

THE CASE FOR

A NEW BRETTON WOODS

Kevin P. Gallagher + Richard Kozul-Wright





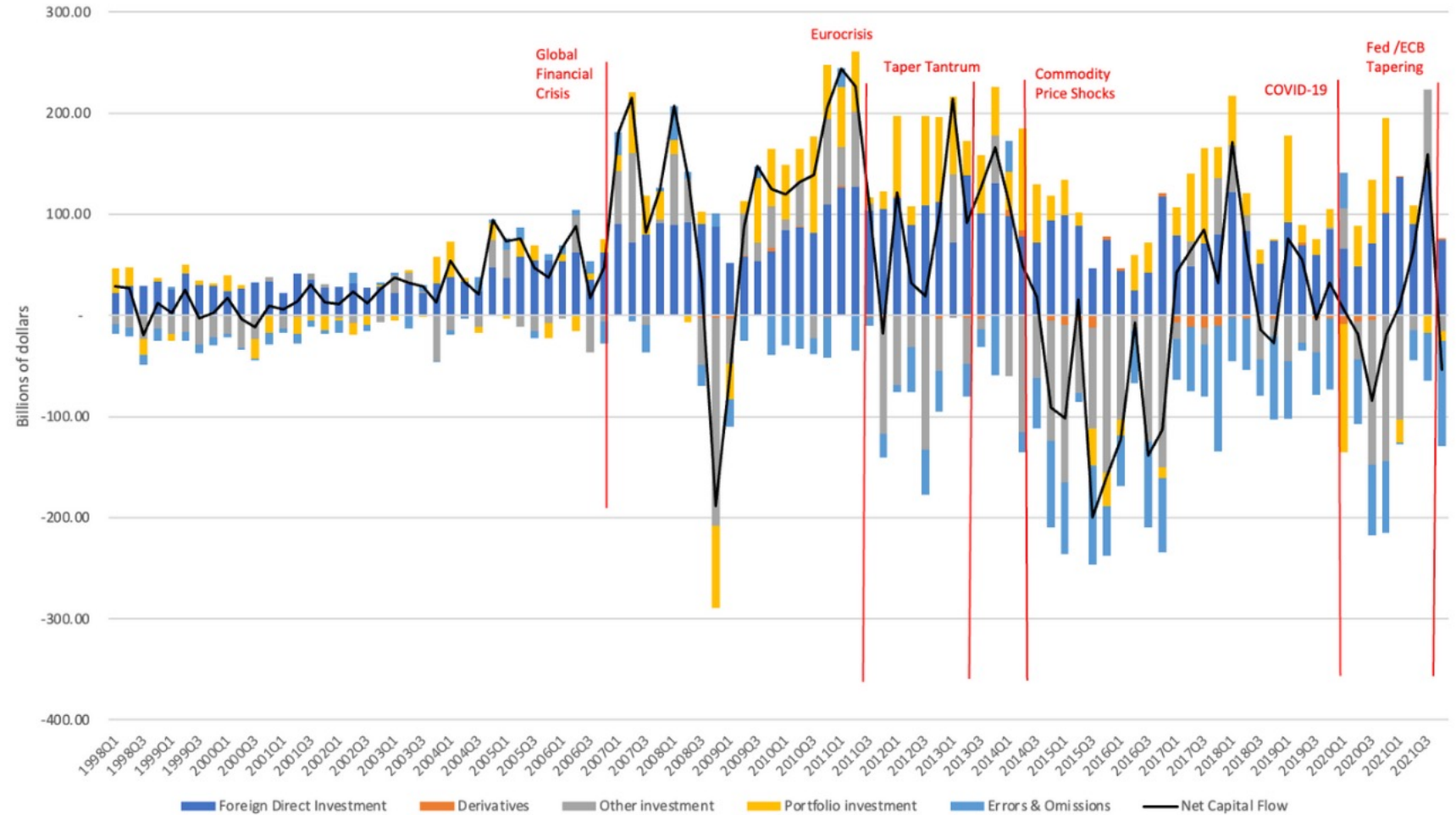
Multilateralism is in crisis

Which multilateralism?

