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THEMATIC SECTION

Slaying the New Dragons that Threaten Peace: Renewing the UN's 'Systemic Issues' Agenda

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Abstract
The United Nations' systemic issues agenda concerns the terrain of economic engagement among nations and peoples of the world, the terreain which underpins international cooperation and peace. In the twenty-first century, this agenda must contend with inequities in access to decision-making, policy inconsistencies in the rules among different areas such as trade and finance, and curtailing vulnerabilities arising from the excessive dominance of financial logic in economic decision-making.

Keywords Finance · Trade · Policy coherence · Participation · Interdependence · Cooperation

In its 76th year, let us remember that the United Nations did not materialize out of thin air in 1945. There was a specific context within which the UN was founded. As World War II raged, the countries which eventually prevailed as winners could draw on a pool of politicians and intellectuals with intense memories of the lead-up to the 'Great War'—World War I was supposed to be the war to end all wars—and the political and economic strife that ensued as societies attempted to restart on the same social foundations before that war but which instead unleashed conflicts into a second world war.

First, to try avoid yet a third world war, the UN, through its Security Council, introduced several restraints against unilateral military actions by states, hoping to preclude breaches of the peace such as that from the Japanese invasion of China in 1937, a conflict that ended only in 1945.

Second, the UN founders insisted on highlighting human rights and fundamental freedoms for all in its founding charter, in the aftermath of ethnic exclusionary and genocidal conflicts which dominated national political contests in the first half of the century.

Third, the UN founders considered it necessary to identify a pivotal role for international cooperation to address economic, social, cultural and humanitarian problems in a world then organized along the lines of competing colonial powers. The UN facilitated a widespread decolonization process. In its headquarters in New York, there is still a Trusteeship Council chamber, even after the Council was suspended in 1994 upon the independence of Palau, formerly a Trust Territory of the United States.

Seventy-six years later, the UN continues to wrestle with threats to peace, human rights and freedoms, and economic, social, cultural and humanitarian crises in their twenty-first century versions. Developing countries, highly disadvantaged with respect to weaponry and resources, have constantly found the need to appeal to the UN's capabilities in mediation, resolution, and peacekeeping for conflict resolution as international crises have continued unabated unce.

The UN past its 75th year is a living organization that is hypothetically capable of addressing these crises in a holistic manner. The constraint is whether UN member States are willing to deploy the tools it built into the UN to do so.

The COVID-19 pandemic, which exemplifies interdependence in matters of human health, political relations and governance, and economic and financial questions is emblematic of such a crisis. Will its member States allow the UN to be play a central role in overcoming the pandemic?

This question goes to the issue of 'systemic issues' which falls within the UN's role in international cooperation in economic policies, and is incorporated into the UN's financing for development (FfD) process initiated in 2002.

In the FfD process, a discussion of systemic issues can be organized around three areas (Montes 2017a):

(1) policy coherence among the main FfD topics of domestic resource mobilization, investment, trade,

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ODA, and debt; (2) increasing the voice and participation of developing countries in global decision-making in economic matters; and (3) overcoming the flaws and defects, many of them structural, in the international reserve and payments system, which have been fueling global imbalances to the point of worldwide episodes of economic crises.

Limitations of length prevent a full blown treatment of all three topics. In the case of the first and third issues, this article will only touch upon the most prominent issues from the author's view which might not be shared by others. In the case of the second issue, the next few paragraphs will review progress to date.

What is at Stake?

The Monterrey Consensus (United Nations 2003, para 63) identified a set of institutions in which the voice and participation of developing countries in decision-making required attention: the International Monetary Fund (IMF), the World Bank, the World Trade Organization (WTO) and the Bank for International Settlements (BIS), Basel Committees and Financial Stability Forum. In the case of the latter three venues, the incorporation of the G20 members after 2008 into the deliberations and work of the BIS has somewhat expanded developing country participation, though none of the developing country members of the G20 are least developed countries, the voice and participation of which could be most valuable.

