

November 10, 2008

Open Letter to World Leaders attending the November 15 White House Summit on
Financial Markets and the World Economy

Dear World Leaders:

The Winter of 2007-2008 will prove to be the winter of global economic discontent that marks the rejection of the flawed ideology that unregulated global financial markets mitigate risk by spreading it system wide and promoting financial innovation, market efficiency, unhampered growth and endless prosperity. For more than three decades mainstream neoliberal economists have preached, and regulators have accepted, the myth of the efficiency of unregulated markets, ignoring the critical lesson provided by John Maynard Keynes's analysis of interconnection of financial markets and the international payments system.

Those who do not learn the lessons of history are bound to repeat its tragedy. Neoliberal economists in the last three decades have denied the possibility of a replay of the worldwide destructiveness of the Great Depression that followed the collapse of the speculative bubble created by unfettered U.S. financial markets of the "Roaring Twenties". They fooled themselves into thinking that false prosperity built on debt could be sustainable with monetary indulgence. Now history is repeating itself, this time with a new, more lethal virus that has infested deregulated global financial markets with "innovative" debt securitization, structured finance and maverick banking operations flooded with excess liquidity released by accommodative central banks. A massive structure of phantom wealth was built on the quicksand of debt manipulation. This debt bubble finally imploded in July 2007 and is now threatening to bring down the entire global financial system to cause an economic meltdown unless enlightened political leadership adopts coordinated corrective measures on a global basis.

The US sub-prime mortgage problem that started in 2007 has developed predictably to a morass that has caused the abrupt failure of interconnected financial markets and threatened the viability of financial institutions worldwide as contagion spread at electronic speed via an antiquated, dysfunctional international payments system.

To arrest the global financial meltdown, much can be learned from Keynes's vision of how the international payments system should work to permit each country to promote a national full employment policy without having to fear balance of payments problems or to allow financial incidents in other countries to infect the domestic banking and non-bank financial systems.

Another Great Depression can be avoided if world leaders would reconsider John Maynard Keynes's analytical system that contributed the golden age of the first quarter century after World War II. The undersigned and others have long advocated a new international financial architecture based on an updated 21st century version of the

Keynes Plan originally proposed at Bretton Woods in 1944.

This new international financial architecture will aim to create (1) a new global monetary regime that operates without currency hegemony, (2) global trade relationships that support rather than retard domestic development and (3) a global economic environment that promotes incentives for each nation to promote full employment and rising wages for its labor force.

Cordialmente,

Paul Davidson
Professor Emeritus
Editor, *Journal of Post Keynesian Economics*

Henry C.K. Liu
Visiting Professor of Global Development,
Department of Economics,
University of Missouri-Kansas City

Irma Adelman
Professor in Graduate School
University of California at Berkeley

Olivier Allain
Associate Professor in Economics
Université Paris Descartes
France

Philip Arestis
Director of Research
University of Cambridge, UK

Dr. George Argitis
Senior Lecturer
Dept. of Economics
University of Athens

Angel Asensio
University Paris 13
Member of the ADEK and PKSG

H. Sonmez Atesoglu
Professor of Economics
School of Business, Clarkson University
Potsdam, NY

Rainer Bartel
Associate Professor of Economics
Johannes Kepler University
Linz, Austria

Renaud Bellais, Ph.D.
Associate Professor in Economics
French Army Academy (Saint Cyr)
Manager for European Defence and Security Affairs
Institutional Relations, EADS ASTRIUM
Paris

Janine Berg
Senior Labour Economist
International Labour Office
Brasilia, Brazil

Dr Dirk Bezemer
University of Groningen
The Netherlands

Dr. Wolfgang Blaas
Associate Professor
Department of Spatial Development, Infrastructure and Environmental Planning
Centre of Public Finance and Infrastructure Policy
Vienna University of Technology

W. Robert Brazelton.
Professor-Emeritus/Economics
University of Missouri-Kansas City

Luiz Carlos Bresser-Pereira
Professor Emérito da Fundação Getúlio Vargas

Christopher Brown
Professor of Economics
Arkansas State University

Paul D. Bush
Professor Emeritus of Economics
California State University, Fresno

Fernando J. Cardim de Carvalho
Professor of Economics
Institute of Economics,
Federal University of Rio de Janeiro, Brazil