Systemic, not symptomatic

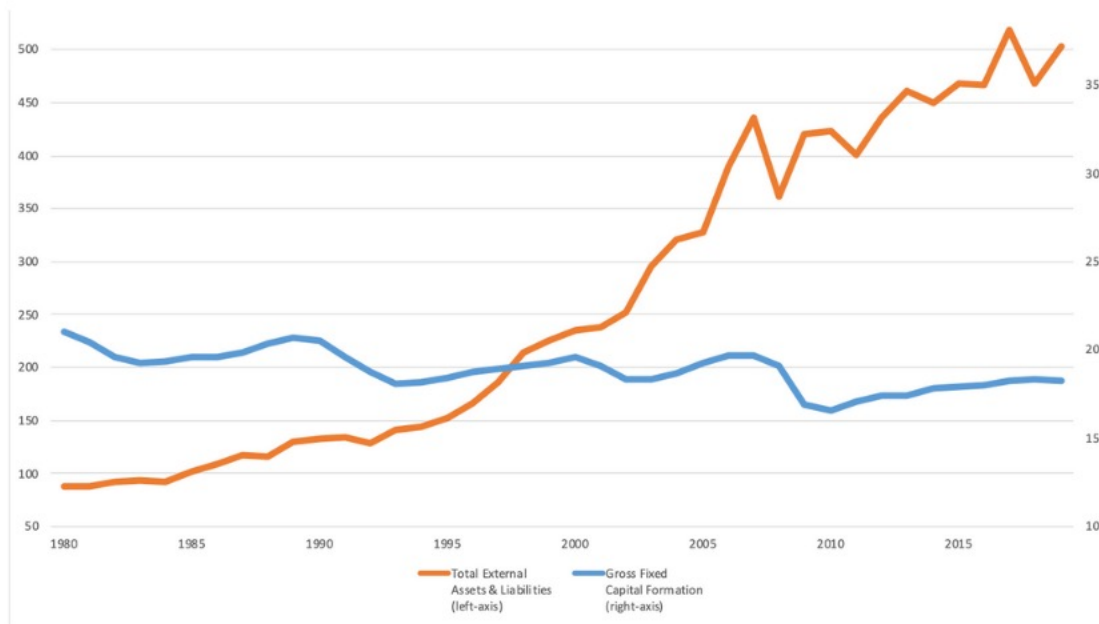
Private capital flows are inherently **unstable**.

Net Capital Flow, Low- & Middle-Income Countries, 1998-2021

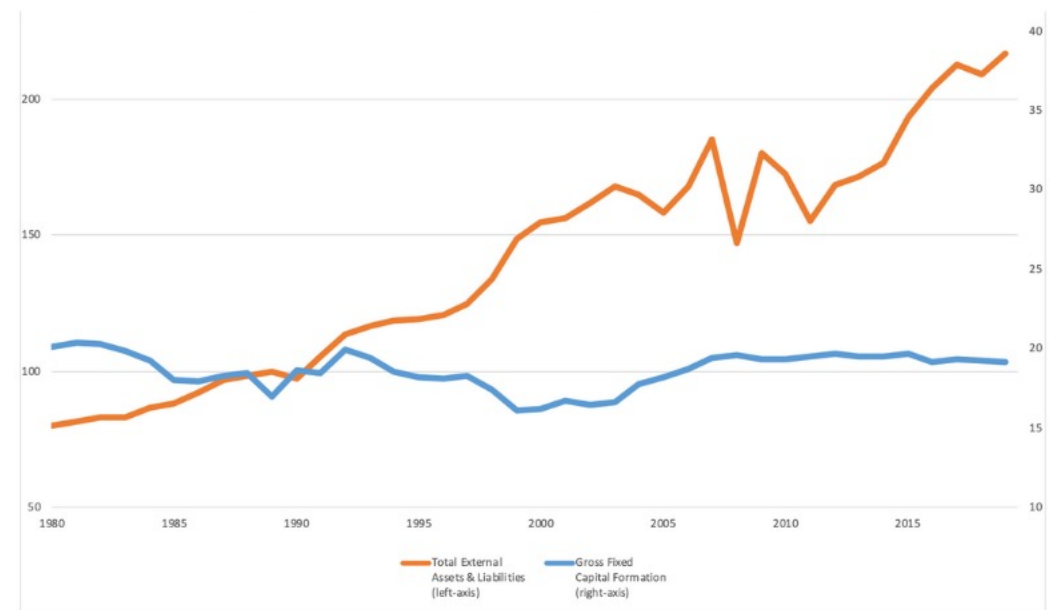


Unproductive Financial Markets

Developed Economies
(per cent of aggregate GDP)



