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3. Reflections on Attainable Trajectories: Reforming Global Economic Institutions

Reginald H. Green[1]

Things fall apart; the centre cannot hold;
mere anarchy is loosed upon the world ...
W.B. Yeats

It is not enough to set tasks, we must also solve the problem of method for carrying them out. If our task is to cross a river we cannot cross it without a bridge or a boat ... Unless the problem of method is solved, talk about the task is useless.
Mao Tse-Tung

Redeem the time.
T.S. Eliot

WHAT QUESTIONS?

At one level, writing on how to reform the International Monetary Fund (IMF) and the World Bank is only too easy. There exist perhaps 5,000 accessible memoranda, articles, monographs and books on the topic. Those dealing with environmental aspects alone have eaten up the equivalent of a quite respectable forest! But even the few times that ideas have been adopted, the results have rarely proven more than marginal, raising some questions, not least whether another paper serves any purpose. However, more relevant to an author committed to writing to some purpose, the following broader issues deserve examination before specific proposals are explored:

- What system of global economic institutions would be desirable in the context of late twentieth and early twenty-first century economic patterns and interactions?
- How are transfer payments from richer to poorer economies to be financed? On a basically grace-and-favor basis as at present; primarily by a global variant of social security; as contractual cost-sharing, whereby recipients adopt activities sought by resource providers, such as environmental upgrading, that involve mutual gains?
- What is the intended scope of international monetary policy? Is a common currency or analogue a short- to medium-term goal or would smoothing shock adjustments and maintaining orderly, relatively open relationships among currencies suffice?
- How are the conflicting trade aims of open and equal access to markets and of preferences to poor economies to be resolved – by trade preferences? by limited protection? or by cash transfers? How are free trade and other concerns, such as human rights and environmental protection, to interact?
- How can global (World Bank) and regional (regional development banks) institutions interact? How are global and regional institutions to interact with private firms and non-governmental organizations (NGOs)?
- What role does conditionality play? What are its basic objects and problems? How and under what circumstances are conditions imposed?
- How and to whom can global institutions be accountable? How are 'decisions' (so-called advisory opinions) taken by them to be made operational?
- How can the present primary focus of global institutions on North–South issues be made congruent with the overall global context in which North–North relationships are quantitatively larger, and (in the North at least) perceived as qualitatively more crucial?
- What degree of implementation is needed and what time scale is intended for realizing global reforms? To write a possible set of programmatic targets for 2005 is very different from attempting a prophetic mobilizing vision of what might be attainable by 2045.

The danger in beginning at this level of questioning is to end in vagueness and, as with Hamlet, 'lose the name of action', let alone any chance of positive influence. The opposite danger of proposing an immediate Fund or Bank operational reform is akin to, say, trying to redesign a giraffe by painting on a few new spots. This may be practicable and in part desirable, but even if the spots are consistent with each other, it is unlikely to transform the giraffe structurally (unless the color change upsets the animal's ecological balance and leaves it crippled or dead).

The subject of these reflections is international economic institutions broadly defined. Agencies primarily concerned with peace issues and human rights/governance problems are not covered here because of the need to keep a manageable focus. The time frame chosen here is 2005–2015, or 10–15 years into the future, rather than only 5 years or as many as 50 years. A briefer period would doubtless allow for a certain amount of precision, but it would also limit the scope for change to pushing for secondary modifications or to backing ongoing dynamics. A 25–50 year perspective allows for visionary brainstorming, but is too extended a time frame for the medium-term substantive action agenda that is the aim of the present study.

The author's evident reluctance to propose major new institutions or major closures is pragmatic. Transformation will engender less opposition; and the somewhat untidy results of radical reform within an existing extended family of institutions is exactly analogous to functioning national patterns. Wholesale demolition to produce a *tabula rasa* is a concept not easily transformed into political process; in addition, it loses the acquired competencies of existing institutions.

The proposals do not assume major changes in the real level of resources available to global economic institutions. Many would have higher payoff if these levels rose modestly, say 2–3 per cent a year parallel to likely world economic growth. They focus on achieving institutional goals efficiently, intensifying the importance of poverty alleviation (social security) and poverty reduction (grassroots development), making the institutions more user-friendly, especially to Southern members, and enhancing their transparency and accountability.