Àngels Martínez i Castells
Economist.
Former professor of Barcelona University

Massimo Cingolani
Directorate for Operations in the European Union and Candidate Countries
European Investment Bank
Luxembourg

Laurent Cordonnier
Assistant Professor
Faculty of economics and social sciences
Lille 1 University
France

Eugenia Correa
Posgrado de Economía
Universidad Nacional Autónoma de México

Dr. James M. Cypher
Researcher-Professor, Economics
Doctorate in Development Studies
Universidad Autonoma de Zacatecas,
Zacatecas, Mexico

Georgios Daremas
Senior Lecturer
Dept of Communication and Media,
University of Indianapolis, Athens-campus.

Sheila C. Dow
Professor
Department of Economics
University of Stirling
Scotland, UK

Miguel Angel Duran.
Lecturer in Economic Theory
University of Malaga, Spain

Luca Fantacci
Assistant Professor
Department of Institutional Analysis and Public Management
Bocconi University
Milano, Italy

Carmem Feijo
Associated professor
Fluminense Federal University in Rio de Janeiro, and
Executive Secretary
National Association of Postgraduates Programs in Economics.

Marica Frangakis
Member of the Board of the Nicos Poulantzas Institute
Athens, Greece

Jorge GARCIA-ARIAS
Associate Professor of Economics
Department of Economics
University of Leon, Spain

Anna M^a Garriga
economist
Barcelona, Spain

Marilena Giannetti
Department of Public Economics
University of Rome "La Sapienza"
Italy

Alicia Girón
Instituto de Investigaciones Económicas
Universidad Nacional Autónoma de México

Claude Gnos
Associate Professor
Université de Bourgogne and Cemf
France

Ian Gough AcSS
Professor of Social Policy
University of Bath
UK

Eric R. Hake
Assistant Professor
Eastern Washington University

韩德强 (Han Deqiang)
副研究员 (Associate Research Fellow)

北京航空航天大学经济管理学院 (Beijing University of Aeronautics)

Geoff Harcourt
Professor Emeritus
Reader in the history of Economic Theory
Cambridge University
Distinguished Fellow of the History of Economics Society
Visiting Professor Fellow, University of New South Wales.

John T. Harvey
Professor of Economics
Texas Christian University

Baban Hasnat
Professor
Dept. of Business Administration & Economics
The College at Brockport
State University of New York

Geoffrey M. Hodgson
Professor of Economics
University of Hertfordshire
Hatfield, UK

Jörg Huffschnid
Professor of economic policy and political economy
University of Bremen, Germany

Edwin le Heron
Sciences Po Bordeaux
France

Bo Jonsson
Retired economist from the Swedish LO and the ITUC (formerly ICFTU)
Member of the administrative board of the European Institute for Asian Studies
Brussels, Belgium

Tadeusz Kowalik
Professor of Economics and Humanities
Polish Academy of Sciences
Warsaw, Poland

Dany Lang
Maître de Conférences at the University of Paris

Lena Lavinas

Assistant Professor of Welfare Economics
Institute of Economics at the Federal University of Rio de Janeiro
Brazil

Frederic S. Lee
Professor
Department of Economics
University of Missouri-Kansas City

Hoesung Lee
Professor of Economics
College of Environment
Keimyung University
Daegu, Korea

Noemi Levy-Orlik
Professor
Economic Department
National Autonomous University of Mexico (UNAM)

李昌平 (Li, Chang-ping)
河北大学中国乡村建设研究中心主任 (Hebei University-China Village Construction
Research Center Director)

Henry van Maasakker
Economist.
Euromemorandumgroup
The Netherlands

Ricardo Paes Mamede
Professor of Economics at ISCTE
Lisbon University Institute

Wesley Colin Marshall
Professor of Economics
Universidad Nacional Autonoma de Mexico

Brent McClintock
Associate Professor of Economics
Department of Economics
Carthage College
Kenosha, Wisconsin

John McCombie
Director, Cambridge Centre for Economic and Public Policy
Department of Land Economy

University of Cambridge, UK

Sergio Cabrera Morales
Economics Faculty
Universidad Nacional Autónoma de México

Tracy Mott
Associate Professor
Dept. of Economics
University of Denver

Antonio Carlos Macedo e Silva
Instituto de Economia - UNICAMP
Campinas (SP)