The BIS-centred set of agencies' supremacy in setting global standards for regulation, capital adequacy and supervision of the financial sector play a powerful role in the poorest countries for their safe and advantageous access to international private financial flows. With the recent and notable entry of these private parties into the so-called 'frontier economies', it is important to open a channel for the poorest developing countries in deliberations on these standards. These standards have enormous potential for inflicting payments and foreign exchange rate crises in these countries.

In the case of the two Bretton Woods institutions—the IMF and the World Bank group (WBG)—progress has been halting and slow. Pressure for their reform have two sources: (1) developing countries have a bigger proportion of the global economy (while European countries have notably lost their original shares), which must be reflected in voting influence and (2) the resources of both institutions have not kept up relative to the size of the global economy when they were established. To increase the voice and participation of developing countries, there is a need for an accommodation by European countries to reduced influence in these institutions. Second, because these decisions require a voting supermajority of 85%, the United States, with 16% in the WBG and 16.5% in the IMF, has blocked progress in this effort.

In 2006, the IMF member states launched a process of reallocating voting weights among themselves However, through various twists and turns mainly caused by the inability of its major members and the US Congress to agree to various proposals, there has been minimal progress in both reallocating voting weights in the IMF and increasing its resources (Truman 2018; IMF 2020a, b). Civil society organizations and the government of China have expressed disappointment at this lack of progress (Bretton Woods Project 2019; Xinhua 2019).

Halting progress to reform IMF voice and participation rears its head in the ongoing global COVID-19 pandemic. To augment fiscal resources to respond to the COVID-19 pandemic, IMF members issued the equivalent of $650 million in SDRs on 23 August 2021. Because the assignment of SDRs followed the default system in the IMF, 60% of the SDRs landed with advanced countries, which did not need the new fiscal resources. In the UN 'Conference on the World Financial and Economic Crisis and Its Impact on Development' which took place 24–30 June 2009 in New York, the Group of G77 and China at the United Nations, proposed[1] the issuance of SDRs decoupled from the existing IMF voting weights. Advanced countries successfully resisted the proposal. If the UN had arrived at a positive decision on the proposal, it would opened the possibility that IMF member states (which overlaps greatly with that of the UN) to vote on an SDR allocation as proposed.

In 2010, the World Bank increased the voting power of developing and transition countries by 3.13 percentage points and its capital by US$86 billion (World Bank 2010). While unquestionably inadequate on both counts, especially on the first (Bretton Woods Project 2010), this action was called a down payment. Developing countries had sought a total of 50% voting weights for their group in the 2010 reform (Stumm 2011) and expressed their readiness to increase their contributions accordingly. In 2018, World Bank members approved an increase in resources by US$60.1 billion and another small readjustment in voting weights, including an increase in China's voting weight from 4.45 to 5.71%, still far below that country's 18.7% share

[1] Paragraph 59 in the Monterrey Consensus recognized the 'need for special drawing rights allocations' to 'be kept under review' (United Nations 2003, paragraph 59). This mandate has not prospered for lack of support from the United States and major European countries. A positive outcome on the proposal by the G77 and China would have required a concurrent decision in the IMF to amend the manner in which new SDR issuances are allocated. Such a decision would have required the United States not to block the change using its weight of votes.

of the global economy (Weiss 2018). The United States requested an increase in its voting share in the International Finance Corporation to 85% before allowing the capital increase to be finalized.

In its 8th decade, the UN has the opportunity to convene a review of the voice and participation of developing countries in these institutions. While such reforms would have to wend their way through processes enshrined in their founding documents, the UN provides an open space for political discussions on these questions.

Policy Coherence among the Main Areas of Financing for Development

As a subject of international cooperation, systemic issues first came on the scene in the 'sixth chapter' of the outcome document of the International Conference on Financing for Development held in Monterrey, Mexico in March 2002 in the following form: 'Addressing systemic issues: enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development' (United Nations 2003: 3).