THE GLOBAL ECONOMIC INSTITUTIONAL PANORAMA

The strength of global economic institutions in different major sectors varies widely and their interactions are frequently chaotic. Only in the case of trade is it clear that Northern economies consider an institution's activities, or the negotiations conducted under its umbrella, crucial to them. Trade is the largest component of international economic relations and the most important international economic factor for most countries. However, in practice, trade is usually perceived by countries of the South as less central than the IMF and World Bank. This may be because the General Agreement on Tariffs and Trade (GATT)/World Trade Organization (WTO) does not directly distribute resources, operates by exceedingly long and rather opaque negotiating rounds, and is so involved with the North that it is hard to secure serious attention for South-centered concerns. However, it would probably not be useful to set up a rival or parallel to GATT/WTO. A shift of Southern interest towards WTO would produce a stronger institutional frame, better suited to specific dialogue and guideline setting. If Southern states improve the quality of their participation and coordinate their positions, GATT/WTO would be reasonably accessible to them.

The World Bank is probably tied with the IMF as the most widely known global economic institution. Its prominence comes from both the perception and the reality of its role as leader of bilateral and regional development bank transfer policy, as a substantial lender in its own right, and as a controller of Southern macro- and sectoral economic policies through its use of resource flows. Whether the Bank retains that degree of prominence depends partly on a more realistic understanding of the unimportance of official concessional transfers for most Southern economies. Even more crucial for reducing World Bank involvement is whether official transfers begin to include a social security component for poverty alleviation and mutual benefit, cost-sharing contracts[2] dealing with environmental and other issues.

The IMF, for its part, has nearly abandoned its original goals of being a lender of first resort to alleviate crises, and of coordinating moderately stable and predictable currency relationships to enable buoyant output and trade growth. Instead it has become half development agency, half loan drawing-rescheduling facility, and a down-market policeman enforcing 'sound' macroeconomic policies on small poor countries. The shift is unsustainable. It leads to the North's disinterest in the IMF except as guide and gatekeeper for major non-emergency official resource transfer programs, and it maximizes conflict with the South (and, at times, with the World Bank).

The principal functions of unspecialized agencies are developing and disseminating knowledge (with related guideline setting), providing technical assistance and supporting sectoral conferences.

- These functions vary widely in age, effectiveness and Northern interest.

Environmental concerns present a major *de facto* agency gap whose filling is urgent. The United Nations Environmental Programme (UNEP), quite apart from not being a full fledged agency, is not taken seriously. Even minimum sustainability of UNEP would be difficult to achieve other than through a promotion of mutual benefit, cost-sharing contracts with parameters and guidelines flowing from serious analysis, and negotiated within a credible forum.

Humanitarian support is weakly conceptualized and divided among five bodies: Food and Agriculture Organization (FAO), World Food Programme (WFP), United Nations Development Programme (UNDP), United Nations Headquarters, and, to a degree, United Nations International Children's Emergency Fund (UNICEF). This fragmentation leads to inefficient and narrow responses. Further, the present vision of agency roles in both recovery aid and humanitarian support is gap-ridden and off-the-cuff, thus increasing the urgency of coordinated analytical capacity and negotiating guidelines. UNDP has become a specialized agency by developing its own programs, which is not part of its original goal. It also acts as a fund raiser, albeit dilatory, for other specialized agencies. Both complicate its role as UN 'reduced family' coordinator (the Bank and Fund in practice deny the relationship), because its programs compete with those of other agencies for the money it raises, while the combination of coordination and program financing appears coercive.

Macroeconomic coordination proper is carried out only in the North–South context where the Development Committee[3] under joint Bank–Fund patronage operates broadly, but does not follow operational guidelines. A certain confusion arises because UNDP and the United Nations Conference on Trade and Development (UNCTAD) have aspirations in research and analysis areas but lack effective fora in which to hold dialogue and negotiations. UNCTAD is an institution in search of a role, rather like the IMF, except that UNCTAD's role vacuum is more widely perceived.

In a different sense macroeconomic coordination applies to the United Nations extended family. The Economic and Social Council (ECOSOC) coordinates at the political level on the North–South front, but follows institutional reports so narrowly as to raise doubts about its capacity to see the system as a whole or to reform it structurally. Its image is not helped by the fact that Fund and Bank only nominally report to or engage in dialogue with ECOSOC.