

GLOBAL ECONOMIC INSTITUTIONS and NORTH-SOUTH LINKS

Reflections from Keith Griffin's Agenda

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Rabbit, Rabbit where are you going?
I am going out to kill the elephant.
Rabbit, Rabbit can you really do that?
Well, I'll try ... and try again.

- Tanzanian Lake Zone Proverb

I.

"May You Live In Interesting Times"

Keith Griffin, like Gerry Helleiner is an iconoclast. He does not suppose that relative longevity and general acceptance or conventional wisdom are a justification for following the Spanish proverb "Let there be new things". If anything, quite the reverse.

In respect to the Chinese curse "May you live in interesting times", the "Reformer's Agenda" at least implicitly (e.g. simply by tabling the gap in comparative purchasing power of A and B countries) answers that the times are already all too interesting and - not only for poor people and countries - likely to become much more so if "business as usual" (as it became usual over 1980-1990) is the order of the decade.

The first main thrust of the Agenda is that the North-South official resource transfer system needs to be, and both technically and politically can be, transformed with the largest single element a social security/safe net automatic mechanism. While a number of questions on details and modalities and more basic questions on who should administer and whether or to what extent one can equate poor economy governments and poor households, this major challenge to the present transfer system is an idea whose time has come.

The second main thrust is for wide use of mutual benefit cost sharing contracts to - e.g. cover environmental protection programming in poor countries, extend public health services to reduce global as well as national disease risk. That too is an idea whose time for serious application has come, whether justified in terms of external economies market failure or mutual interest.

The other elements proposed for official transfers are:

- a. North payments for economic harm (deviations from economic liberalism plus - in the case of high level personnel - for practising it) to poor Southern countries;
- b. Emergency survival (and presumably post crisis reconstruction and livelihood rehabilitation) on a quasi global insurance fund basis;
- c. residual bilateral official transfer programmes to serve resource transferor international economic interests;
- d. perhaps a vestigial role for the World Bank and Regional Development Banks;
- e. no technical assistance as such (except under "c") with transfers freely usable by recipients to buy it if desired.

The second element is indeed one which urgently needs - and probably can get - more, more efficiently used resources but is unfortunately only tacked-on as a footnote to the agenda.

The first is ill-served by treating both liberal acceptance of migrant professionals and illiberal rejection of migrant unskilled workers as justifying payments. More basically unlike the Safety Net, the transformed Emergency Programme and the Mutual Interest Contracts it is not an idea which can conceivably be made operational over 1995-2005. 2045 would be an optimistic date because (as is not true for the other elements) it really does require at least Global Economic Confederalism with a strong global economic judiciary able to levy fines, not simply cut off access to benefits to contract violators (e.g. a WTO judicial process on asserted violations).

Realistically, the third is likely to be rather more substantial than the agenda suggests. While in the right direction the last two - wipe-out - elements appear distinctly too extreme, at least for 2005 or 2015.

The basic challenges to this Agenda are:

1. Is external debt write-down/write-off really an area of insignificant importance in respect of net transfers to poor countries?
2. Is the creation of UNDP as an imperial, single channel transfer operator/coordinator desirable?
3. Even in respect of transfers, the enterprise and individual taken together are much larger than the official - even for some very poor countries. Are these transfers of no concern to the Global Economic Institution System?
4. The dominant external economic relations of most poor countries (and all others) are trade. Why - in a paper paying homage to liberalism in the free market sense, is trade (e.g. GATT/WTO) and trade facilitation (e.g. IMF) - notable by its total absence?
5. Can the North-South transfer vector usefully be abstracted from the overall Global Economic Institution System including its North-North and South-South components?
6. Can the tensions (or worse?) between ultra market liberalism and a deep commitment to equity and ending absolute poverty (placing a safety net) be assumed to be soluble by a few simple operational modalities - the cost sharing contracts to correct market failure - as is done in this Agenda.
7. Is the Agenda presented as a type of macro mutual benefit - cost sharing contract for early negotiation and substantial implementation by 2005? Or as an element in an implicit world economic confederal governance vision for 2045 or later? Different elements appear to vary as to whether they could fall under the first rubric or only within the second.

II.

Toward Global Social Security To End Absolute Poverty

There is growing acceptance that absolute poverty is absolutely evil and is of concern to rich as well as absolutely poor at global as well as national levels. The case is not merely humanitarian plus CNN factor. Adam Smith's "moral economy" case that no nation can be

great and prosperous the majority of whose citizens are poor and miserable has economic (output and demand), law and order and sociological (the costs of a violently fragmented social order) as well as normative.