Emerging Economies - excluding China
(per cent of aggregate GDP)

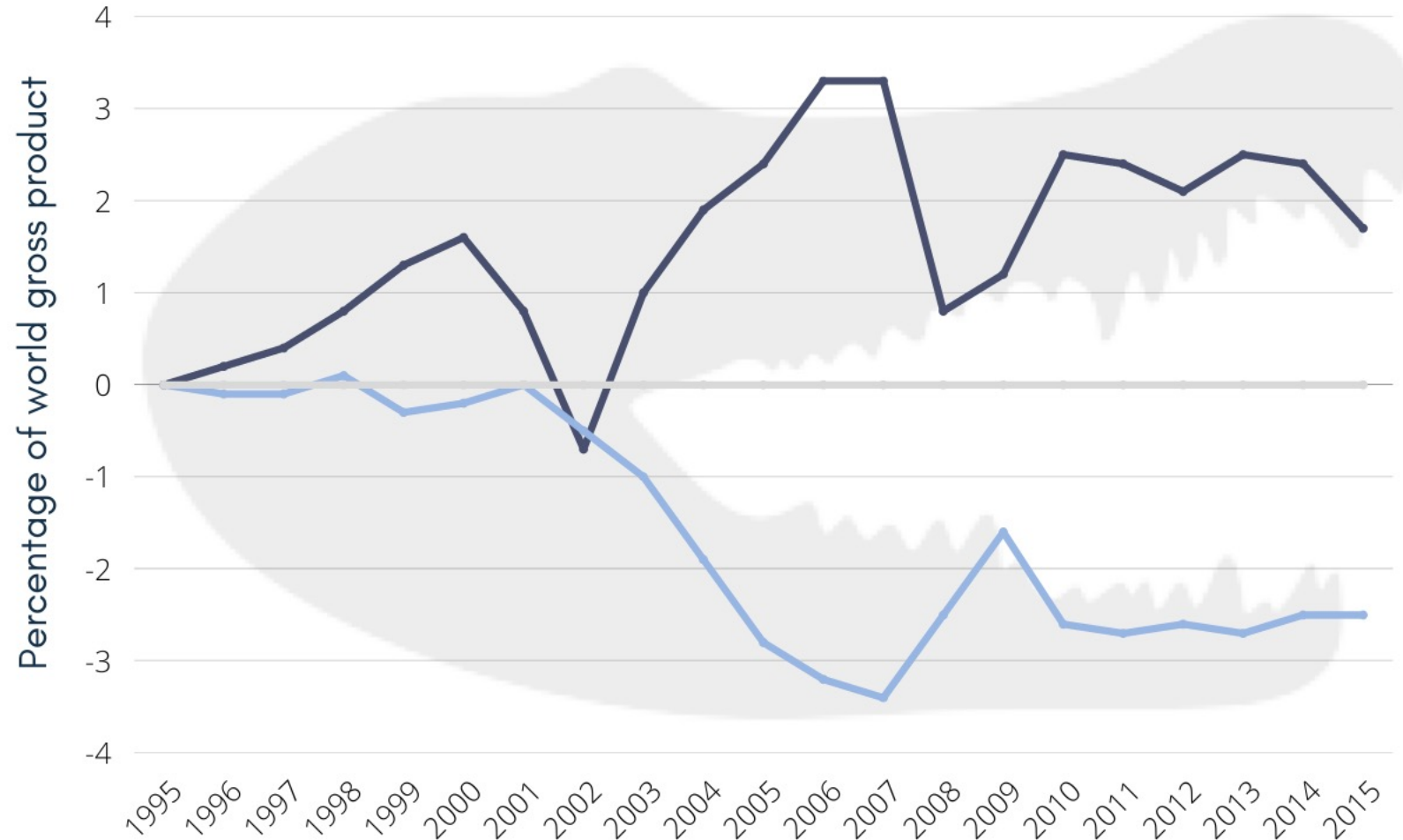


An Increasingly **Unequal** World

The 'Crocodile' Chart

