

# A New Multilateralism for Shared Prosperity

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Global Development Policy Center

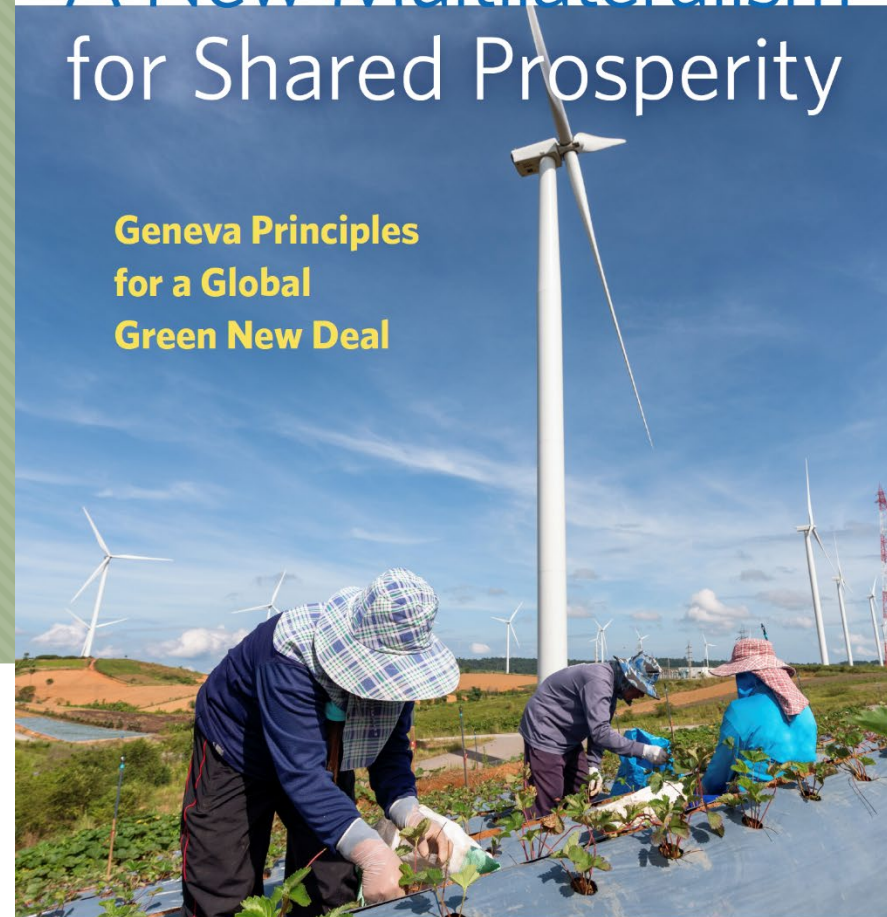


Global Development Policy Center



## A New Multilateralism for Shared Prosperity

Geneva Principles  
for a Global  
Green New Deal



Kevin P. Gallagher  
Richard Kozul-Wright

# 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.**”

# Multilateralism for Shared Prosperity

- From globalisation to hyperglobalisation is not just a matter of translating market-friendly ideas in to 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 in to 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»

# Multilateralism for Shared Prosperity

- 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

# Multilateralism for Shared Prosperity

- 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

# Multilateralism for Shared Prosperity

- 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

Instrument	Treaty Violation
Raise tariffs on all fossil fuels, lower them on clean tech	Goods, Services,
Ban FDI in fossil fuels (encourage green FDI)	Services, Investment
Require N-S clean technology transfer	TRIPS, Investment
Subsidize clean energy and sustainable infrastructure	Subsidies, NT
Decommission existing coal and fossil fuel plants	Investment (F&ET, expropriation)
Steer financial flows toward sustainable investment	Services, Investment
Job guarantees	Yes
Universal Health Care	TRIPS
Education and training	Yes
Open state-to-state dispute resolution	2000+FTAs and BITs

# Multilateralism for Shared Prosperity

## ○ Money and technology

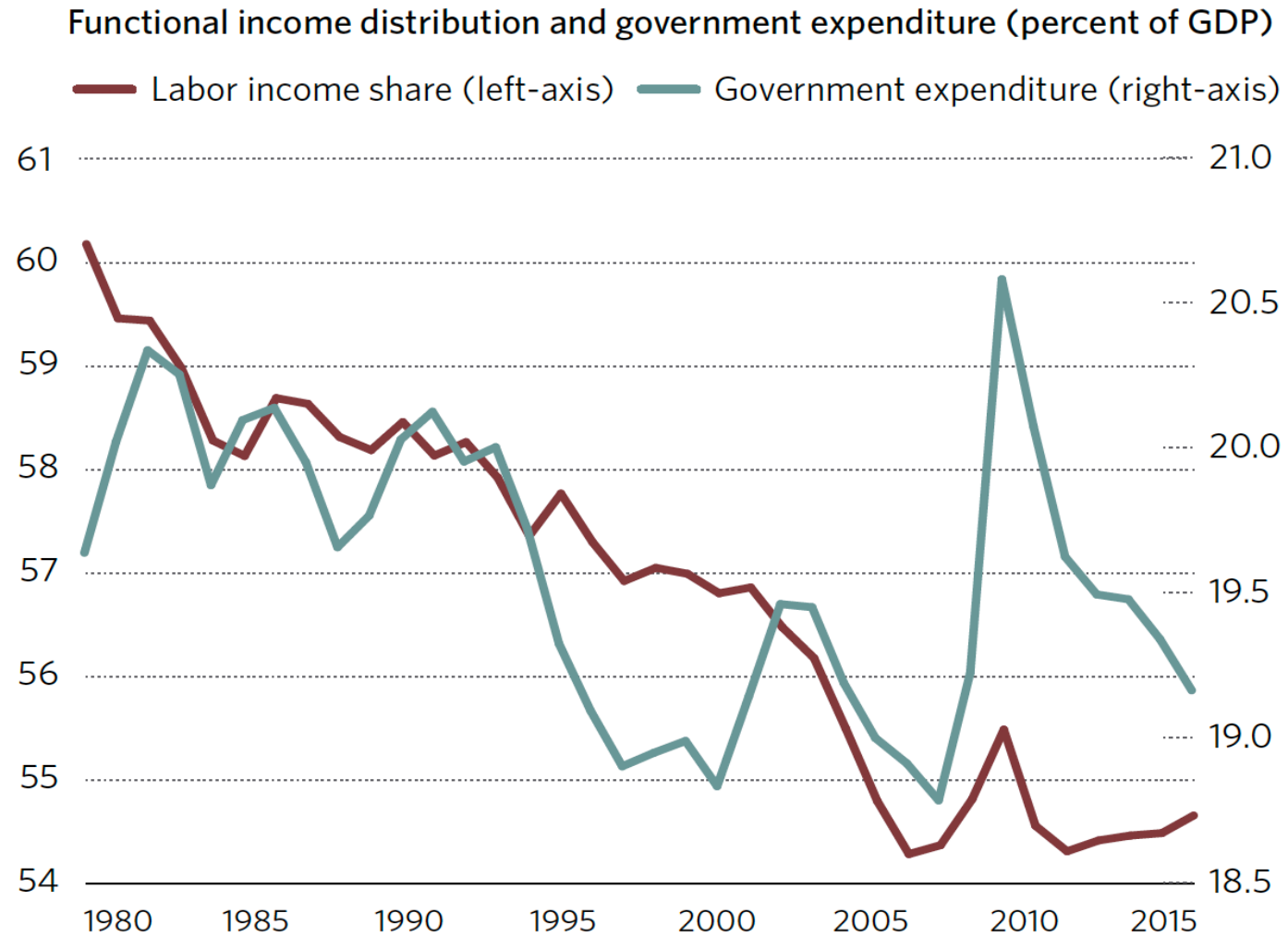
- Multiple currencies
- Coordinated capital controls (for stability and resource mobilization)
- Debt relief and restructuring
- Clamp down on corporate tax avoidance, starting with shutting down the world's tax havens.
- A green Marshall Plan
- A digital cooperation agenda around publicly managed data

