TO THE EDITOR

The SARS story

Congratulations on a first-rate global governance issue (December 2007). In “Governing Global Health,” David Bloom highlights the experience with severe acute respiratory syndrome (SARS) and reports how “concerted action . . . quickly brought it under control,” and “agencies put aside their competing interests and coordinated their efforts through the rapid establishment of global epidemiological, clinical, and laboratory networks.” This is true, but it necessarily misses out on detail.

There is a difference between establishing networks and having them actually work. While there was an early sharing of SARS experience and concerted action, only the laboratory network worked optimally, immediately sharing specimens and so discovering the cause of SARS and establishing essential tests. In the epidemiological and climate field, good networks were formed. But the World Health Organization’s (WHO) global epidemiological data set was never adequately populated, and the clinical network found it hard to develop a consensus on treatment and could not agree on trials. It was the early sharing of experience by the affected centers under the WHO’s leadership as to how the virus was spreading and what control methods worked that was most important—along with the happy coincidence that SARS was controllable by rigorously applying traditional public health and infection control methods.

Will the world do better with the next SARS and the coming pandemic? Fortunately, the new International Health Regulations provide an agreed legal basis for this kind of work, and many more countries have established emergency procedures and centers. But at least one country has refused to share human bird flu specimens. Also, with international and national players now more involved than in 2003, the technical systems are inevitably more political.

If this means that specimens, data, or experience will not be shared because of political considerations, the outcome could be crippling.

As Fe-D documents, the number of global health players is growing and includes the “Health 8”: the Gates Foundation, the GAVI Alliance, the Global Fund, UNAIDS, UNFPA, UNICEF, the World Bank, and the WHO. But to whom are they accountable? Any global governance reform should presumably include an effective global body that determines overall health policies and in which nation-states have a say. The obvious body is the World Health Assembly, which comprises almost every country in the world, but currently oversees only the WHO’s work. Surely the World Health Assembly in its present or a reformed state should take on a broader governance role for all of the “Health 8.”

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Failed “scheme”

The question posed to Joe Cerrell, Helene Gayle and J. Stephen Morrison, and Tore Godal, “Is the Global Health System Broken?” (December 2007), assumes that a “system” exists. At best, the current global health delivery efforts can be labeled a sporadic, chaotic, and inadequate scheme. A scheme can’t be broken . . . but it can fail. And this one does, costing millions of lives—mostly those of children—a year.

It is admirable that these four prestigious minds are admitting early on that we are off track for meeting the Millennium Development Goals (MDGs) that are centered on health, but none offered a fail-safe way to generate adequate resources in time to achieve the targeted goals. The most hopeful sign is that these and other global experts now see achieving global health goals as a national security priority.

All the MDGs are measurable, affordable, and achievable by 2015 if the financial means are made available. In this regard, political will is far more important than market forces. Urgent, vital health needs for poor people do not, by themselves, lead to rapid or adequate supply—not even in the wealthiest nations (see Hurricane Katrina response). Market forces can improve overall prosperity for most, but millions will still die from easily preventable problems when affordable cures or means of prevention exist. The current cost of oral rehydration therapy (the medical breakthrough of the century, according to The Lancet in 1977) is still virtually pennies per treatment, yet nearly a million children a year still die from treatable dehydration.

What the world needs is a truly global health system—a global network of community-based health care centers that are adequately staffed, trained, equipped, and funded to rapidly and effectively prevent, detect, or respond to any lethal or unusual health threat. The technology, resources, and know-how exist today. All that is missing is the political will and the wisdom to admit we don’t have a global health system or an adequate financing system, but urgently need both.

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Lax regulation in subprime crisis

Thank you for your excellent and clear explanation of the subprime mortgage problem (“Subprime: Tentacles of a Crisis,” December 2007). It sorted out many questions I had.

However, there were some matters related to this crisis that I wish Randall Dodd had included in his analysis, such as the government failure of lax regulation and corruption at Fannie Mae. It would be interesting to examine the impact of the “trend fallacy”—namely, assuming the favorable upward trend in housing prices would continue indefinitely—that dominated thinking in the five years or so prior to the start of the crisis and the fact (as I have been informed) that about 40 percent of the houses built were “speculative investments” rather than homes built for specific buyers.

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As I listen to endless calls for federal government assistance, these issues are often not mentioned. Not doing so masks some of the problems that contributed to the crisis.

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The author responds:
Space constraints prevented me from addressing all aspects of the financial crisis in the article, and they again limit my reply to Professor Angresano. I will focus on the role of lax regulation—the most important of his concerns. There are indeed gaps in the regulation of the U.S. mortgage market. Borrowers are protected by federal laws covering truth-in-lending, discrimination, and predatory lending.

Mortgage underwriting standards, however, are largely a matter of industry practice. The standard for “prime” mortgages comes from that for “conforming” mortgages set by Fannie Mae back when it was a government-owned corporation, but that standard was not prescribed by regulation. Rather, Fannie Mae created incentives to “conform” to that standard. The subprime lending occurred outside Fannie and Freddie’s market for conforming mortgages. It grew with the rise of “private label” mortgage-backed securities and collateralized debt obligations issued by major Wall Street firms. Securities laws governed the disclosure and trading of these securities, but did not restrict their contents. Some financial supervisors of these institutions openly supported these developments.

The Dallas Federal Reserve Bank published a report entitled “Credit for Subprime Debt Is Overdue,” Alan Greenspan recommended greater use of adjustable-rate mortgages as recently as February 2004, and the Federal Deposit Insurance Corporation published a report that also supported more adjustable-rate mortgage borrowing.

Oil trade and the WTO
Uri Dadush and Julia Nielson’s “Governing Global Trade” (December 2007) provides a valuable account of most of the key issues facing the multilateral trading system. However, I find it disappointing that the authors failed to discuss the desirability of bringing the governance of international oil trade within the scope of the World Trade Organization (WTO). There is no doubt that, de jure, petroleum falls within WTO jurisdiction, as it fell under the General Agreement on Tariffs and Trade (GATT). De facto, however, the supply quotas that members of the Organization of the Petroleum Exporting Countries (OPEC) impose to raise prices have never been challenged under WTO rules. Nor have the liberalization commitments negotiated by OPEC countries acceding to the WTO apparently ever covered such quotas, most notably in the recent case of Saudi Arabia.

The international community’s failure to exert its authority in this area legitimizes OPEC’s activity as a cartel dedicated mainly to restricting supply to raise crude oil prices. This kind of deliberate—and frequently effective—behavior seems to be in blatant conflict with a system of liberal multilateral trade. From a practical standpoint, it has almost certainly raised the average level of crude oil prices over time: OPEC supply cuts have constrained price declines in periods of weak demand, with no compensating reduction of price increases in periods of strong demand. If liberal, competitive forces are to be the norm in manufacturing, services, and agriculture, surely the crude oil trade should be subject to comparable rules—unless an explicit exemption is enacted in the WTO.

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