

A New Multilateralism for Shared Prosperity

**Geneva Principles
for a Global
Green New Deal**



Kevin P. Gallagher
Richard Kozul-Wright

Acknowledgements:

The Global Development Policy Center and UNCTAD gratefully acknowledge the Rockefeller Brothers Fund for its support of this project. We give our deepest thanks to those who participated in various discussion groups providing essential feedback and comments for this project including: Merabet Abdelghani, Diego Aulestia Valencia, Ben Beachy, Grace Blakely, Stephanie Blankenburg, Cameren Bullins, Ambassador Xavier Carim, Ha-Joon Chang, Jon Cracknell, Zhiyuan Cui, Rob Davies, Devika Dutt, Jayati Ghosh, Duncan Green, Tetteh Hormeku, Deborah James, Thomas Kruse, Aileen Kwa, Kinda Mohamadieh, Sandra Polaski, Rebecca Ray, Mark Seddon, Anat Shenker-Osorio, Sanya Reid Smith, Alison Tate, Rachel Thrasher, Gul Unal, and Lori Wallach. We also thank Bob Kuttner for his conceptual and editorial guidance throughout the production of this report.



Global Development Policy Center

The Global Development Policy Center (GDP Center) at Boston University is a University-wide center in partnership with the Frederick S. Pardee School of Global Studies and the Vice President and Associate Provost for Research. The GDP Center's mission is to advance policy-oriented research for financial stability, human well-being, and environmental sustainability. To fulfill our mission, we conduct rigorous policy research; provide a convening place for scholars and stakeholders; engage in policy dialogue with policy-makers, civil society, and media; and offer experiential learning for Boston University students.



Through its programme on Globalization and Development Strategies, UNCTAD contributes to the international debate on globalization and the management of its consequences for developing countries. The programme promotes policies at the national, regional and international level that are conducive to stable economic growth and sustainable development. It regularly examines the trends and prospects in the world economy, undertakes studies on the requirements for successful development strategies and on the debt problems of developing countries. It also provides technical support to developing countries in their efforts to integrate into the international financial system and to manage their external debt.

EXECUTIVE SUMMARY

We once had a version of multilateralism that permitted nations to regulate international markets and to pursue strategies for equitable prosperity and development. This system reflected the fact that leaders who believed in managed capitalism and full employment were put in charge after WWII. With their experience of the Great Depression and defeating fascism, they aimed for a value-driven and rules-based global economy.

The system was far from perfect, yet its core principles did provide a rough template for a more balanced form of prosperity in a globally interdependent world. That system began to break down in the late 1970s, when giant global banks, corporations, and their allies in government regained the reins of power that they had temporarily lost in the Great Depression and the War. Once power was recaptured, these actors rewrote the rules of the global system. The system later became an instrument for the diffusion of a neo-liberal order that has triggered crises of financial instability, inequality, and climate change.

The “Geneva Principles for a Global Green New Deal” advances an urgent research and policy agenda for a New Multilateralism that rebuilds the rules of the global economy toward goals of coordinated stability, shared prosperity, and environmental sustainability, while deliberately respecting the space for national policy sovereignty.

Crafted in a series of workshops and consultations in late 2018 and early 2019, between the conveners and stakeholders from the global policy, advocacy, and research communities, the “Geneva Principles for a Global Green New Deal” advances a critique of the current multilateral system and articulates a set of goals and principles for its reform and regeneration.

GENEVA PRINCIPLES FOR A GLOBAL GREEN NEW DEAL

Goals for Rebalancing Development:

1. A productive global economy built around full and decent employment at livable wages, for all countries

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

3. A caring community that protects vulnerable populations and promotes economic rights

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

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

Principles for a New Multilateralism:

1. Global rules should be calibrated toward the overarching goals of social and economic stability, shared prosperity, and environmental sustainability and be protected against capture by the most powerful players

2. States share common but differentiated responsibilities in a multilateral system built to advance global public goods and protect the global commons

3. The right of states to policy space to pursue national development strategies should be enshrined in global rules

4. Global regulations should be designed both to strengthen a dynamic international division of labor and to prevent destructive unilateral economic actions that prevent other nations from realizing common goals

5. Global public institutions must be accountable to their full membership, open to a diversity of viewpoints, cognizant of new voices, and have balanced dispute resolution systems



THE RISE AND FALL OF THE MULTILATERAL SYSTEM

Multilateralism once promised a value-driven and rules-based international economic order, tasked with promoting coordinated actions to deliver shared prosperity and mitigate common risks. The initial goals of the Bretton Woods institutions created after World War II were to promote full employment, regulate capital and prevent the imported deflation and austerity. The system was intended to prevent beggar-thy-neighbor policies that could upset the stability of the global economy. It provided institutional and ideological support for governments to raise living standards of their populations, leaving policy space for sovereign states, at all levels of development, to pursue their particular national priorities.

In practice, multilateralism in the three decades after Bretton Woods never lived up to this ideal. Managed capitalism coexisted with a persistent and widening technological divide between North and South, wasteful military spending under a tense East-West divide with proxy wars crippling economic prospects in many developing regions, colonialism and lingering racial prejudice, unequal trade relations that inhibited productive diversification in many countries, and carbon-heavy growth that was heedless of the environmental cost. Yet its core principles did provide a rough template for a more balanced form of economic development in an interdependent world. The goal, as stated by Henry Morgenthau, the US Treasury Secretary at the time of Bretton Woods in 1944, was a “New Deal in international economics” based on the fundamental principle that “prosperity, like peace, is indivisible.”¹

The pursuit of multilateral principles was possible because of a particular political alignment. At the geopolitical level, there were contending systems in East and West which, each sought to demonstrate superior results for citizens. In the West, most governments of the era recognized and remembered that the earlier laissez-faire policies privileging capital above all else had led to instability, inequity, depression, mass unemployment, and, ultimately violent conflict.²

A new generation of political leaders from the South endeavored to break the bondages of colonialism and create new economic opportunities for their rapidly growing populations. They were also willing to challenge the rules of the multilateral game when they stymied those efforts. But, following the dislocations of the 1970s, private capital and financial elites reclaimed political power, and set about using the multilateral system to re-enthronize and universalize laissez-faire.

These elites, in both national governments and in the financial and corporate sectors, have pursued the expansion of global markets and cross-border financial flows as ends in themselves. Under the umbrella of the World Trade Organization (WTO), with the active engagement of the IMF and World Bank, and through a plethora of trade and investment treaties, they have put in place a set of enabling norms and rules that allows footloose finance and firms to move freely within and across borders and into ever expanding spaces for profit making through privatization of previously (and properly)

public functions. Concomitantly, these norms and rules restrict national policies that might limit the opportunities for capital to generate larger rents. They outlaw many bona fide regulatory actions that governments could take to steer trade and investment toward broader goals and to mitigate divergence between private returns and societal costs. What is more, these norms and rules are actively enforced by a combination of market disciplines, privatized regulatory systems, and ‘investor-state dispute resolution systems’ (ISDS) where the interests of foreign investors carry undue weight.

Table 1: The hyperglobalized world (trillion dollars)

	1980	2016
GDP	11.2	76
Population (billions)	4.4	7.4
Trade (exports)	2.3	20.9
FDI stock	0.7	26
Financial assets	12	300
Debt stock*	14	198.6
Migrants (millions)	150**	250***
Carbon emissions	18kt	36kt