## ○ 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 Plummets**

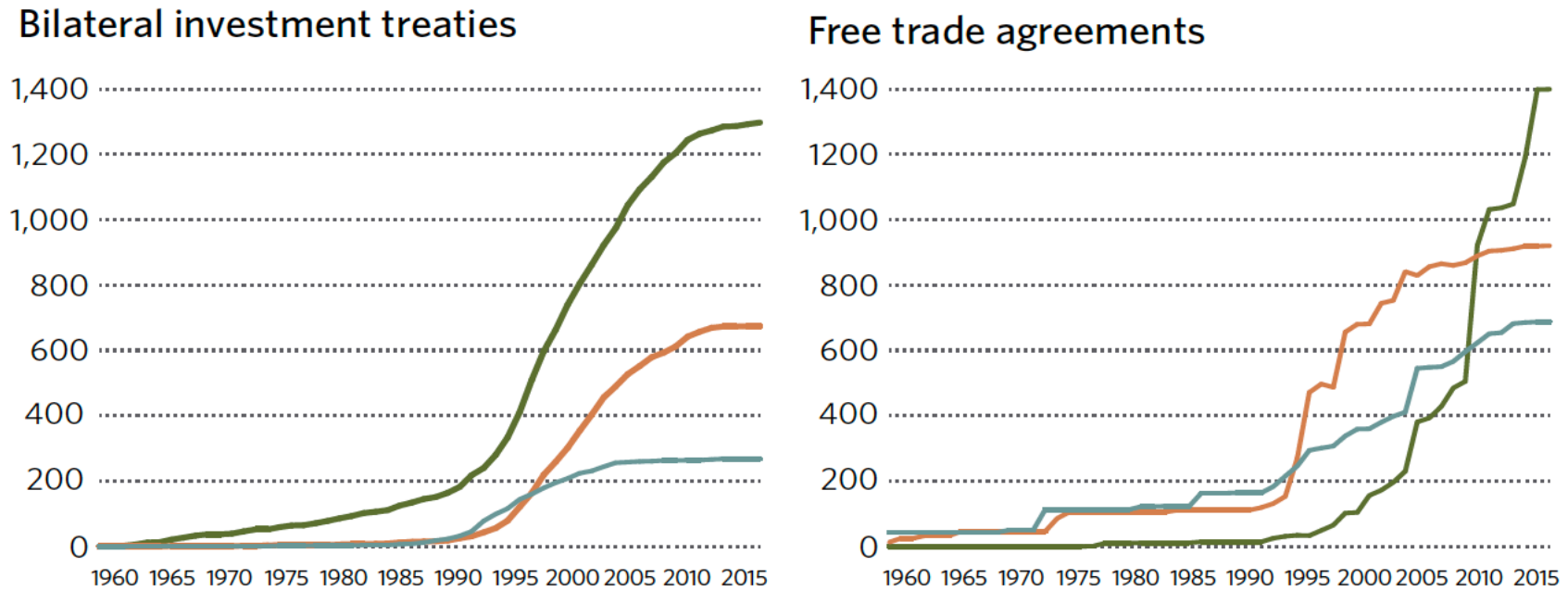


Source: Izurieta, Kohler and Pizarro 2018.<sup>7</sup>

**Figure 7: Locking in Neo-Liberalism**

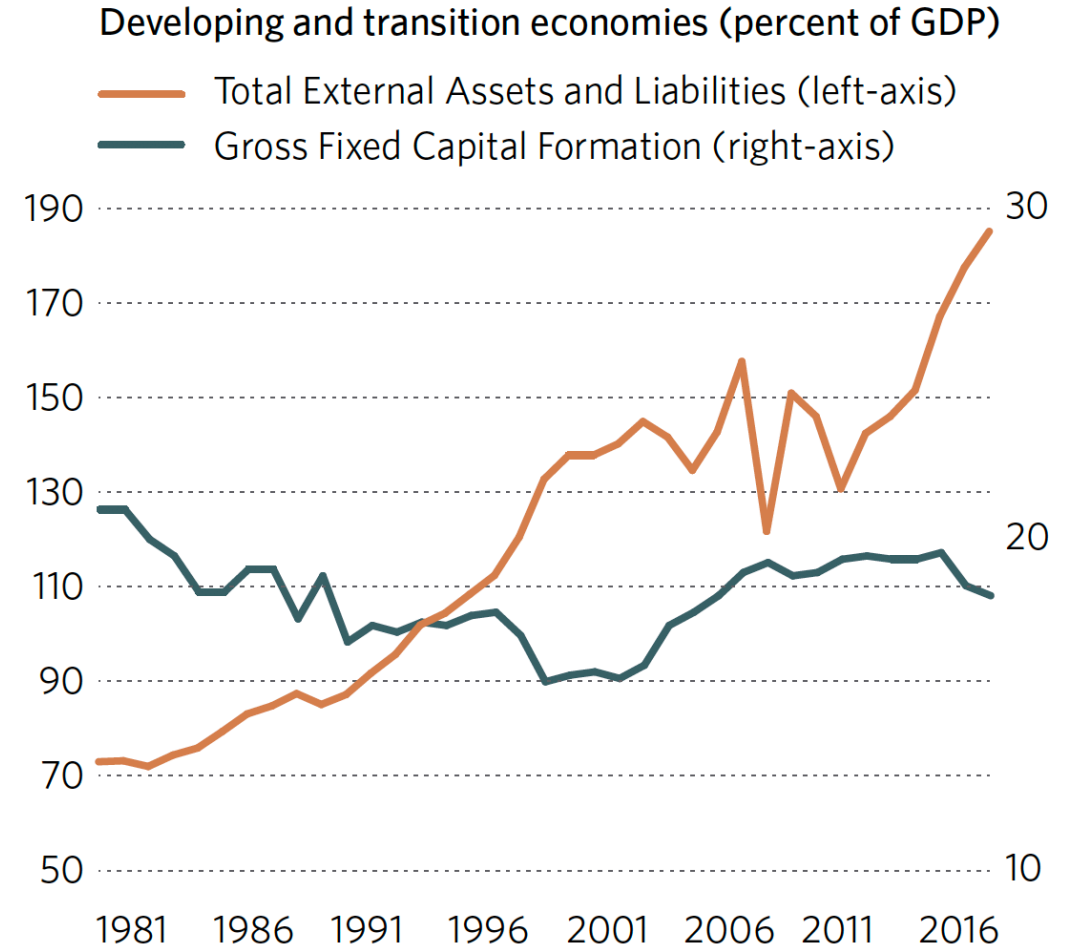
