Controlling the international flow of money

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> The recent past saw the religious elevation of free market or laissez faire capitalism punctured by reality and collapse in 2008; laissez faire capitalism was then renamed the global economic crisis -- so much for unregulated capitalism.

After the profound failure of laissez faire capitalism a new economic messiah was required to revive the dream that capitalism is something other than theft of the many by the few!

The new economic messiah was duly named and baptised 'neoliberalism' and heralded as the new saviour of the global economy. However, it too is bound to fail as it is not based on the sound economic principle of PRODUCTION, I mean real, tangible production. But like its predecessor, before it fails and is replaced by another economic illusion, it will concentrated more wealth in the hands of the few that promoted it and laissez faire capitalism.

Yes, capitalism as we know it today is a rigged insider game. When former chairman of the Fed, Alan Greenspan, publicly stated that the US economy cannot fail because it is able to simply print its way out of debt, the world should have screamed foul; but it couldn't because the greenback remains the world's default currency and the Reserve Banking System has established outposts in every major world capital, including Benghazi, remember? So the US will continue to spend like a drunken sailor and invest almost all its money in the military. [What is wrong with this picture?]

The only hope we have of a viable economy into the future is one that is regulated by governments elected for the task -- we have already witnessed unregulated Wall St Banksters avoid jail terms for fraud simply because they have corrupted/bought Congress and the White House -- it was Bill Clinton who removed most of the safeguards and regulations that protected the nation and world economy from rogue Banksters, now WHY and in WHOSE INTERESTS would he remove safeguards that have protected the nation for decades? Democracy in the US has been replaced by Plutocracy, today that is self evident

Story from TruthDig follows:

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> “For the past 35 years, the world’s largest financial institutions and most Western governments have worked to strip away all obstacles to the free flow of money from country to country,” and the results have been disastrous, the New Economics Foundation reports.
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> “Neoliberalism has come to dominate economic policy in the modern world,” the foundation says in a short film on the subject. “As the wisdom goes, removing restrictions on the flow of capital will ensure that investment naturally makes its way from rich countries to poorer ones. But this doesn’t seem to be happening.”
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> Economist columnist Philip Coggan says in the film that “We’ve had 40 years of money

being freely available, of no real restrictions on exchange rates in the developed world to move. The result of all that has been a whole series of asset bubbles and a huge expansion of debt relative to GDP. It's very hard to see how that's sustainable.

"How to put the genie back in the bottle?" he asks. "One answer would be to have capital controls," ways to monitor and regulate the flow of money in and out of economies. Critics in the business and especially at the top level of the global financial community say such regulation would reduce investment in countries that need it by inhibiting competition. (This same class of people tells us that competition is the most important factor in the health of an economy.)

But Peter Chowla, a coordinator of global finance watchdog Bretton Woods Project who also appears in the film, says that "[t]heories which predict that you might have some costs from regulating capital flows actually don't bear any relation to reality as we experience it."

Examples of the harmful effects of unregulated money flows are numerous. "A classic example perhaps was Thailand in the 1990s," reports Coggan. "They had this huge bubble and boom. As money went into the economy, it all went into building new office blocks and other speculative property investments. And then all the money went out again. So it was as if you had this massive storm which went all through the sewers at one moment. A lot of stuff flowed out of the sewers as a result, not all of which … smelling very pleasant and Thailand went through a very deep recession after they were forced to devalue their currency in the late 1990s."

Chowla says, "I think the evidence has been that countries that have done this haven't experienced any drop in the kind of investment that they want. On the contrary actually, as you put in these kind of regulations, you make your economy more stable, you make things more predictable, you make your exchange rate more stable, and then investors actually have a better prospect for investing in the longer term.

"We should also remember that this is not the way it always is," he says. "This is not the natural state of affairs. In the past we actually had quite strict rules about where money could move and how. Originally, back in 1945, the IMF actually believed very strongly in using capital controls and they believe that for the first 30 years of their existence."

Examples of the benefits of regulating capital flows are also numerous. "Brazil … has implemented a financial transaction tax, otherwise known as a 'Robin Hood' tax," the New Economics Foundation's Lydia Prieg notes in the film. "And this is explicitly to try to penalize and thus reduce speculation. Other examples include countries like China, which have enjoyed extraordinary levels of growth recently. China has strict limitations on what non-residents can invest in with regards to shares and bonds. And then you've got countries like India which effectively banned foreign investment in Indian banks.

"Joseph Stiglitz … a Nobel Prize-winning economist and the former chief economist at the World Bank, did lots of studies into the Asian financial crisis," she continues. "And he found that countries that implemented capital controls … had much shorter and much shallower downturns than countries that didn't."

—Posted by Alexander Reed Kelly.

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