*Private financial corporate debt not included **Figure for 1990

***Average of 2015 and 2017

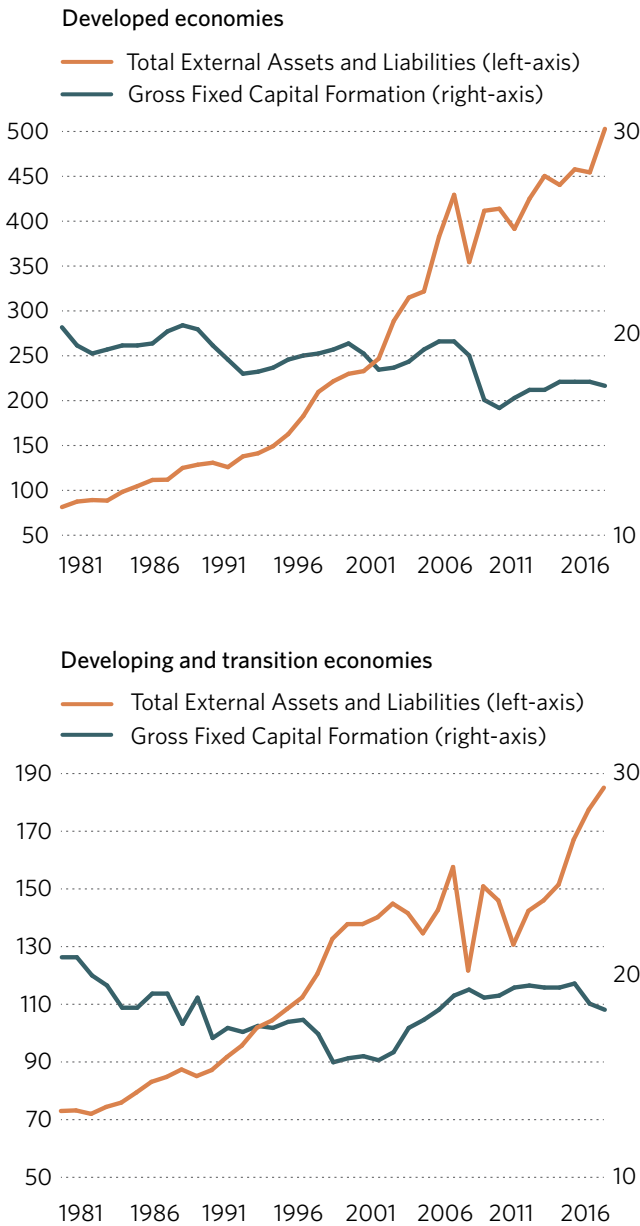
Sources: GDP: World Bank 2018a; Population: World Bank 2018b; Trade and FDI Stock: UNCTADSTAT 2018; Financial Assets: Financial Stability Board 2017; Debt Stock: Mbaye, Moreno-Badia and Chae 2018; Migrants: UN Population Division 2017; Carbon Emissions: World Bank 2018c.³

over the past three decades but a reduction in real investment in productive capital formation. Economic growth was both stronger and more stable in the era of multilateral managed capitalism.⁴

Today we live in a more interconnected world, where trade and foreign direct investment have grown by orders of magnitude (Table 1). Most striking, however, is the ‘hyper’ growth of global finance and behind this financial actors, institutions, markets and motives.

But while financialization has reigned supreme over the global economy, the big promise that this would generate a dynamic investment climate has not materialized. As Figure 1 shows, there has been a surge in financialization

Figure 1: Financialization Takes Over, Investment Stalls

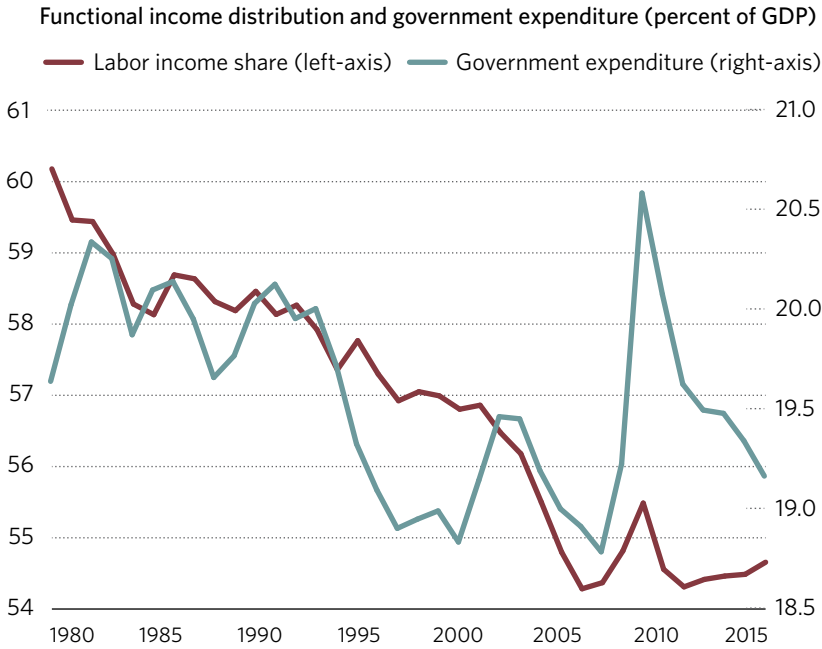


Source: Izurieta, Kohler and Pizarro 2018.⁵

Moreover, as footloose private capital has moved production and investment around the globe, the bargaining power of capital has increased greatly compared to that of labor. This has allowed corporations to repress wages and working conditions in both developed and developing countries, except in those few cases where governments have actively intervened on behalf of workers. Extremes of inequality both within and between many countries have hit grotesque heights. Investment in public goods, at the global as well as the national level, has stagnated (Figure 2).⁶ Growth has become dependent on punishing levels of debt and a pace of resource extraction and energy consumption that is threatening the survival of the planet itself.

These policies produced the global financial crisis, a moment of deep distress that should have discredited hyperglobalization, just as the Crash of 1929 and the ensuing Depression disgraced the sponsors of that era's laissez-faire. But such was the political power of global elites

Figure 2: Breaking the Social Contract: Labor Share of Income Plummetts



Source: Izurieta, Kohler and Pizarro 2018.⁷

that no fundamental reform ensued. Under the auspices of the WTO, the influence of financial markets and the cajoling by major multinational corporations, pressure has increased — demanding even more intensive uses of global rules to privilege banks and corporate interests, in the financial, digital, pharmaceutical industries, and beyond. While policy makers readily ignored neo-liberal strictures against public debt and spending by pumping trillions of dollars into their financial systems (Figure 2, Years 2007–2010), they otherwise left its operations largely intact. After years of proclaiming the impotence of public policy, the hypocrisy of this response has added to a growing popular frustration and sense of distrust of political and technocratic elite.

This comes at a moment when economic, social, political and environmental breakdowns demand urgent, ambitious and coordinated political action across borders. Such action requires new global norms and rules to restore a place for diverse policies that allow national autonomy while converging toward the goals of economic stability, widely shared prosperity, development, and de-carbonization. To achieve such a new approach will require confronting and contesting the furies of hyperglobalization: the beneficiaries in financialized sectors, monopolists, footloose firms and their apologists in the academic and policy realms. It will require a different prioritization of growth and distributional goals that can deliver rising living standards for the majority of people in all countries without further damaging an already fragile ecosystems across the globe.



THE FURIES OF HYPERGLOBALIZATION

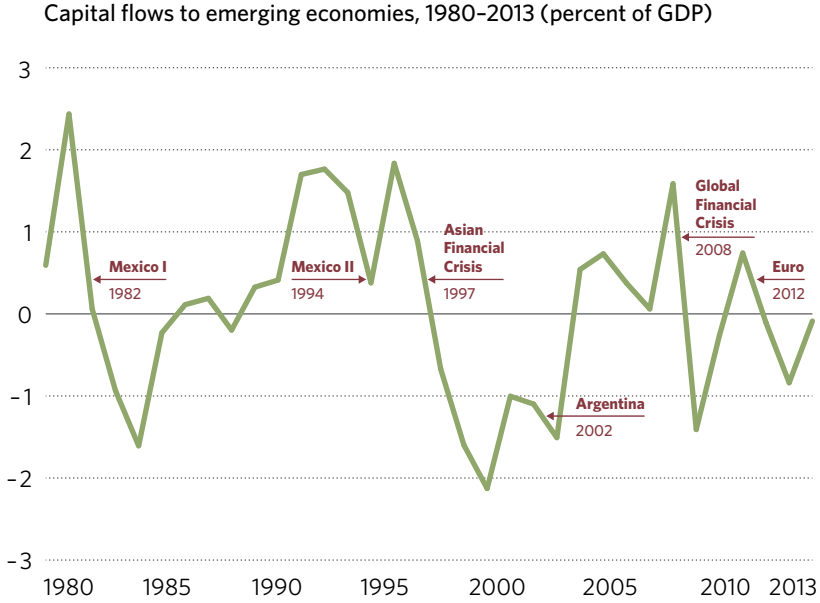
The current state of global anxiety has been a long time in the making. As the system began to erode, nations in payments difficulties and debt distress were obliged to prioritize the demands of private creditors, opening up their capital accounts, and pursuing austerity and other pro-cyclical policies as a condition of IMF support. Unleashing private entrepreneurship, embracing the discipline of international competition, allowing markets and businesses to regulate themselves were deemed the only way to regain stability, revive growth and guarantee widely shared prosperity.⁸