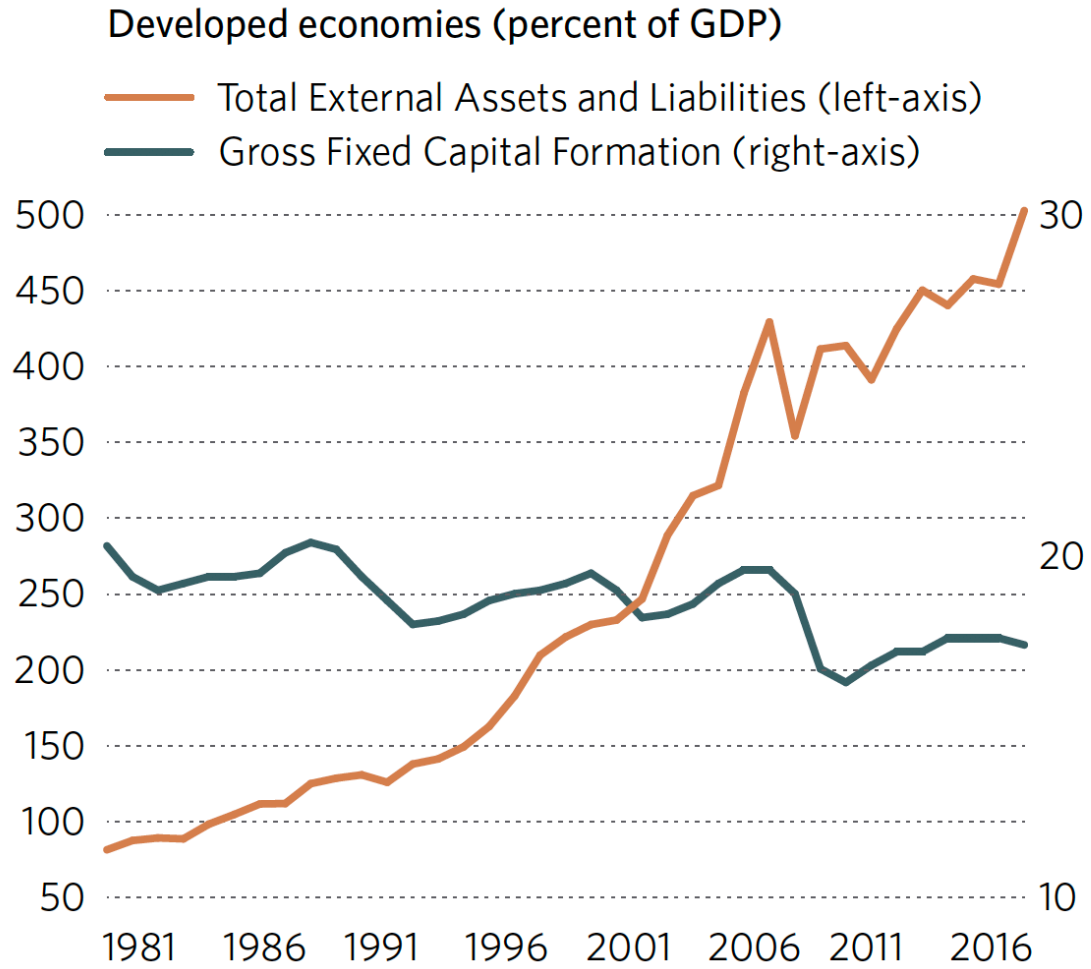
Number of country pairs per treaty at each point in time

— Developed with developed economies      — Developing with developing economies      — Developed with developing economies