Alcino Ferreira Camara Neto
Dean of Law and Economics
Federal University of Rio de Janeiro
Brazil

Paulette Olson
Professor
Department of Economics
Wright State University
Dayton, Ohio

Ozlem Onaran
Associate Professor
Vienna University of Economics
Austria

Walter O. Ötsch
Head of the Centre for Social and Cross-cultural Competency
Johannes Kepler Universität
Linz, Austria

Athanasios G. Papaioannou
Professor
University of Thessaly
Greece

Jørgen Lindgaard Pedersen
Associate Professor
Technical University of Denmark

Maria Cristina Penido de Freitas
Brazilian Economist,

Ph. D. on Economics by University Paris

Wolfgang Polt
Head of Vienna Office of Joanneum Research
Institute for Technology and Regional Policy
Vienna

Daniela Magalhães Prates
Professor of the Economy Institute of University of Campinas
Alcino F. Camara Neto
Professor and Dean
Federal University of Rio de Janeiro
Brazil

Clyde Prestowitz
President
The Economic Strategy Institute
Washington D.C.

Dr. Werner Raza
Austrian Chamber of Labor and
Vienna University of Economics and Business Administration
Austria

Colin L. Richardson
Internet Economist
William Penney Laboratory
Imperial College, London

Louis-Philippe Rochon
Associate Professor
Laurentian University
Canada

Jacqueline Runje
PRESOM Coordination Assistant
University of Dortmund
Faculty of Spatial Planning
IRPUD Institute of Spatial Planning
Germany

Zdzislaw L. Sadowski
Professor of Development Economics
University of Warsaw
Poland

Irma Erendira Sandoval
Social Science Research Institute
Universidad Nacional Autónoma de México

Prof. Dr. Thomas Sauer
Professor für Volkswirtschaftslehre - of Economics
FB Betriebswirtschaft - Dep. of Business Administration
Fachhochschule Jena - University of Applied Sciences
Jena, Germany

Ingo Schmidt
Labour Studies
Athabasca University
Canada

Prof. Dr. herbert Schui
Former professor of economics
University for Economics and Policy
Hamburg, Germany
M.P. at the Deutscher Bundestag
Parliamentary Group DIE LINKE Economic Spokesman

Mario Seccareccia
Professor of Economics, University of Ottawa, Canada
Editor, International Journal of Political Economy

Mark Setterfield
Professor of Economics
Trinity College, CT USA

Anwar Shaikh
Professor of Economics
Department of Economics, Graduate Faculty
New School for Social Research

Catherine SIFAKIS,
assistant professor of Economics
University P. Mendès France of Grenoble
France

Jeffrey Sommers
Visiting Professor
Stockholm School of Economics in Riga

Dr. Engelbert Stockhammer
Dept of Economics
Vienna University of Economics and Business

Vienna, Austria

Dr. Servaas Storm
Dept of Economics,
faculty TPM, Delft University of Technology
The Netherlands

James I. Sturgeon
Professor of Economics & Economics Department Chair
University of Missouri-Kansas City

Senator Eduardo Matarazzo Suplicy (PT-SP)
Brazil

Prof. Dr. Claus Thomasberger
Faculty of Economics
University of Applied Sciences
Berlin, Germany

Éric Tymoigne
Assistant Professor
Department of Economics
California State University, Fresno

Cathleen Whiting
Associate Professor of Economics
Willamette University

Gregorio Vidal
Department of Economics, Posgraduate Programme
Universidad Autónoma Metropolitana
Mexico

Roderich Wahsner
Professor Emeritus of Labor Law
University of Bremen
Germany

L. Randall Wray
Research Director
Center for Full Employment and Price Stability
Department of Economics
University of Missouri-Kansas City
Senior Scholar
Levy Economics Institute

dr.Emiel F.M. Wubben
Wageningen University & Researchcenter
Business Administration/ Management Studies Group/ Bedrijfskunde
Social Sciences Group
Wageningen, The Netherlands

Haibo Yan
Associate professor
Postdoctoral Mobile Research Station
Institute of Economics
Chinese Academy of Social Sciences

Bin Yang
Associate Research Fellow
Institute of Industrial Economy
Chinese Academy of Social Sciences