The gross flaws of this model were quickly exposed in Latin America's lost decade of the 1980s and the devastating debt overhang, lasting well in to the 1990s, in much of sub-Saharan Africa.⁹ In East Asia following the collapse of the Thai baht in 1997, speculative collapses spread to much of the region. In each case, austerity was the prescribed policy response, "there is no alternative" the accompanying political mantra. Despite significant improvements in research and rhetoric, the IMF promoted virtually the identical austerity formula for adjustment in the case of Greece after 2010, producing similarly catastrophic results.¹⁰

Over the course of these four decades, financial markets have acquired unprecedented global reach. As obstacles to the free movement of capital have been dismantled, its economic power has been strengthened through new rules (on financial services provision, investment, and intellectual property rights) in trade and investment treaties. In reality, unrestrained finance has aimed less at boosting investment, productivity and jobs, and more at extracting rents through a whole new range of pyramid schemes, toxic products and the buying and selling of existing assets for quick returns.¹¹

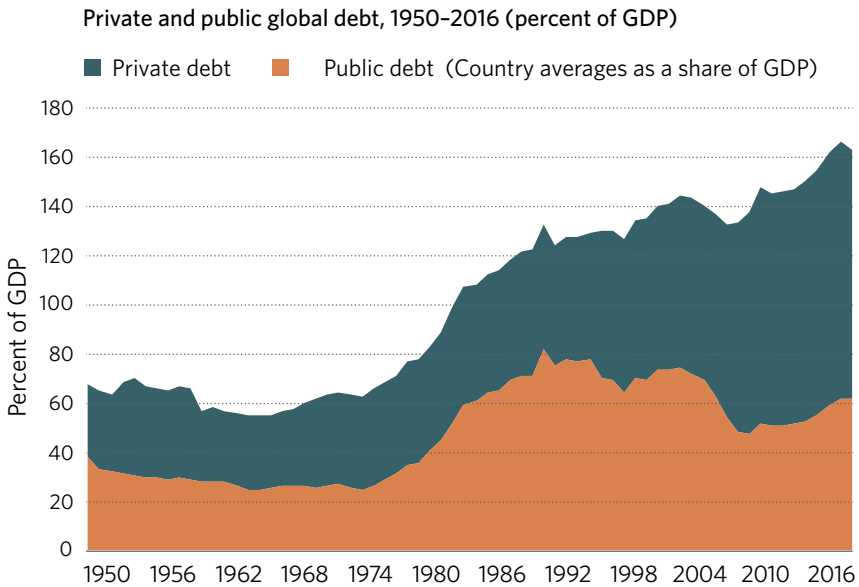
Financial globalization has been closely associated with 'surges' of capital flows when times are good, and sharp reversals or 'sudden stops' during difficult times, resulting in financial crises (Figure 3). These surges and slumps have translated to highly uneven patterns of development.¹²

Figure 3: Capital Surges and Slumps



Source: UNCTADSTAT 2013.¹³

Figure 4: The Global Debt Explosion



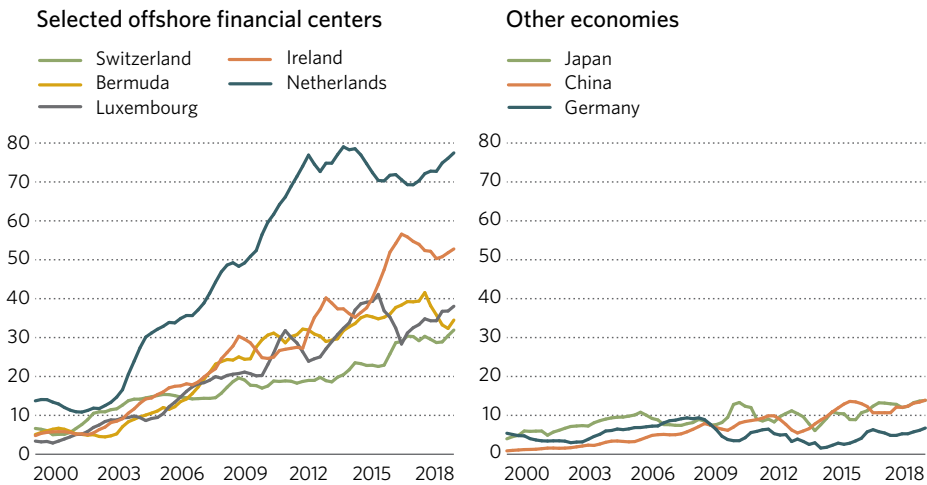
Source: International Monetary Fund 2018.¹⁴

The economic glue keeping all this together has been the creation of and access to debt, both public and private. The pace of credit creation over the last three decades has been truly astounding (Figure 4) with both developed and developing countries going with the flow.

While a handful of powerful actors have assumed ever greater control of markets and supply chains, they have been far less inclined to use the resulting profits to create decent jobs, deepen the skill base, and invest in the local communities where they reside. And the bigger these players have become, the more adept they have become at hiding how and where they make their money (Figure 5).

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).¹⁵
 Note: Data correspond to the four-quarter trailing sum.

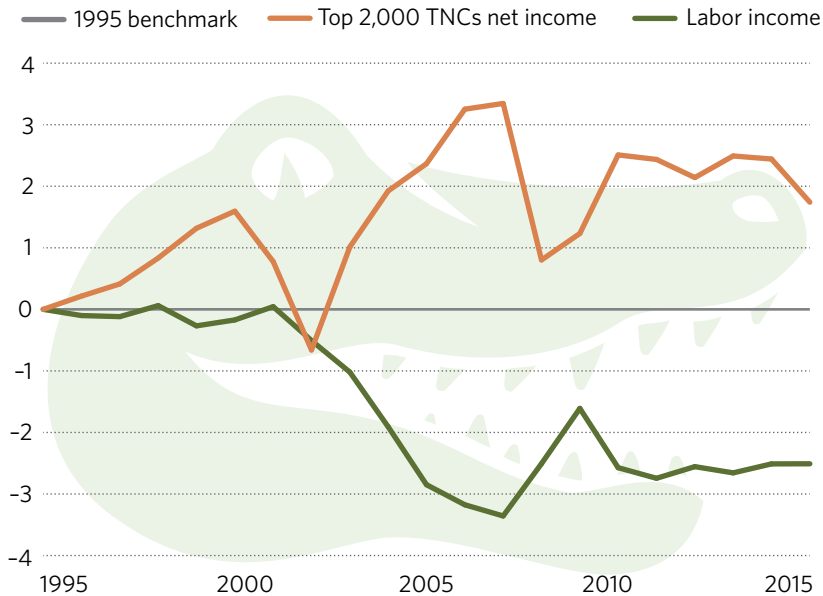
Digital technologies, which hold out a promise of ending the drudgery of work and enhancing our creativity, are, in practice, reinforcing the drive to monopolization and corporate subterfuge, adding further to polarization pressures. As robots threaten job security across a widening swath of sectors, as fintech expands the predatory reach of speculative finance, and as platform monopolies gain ever tighter control of our data, “winner takes most” has become the distributional ethos of the “superstar” firms dominating the hyperglobalized world order — looking very much like a crocodile with corporate profits devouring the labor share of income.

Beginning in the mid-1980s, with the launch of the Uruguay Round, “trade-related” negotiations pretended that normal and defensible forms of national regulation were violations of private property rights and liberal trade norms. The new provisions

since that round have extended the neo-liberal agenda and locked it in with hard rules. Established instruments of national development policy, including subsidies, government investment and procurement, and diverse forms of national regulation such as the regulation of private capital flows and environmental safeguards, were redefined as violations of “free trade” and restricted or banned outright.