Source: FTA data: De Souza 2015; BIT data: UNCTAD 2017.<sup>18</sup>

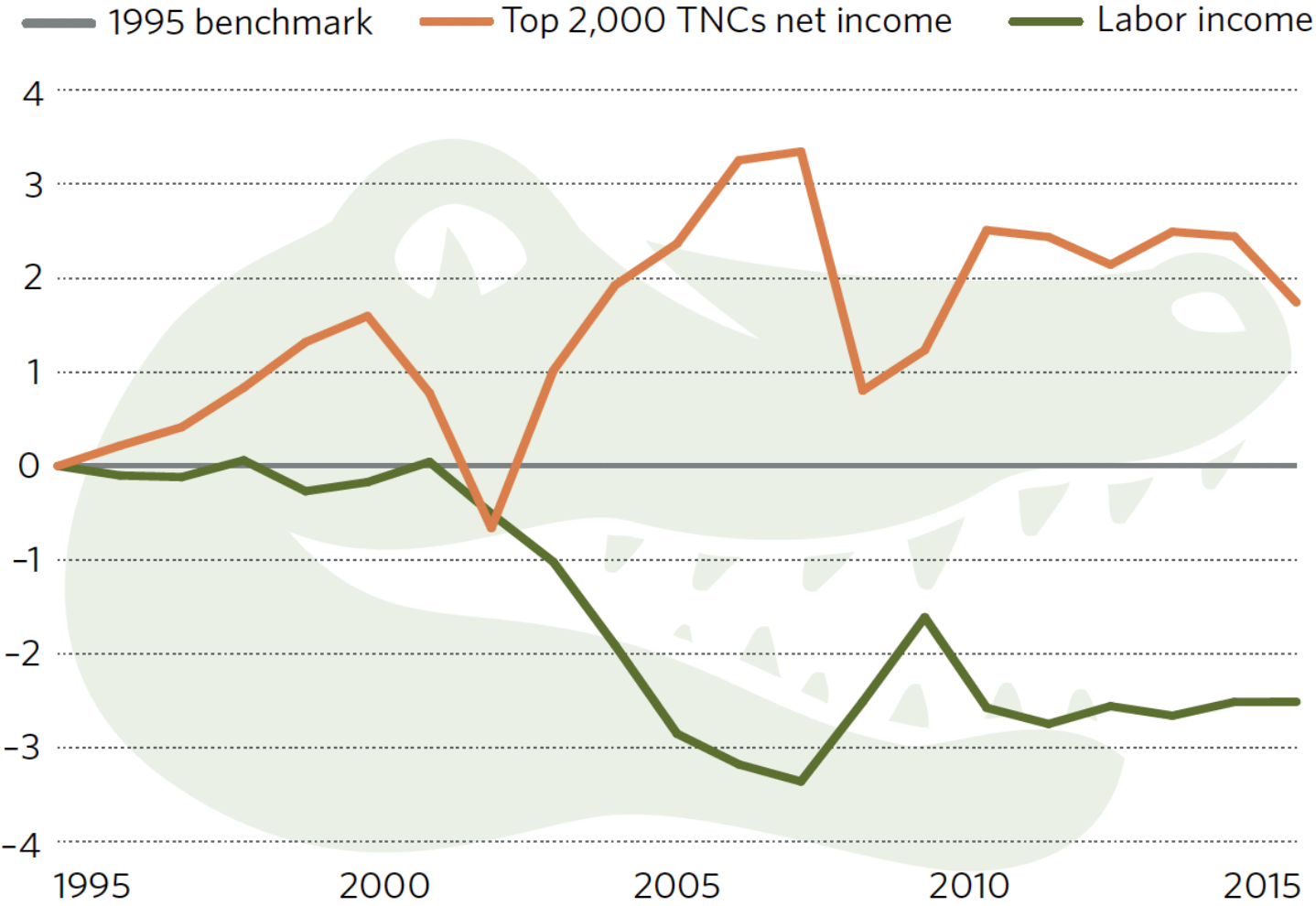
**Figure 1: Financialization Takes Over, Investment Stalls**



Source: Izurieta, Kohler and Pizarro 2018.<sup>5</sup>

### Figure 6: The Crocodile Graph: Superstar Predators

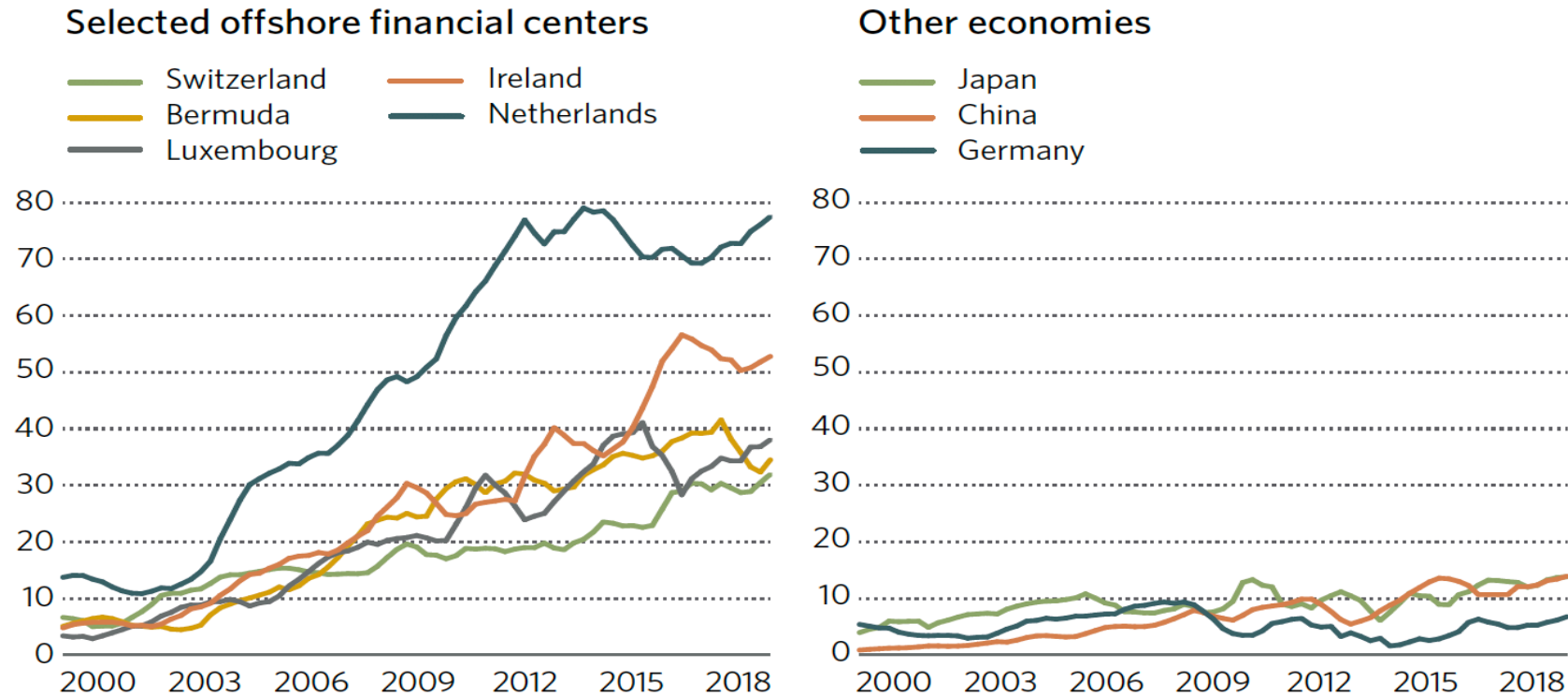
Top 2,000 transnational corporations' profit and the global labor income share, 1995-2015 (percentage point change in GDP)



