The Spirit of Bretton Woods and Global Governance Reform

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Bretton Woods moment lost?

Bretton Woods, 1944: United Nations conference on monetary + financial affairs

- 15 years after 1929 Depression
- Middle of WW2
- US initiative vs UK Treasury stance
- 44 countries (28 developing countries; 19 LA)
- UN system: IMF, IBRD, ITO
- Clear emphasis on sustaining growth, job creation, post-war reconstruction, post-colonial development, not just monetary + financial stability
IMF responses

• IMF, WB upbeat till late 2008; UN, BIS forecasts much better
• IMF discouraged stronger fiscal stimulus by developing countries without surplus
• IMF concessions, rethinking
• New IMF stress: fiscal consolidation despite fragile recovery, deflation
Global recovery stimuli not coordinated enough.
Developed countries

Economies in transition

Developing countries

Least developed countries

Source: UN/DESA, based on policy stimulations with the UN Global Policy Model.
G20 recovery efforts vs ODA for Africa

- G20 total commitment: 19,697 billion US dollars
- G-20 fiscal stimulus, 2009: 1,591 billion US dollars
- ODA to Africa, 2008: 26 billion US dollars

Bar chart showing the comparison.
G20 London Summit

$1,100bn Total

$250bn SDR allocation
44% to G7 countries alone
Only $80bn to DCs

$250bn Trade Finance
New commitments < $25bn

$500bn IMF Funding
$0 New Commitments

$100bn Aid for the poorest
New Commitments < $100bn

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G20 Pittsburgh

• G20 takeover (G7)?
• BWI governance shifts
• Executive remuneration debate
• Financial regulation reform?
• Capital requirements
• Surveillance
G20: next?

**Toronto:**
- Fiscal consolidation?
  - double dip danger
  - [better bank regulation → crisis free]

**Seoul:**
- ‘Financial safety nets’
- Development
Crisis → reform?

- Lack of reserve currency system → unsustainable global imbalances
- International financial architecture: non-system since 1971 end of BW
- Financial deregulation
  - deregulation, self-regulation
  - inadequate + inappropriate regulation
- Capital account liberalization
Broader reform agenda

• Ensure *macro-financial stability* with *counter-cyclical* macroeconomic policies + *prudential risk management*, including *capital controls*

• **Finance** growth (output, employment) with *developmental* financial system

• Ensure *inclusive* financial system

• Monterrey *policy coherence*: Align IMF, WB with UN development agenda, IADGs
BWIs governance reform

- BW spirit? Financial cooperative
- Creditor-borrower balance? IADB?
- Europe over-represented
- US veto
- Quotas debate
- Basic votes
- Double majority?
Stiglitz Commission: New institutions

- Global Economic Coordination Council
- International Debt Restructuring Tribunal
- Foreign Debt Commission
- Intergovernmental Commission on Tax Cooperation (for resource mobilization)
- New International Reserve Currency
Proposed UN initiatives

- Debt sustainability framework
- International tax cooperation
- Global Economic Coordination Council (MAC)
- Macroeconomic advisory capacity (MAC)
- Global Green New Deal
Thank you

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UN-DESA [www.un.org]

- Policy briefs
- Research papers
- Other documents