



# **UNCTAD/INET SUMMER SCHOOL**

## ***Development challenges in the age of hyperglobalisation***

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**10 years after: *the song remains the same***

**UNCTAD's approach: *fight the power (or boulevard of broken dreams)***

**Whither the liberal international order: *should i stay or should i go***

**The rise of hyperglobalisation: (welcome to) *Hotel California***

**Future research: *The ghost of Tom Joad***

## The scorecard

- No repeat of the 1930s; unemployment tackled
- Financial system is simpler safer and fairer
- Asset markets have rebounded
- Greece has made it
- Synchronised recovery under way
- Slowest recovery on record
- Wages stagnant, social services threatened
- Morbid financial symptoms
- Emerging markets in trouble
- Multilateralism in crisis
- Economics hasn't changed

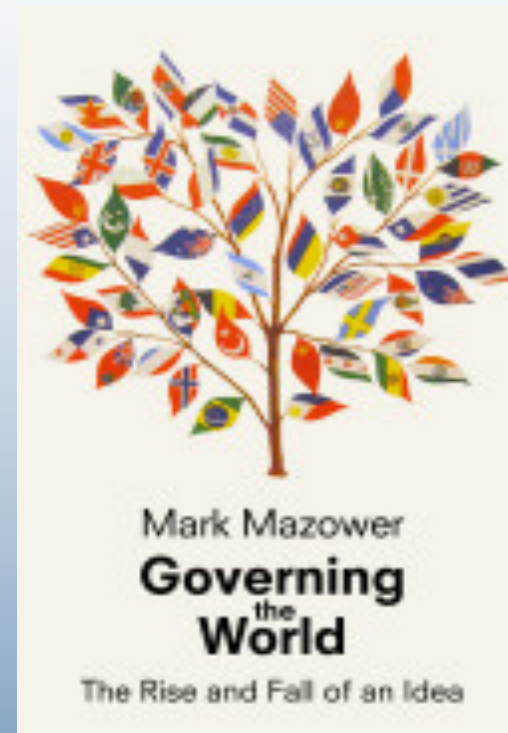
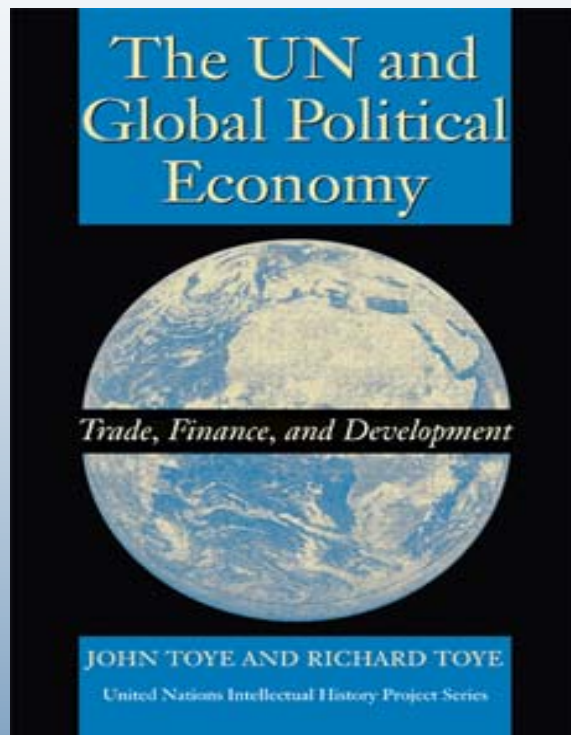
## Trump vs Tusk VS trust

- Political landscape has changed
- Populism
- Saving the 70 year post-war liberal economic order...
- But it died in the 1980s ..
  - End of capital controls
  - End of full employment
  - End of mixed economy (and alternative economic paths)
  - End of managed trade

End of UNCTAD?



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## The post-war multilateral order

- Bretton Woods → Special Fund for Development
- ITO -> GATT -> Haberler Report (1958)
- Marshall Plan -> Bilateral aid and FDI
- Partial globalisation? In both senses, large parts of world weren't really included and rules and norms adopted were shaped by and in the interest of developed countries – but policy space mattered, capital was constrained and there was no one size fits all ideology
- Polarisation; North vs South: core vs periphery; secondary vs primary producers; donors vs recipients;

## UNCTAD: a tale of two halves

### Pre 1990

- Integrated Programme of Commodities (Common Fund)
- Code of Conduct for Liner Conferences
- Code of Conduct for Technology Transfer
- Rules for the Control of Restrictive business practices
- Special Drawing Rights
- 0.7 per cent aid target
- Debt relief (debt workout mechanism)
- Generalized System of Preferences and GSTP
- Least Developed Countries
- New International Economic Order

### Post 1990

- Policy space
- Premature deindustrialisation
- Trade and Development Report
- World Investment Report
- Investment policy reviews
- DMFAS/ASYCUDA



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## The debt crisis and the Washington Consensus

- World Bank worries (urban bias, protectionism, industrial policy, financial repression)
- 10 policy commandments: Fiscal discipline; Redirect public spending (pro-poor services), Tax reform (broadening the base moderate marginal rates); market friendly monetary policy (liberalizing interest rates); competitive exchange rates; trade liberalization; liberalization of inward foreign direct investment; Privatization of state enterprises; deregulation and prudential oversight of financial institutions; legal security for property rights.
- “The three big ideas here are **macroeconomic discipline**, a **market economy**, and **openness to the world** (at least in respect of trade and FDI). These are ideas that had long been regarded as orthodox so far as OECD countries are concerned, but there used to be a sort of global apartheid which claimed that developing countries came from a different universe which enabled them to benefit from (a) inflation (so as to reap the inflation tax and boost investment); (b) a leading role for the state in initiating industrialization; and (c) import substitution. The Washington Consensus said that this era of apartheid was over.” Williamson (2002)





## From Washington to Geneva via Chicago and Vienna ... the rise of hyperglobalisation

- The rise of neo-liberalism ... state vs market? TINA goes global

"I hear people say we have to stop and debate globalisation. You might as well debate whether autumn should follow summer. They're not debating it in China and India. They are seizing its possibilities in a way that will transform their lives and ours...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.**"

- Deregulating financial markets to "financialization" ...