Source: UNCTAD 2017.<sup>16</sup>

## Figure 5: Financial Black Holes

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

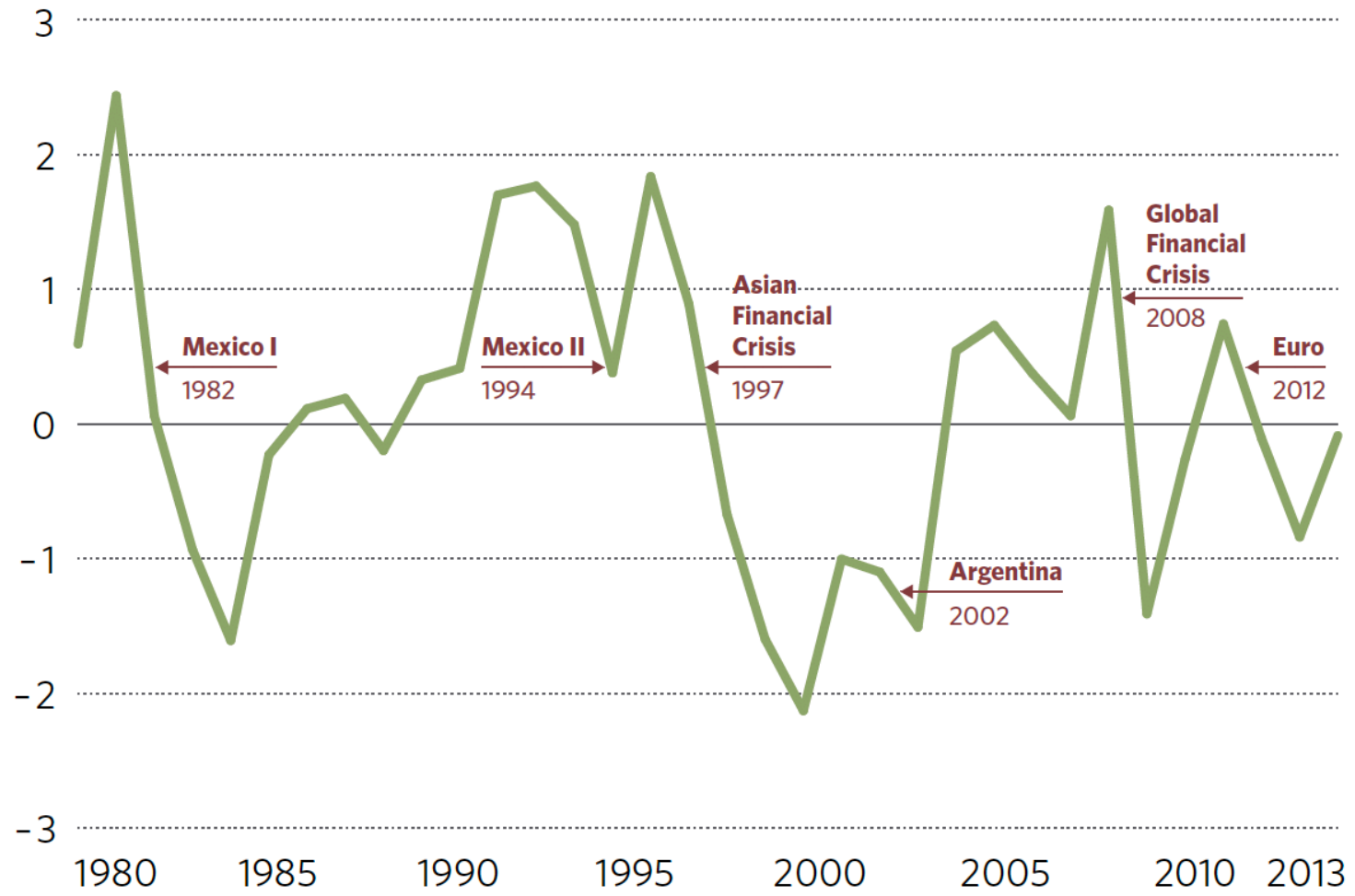


Source: Setser and Frank 2018 (based on United States Bureau of Economic Analysis).<sup>15</sup>

Note: Data correspond to the four-quarter trailing sum.