To the extent acceptance can be strengthened, reasonable (in terms of costs and probable results) global social security/safety net programmes are discussible today and potentially negotiable over the next few years.

Certainly as the basic element in official transfers a set of automatic negative income tax type payments would have several advantages:

- a. the broadest acceptance of official transfers relates to poverty alleviation and reduction;
- b. wiping out the whimsical supposition that official transfers would flow 1:1 into additional fixed investment (a most implausible proposition and one likely to fail on any welfare criteria except that of a simple Feldman model or a Mahalanubis model ignoring human investment) would free intellectual resources for more useful purposes and end the need for creative accounting and novella writing by transferors and recipients alike;
- c. the automatic transfer formula would - presumably - increase recipient weight in decisions on transfer use and reduce the mind-boggling weight of too many, too intrusive, too detailed one-way ('donors' are rarely found) conditionality on too many transactions.

Broadly speaking the agenda proposal of 3 classes of payers, a no pay no receive class and 3 classes of recipients appears both reasonable and broadly negotiable. However, the use of Comparative Purchasing Power calculations for classification is probably an unhappy choice - in the case of several South countries the absolute and relative levels are at least as contentious as official GDP (or more appropriately GNP?). More crucially no proposal which excludes - *inter alia* - China, Pakistan, Indonesia, the Philippines and the Cameroon from its list of transfer receiving poor countries is either intuitively plausible or politically practicable. Correcting to include them would double recipient country population but would not alter the fact that large population poor countries would gain and smaller, less poor ones receive less official transfers.

Barring global economic confederalism a literal tax system is not practicable. But a 0.25% to 0.33% negotiated payment compact might well be attainable and - barring gross USA backsliding on paying could hold up.

A more basic problem is that national social security/safety net systems relate to and make payments to individuals largely to augment consumption (alleviate). Enabling spending - e.g. education, infrastructure, fiscal environment for employers - is not normally seen as social security. It is seen as social policy in the Mediaeval Christian, Confucian, Bismarckian, Communist and Colonial systems but not in the Western European conservative Social Democratic/welfare capitalist or the USA "last resort" ones. But presumably international transfers would go to poor country governments not individual poor households and would not be (or should not be) conditional on total passing on as individual transfers with no allocation to poor household production/earning/livelihood enabling including human and infrastructural investment (e.g. basic health, education, water, rural transport, extension services, communications) as well as facilitating relatively fair market access.

In fact, conditionality cannot be evaded. Apart from normative considerations proposals that would result in large unconditional, unaccountable cash transfers to the present regimes in - e.g. - Haiti and Zaire would be (and would deserve to be) politically unsaleable. Conceivably an analogue to the old IMF "low conditionality" tranches - a reasonable *ex ante* outline of how resources would be used in ways relevant to poverty alleviation reduction and an overall verbal report supported by the audited accounts of any reasonable national budgetary system *ex post* could both prevent gross and limit marginal 'unintended' use and preserve the basic responsibility of recipient governments to determine how to use the resources in the interests of their poor households. But to suppose that conditionality can be nil or that negotiating an agreed, user friendly, transferor reassuring frame will be easy is to live in a false paradise that will explode in proponents faces once detailed pre-implementation negotiations begin.

III.

Mutual Benefit Cost Sharing Contracts

These are transfers but not aid (or social security). They arise in cases in which action by a (in practice) Southern state is perceived as beneficial by it, has large external economies to other (Northern and Southern) states and would be unlikely to be affordable to the Southern state. Up to the level of its anticipated external economies gain a Northern state is well advised economically to negotiate a contract for 'services rendered'.

Environment - specifically global warming, ozone hole, species diversity protection, early adoption of generally non-polluting technology especially in industry and transport, reduction of emissions crossing national frontiers (e.g. Cairo to Greece and Italy) are examples. If data

at the Rio Conference are even accurate as to order of magnitude then up to \$5,000 million a year in contracts will be needed by 2005.

They may well be more complex than cash for programme, e.g. access at non-cartelised prices to non or low polluting technology might feature. Similarly the agenda of any contract could - probably should - include transfer recipient priority environmental programmes which may not have high Northern priority and domestic resource commitments plus progress commitments in a monitorable form. As these would be business deals presumably balanced, multi-directionable (on North as well as South) would not raise problems of principle even if - as with any large complex contract - there would be devils in agreeing the details.