Systemic issues highlight the weak points in the whole global financial 'architecture', the international institutions, rules and mechanisms that are beyond the control of individual countries. Systemic issues arise from the impact of the interaction of its main parts—such as taxation and fiscal policy, trade, investment external debt on national development within the global system.

Systemic issues are a particular concern to developing countries, which have experienced their greatest development reversals during international balance of payments crises. Macroeconomic volatility and periodic crises have long-lasting impacts on growth and employment in developing countries, in contrast to the case of advanced countries. The pattern for developed countries is to 'bounce back' in macroeconomic terms, recovering previous growth rates after these crises.

For upper middle income developing countries subject to balance of payments crises, including Chile, Brazil, Indonesia, Malaysia and Turkey, there is evidence that unemployment rates have ratcheted up as a result, despite any recovery of GDP (van der Hoeven 2010). Over the longer term, the growth and investment volatility substantiated by the eruption of the balance of payments crises undermine efforts to secure dynamism in private investment (United Nations 2010). These crises also destabilize public sector balances, part of which is due to the default international response to such crises which privilege debt service payments in crisis response (in effect, rescuing international creditors and imposing most of the adjustment costs on the debtor side).

Since the 1980s, in order to justify the accelerated release of new external financing[2] from international financial institutions beyond levels warranted by project lending, the default response to these crises has also embraced 'structural reforms' involving long-lasting policy[3] changes such as trade liberalization, privatization of public enterprises and market deregulation. Unforeseen time lags in adjustment, mis-coordinated speeds of liberalization across sectors, domestic political conflict, aside from the additional macroeconomic volatility induced by the time-bound urgent efforts to achieve the promised policy reforms attest to the untimeliness of such efforts within such crises (Rodrik 1990 for an early examination of these programmes, Montes 2017b as illustrated in the Indonesian 1997–1998 crisis).

For all developing countries, investment as a share of GDP fell from an average level of 20.1% in the 1970s, to 18.3% in the 1990s (Montes and Memiş 2005: 50, Table 9). If China is excluded, the decline is from 20.6% in the 1970s to 17.6% in the 1990s. Among African countries, there was a corresponding decline from 14.7% to 8.4%, and among developing countries in Latin America, from 22.6 to 16.4%. The Asian average, a group of countries in which only the Philippines in the 1980s, and Indonesia and Thailand in the final few years of the 1990s, underwent the rigors of structural adjustment, showed a contrary trend, with an increase from 16.8% in the 1970s to 19.9% in the 1990s.

The COVID-19 pandemic also shines a harsh light the divergent public capabilities among UN member states to sustain employment and maintain income in a shared agenda to restrict economic activities through lockdowns and public health interventions to combat the spread of the disease. In such a situation, no government—both advanced and developing—could rely on private investment and spending. Decades of structural adjustment and privatization of health services in developing countries have severely constricted investment in the health sector, which transitioned to a 'just-in-time' mode versus the customary 'just-in-case' approach for health systems. Health investments, as part of social spending by the government, was often the most

[2] In logical terms, an overwhelming proportion of the accelerated additional financing would be intended for external debt service payments since these reforms did not require significant domestic costs. The reason is that structural adjustment programmes do not budget financing to facilitate investment into more internationally competitive economic activities because these programmes sought to leave the private sector in command in identifying these competitive sectors. Follow-up structural reform programmes after these initial ones involved financial sector liberalization to facilitate private sector access to the financing required.

[3] The potential development impact of structural reforms on divesting authorities in developing countries of the tools to practice industrial policies is beyond the scope of this paper. See Memiş and Montes (2008) and Chang (2006) for discussions on this issue.

convenient sector for budget-cutting to meet public sector deficit targets (Montes 2019). Advanced countries were able to quickly ramp up the public spending needed for pandemic response, being able to borrow at near zero interest rates.[4]

In sharp contrast, emerging developing country governments not only continued to borrow at higher interest rates but had to borrow externally, given limited domestic loan availability. To compete for access to international pools of private funds, developing countries must offer higher returns at adjustable market rates. In order of magnitudes, while advanced countries have roughly increased spending of about $16 trillion, developing country spending have been less than $2 trillion. Developing countries have significantly increased their external debt liabilities, the overwhelming majority in short-term debt. The cost of servicing short-term debt will skyrocket when advanced countries reduce their borrowing levels. The loss in GDP per capita is 'projected to be 5.7% in low-income countries and 4.7% in emerging markets, while in advanced economies the losses are expected to be smaller at 2.3% (Gopinath 2021).