## Paradox I: East Asia

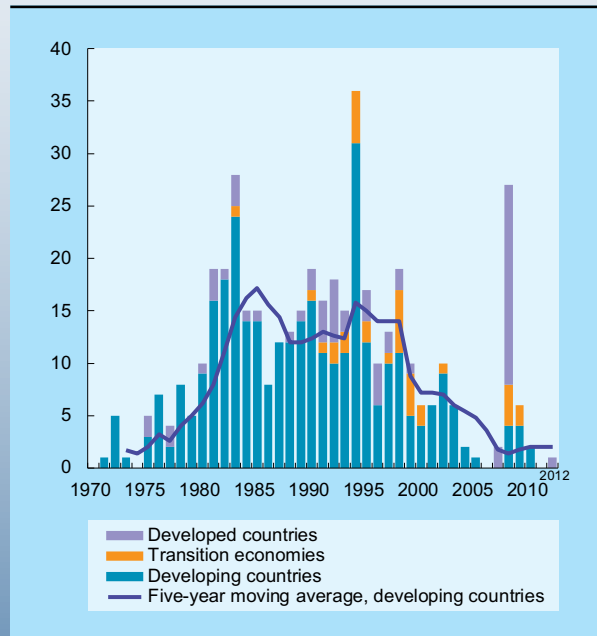
- Began with Little et al (1970), Krueger (1978) Bhagwati (1978) ... East Asia proves the market fundamentalists were right
- Chalmers Johnson`s work on MITI opened up a different perspective; Amsden, Wade, Chang et al; the developmental state literature
- World Bank weighed in with the East Asian Miracle Report; Japanese gave UNCTAD money to provide an alternative perspective!!
- Profit-investment-export nexus as a way of framing the development policy challenge

## Financialization

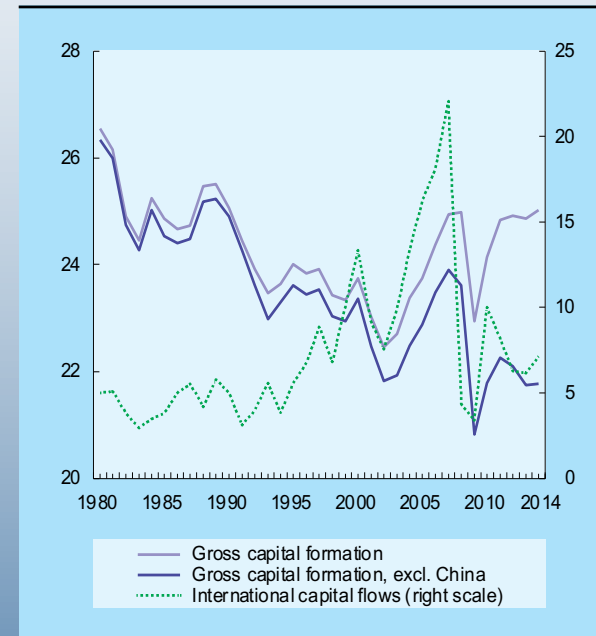
- The increasing proportion of national income accruing to the financial sector,
- The proliferation of esoteric financial products and corresponding markets, and the emergence of “shadow” financial institutions:
- The channelling entrepreneurial energies in to devising new financial products to manage the risks accompanying increasing levels of indebtedness;
- Rights of the owners of financial assets beyond social accountability; shareholder value and beyond
- Financial markets determine what is good policy ... short-termist
- TDR1997 ... weak investment performance instability and growing inequality would lead to a backlash against globalization
- How inequality, indebtedness, instability and insufficient investment are hard-wired in to working of hyperglobalization

# The great moderation

## Systemic banking crises



## Finance without investment





## **Paradox II: The rise of the south**

- BRICS
- Decoupling
- South south cooperation
- China plus commodities? BRI; new financial architecture, etc



## Monopoly power economic rents and development

- Rents and rent-seeking have a long and contested history in economics culminating in Keynes` s «euthenasia of the rentier»
- Akerlof and Roemer (1993), «looting2, Galbraith (2014) and Bill Black (2005) fraud at the heart of the financial system.
- Stiglitz «getting an income not as a reward for creating wealth but grabbing a larger share of the wealth that would have been produced anyway
- Extended to corporate behaviour more generally, Lazonick`s work but also a growing attempt to measure corporate rents more precisely and link it to trends in income inequality » (Turner`s zero-sum society?) TDR 2017
- The forgotten one percent ... the firms that control global trade back; to Prebisch and Hymer (the internationalisation of capital) TDR 2018
- Need something more than global value chains, blended finance, PPPs to meet the 2030 agenda



## **Our agenda: towards a progressive multilateralism**

- Repairing the multilateral financial system:
  - debt workout mechanism
  - long-term development finance
  - liquidity
  - crisis response
- Policy space ....
- Beyond that to a progressive multilateralism for the 21st century