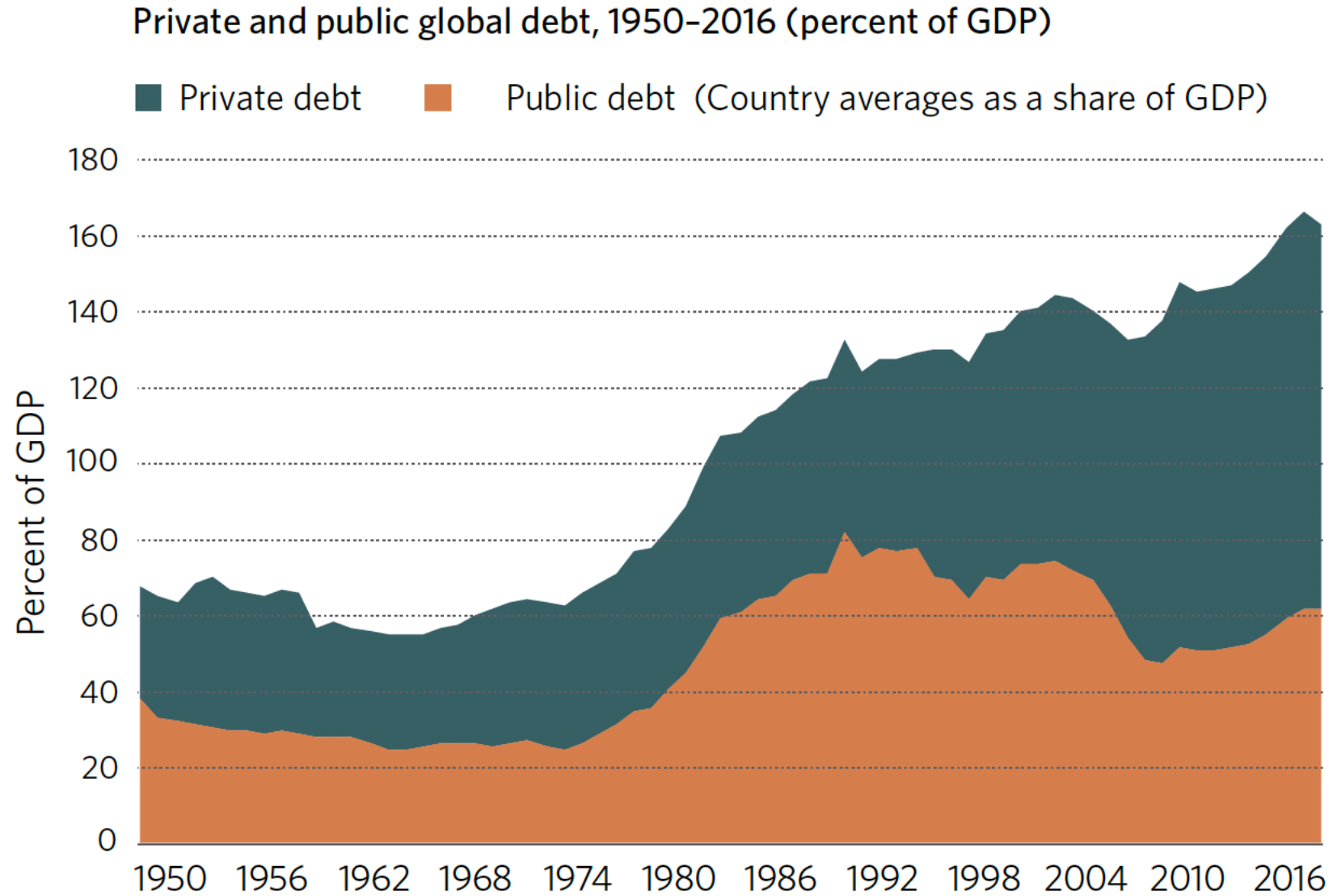
### Figure 3: Capital Surges and Slumps

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



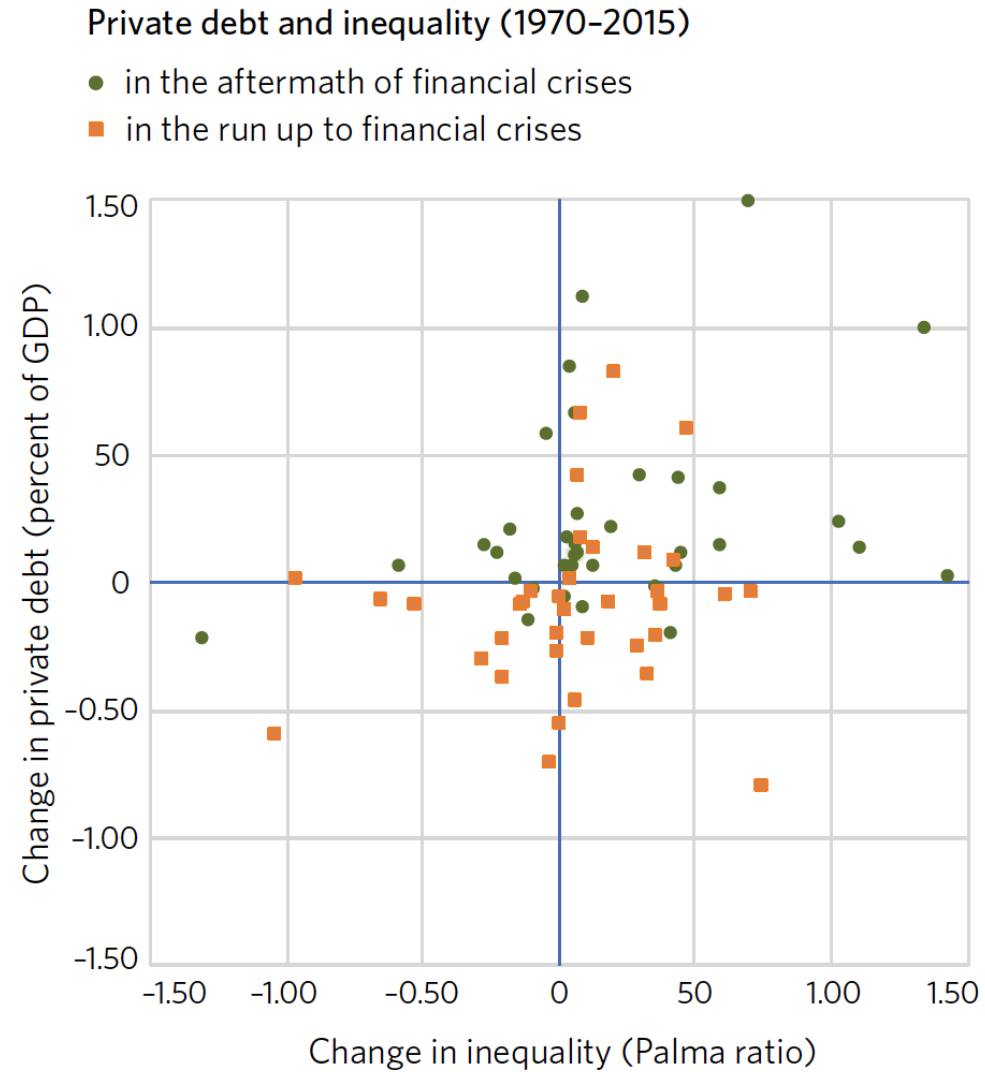
Source: UNCTADSTAT 2013.<sup>13</sup>

**Figure 4: The Global Debt Explosion**



Source: International Monetary Fund 2018.<sup>14</sup>

**Figure 8: Boom We Win, Bust You Lose**

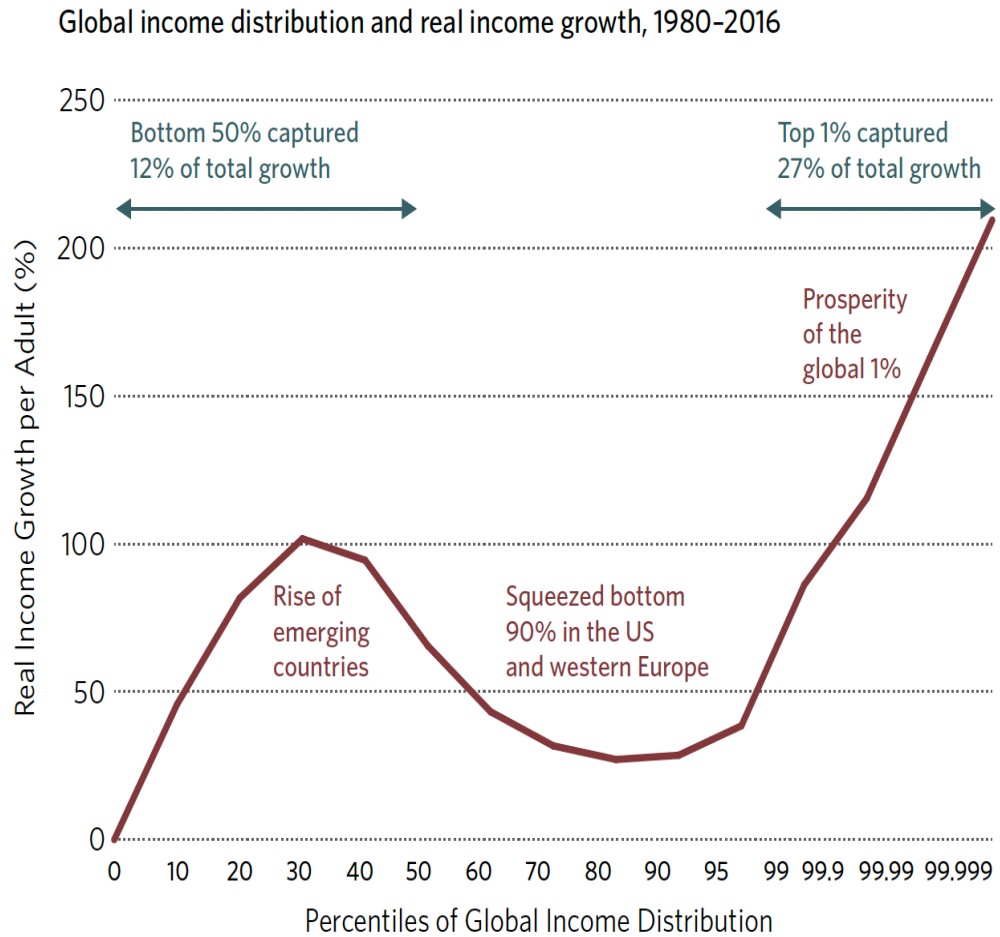


Source: UNCTAD secretariat calculations based on Valencia and Laeven 2012, GCIP 2016, and UNDESA GPM.<sup>20</sup>