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)



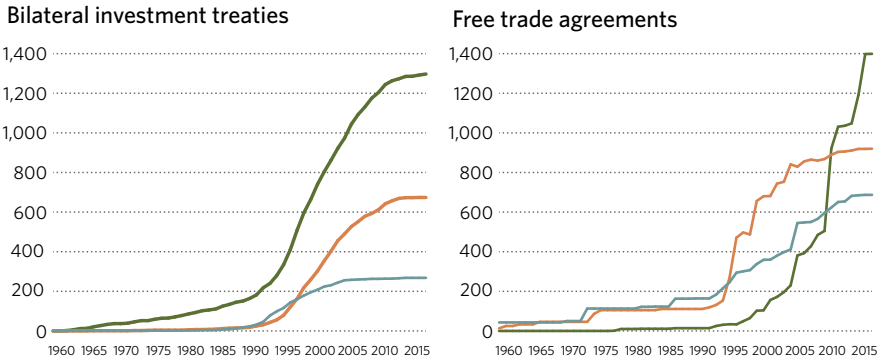
Source: UNCTAD 2017.¹⁶

At the same time, international banks and multinational corporations have gained new powers: intellectual property rules entrench monopoly positions and deny developing countries needed public goods; “public-private partnerships” make public services more costly and provide new profit streams for private corporations that amount to little more than “plundering the commons.”¹⁷ All of this and more was codified in the WTO which established a platform for even more demanding (“WTO-plus”) liberalization efforts through bilateral and regional treaties (Figure 7). Investor-state dispute rules (referred to earlier as ISDS), allowing end runs around national courts to special, non-transparent tribunals, were first devised in the context of bilateral agreements — a violation of the core principle of the multilateral trading system, in which all participating nations are treated equal.

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



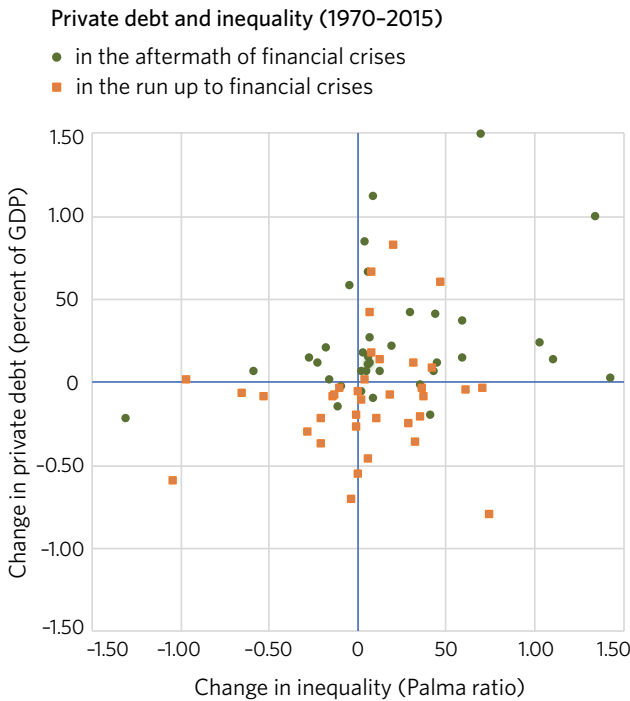
Source: FTA data: De Souza 2015; BIT data: UNCTAD 2017.¹⁸



BREAKING DOWN: INSTABILITY, INEQUALITY AND THE GLOBAL CLIMATE

The current state of uncertainty and insecurity is the result of inherent financial instability, rising inequality, and climate breakdown. Rising inequality and heightened instability are hard-wired in to the rules of hyperglobalization, in both good and bad times. The global debt splurge has transformed the business cycle around recurrent (and often intense) episodes of financial boom and bust, best described by economist Hyman Minsky's stages of fragility.¹⁹ Moreover, as shown in Figure 8, the private debt splurge has been closely associated

Figure 8: Boom We Win, Bust You Lose



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.

with rising inequality, not only in the bubble phase of the cycle, when rising asset prices and corporate profits drive incomes at the top, but in their aftermath as well, as banks are bailed out and readjustment through austerity hits the jobs, wages and public services of those at the bottom the hardest; and with financial interests dictating policy outcomes, even in recovery phases the gains go to the few who hold assets, rather than the many who have to work for a living (Figure 8). Socialism for the rich, feudalism for the rest are, it seems, two sides of what Paul Krugman has dubbed the “debt-peonage society.”²¹

This new cycle based on private debt has aptly been termed “Privatized

Keynesianism.”²² Unlike genuine Keynesian policies, in which the state uses public borrowing and spending to counteract the periodic demand and investment shortfalls of the private sector, privatized Keynesianism is “pro-cyclical;” it intensifies speculative euphoria, and then when the crash results, private capital is unavailable and private debt becomes unpayable. One of the lessons is that we need more true public capital and less reliance on promiscuous private capital. This, of course, was precisely the intent of the original Bretton Woods system that got hijacked by private elites after the 1970s.

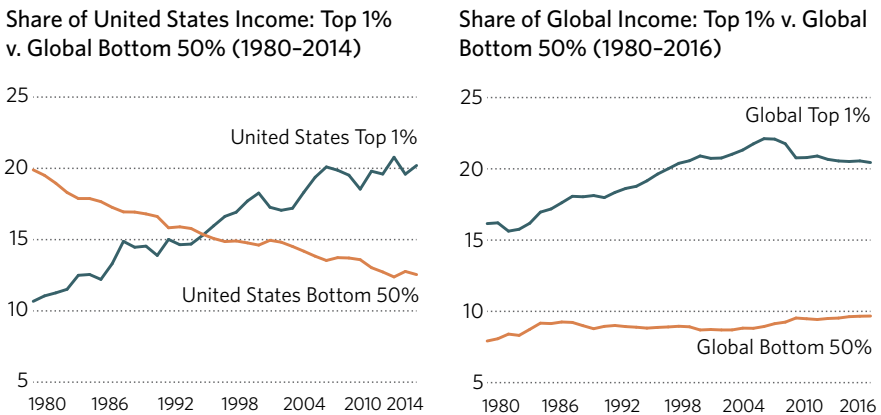


POLARIZATION AND POVERTY

Even during times of relative stability when growth has picked up, the middle class has felt increasingly squeezed in advanced economies; while poverty remains a blight on the lives of most families in the developing world despite the remarkable achievements of China in reducing levels of extreme poverty.

Households and governments have taken on more and more debt to meet their spending needs, providing fertile grounds for a rampant financial services sector to extend predatory lending practices and further entrench the debt-driven growth model. Informality and insecurity have become the lot of working people everywhere, even as select skilled workers and professionals, in both the North and South, have achieved more privileged positions on the technological frontier of hyperglobalization. Figure 9 vividly expresses how polarization, once seen as a developing country phenomenon, is also part of the crisis in industrialized countries.

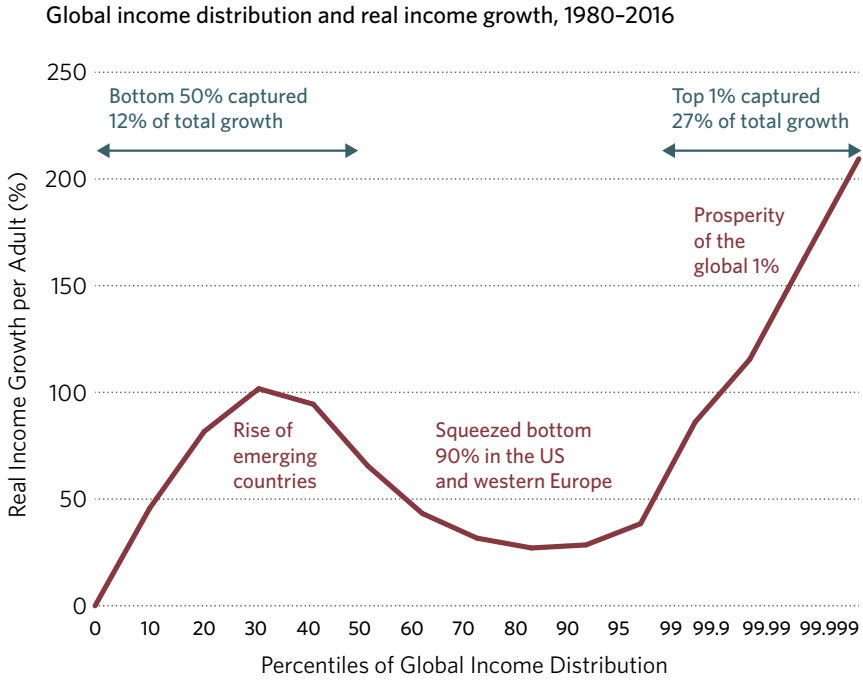
Figure 9: Polarization Pressures



Source: World Inequality Report 2018a.²³

Figure 10 presents the famous ‘elephant graph’ that shows how the top 1 percent of the income spectrum has captured 27 percent of total growth since 1980, and the bottom 50 percent captured just 12 percent of the increased global income generated over the period — and that amount is largely explained by the rise of China and India.²⁴