Environment is of course not the only relevant area - public health and arguably agricultural research (especially if small farmer friendly) are others. A possible contract field of some interest is protection/compensation of national minorities especially in the context of large programmes (e.g. river basin irrigation and power schemes). Whether the Northern interest is humanitarian political or economic, some (and certainly some NGOs) do have an interest while many Southern governments appear to do little on cost and unilateral intrusiveness grounds. Perhaps cost sharing could resolve some the present impasses.

Who should coordinate/service/provide fora for such negotiations is not clear despite Agenda's all-purpose advocacy of UNDP as the hegemony of all official transfers. Arguably specialised expertise would be helpful as well as links to sectoral programmes which are North-North or North-South. That strongly suggests that the UN specialised agencies would be better fora and secretariat providers. However, in that case UNEP (and UNIFEM?) would require substantial upgrading.

IV.

Early Warning , Early Support, Early Rehabilitation

Emergency (survival and rehabilitation) programmes - which would logically be the Agenda's third front - are treated in passing. Here UNDP coordination - not UN HQ's humanitarian division - does make sense.

So does an insurance type system with - say - 10% of basic social security transfer paid as a premium (whether via UNDP or in agreed proportions to WFP, UNICEF, WHO, ILO, UNDP is a secondary issue). Annual experience reviews would lead to top up calls (or if very

substantial reserves accrued partial premium waivers) with interim borrowing powers to bridge gaps.

The need to develop an ongoing approach from early warning and early response through initial survival support to rehabilitation and future vulnerability reduction would almost certainly be served by the proposed approach. And it would recognise institutionally that disasters (natural calamities and man made calamities) do recur and have common characteristics so that a one-off approach is markedly unsound.

As with contracts any country not merely the poorest should in principle be eligible.

V.

Paying for Harm

In principle the paying for harm done to the South (by economic or quasi economic policies) is sound. In practice two problems arise:

- a. short of world economic confederalism it is very hard to envisage how it could be implemented;
- b. as the labour case illustrates the realities are both rather more complex than the ultra liberal market intellectual parameters suggest and humanitarian instincts suggest harms which those parameters would deem mutual benefits.

On a consistent basis almost all labour migration (and emigration to distinguish those for whom the move is permanent) that is not based on faulty information will raise the incomes of those migrating and the GDP of host countries. Barring rather unlikely efficiency of transfer/retraining systems it will hurt competing workers in the host country. Whether it will benefit the GNP of the sending country depends in the short term on remittance levels (which are high enough to suggest the answer is normally yes) and in the long on whether exporting sub-category by sub-category above average personnel has a negative impact on dynamism at home overriding remittance gains (arguably yes in some rural areas and in the Philippine and Turkish health, education and engineering sectors).

A snag in this analytical sketch is that it assumes personal pay is equal to social and economic value of production. That is a very extreme assumption indeed. Relaxing it may reverse and will lower labour exporting country net gains.

In any case totally free migration is simply not negotiable by 2005 (nor one might guess by 2045 except within fairly homogenous economic groups - not including NAFTA). But mutual interest contacts may be negotiable:

- a. more transparent, negotiated access conditions;
- b. fairer treatment of migrants including portability of social security entitlements;
- c. more source country assistance in limiting non-lawful flows;
- d. transfers aimed at employment/livelihood enhancement for poor households in source countries.

Easier access to host country citizenship is a human rights and, probably, global/host GNP desiderata. Unfortunately it is probably not in source country (GNP and those at home) interest because remittances fall rapidly after the first generation.

VI.

Some Doubts: What's Not There

It is not clear there would be no role for merchant bank/joint finance operations parallel to the restructured core public transfer system. Shrunken, yes. More specialised, yes. Perhaps with IDA and analogous Regional Bank Funds terminated. But both the World Bank and some Regional Banks (notably the Asian) are commercially viable at their main windows which suggests a continuing role.

The absence of debt write-down/write-off is surprising. Like emergencies crippling indebtedness can affect not so poor countries very severely. The logical approach may be mutual interest contracts (default, bankruptcy or stagnation enforced by debt service transfers far above inflows serve Northern interests very badly). Bank and Fund analysis suggests parameters could be found and both by reducing uncertainty and by reducing outflows to the North would reduce the need for sharply increased gross inflows.

VII.