The matter of systemic issues provides a venue to address important interactions between important categories of financing for development. Here are some examples of crucial interactions:

(1) 'Meaningful trade liberalization', is identified as 'an important element in a sustainable development strategy' (United Nations 2003, para 27). The financing for development process also recognizes that 'significant additional domestic public resources, supplemented by international assistance as appropriate, will be critical to realizing sustainable development and achieving the sustainable development goals' (United Nations 2015, para 22). Trade liberalization has required significant reductions in developing country tariff rates, which involves foregone revenues. These lost revenues have to be replaced by other taxes and toward this end the IMF has been assisting developing countries to introduce value-added taxes. However, an important IMF analysis (Baunsgaard and Keen 2005) finds that in the period 1975–2000, middle-income countries recovered 45–60 cents for each dollar of lost trade tax revenue, while low-income countries have recovered no more than about 30 cents of each lost dollar through the introduction of VAT.

(2) The intended long-term outcome of trade liberalization is that, after a period of adjustment, domestic production sectors reconfigure themselves to achieve international competitiveness. In the adjustment period, developing countries require additional external finance to take on the temporarily higher trade deficits. Empirical studies[5] confirm that more trade liberalization is consistent with more external debt. The interaction becomes problematic because the length of the adjustment period is not only uncertain, but also because in practical terms, periods of about seven years or more are well-known (Winters and Martuscelli 2014) notably due to implementing delays in necessary 'complementary policies' (Bouza and Keifman 2003; Winters 2004). Payments crises from the early 1990s of external origin—meaning not triggered by domestic policies—inflicted debt distress in liberalizing countries further set back their hypothetical positive impact on economic performance. It is important to underscore that in the absence of a timely, predictable, non-arbitrary and rules-based sovereign debt restructuring mechanism, international lenders have so far enjoyed impunity from the consequences of irresponsible lending to developing countries during these trade liberalization episodes.

(3) Many commitments under the World Trade Organization (WTO) and free trade agreements have been found to be incompatible with capital account management efforts. These conflicts include those required to fulfill membership obligations in other international bodies (Gallagher et al. 2013). In the Gallagher volume, Montes (2013) finds that sovereign commitments in investment treaties and free trade agreements about allowing capital of external investors to move their money freely and without delay conflict with their duty to the IMF staff to regulate capital flows during balance of payments crises should it be requested. In the same volume, Tucker (2013) examines the conflicts between sovereign obligations in the WTO's General Agreement on Trade in Services (GATS) and policies to regulate capital flows as financial policies.

These examples illustrate the complex interactions between the technical and political aspects of policies and

[4] The ability of advanced countries to borrow enormous sums at near zero rates since the 2007–2008 crisis has puzzled the economics profession. One analytically elaborated explanation relies on the phenomenon of increased wealth inequality which creates a disequilibrium situation of wealthy individuals and corporations seeking 'safe assets' to park their wealth in but which are in short supply (Mian et al. 2020, 2021). Government bonds of the richest countries are 'safe assets' allowing these governments to borrow at low interest rates because of excess, unfulfilled demands on the part of these economic agents. After decades of amateurish political views calling for the 'independence of monetary policy' from the government (but which in effect assigns veto power to asset holder-rentiers on government policy), economists are beginning to consider the impossibility of separating fiscal capabilities from monetary policy (Leeper 2021).