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

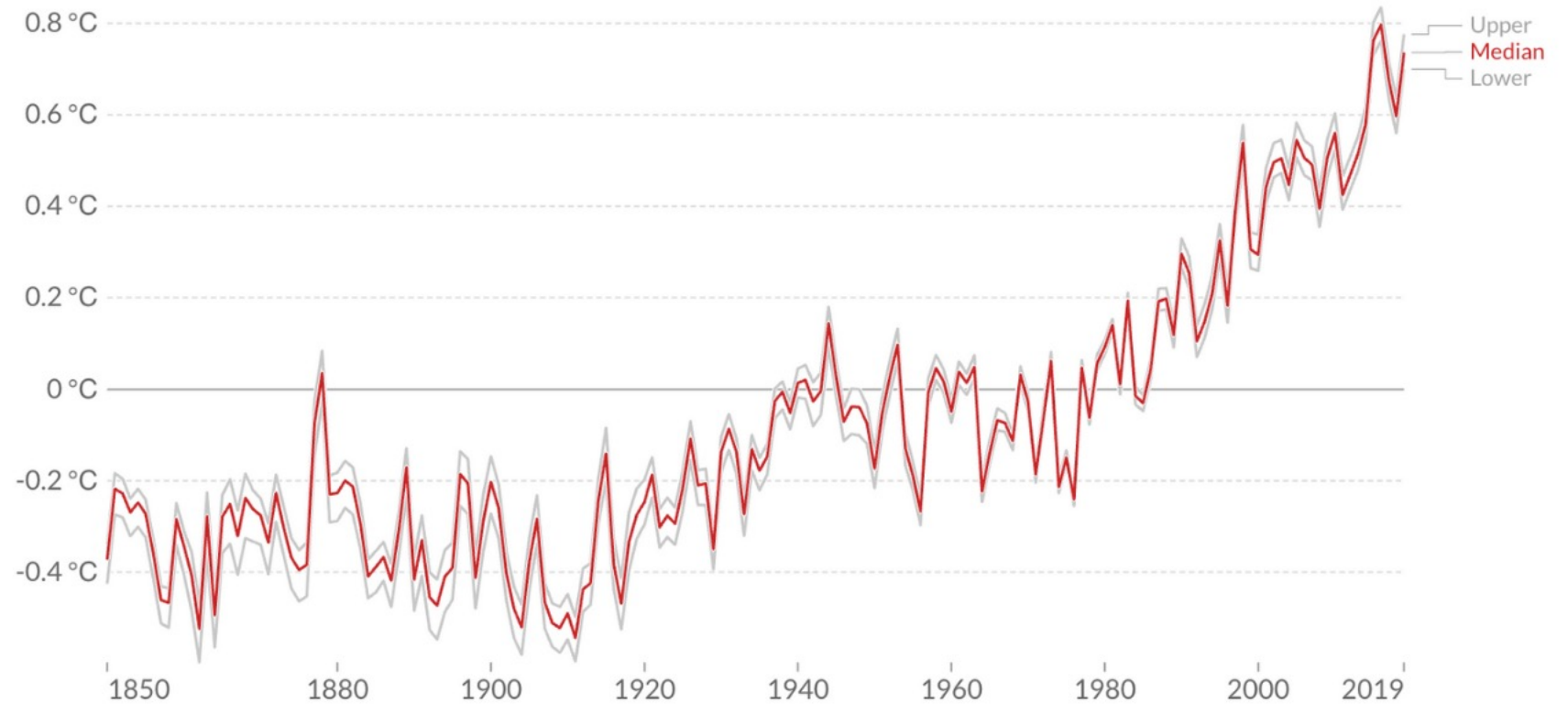
- ◆ Top 2,000 TNC Net Income
- ◆ Labor Income
- ◆ 1995 Benchmark