Figure 10: The Elephant Curve of Global Inequality and Growth

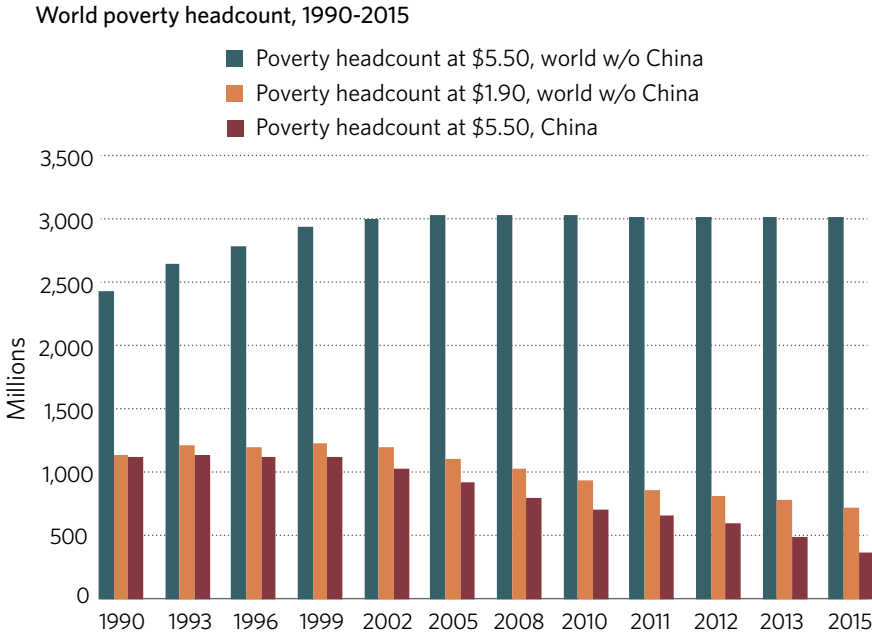


Source: World Inequality Report 2018b.²⁵

Growth spurts in the developing world have produced a welcome assault on extreme poverty since the start of the millennium, while the Global South has gained a bigger manufacturing footprint through participation in global supply chains. But, in truth, this story is mostly confined to China and parts of East Asia. And even in China, incremental increases in the designated poverty threshold as well as sharply rising inequality highlight the ongoing policy challenges even for the most successful countries (Figure 11).

Moreover, given the ability of multinational corporations to shift production, the spread of industry is far less stable or reliable than it seems. Too little industry is locally owned and controlled. The offshoring of activities through the spread of global value chains has contributed to deindustrialization and the hollowing out of communities in many parts of the developed world, with concerns growing about the “vanishing middle class.”²⁶ Meanwhile in many developing countries the adverse consequences of “premature” deindustrialization have been only partially hidden by commodity price hikes and easier access to international debt markets. Gains for wage and salary workers in the South, even where exports have risen sharply, have often been limited thanks to heightened competition for jobs in burgeoning urban conurbations.

Figure 11: Poverty Dynamics



Source: World Bank 2019.²⁷

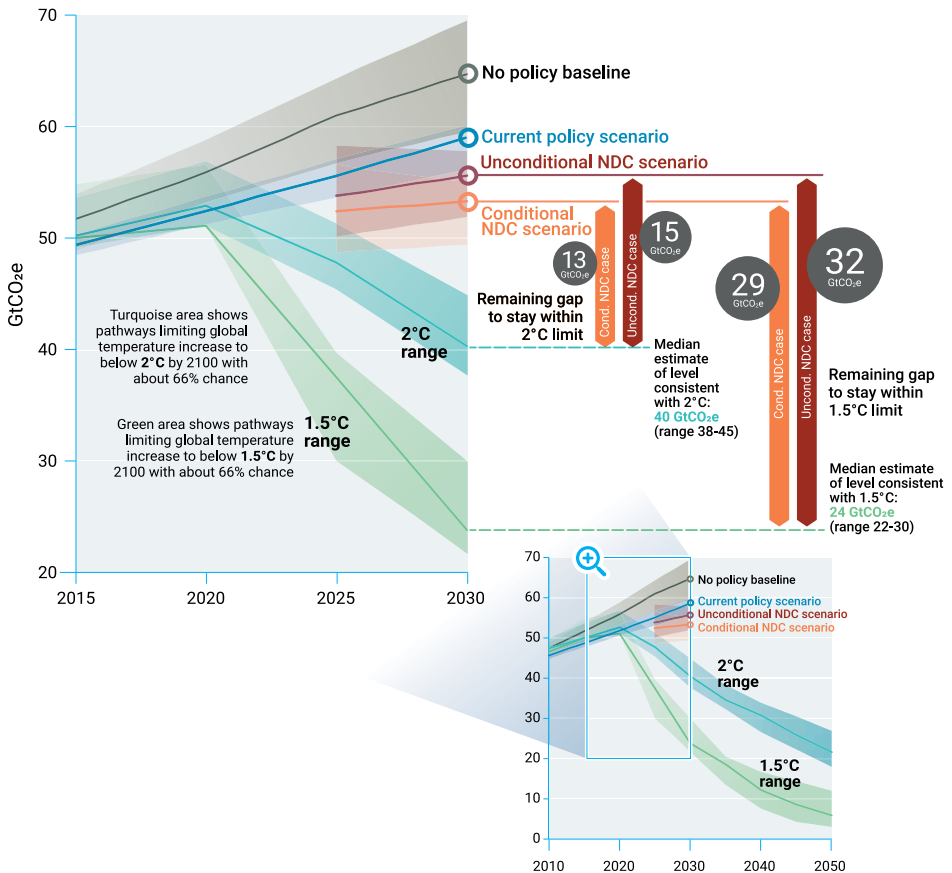
The problem is that while trade and investment flows have mushroomed under hyperglobalization, the package of accompanying policies, including special processing zones and massive subsidies to attract multinationals, offered by developing countries to encourage processing trade and by local communities in advanced countries desperate to attract jobs, has brought limited benefits. China's exceptional status, in this regard, has rested on targeted industrial and other policies as well as tailored financing mechanisms, aimed at raising domestic value added in manufacturing exports. These are now being presented as a threat by developed countries to their own business interests with efforts underway to curtail their use. And to the extent that China has thrived, it has been by defying many elements of the neo-liberal model. Leave out China, and the story of the rest of the world is sluggish growth in the North, erratic growth in the South and rising inequality everywhere.²⁸



THE ENVIRONMENTAL CHALLENGE

After eons of co-existence between humans and nature, changes such as rapid technological advances, exploitation of new sources of carbon-based energy, greater intensity in the use of land and water, and changing consumption patterns have transformed our relationship with nature to one of exploitation in support of “boundless” wealth creation. It has come at a huge cost. With global temperatures set to exceed the desired 1.5 degree increase by 2030, keeping that increase well below 2 degrees is now the urgent challenge and a core organizing principle for the world economy (Figure 12).

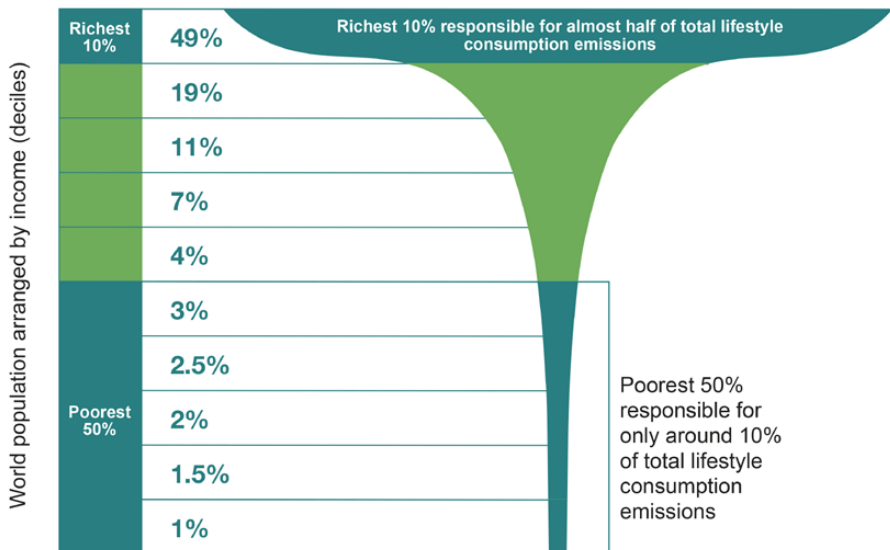
Figure 12: Major Green Structural Transformation Needed



Source: UNEP 2018.²⁹

The threat of rising temperatures from high levels of atmospheric carbon levels is in large part due to emissions from the richest 10 percent of people in the world (Figure 13). But the environmental breakdown is multi-dimensional; species loss, land degradation, extreme weather events, acidification of oceans, etc., are concurrent and compounding. That the situation will worsen is not in doubt; the only question is by how much, and whether we will take the threat seriously enough.

