Post crisis and recovery? What lessons have been learned….

Part II: UNCTAD intellectual history and contributions

Selected moments in the history of UNCTAD

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Outline

• **Objective -- Current events and historical perspectives**
• **Why UNCTAD?**
• **Draw from what UNCTAD has learned:**
  - Lessons learned from the past
  - Lessons learned from other crises
  - Older lessons related to the crisis
• **Looking ahead.**
Origins of UNCTAD and parallels today (1)

Created in 1964 to address imbalances and asymmetries in the world economy (especially in the trade system).

Recognition that these asymmetries were constraining the efforts of developing countries to establish strong and balanced growth path.
Origins of UNCTAD and parallels today (2)

UNCTAD was required to confront the monopoly of economic thinking that dominated debate at international level.

-- Independent, questioning, development-oriented, follow Mandate

-- "The present situation appears to require a new development paradigm... the management of the world economy and long-term development objectives are intermingled. (TDR81:2).
Themes for this presentation

Inter dependence
Macro and finance
Global governance issues

Over-arching message: the developmental state not the ‘night watchman’

Markets AND the state
lessons about interdependence (1)

- **Interdependence (UNCTAD V) Manilla 1979**
- **Of countries, sectors and markets,**
- “the single most important factor determining export earnings of developing countries” (TDR81:3)
- **Development crises of 1980s not just ‘poor data’ for a few years – result of progressive attrition of international enviroment (TDR82:5)**
Lessons about Interdependence (2)

- An S-S as well as N-S matter
- Aggregate demand effects through fallacy of composition in labour-intensive manufactures, and in competition for FDI (TDR02:IV)
- Widening deflationary gap created by deficient global demand (TDR03:IV)
- For all countries, prosperity hinges on international co-operation as well as the intensity of their own efforts (TDR03:IV).
Macro and finance lessons (1)

Investment drives savings and not vice-versa *(TDR97, 99, 08...)*

- Investment and Growth comes first, then people will save.
- Focus on the constraints to investment
- The role of profits
- Eg Latin America 1990s, Developing Countries from 2000s,
- TODAY
Macro and finance lessons (2)

- The relationship between wages and unemployment at the level of the firm is not the same as at the level of the economy (TDR95)
- Employment is determined by growth not wages (TDR95; TDR12)
- Traditional n/c model excludes too many important policy objectives
Macro and finance lessons (3)

Fiscal policy matters

- Balancing the budget is not an objective in itself (TDR85:52, 88:IV, …10:Vii, 11:II)
- Proactive fiscal policy is needed to respond to the macro situation
- “the private sector is unable to take the lead in re-igniting growth. This is the moment …for government spending” (TDR92:IV, TDR03:IV…)
- TODAY
Macro and finance lessons (4)

Some lessons we learned:

• **Recovery of world economy and regional growth in developing world** –

• "the economies that provided growth stimuli to the ROW were those were monetary and fiscal policy supported domestic demand growth. This is true for both developed and developing countries" (TDR04:V, TDR09:II...)

• **Today – de-coupling world economy**
And again ... the fallacy that fiscal austerity sparks growth (TDR11)
Some global economic governance lessons (1)

“A viable system needs ... to reaffirm the emphasis on employment and growth that underlay the design of the post-war systems (of trade, money ad finance)...

and to ensure adequate growth opportunities for all members of the system – the establishment of a development consensus” (TDR84:11).
Some global economic governance lessons (2)

*International co-ordination of economic policies to avoid delationary bias and build-up of large current account imbalances (TDR84:11; 12:86 and others)*

*Regulation and supervision of finance and international capital flows*
Some global economic governance lessons (3)

Official financing to avoid BOP problems or to ensure BOP imbalances do not sacrifice growth and progress in development

Arrangements for maintaining stable exchange rates among the major currencies
Inter-governmental machinery (1)

Conference – every four years

UNCTAD XII - Globalization for development: opportunities and challenges

UNCTAD XIII – Development led globalization

Trade and Development Board – annual

Two policy-making Commissions

Eight multi-year or single-year expert meetings.