Isolated Hegemony or Integrated Diversity

The Agenda appears to reflect its ancestry as a UNDP thinkpiece. The solution of UNDP's coordination-fund raising-operational dilemma by making it a hegemonic (near single channel) official transfer collector, distributor - or for mutual interest contracts for a manager and negotiation monitor is breathtaking in its imperial reach. The World Bank's efforts to create a 'World Bank World' (largely by coordination) fade into moderation and pluralism in comparison.

Surely specialisation and division of labour as well as competition suggest a diversity of forums and very little UNDP operational (as opposed to analysis and coordination) activity?

In any event that line of institutional proposal is the ideal way to unify disparate opponents. They will be all the more effective because UNDP's reputation for openness and efficiency is by no means uniformly high.

UNDP could be more effective if it dropped fund raising (albeit whether it or UNCTAD should be the social security fund holder and - more important - chair the group to prepare and monitor its 'low conditionality' clauses is one on which reasonable people can disagree) and its ongoing direct operational activities. That route would probably reduce politico institutional opposition and win friends.

VIII.

Are Official Transfers Central?

Agenda never asks the question but its substance assumes that they are. Since visible trade, invisible trade (including migrant remittances) and enterprise capital transfers are all larger - the former vastly so - than official transfers for all but a few small poor countries that answer is almost surely wrong.

That criticism does not detract from the Social Security-Mutual Interest Contract-Emergency triad. But the realisation that trade dominates transfers and enterprise transfers dominate

official suggests it is imprudent - or at any rate incomplete - to look at official transfers independent of trade (GATT/WTO), of first line liquidity provision - exchange rate predictability management (IMF's stated role albeit one - arguably wrongly - it has ceased to play); enterprise transfers (nominally at least enabling these is of high concern to both UNCTAD and the World Bank); macroeconomic coordination (a Bank/Fund, G 20, ECOSOC area in which a substitution of UNDP as convenor and addition of UNCTAD as a major player might well be desirable).

IX.

Is Development Cooperation Best Ghettoised?

There is an even more basic assumption in Agenda - global economic institutions focused on development cooperation are and should be separate or separable from those dealing with other issues. Since trade and liquidity cannot be carved up that way the assumption would appear to be a non-starter.

Two further considerations arise. Northern countries concentrate attention on institutions which serve their priority interests - largely North/North. Therefore, to encapsulate development cooperation in separate institutions may - no matter how unintentionally - be to marginalise it. The contrast in Northern attitudes and actions *vis-à-vis* GATT/ITO in contrast to UNCTAD speaks volumes on this point.

In addition specialised agencies are not primarily about technical assistance. Their focuses are on knowledge production encouragement, analysis, dialogue leading to best practice guidelines and cooperation (North-North, South-South, South-North) in implementing them. Technical assistance is - or ought to be - a means to these ends not an *apologia pro vita sua*.

X.

Liberalism, Equity, Global Coordination, Confederalism

As the labour migration example suggests free market liberalism and equity/poverty reduction orientations are frequently in tension. "External economies" may indeed cause "market failure" and justify intervention, but misdesigned intervention can lead to policy (or contract) failure worse than the pre-existing market failure.

Yes, external economies do lead to the chances of state intervention /market management being efficient in liberal terms. Yes, the ultra liberalism of -e.g. - Nassau Senior who thought the Irish potato famine a failure because it did not kill or drive out enough Irish to restore economic viability is economically suspect as well as normatively obnoxious and politically highly unsaleable in most late 20th Century contexts. But it does not service to the Agenda to be so economical with warnings as to the real trade-offs and tension certain to strew the road to implementation.

The two main initiatives proposed: global social security and mutual benefit cost sharing contacts could go to actual decision taker exploration and initial negotiation agendas very quickly; achieve substantial operationality by 2005 and be relatively full in place and run in by 2010. Neither needs economic confederalism with broad taxation and coercive/judicial powers. Helpful as these might be on Social Security finance they are not capable of being attained much before 2045 and possibly later. The payment for doing harm proposal on the contrary does need enforceable confederalism. Even without that the likelihood of early successful negotiation (except in cases in which mutual interest side payments and agreements can be devised) would be quite low.

XI.

Try and Try Again

Social security and contracts are big ideas. Not precisely new they are forcefully expounded here in a form accessible to reflective decision takers and advisors at a time at which they are just negotiable. The question is how to recruit enough rabbits - and to keep them in a relatively unified column not haring off in all directions.