Figure 13: Carbon Inequalities



Source: Gore 2015.³⁰

The resulting costs are not evenly shared; the poorest communities are on the frontline of this environmental breakdown with serious local damage already apparent in many developing countries. But given the tight interdependence of the natural world, more systemic effects are already being felt as damage in one area disrupts other parts of that world, triggering larger changes at the global level.

The social consequences of environmental breakdown will no doubt follow a complex path and will be clouded in uncertainty. At the very least it will produce more suffering and more migration. Its encouragement of rent-seeking behavior privileges private profit over social returns and short-term actions over longer-term assessments. Not surprisingly, even the WTO’s own research shows that trade and investment agreements tend to increase the carbon dioxide that underpins our climate crisis.³¹ More importantly, hyperglobalization doesn’t offer a way out; “market-like” solutions to the environmental breakdown, such as carbon pricing or tax incentives, are only as good as the state policies that define them. The market does not achieve remedies on its own accord. The use of

pricing disciplines has a place in a comprehensive global strategy to arrest and reverse climate catastrophe, but they are, by themselves, not a solution.

Sixty-four percent of global emissions are due to individual consumption. Figure 13 shows that the richest 10 percent of the global population are responsible for almost half of these emissions, and the poorest half of the people in the world — those who are most vulnerable to climate change — are only responsible for ten percent of individual consumption or ‘lifestyle’ emissions.

On the contrary, all the remedies require strong guiding regulation and a step-wise scaling of long-term investments, not in long-term investments, not speculative investments in existing assets. Nicholas Stern famously described global climate change as history’s greatest case of market failure; periodic financial collapses are probably the second greatest. The persistence of neo-liberalism will make solutions to climate catastrophe more difficult to achieve.



A NEW MULTILATERALISM FOR A GLOBAL GREEN NEW DEAL

The rules and practices of the multilateral trade, investment and monetary regime are in need of urgent reform. These rules are currently skewed in favor of global financial and corporate interests, and powerful countries, leaving national governments, local communities, households, and future generations to bear the costs of economic insecurity, rising inequality, financial instability, and climate change. The rules of the global trade and investment regime have been instrumental in delivering this unbalanced outcome. These limitations are now widely recognized and a number of efforts are underway, particularly in the developing world, to establish policies for reform.³² The most effective efforts will be those that recognize the systemic nature of the challenge, rather than piecemeal policy tinkering.

A renewed multilateralism is required to provide the global public goods needed to deliver shared prosperity and a healthy planet, to cooperate and coordinate on policy initiatives that demand collective action, to mitigate common risks, and to ensure that no nation's pursuit of these broader goals infringes on the ability of other nations to pursue them. The "Geneva Principles for a Global Green New Deal" advances an urgent research and policy agenda for a New Multilateralism to calibrate the global economy toward a 21st century vision of stability, shared prosperity, and environmental sustainability.

The original New Deal, launched in the United States in the 1930s and replicated in distinct ways elsewhere in the industrialized world, particularly after the end of the Second World War, established a new social contract and accompanying development path that focused on four broad components: recovery from Depression, extensive public investment, regulation of finance, and redistribution of income. While these broad features were consistent with specific policy goals tailored to particular economic and political circumstances, they made job creation, the expansion of productive investment and faster productivity growth common features of successful post-war economies.

In building a global new deal today, we can learn from those core principles. As before, states require the space to tailor proactive fiscal and public policies to boost investment and raise living standards, supported by regulatory and redistributive strategies that tackle the triple challenges of large inequalities, demographic pressures and environmental problems. However, the original New Deal was neither directed at development of the Global South, nor at global climate change. The specific challenges of inequality and insecurity in the 21st century will require innovative and global approaches.

The “Geneva Principles for a Global Green New Deal” articulates a set of cohesive principles for the design of a reformed multilateral trade and investment regime. Five broad strategic goals should frame any such deal:

1. A productive global economy built around full and decent employment at livable wages, for all countries
2. A just society that targets closing socio-economic gaps, within and across generations, nations, households, race and gender
3. A caring community that protects vulnerable populations and promotes economic rights
4. A participatory politics that defeats policy capture by narrow interest groups and extends the democratic principle to economic decision making
5. A sustainable future based on the mobilization of resources and policies to decarbonize growth and recover environmental health in all its dimensions

These goals will be manifest differently in different nations across varying stages of economic development. Specific policy programs and measures will necessarily reflect local circumstances, but there will be a series of initiatives that will likely surface across countries regardless of their level of development.

Governments everywhere need to **end austerity** and boost demand in support of sustainable and inclusive economies using an active mix of fiscal and monetary policies as part of a general expansion of government spending that covers physical and social infrastructure but also employing, whenever appropriate, public employment schemes. **Significant public investment** in clean transport and energy systems is imperative to establish low carbon growth paths and to transform food production for a growing global population as well as addressing problems of pollution and environmental degradation more generally. This will need to be supported by a **green industrial policy**, using a mixture of general and targeted subsidies, tax incentives, equity investments, loans and guarantees, as well as accelerated investments in research, development and technology adaptation, and a new generation of intellectual property and licensing rules. Specific measures and support will be required in developing countries to help them leapfrog the old, dirty development path of the Global North. **Raising wages in line with productivity** will be key to moving to a fairer society; this is best achieved by giving workers a secure and protected right to organize into unions. At the same time, job insecurity also needs to be corrected through appropriate legislative action (including on informal and precarious work contracts) and active labor market measures. And again, more progressive tax policies, including on income, wealth, corporations, property and other forms of rent income, could help address income inequalities. **Regulating private financial flows** will be essential to steering private finance toward these broader social goals. **Curtailing restrictive business and predatory financial practices** will be key to reigning in corporate rentierism and crowding in private investment to productive activities included in the green economy.

But countries cannot be expected to undertake any such policy programs in isolation. At the global level, a new multilateralism is urgently needed to pursue these in a way that maximizes the effectiveness of national development strategies without creating negative global spillovers to partner nations. A new multilateralism will require the following design principles:

1. Global rules should be calibrated toward the overarching goals of social and economic stability, shared prosperity, and environmental sustainability and be protected against capture by the most powerful players
2. States share common but differentiated responsibilities in a multilateral system built to advance global public goods and protect the global commons
3. The right of states to policy space to pursue national development strategies should be enshrined in global rules
4. Global regulations should be designed both to strengthen a dynamic international division of labor and to prevent destructive unilateral economic actions that prevent other nations from realizing common goals
5. Global public institutions must be accountable to their full membership, open to a diversity of viewpoints, cognizant of new voices, and have balanced dispute resolution systems



STEPS FORWARD

Only through extensive reforms can the financial and trading systems support a more stable global economy, help deliver prosperity for all, and backstop the public investment drive needed to move, at the required speed, to carbon-free and inclusive growth paths. As things stand, current arrangements fall far short of providing countries with the resources and predictability needed to support a global green new deal.

A properly resourced, and more democratically governed, IMF and World Bank will need to get back to their original business of stabilizing exchange rates, controlling unruly capital flows and funding infrastructure projects in a low carbon and inclusive manner. These institutions will need to coordinate with — and not attempt to coopt — an emerging set of development finance institutions that are ramping up their lending activities to provide additional public financing to the system. The WTO needs to return to its roots as a venue for the negotiation of rules regarding trade per se, and not as a universal engine of laissez-faire. Bilateral trade agreements, in which powerful nations strong-arm weaker ones, should be shunned in favor of true multilateralism. All of these institutions will need to calibrate their efforts toward these broader goals, and adhere to these “Geneva Principles for a Global Green New Deal” in order to succeed.

The financing requirements will be in the trillions of dollars with private investments crowded in to the mix through a properly funded public investment push. Financing for such a push will need to come from a mixture of tax and debt instruments; returning to the progressive tax structures common before the 1980s, along with new structures to prevent the abusive fiscal strategies employed by transnational corporations. Doing so will require concerted international efforts and dedicated institutional support mechanisms. But the growth, over the last four decades, of financial markets from 12 trillion to 300 trillion dollars serves as an indicator of the transformative role that a properly managed credit regime could play in financing a global new deal. If only a fraction of this increase had been directed to meeting environmental and social challenges the threat of a climate breakdown would be far less daunting today. Other more tailored mechanisms such as for addressing forest-related degradation and water scarcity will also have to be added to an institutional landscape tailored to delivering sustainable outcomes.

