: But financial regulators around the world are now pulling in the reins ...

Marsal: Oh, really? That's just for show. The regulators are overworked and underpaid. Someone who earns $80,000 a year cannot seriously compete with someone who gets $400,000 for finding ways to get around the system. And so far no one from the regulators at the SEC, at the FDIC or our government has asked how the Lehman collapse could have been avoided and what countermeasures could be taken to prevent a recurrence."

Marsal also stated: "You see, Lehman was not too big to go bust, but rather too complex".

Concluding Remarks (Cont'd)

Second, I do not intend to minimize i) the intensification of concrete forms of inter-connectedness between states and regions ii) the potential contagion consequences of this iii) the multiplication of transmission channels iv) the problems of coordination, monitoring, governance and international response. These follow from the global growth of market capitalism. A sense of proportion is needed as financial capital represents about 10 percent of the capital stock of AEs (human capital, infrastructure, physical plant, and other physical agglomerations) immovably tied to nation states.

Third, CARICOM should avoid global solutions to the global crisis based on the presumption that a unified global economy exists. Already, global solutions offered are too top-down, commandist, or "take-it-or-leave-it". Cooperation at the inter-governmental level is needed (regulation; legal infrastructure; monitoring, surveillance and governance).

Concluding Remarks (Cont'd)

Fourth, resilience and capacity are best promoted at the regional level.

Regional priorities:

- Enactment of the Regional Financial Services Agreement
- Elements of Reserves Pooling
- Elements of Monetary Union (regional currency!)
- Regional Stock Markets
- Real time integration and dissemination of data on regional financial transactions
- Regional Central Bank and/or Monetary and Financial Target-setting
- Using the Region as a platform for engagement in the world economy
- Making use of its numbers in negotiations