



# International Political Causes and Consequences of the Economic Crisis

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# Overarching Theme

- Mismatch between global markets and national regulations
  - Difficulty of cooperation
  - Potential for reform



# International Causes

- Information problems
- Country differences
- Collective action/free rider problem



# Causes: Information

- Europe initially staying on the sidelines
  - Britain's rescue proposal
  - Germany's deposit guarantees
- Appropriate/acceptable remedies?



# Causes: Country Differences

- “None of the other six G-7 members will adopt a similar program to the U.S.”



# Causes: Free Rider Problem

- Who is going to foot the bill?
  - Targets of U.S. bailout plan
  - German hesitance about an EU plan



# International Consequences

- Geopolitical realignment
- Reform of global economic governance



# Consequences: Geopolitical

- U.S.–China redux
- Iceland and Russia
- Pakistan and China



# Consequences: Governance

- Reform of the IMF and the Bretton Woods system
- A new direction for global economic governance?