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.



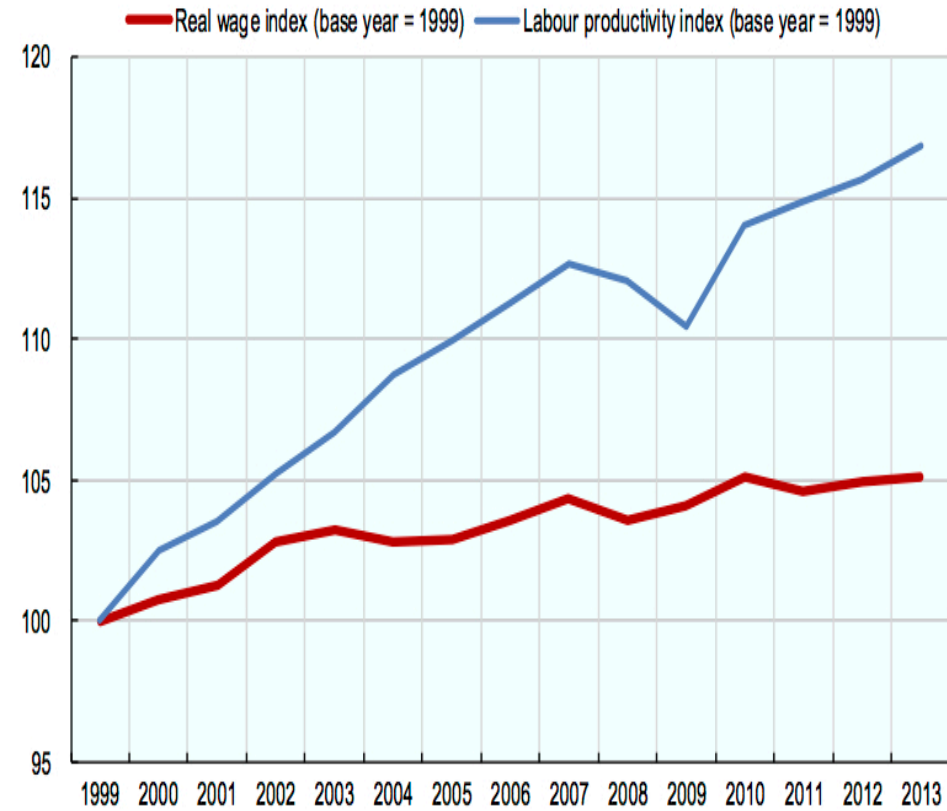
**Figure 10: The Elephant Curve of Global Inequality and Growth**



Source: World Inequality Report 2018b.<sup>25</sup>

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



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.

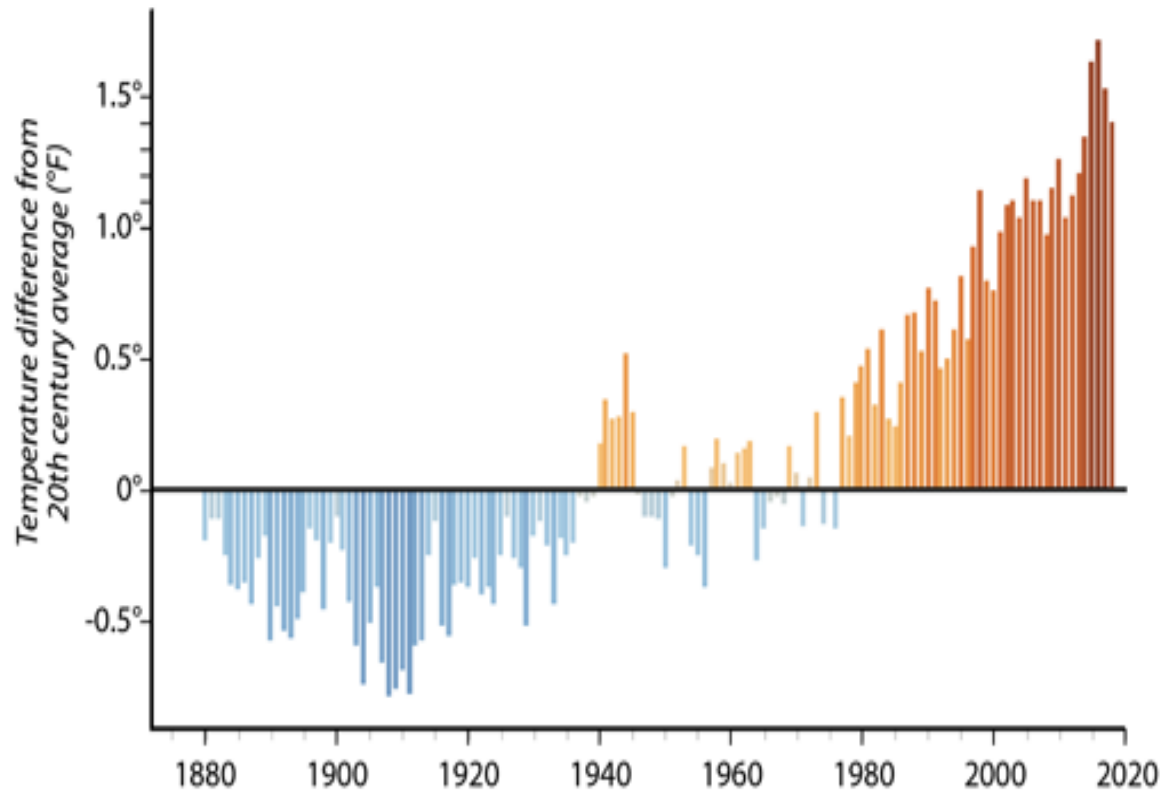
Source: ILO staff estimation, using data from the ILO Global Employment Trends reports and the ILO Global Wage Database, revised and updated.