Unsustainable

Average temperature anomaly, Global

Global average land-sea temperature anomaly relative to the 1961-1990 average temperature



Source: Hadley Centre (HadCRUT4)

OurWorldInData.org/co2-and-other-greenhouse-gas-emissions • CC BY

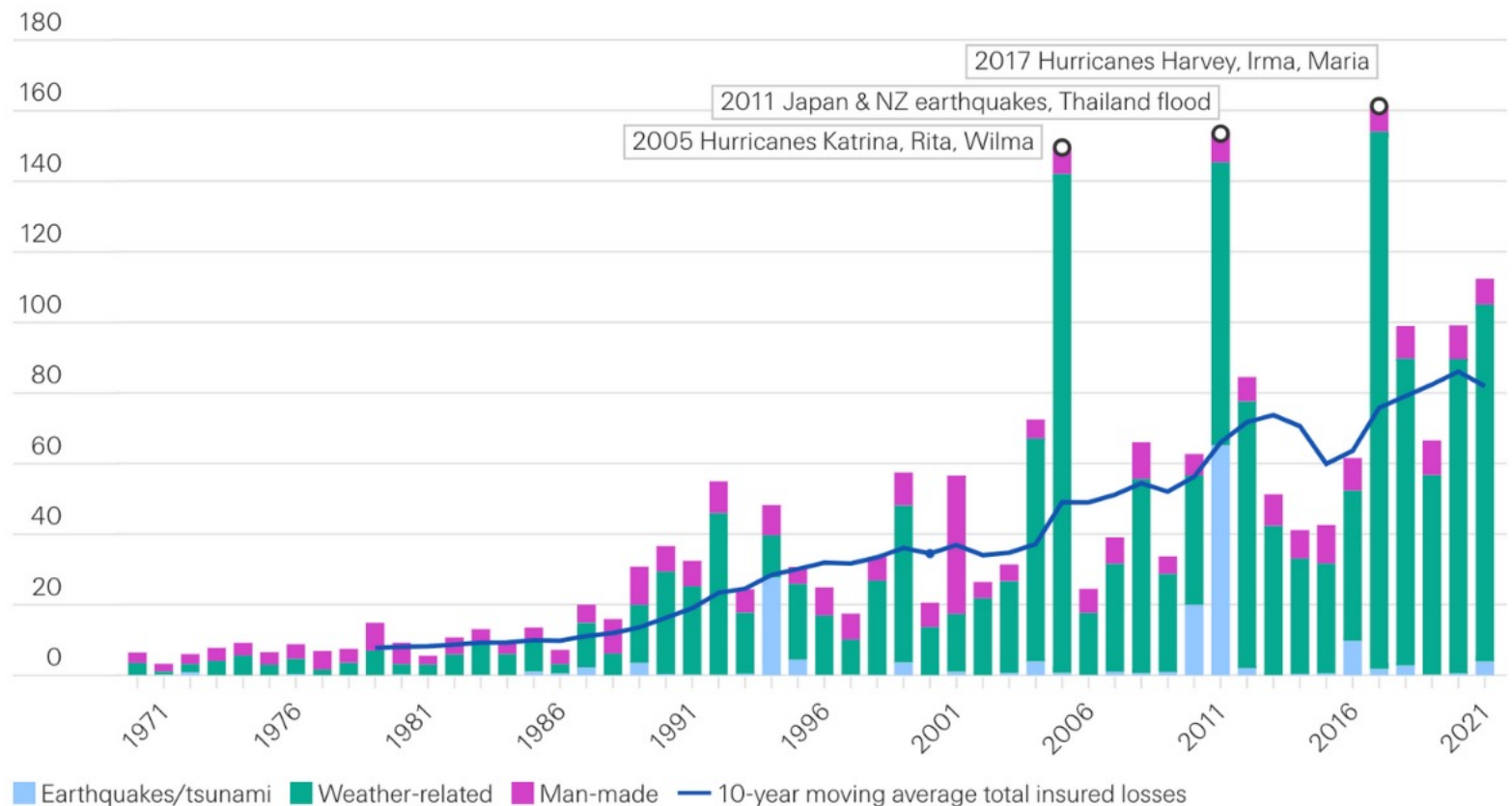
Note: The red line represents the median average temperature change, and grey lines represent the upper and lower 95% confidence intervals.

