A New Multilateralism for Shared Prosperity

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Multilateralism for Shared Prosperity

- 40-75-10 ... three birthdays and a (big) question ...

- From «greed is good» «governments are the problem» and «there is no alternative» to ... leave no one behind; public private partnerships; inclusive finance; doing well by doing good; corporate social responsibility; rules-based liberal economic order; etc

- Bad cop/good cop routine of neo-liberalism ... never just a state-market dichotomy; making the world safe for mobile capital ... we are all (economic) globalists now ...
  
  “Thanks to globalisation, policy decisions in the US have been largely replaced by global market forces ... it hardly makes any difference who will be the next president.”

  “I hear people say we have to stop and debate globalisation. You might as well debate whether autumn should follow summer. In the era of rapid globalisation, there is no mystery about what works – an open liberal economy, prepared constantly to change to remain competitive. The new world rewards those who are open to it. Foreign investment improves our economy.”
From globalisation to hyperglobalisation is not just a matter of translating market-friendly ideas into market-friendly policies … its political economy for a reason!!

- Financialization/big banks (and shadow banks)/highly mobile capital …
- Corporate power and rent seeking (and fraud) …

Promised a great moderation, a great convergence, a great trickle down, etc

Reality is a triple crisis which is hard-wired into the rules of this hyperglobalized world

- Fragile economy … instability, indebtedness and insecurity, inequality (and polarisation).
- Fragile environment … a heating world (but much more extensive environmental damage)
- Fragile politics … Trump, Brexit etc are «morbid symptoms» … breakdown of trust

These are interlinked by rules that are «extractive» and deeply unjust .. and reinforced by a «medici vicious circle»
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- The GFC should have spelt an end to this model … Sarkozy and Brown promised that 10 years ago at London G20 … instead we saved the banks and got back to BaU…
- If the rules of the game aren’t working for most people and the planet … we need to «restor(e) faith in the wisdom and power of government» (Keynes) but that isn’t enough
- need to change the rules if we want to see inclusive and sustainable outcomes …
- Life begins at 40? There isn’t a neo-liberal solution to these problems and certainly can’t ask those who have rigged the game to start playing nice!
- Can’t solve these problems one country at a time or tinker our way to a better future …
- Back to Bretton Woods? 75th anniversary ..
- A different narrative and a break with business as usual … a global green new deal
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- A productive economy built around **full and decent employment** at liveable wages, for all countries

- A **just society** that targets closing socio-economic gaps, within and across generations, nations, households, race and gender

- A **caring community** that protects vulnerable populations and promotes economic rights

- A **participatory politics** that defeats policy capture by narrow interest groups and extends the democratic principle to economic decision making

- A **sustainable future** based on the mobilization of resources and policies to decarbonize growth and recover environmental health in all its dimensions

- Original new deal ... relief, recovery, regulation, redistribution

- Green new deal (AOC etc)

  - end austerity and boost demand; active mix of fiscal and monetary policies, public employment schemes, jobs guarantee

  - Significant **public investment** in clean transport energy and sustainable food production but also social and physical infrastructure for local communities

  - green **industrial policy**; new generation of intellectual property and licensing rules

  - **Raising wages** in line with productivity; secure and protected right organize, tackling informal and precarious work contracts), active labor market measures; progressive tax structure

  - **Regulating private capital** flows; curtailing restrictive business and predatory financial practices
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- A global green new deal?
  - Shared norms and rules; a **global compact** for social and economic stability, shared prosperity, and environmental sustainability
  - A multilateral system built on **common but differentiated responsibilities** for global public goods and the global commons
  - The right of states to **policy space** to pursue national development strategies should be enshrined in global rules
  - **Global regulations** to prevent destructive unilateral economic actions by states and predatory actions by corporations that prevent other nations from realizing common goals
  - Global public institutions accountable to their full membership, open to a diversity of viewpoints, cognizant of new voices; **resource mobilisation** with **balanced dispute resolution** systems
# Multilateralism for Shared Prosperity

<table>
<thead>
<tr>
<th>Instrument</th>
<th>Treaty Violation</th>
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<tbody>
<tr>
<td>Raise tariffs on all fossil fuels, lower them on clean tech</td>
<td>Goods, Services,</td>
</tr>
<tr>
<td>Ban FDI in fossil fuels (encourage green FDI)</td>
<td>Services, Investment</td>
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<tr>
<td>Require N-S clean technology transfer</td>
<td>TRIPS, Investment</td>
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<td>Subsidize clean energy and sustainable infrastructure</td>
<td>Subsidies, NT</td>
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<tr>
<td>Decommission existing coal and fossil fuel plants</td>
<td>Investment(F&amp;ET, expropriation)</td>
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<tr>
<td>Steer financial flows toward sustainable investment</td>
<td>Services, Investment</td>
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<tr>
<td>Job guarantees</td>
<td>Yes</td>
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<tr>
<td>Universal Health Care</td>
<td>TRIPS</td>
</tr>
<tr>
<td>Education and training</td>
<td>Yes</td>
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<tr>
<td>Open state-to-state dispute resolution</td>
<td>2000+FTAs and BITs</td>
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Money and technology
- Multiple currencies
- Coordinated capital controls (for stability and resource mobilization)
- Debt relief and restructuring
- Clamp down on corporate tax avoidance, starting with shutting down the world's tax havens.
- A green Marshall Plan
- A digital cooperation agenda around publicly managed data