# 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\*

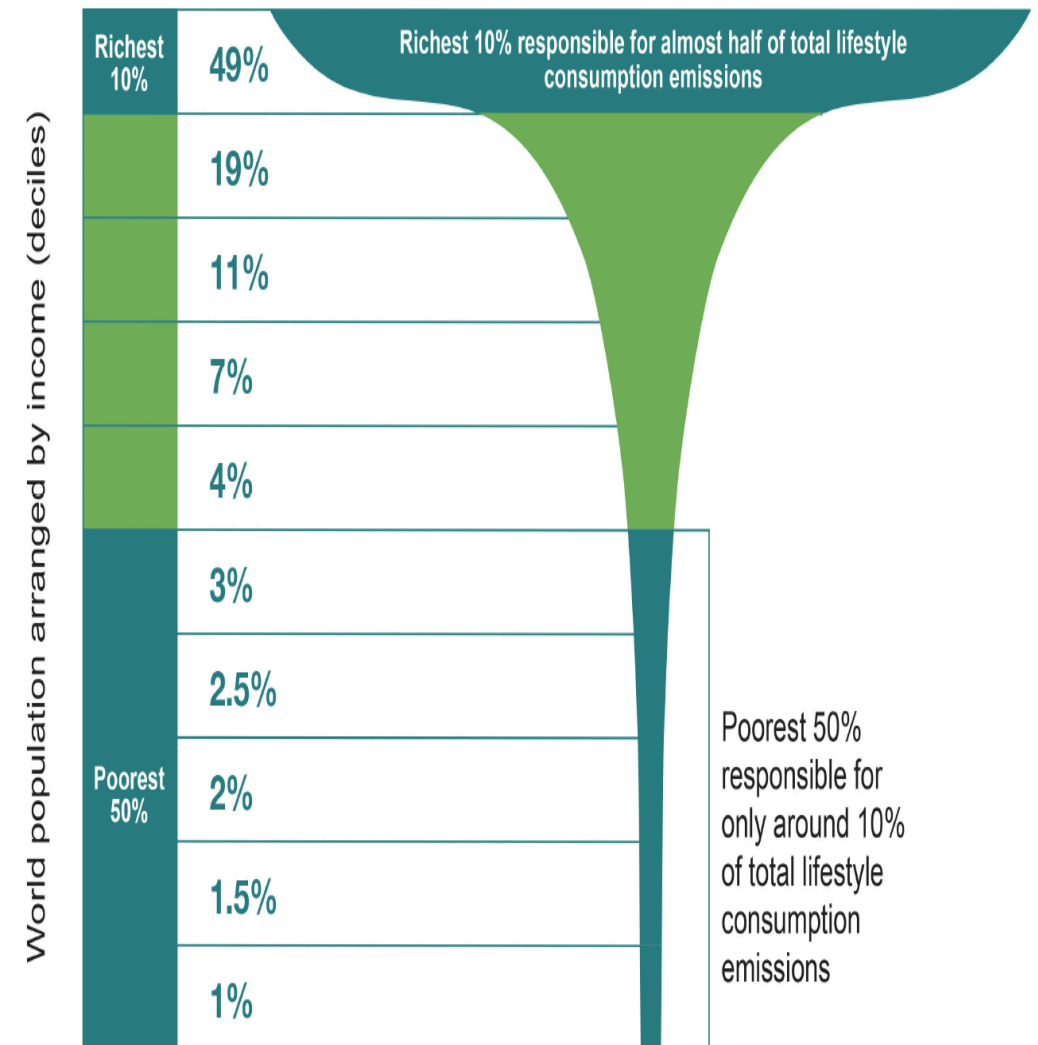


\*2018 data shows average anomaly through November.

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

InsideClimate News

Figure 13: Carbon Inequalities



Source: Gore 2015.<sup>30</sup>

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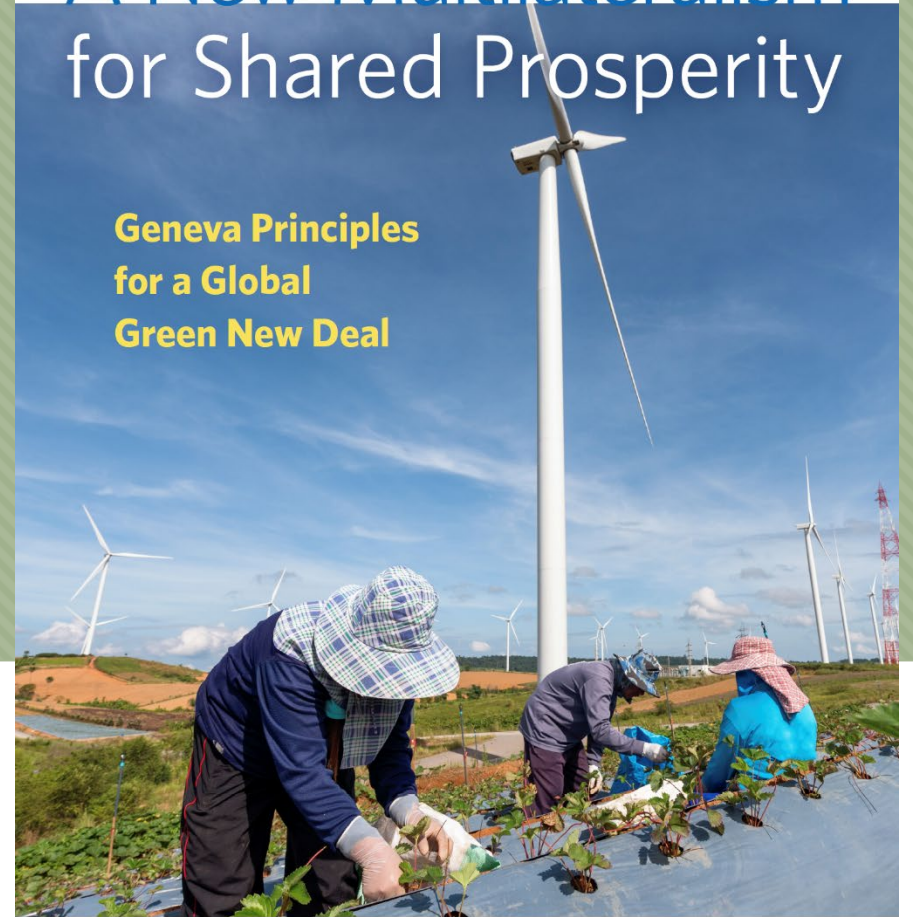
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