Source: World in Data

The New Climate Instability

Insured Losses since 1970

USD billion (in 2021 prices)
Rollover/touch chart for details



Source: Swiss Re



Multilateralism is in crisis

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LEAGUE OF NATIONS PRINCIPLES

- Free trade (little influence)
- Gold standard + free capital mobility
- Independent Central Banks (informal coordination)
- Balanced budgets (austerity default adjustment)

MORGENTHAU PRINCIPLES

- Protection against imported deflation and threat of beggar-my-neighbor policies
- Expanding policy and fiscal space through reliable access to international public finance
- Monitoring and surveillance of big players (including private sector)

IMF/WB PRINCIPLES

- Free trade (policy conditionality)
- Flexible exchange rates + ICBs (inflation targeting)
- Balanced budgets + counter-cyclical measures if fiscal space allows
- Ambiguity on capital mobility

NATIONAL GOALS

- Full employment and raising real wages
- Industrial upgrading
- Catch up growth
- Social Security and Welfare

Policy autonomy

GLOBAL PUBLIC GOODS

- Stable exchange rates
- Lender of Last Resort
- Long run, counter-cyclical finance
- Open but managed trade

Global cooperation

BRETTON WOODS 2.0

NATIONAL GOALS

- Full and decent employment
- Green structural transformation
- Stable growth
- Equality and justice
- Decarbonization
- Resilience

GLOBAL PUBLIC GOODS

- Financial stability
- Relative global equality
- Counter-cyclical and long run finance
- Lender of last resort and debt authority
- Balanced trade
- Stable global climate
- International cooperation



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A New Bretton Woods

Geneva Principles

- A **productive global economy** built around full and decent employment at livable 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
- **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

Principles for a New Multilateralism

- Global rules geared to **promoting ends, not means**
- Collective state action to **deliver global public goods** and protect the global commons based on common but differentiated responsibilities
- Global regulations **preventing destructive unilateral economic actions** that block other nations from realizing common goals
- Global institutions should ensure **sufficient policy (and fiscal) space** to pursue national development strategies tailored to local needs and circumstances
- Global institutions premised on a **public ethos**, accountability, diversity of viewpoints and voices with balanced dispute resolution systems



A NEW BRETTON WOODS

Reforming the
international
financial system

Aligning the
international
trade and
investment
regime

Scaling up
development
finance

Reforming the international financial system



Regulate and steer private capital flows toward productive economic activity that is low-carbon and socially inclusive



Massively expand the scale and scope of the "Global Financial Safety Net" aligned with green and inclusive prosperity



Reform governance and cooperation across the international financial system in line with shared climate and development goals

Scaling up development finance



Mobilize a stepwise increase in development finance



Foster equitable cooperation among development finance institutions



Condition new financing on alignment with shared climate and development goals



Adaptation financing (reparations?)



Support massive green industrialization, employment efforts and adjustment financing

Aligning the international trade & investment regime



Monitor and regulate market concentration and rent-seeking through strong global competition rules (GCA)



Re-orient global trade and investment incentives away from fossil fuels and toward green and inclusive globalization



Replace privatized dispute resolution systems so disputes are resolved by nation states and stakeholders

Incremental Changes on Horizon



Advocate for additional SDR allocations with recycling mechanisms
Advance quota increase and voting share reform at the IMF
Bolster and expand regional financial arrangements



Push for capital increases at WB and other MDBs
Advocate for expanding 'lending headroom' in MDBs per new G20 expert panel
Bolster and expand regional and national development banks



Reform the Common Framework at the G20
Advance proposals more transparent and orderly workout policy at IMF
Reform Debt Sustainability Analysis to include resource mobilization needs

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THANK YOU

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