Significant attention will need to be paid to the debt sustainability of nations, corporations, and households as the global community scales to meet these broader goals. More debt relief for heavily indebted nations, including orderly processes analogous to corporate bankruptcies, are required. However, given that private capital flows will remain a feature of the interdependent economic order, even a well-managed economy may succumb to a sustained and major attack on its currency, and a liquidity problem can then be rapidly transformed into an international debt crisis. Pursuing a global green new deal must accept that international finance is under-regulated and that

avoiding the threat of a downward spiral into debt deflation requires new responses such as capital controls and sovereign debt restructuring mechanisms — both of which are increasingly difficult under international trade and investment treaties.

The crisis of the multilateral trading system is also an opportunity to redirect it toward the goal of sustainable development.³³ Reforms to trade and investment rules are perhaps the highest priority given the laws and regulations in the trade and investment regime now stretch across the global financial, trading, investment system — as well as deep into national policy making. Trade and investment rule reform must ensure the maximum space to undertake financial regulations and debt workouts, innovation and industrial policy, and policies for social welfare that are in line with the demands of a global green new deal, including the effective use of subsidies to support structural transformation and the development of alternative energies and to reengineer the production process of carbon-intensive industries. Rolling back the numerous free trade agreements and bi-lateral investments treaties, which have been particularly destructive of policy space, is a priority. New efforts for reform at the WTO are an opportunity to put these Geneva principles into forward looking action. ●

ENDNOTES

1 On the New Deal roots of the Bretton Woods, see Helleiner, E. (2016). *The Forgotten Foundations of Bretton Woods: International Development and the Making of the Postwar Order*. Ithaca, New York: Cornell University Press; UNCTAD. (2014). *Trade and Development Report 2014*, chapter III. Retrieved from https://unctad.org/en/PublicationsLibrary/tdr2014_en.pdf. On the wider international context that shaped the New Deal, see also Patel, K.K. (2016). *The New Deal: A Global History*. Princeton, New Jersey: Princeton University Press.

2 Reinhart, C., Kirkegaard, J., and Sbrancia, B. (2011 June). Financial repression redux. *Peterson Institute for International Economics, MPRA Paper No. 31641*. Retrieved from https://mpa.ub.uni-muenchen.de/31641/1/MPRA_paper_31641.pdf.

3 (1) The World Bank Group. (2018a). GDP (current US\$) [excel file]. Retrieved from <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD>; (2) The World Bank Group. (2018b). Population, total [excel file]. Retrieved from <https://data.worldbank.org/indicator/SP.POP.TOTL>; (3) UNCTADSTAT. (2018). Merchandise: Total Trade and Share, Annual. Retrieved from <https://unctadstat.unctad.org/wds/TableViewer/tableView.aspx>; (4) Financial Stability Board. (2017). Global Shadow Banking Monitoring Report 2017. Retrieved from <http://www.fsb.org/2018/03/global-shadow-banking-monitoring-report-2017/>; (5) Mbaye, S., Moreno-Badia, M., and Chae, K. (2018). Global Debt Database: Methodology and Sources. *IMF Working Paper 18/111*. Retrieved from <https://www.imf.org/en/Publications/WP/Issues/2018/05/14/Global-Debt-Database-Methodology-and-Sources-45838>; (6) United Nations Population Division. (2017). Table 1. Migrant Stock at mid-year by sex and by major area, region, country or area. *UN Department of Social and Economic Affairs*. Retrieved from <https://www.un.org/en/development/desa/population/migration/data/estimates2/estimates17.asp>; (7) The World Bank Group. (2018c). CO2 Emissions (kt) [excel file]. Retrieved from <https://data.worldbank.org/indicator/EN.ATM.CO2E.KT>.

4 Debates about the size, nature and impact of financialization are ongoing. See Palley, T. (2007). Financialization: What it is, and why it matters. *PERI Working Paper 153*. Retrieved from <https://www.peri.umass.edu/publication/item/248-financialization-what-it-is-and-why-it-matters>; Sawyer, M. (2013). What is financialization? *International Journal of Political Economy*, 42(4); Storm, S. (2018). Financialization and Economic Development: A Debate on the Social Efficiency of Modern Finance, *Development and Change*, 49(2), 302-329.

5 Izurieta, A., Kohler, P., and Pizarro, J. (2018 June). Financialization, Trade, and Investment Agreements: Through the Looking Glass or Through the Realities of Income Distribution and Government Policy? *UNCTAD & Global Development and Environment Institute Working Paper No. 03-18*. Retrieved from http://www.ase.tufts.edu/gdae/pubs/wp/18-02_IzurietaKohlerPizarro_FinancializationTradeInvestmentAgreements.pdf.

6 The designation “neo-liberal” to describe the policy turn from the early 1980s provokes a hostile reaction in some quarters as it is seen as being used more as an insult than a characterization of a consistent approach to policy. As Slobodian (2018) makes clear this is not correct. Moreover, it is arguably a more accurate description than free-market with which it is closely associated, as the “state versus market” dichotomy is misleading given that the state has been instrumental in drawing up the rules and implementing policies that favor footloose capital and corporate rent-seeking. Slobodian, Q. (2018). *Globalists: The End of Empire and the Birth of Neoliberalism*. Cambridge, MA, USA: Harvard University Press.

7 Izurieta, A., Kohler, P., and Pizarro, J. (2018). *Financialization, Trade, and Investment Agreements: Through the Looking Glass or Through the Realities of Income Distribution and Government Policy?* Global Development Environment Institute, Tufts University, GDAE Working Paper 18-02, September 2018.

8 A ten-point policy checklist which included, inter alia, low taxes on capital, privatization, deregulation, openness to foreign direct investment and fiscal discipline, strong property right was dubbed the “Washington Consensus” by former UK Treasury official John Williamson, because they commanded broad acceptance in the multilateral financial institutions and the OECD for dealing with economies that were seeking adjustment lending. The original list was subsequently augmented along more familiar neo-liberal lines to include a diminished welfare state, flexible labor markets (weakening of unions and labor standards) and good governance.

9 The record is discussed extensively in UNCTAD Trade and Development Reports. UNCTAD. (n.d.). Trade and Development Reports Series. Retrieved from <https://unctad.org/en/Pages/Publications/TradeandDevelopmentReport.aspx>. For a self-assessment by the World Bank of its own track record, see The World Bank Group. (2005). *Economic Growth in the 1990s: Learning from a Decade of Reform*. Washington, D.C.: The World Bank.

10 The IMF’s own Internal Evaluation Unit has produced critical reports on the institutions approach to the global financial crisis and the Greek debt crisis. Of course it is not alone in doggedly sticking to this misguided ideology. On the Greek crisis in particular, see Tooze, A. (2018). *Crashed: How a Decade of Financial Crises Changed the World*. New York, NY, USA: Penguin Random House.

11 Following Joseph Stiglitz, we associate rent-seeking with “getting an income not as a reward for creating wealth but by grabbing a larger share of the wealth that would have been produced anyway.” Stiglitz, J. (2016 September 9). Joseph Stiglitz Says Standard Economics is Wrong: Inequality and Unearned Income Kills the Economy. *Economics*. Retrieved from <http://economics.com/joseph-stiglitz-inequality-uneared-income/>. For a discussion of the history of the concept and its resurgence under hyperglobalization, see UNCTAD. (2017b). *Trade and Development Report 2017*, chapter VI. Retrieved from https://unctad.org/en/PublicationsLibrary/trd2017_en.pdf.

12 The dangers were recognized (and ignored) in the work of Hyman Minsky; Carlos Dias-Alejandro (in a famous article titled “Goodbye financial repression, hello financial crash”) saw the consequences early for developing countries based on the experience of rapid financial liberalization in the Southern Cone countries of Latin American. Díaz-Alejandro, C. (1985). Goodbye financial repression, hello financial crash. *Journal of Development Economics*, 19(1-2), 1-24. The analysis was developed extensively in UNCTAD Trade and Development Reports in the 1990s. See also Jeanne, O., Arvind Subramanian, and John Williamson. (2012). *Who Needs an Open Capital Account?* Washington, D.C.: Peterson Institute for International Economics.