Development finance
- Reform WB and MDBs including scaling up and coordination in support of public infrastructure
- Use SDRs for climate financing
- Carbon pricing
- Adjustment and just transition finance (A Global Climate Bank)
- Climate stress testing central bank balance sheets
Figure 2: Breaking the Social Contract: Labor Share of Income Plummet

Functional income distribution and government expenditure (percent of GDP)

- Labor income share (left-axis)
- Government expenditure (right-axis)

Source: Izurieta, Kohler and Pizarro 2018.7
Figure 7: Locking in Neo-Liberalism

Number of country pairs per treaty at each point in time
- Developed with developed economies
- Developing with developing economies
- Developed with developing economies

Bilateral investment treaties
Free trade agreements

Source: FTA data: De Souza 2015; BIT data: UNCTAD 2017.
Figure 1: Financialization Takes Over, Investment Stalls

**Developed economies (percent of GDP)**
- Orange line: Total External Assets and Liabilities (left-axis)
- Gray line: Gross Fixed Capital Formation (right-axis)

**Developing and transition economies (percent of GDP)**
- Orange line: Total External Assets and Liabilities (left-axis)
- Gray line: Gross Fixed Capital Formation (right-axis)

Source: Izurieta, Kohler and Pizarro 2018.5
Figure 6: The Crocodile Graph: Superstar Predators

Top 2,000 transnational corporations' profit and the global labor income share, 1995–2015 (percentage point change in GDP)

Source: UNCTAD 2017.16
Figure 5: Financial Black Holes

Income of the United States on direct investment abroad, selected countries, 2000-2018 (billions of dollars)

Selected offshore financial centers
- Switzerland
- Bermuda
- Ireland
- Netherlands
- Luxembourg

Other economies
- Japan
- China
- Germany

Source: Setser and Frank 2018 (based on United States Bureau of Economic Analysis).¹⁵
Note: Data correspond to the four-quarter trailing sum.
Figure 3: Capital Surges and Slumps

Capital flows to emerging economies, 1980-2013 (percent of GDP)

Source: UNCTADSTAT 2013.
Figure 4: The Global Debt Explosion

Private and public global debt, 1950–2016 (percent of GDP)

- **Private debt**
- **Public debt** (Country averages as a share of GDP)

Source: International Monetary Fund 2018.
Figure 8: Boom We Win, Bust You Loose

- • in the aftermath of financial crises
- • in the run up to financial crises

Source: UNCTAD secretariat calculations based on Valencia and Laeven 2012, GCIP 2016, and UNDESA GPM.20

Note: Changes are measured as the difference between the 3-year centered moving-average at t+6 and t+2, t being the year of the crisis.
Figure 10: The Elephant Curve of Global Inequality and Growth

Global income distribution and real income growth, 1980–2016

- Bottom 50% captured 12% of total growth
- Top 1% captured 27% of total growth
- Prosperity of the global 1%
- Rise of emerging countries
- Squeezed bottom 90% in the US and western Europe

Source: World Inequality Report 2018b.25

Figure 6: Productivity and wage index (G20 advanced economies)

- Real wage index (base year = 1999)
- Labour productivity index (base year = 1999)

Note: Labour productivity is defined as GDP per employed person and uses GDP in constant 2005 PPP$ for all countries. G20 advanced economies include: Australia, Canada, France, Germany, Italy, Japan, the Republic of Korea, the United Kingdom and the United States. Both indices are based on a weighted average of all the countries in the group that takes into account labour productivity and the size of paid employment.

Source: ILO staff estimation, using data from the ILO Global Employment Trends reports and the ILO Global Wage Database, revised and updated.
It’s Getting Warm in Here
Twenty of the warmest years on record were in the past 22 years.

GLOBAL SURFACE TEMPERATURE ANOMALIES
For land and ocean, annual average, 1880-2018*

*S2018 data shows average anomaly through November.

SOURCES: U.S. Global Change Research Program; NOAA

Figure 13: Carbon Inequalities

Richest 10% responsible for almost half of total lifestyle consumption emissions

Poorest 50% responsible for only around 10% of total lifestyle consumption emissions

Source: Gore 2015
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