

IS IT POSSIBLE TO REGULATE INTERNATIONAL FINANCE? EVIDENCES FROM THE DEBATE ON THE EURODOLLAR MARKET IN BASEL, WASHINGTON AND PARIS.

ABSTRACT

The

Eurodollar market, which developed in London and other European financial centres in the late 1950s and early 1960s, is the progenitor of the modern financial system.

Despite its steady growth during the 1960s, the Eurodollar market remained under the radar of national and international monetary authorities until the end of the decade. By that time this offshore and unregulated market became a major issue of concern for some Western countries, worried of possible unwelcome capital flows and imported inflationary pressures. Other countries, on the contrary, saw in the unfettered expansion of the Eurodollar market a modern and efficient way to transfer capital on a global scale.

The debate between the ‘Controllers’ and the ‘Free-Marketeers’ was articulated within several International Organisations (IOs), particularly the Bank for International Settlements (BIS), the International Monetary Fund (IMF) and the Organisation for Economic Co-Operation and Development (OECD). The possible regulation of the Eurodollar market was the first debate about the regulation of finance at a continental level.

This paper will seek to study the interactions both between national institutions and between International Organisations in order to provide some fresh insights into the process of transnational bargaining and to understand how the issue of the Eurodollar regulation was tackled, who were the ‘Controllers’ and the ‘Free-Marketeers’ and which were the outcomes.

This study could prove particularly interesting to historicise the present-day debate on possible European measures to regulate international financial flows and institutions.

The first section of our paper will introduce the post-war ‘embedded liberalist’ order and illustrate how things started to change with the appearance of the Eurodollar market. The second section will deal with the debate between ‘controllers’ and ‘free-marketeers’ on the regulation of this offshore market. The third section will show how the oil shock of 1973 shifted the priorities of the regulators. Section four will introduce some comparisons with modern-day Europe and conclude.

This article will rely on a wide range of primary sources such as the IMF, the BIS, the OECD and the Bank of England (BoE). Understanding how national and international actors dealt with the regulation of the Eurodollar market shall provide us with new analytical tools to understand the present challenges to the regulation of finance.