13 UNCTADSTAT. (2013). non-FDI Financial Flows [excel file]. Source on site with author (compiled from IMF Balance of Payments database and national central banks). IMF. (2013). Balance of Payments and International Investment Position Statistics. Retrieved from <http://data.imf.org/?sk=7A51304B-6426-40C0-83DD-CA473CA1FD52>.

14 International Monetary Fund. (2018). Global Debt Database. Retrieved from: <https://www.imf.org/external/datamapper/datasets/GDD> (calculations by UNCTAD); See also, Mbaye, Moreno-Badia, and Chae 2018.

15 Setser, B.W. and Frank C. (2018 February 9). The impact of tax arbitrage on the U.S. balance of payments [blog post]. *Council on Foreign Relations*. Retrieved from <https://www.cfr.org/blog/impact-tax-arbitrage-us-balance-payments>.

16 UNCTAD. (2017). Database of consolidated financial statements. Location: UNCTAD (based on Thomson Reuters. (2017). *Worldscope*. Location Thomson Reuters, and UNCTAD. (2017). *World Economic Database*. Location: UNCTAD).

17 See Standing, G. (2016). *The Corruption of Capitalism*, chapter 5. London: Biteback Publishing. See also, UNCTAD. (2015). *Trade and Development Report 2015*, chapter V1. Retrieved from https://unctad.org/en/PublicationsLibrary/trd2015_en.pdf. See also, Meek, J. (2014). *Private Island; Why Britain Now Belongs to Someone Else*. London: Verso.

- 18 (1) José de Souza. (2015). Regional Trade Agreements (updated October 2014) [data file]. Retrieved from <http://jdesousa.univ.free.fr/data.htm#RegionalTradeAgreements>; (2) UNCTAD. (2017a). Bilateral Investment Treaties database. *Investment Policy Hub*. Retrieved from <http://investmentpolicyhub.unctad.org/IIA>.
- 19 Minsky, H. (2008). *Stabilizing an Unstable Economy*. New York, NY, USA: McGraw-Hill companies.
- 20 (1) Valencia, F. and Laeven, L. (2012). Systemic banking crises database: An update. *IMF Working Paper No. 12/163*. Retrieved from <https://www.imf.org/en/Publications/WP/Issues/2016/12/31/Systemic-Banking-Crises-Database-An-Update-26015>; (2) Global Consumption and Income Project (GCIP). (2016 March). Retrieved from <http://gqip.info/graphs/download>. See Lahoti, R., Jayadev, A. and Reddy, S.G. (2016). The Global Consumption and Income Project (GCIP): An overview. *Journal of Globalization and Development*, 7(1), 61-108; (3) United Nations Department of Economic and Social Affairs (UNDESA). (n.d.). Global Policy Model database (GPM). Retrieved from <https://www.un.org/development/desa/dpad/publication/united-nations-global-policy-model/>.
- 21 Krugman, P. (2005). The Debt-Peonage Society. *New York Times, Opinion*. Retrieved from <https://www.nytimes.com/2005/03/08/opinion/the-debtpeonage-society.html>.
- 22 Crouch, C. (2011). *The Strange Non-Death of Neoliberalism*. Cambridge, UK & Malden, MA, USA: Polity Press.
- 23 (1) World Inequality Report. (2018a). Figure 2.3.2a. Top 1% vs Bottom 50% national income shares in the US and Western Europe, 1980-2016 [excel file]. Retrieved from <https://wir2018.wid.world/methodology.html>; (2) World Inequality Report. (2018b). Figure 2.1.4 Total income growth by percentile across all world regions, 1980-2016 [excel file]. Retrieved from <https://wir2018.wid.world/methodology.html>.
- 24 It is worth noting that much of this discussion is based on using purchasing power parity (PPP) to make cross country comparisons, for a discussion of why this might underestimate the extent of inequality. See Ghosh, J. (2018). A note on estimating income inequality across countries using PPP exchange rates. *The Economic and Labour Relations Review*, 29(1), 24-37.
- 25 *World Inequality Report*. (2018b). Figure 2.1.4 Total income growth by percentile across all world regions, 1980-2016 [excel file]. Retrieved from <https://wir2018.wid.world/methodology.html>.
- 26 Temin, P. (2016). *The Vanishing Middle Class: Prejudice and Power in a Dual Economy*. Boston, MA, USA: MIT Press; Quart, A. (2018). *Squeezed: Why Our Families Can't Afford America*. New York, NY, USA: Ecco (an imprint of Harpers Collins Publishers). International Labor Organization. (2018). *Europe's disappearing middle class? Evidence from the world of work*. Daniel Vaughan-Whitehead (Ed.). Northampton, MA, USA: Edward Elgar Publishing.
- 27 The World Bank Group. (2019). PovcalNet: an online analysis tool for global poverty monitoring. *The World Bank Data Development Group, Development Research Group, and Poverty and Equity Global Practice*. Retrieved from <http://iresearch.worldbank.org/PovcalNet/home.aspx#>. For more information and methodology, please see PovcalNet (<http://iresearch.worldbank.org/PovcalNet/index.htm>).
- 28 For further discussion of these trends and their impact, see UNCTAD. (n.d.). Trade and Development Reports Series [years 2002, 2014, 2016 and 2018]. Retrieved from <https://unctad.org/en/Pages/Publications/TradeandDevelopmentReport.aspx>.
- 29 United Nations Environmental Programme (UNEP). (2018). *Emissions Gap Report 2018*. Retrieved from <https://www.unenvironment.org/resources/emissions-gap-report-2018>
- 30 Gore, T. (2015 December 2). Extreme Carbon Inequality: Why the Paris climate deal must put the poorest, lowest emitting and the most vulnerable people first. *Oxfam Media Briefing, Oxfam International*. Retrieved from <https://policy-practice.oxfam.org.uk/publications/extreme-carbon-inequality-why-the-paris-climate-deal-must-put-the-poorest-lowes-582545>.
- 31 WTO-UNEP. (2009). *Trade and Climate Change: WTO-UNEP Report*, p. xii. Geneva: World Trade Organization. Retrieved from https://www.wto.org/english/res_e/booksp_e/trade_climate_change_e.pdf.
- 32 See, for example, Grabel (2018) for a discussion of revised bilateral investment treaties and new models: Grabel, I. (2018). *When Things Don't Fall Apart: Global Financial Governance and Developmental Finance in an Age of Productive Incoherence*. Boston, MA, USA: MIT Press. Additionally, see Schwab, K. (2017). *The Fourth Industrial Revolution*. Geneva: World Economic Forum.
- 33 Inter-Agency Task force on Financing for Development. (2019 March). *United Nations*. Retrieved from https://developmentfinance.un.org/sites/developmentfinance.un.org/files/FSDR_2019_AUV_revised_key%20messages_12March2019.pdf.

AUTHOR BIOS

Kevin P. Gallagher is a professor of global development policy at Boston University's Frederick S. Pardee School of Global Studies, where he directs the Global Development Policy Center. He is author or co-author of six books, including *The China Triangle: Latin America's China Boom and the Fate of the Washington Consensus*, and *Ruling Capital: Emerging Markets and the Reregulation of Cross-Border Finance*. Gallagher serves on the United Nations' Committee for Development Policy and co-chairs the T20 Task Force on An International Financial Architecture for Stability and Development at the G20. He previously served on the investment sub-committee of the Advisory Committee on International Economic Policy at the US Department of State and on the National Advisory Committee at the Environmental Protection Agency.

Richard Kozul-Wright is Director of the Globalisation and Development Strategies Division in UNCTAD. He has worked at the United Nations in both New York and Geneva. He holds a Ph.D in economics from the University of Cambridge UK and has published widely on economic issues including, inter alia, in the *Economic Journal*, the *Cambridge Journal of Economics*, *The Journal of Development Studies*, and the *Oxford Review of Economic Policy*. His latest book is the *Resistible Rise of Market Fundamentalism* (with Paul Rayment) and he has also edited volumes on Transnational Corporations and the Global Economy, Economic Insecurity and Development, Securing Peace, and Climate Protection and Development.



Global Development Policy Center

Boston University
53 Bay State Road
Boston, Massachusetts 02215

bu.edu/gdp



UNITED NATIONS
UNCTAD

United Nations Conference on Trade and Development
Palais des Nations, 8-14,
Av. de la Paix, 1211 Geneva 10
Switzerland

unctad.org