[5] Kızılgöl and İpek (2014) for Turkey and Zafar and Butt (2008) for Pakistan.

among the variety of specialized international institutions. The UN is a ready-made venue to debate and arrive at principles to address these dilemmas and conflicts and initiate processes to address them. The issues in the examples above are hypothetically within the financing for development process, which notably has the IMF, WTO, the World Bank, UNCTAD and the UNDP as major stakeholders and potentially the implementing agencies of any principles agreed. However, in many areas, developed countries prefer to exclusively discuss them in these other venues, such as at the World Bank, or the IMF where they have a dominant voice but also where progress towards the required overarching principles is inhibited because of the restricted mandates of the chosen fora.

Problems of external origin are an inherent dimension of systemic issues. Because these affect national economic performance and prospects, their resolution would require attention to questions of sovereignty, governance in both the international and global level, and democratic accountability, all areas for which the UN—if allowed to be—is similarly a ready-made venue.

Addressing Vulnerabilities Arising from Global Financialization Is Today's Question

From a development perspective what developing countries require most urgently from the international system is financing that supports risk-taking in new economic activities and that makes available long-term sustained support until the activity achieves commercial viability, if not, also, international competitiveness. Furthermore, the public sector needs long-term finance to install the infrastructure required to lay the ground[6] for the rise of private investment and risk-taking in new activities.

By contrast, the global financial system[7] has been found as 'not fit-for-purpose. The stability and effectiveness of key parts of the financial system, for example, remain at risk from short-termism and excessive leverage' (UNEP 2015: 1) and thus unable generate financing for development, much less financing for climate change action in all countries. This conclusion from a research effort examining climate-change financing obstacles underscores the pervasiveness and urgency of addressing today's most pronounced features among systemic issues.

The global financial architecture and the nature of economic interdependence among nations has changed dramatically in the last two decades, a period which has been associated with 'neoliberal' economic policymaking. Decades of financial liberalization and tax incentives (e.g., persistent reductions of capital gains taxes) in both developing countries and advanced economies has produced massive global pools of capital.

International financial investment flows emanating from these pools are driven predominantly by the private sector search for 'yield', mostly in the form of capital gains from liquid, short-term placements (Montes 2019) and tax reduction strategies which Keen (2017) characterizes as 'false profits'. Through cost cutting channeled to dividend payments, profits made from real operations are transformed into financial assets destined to be placed in other financial assets for capital gains. Attuned to propping up financial asset prices, corporate strategies such as share buybacks[8] have ascended to prominent, if not notorious, status. Profits derived from acquiring[9] and merging with other companies, even those unrelated to their core business have also become pivotal.

Consequently, financial flows derived from these investment motivations are unsuitable for facilitating investment in plant and equipment on which returns materialize over many years. Investment in plant and equipment (part of 'fixed investment'), as opposed to investment in other financial assets, assure additions to production and employment.

While the original underlying asset could be some tangible good such as equipment or a residence, the selling of claims on these assets as securities has permitted the creation

[6] Montes (2019) recognizes an unpublished study (Development Committee 2006) commissioned by the 'Development Committee' (officially, the Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund On the Transfer of Real Resources to Developing Countries) the results of which indicated that developing countries' public spending had been so constricted since the 1980s external debt crises that delays in the installation of needed infrastructure became a constraint to private sector investment itself. To meet deficit targets, significant reductions in infrastructure spending often followed upon severe reductions in social spending, because these were the most convenient spending items to cut.

[7] UNEP (2015) called for thoroughgoing reforms of the global financial system to have any chance to respond to the climate change question. Subsequent editions of this report have instead exalted the 'momentum' toward reform to accommodate developed country suggestions.

[8] In 1982, during in the administration of US president Ronald Reagan, a Securities and Exchange interpretation of a Depression era regulation (against insider stock price manipulation) allowed corporations to buy back their own stock practically without limit (Montes 2019: 250).

[9] In a piece for the *Harvard Business Review* entitled 'Profits without Prosperity', Lazonick (2014: 3) contends that US corporations have been managed on a 'downsize-and-distribute' regime directed at 'reducing costs and then distributing the freed-up cash to financial interests, particularly shareholders'.

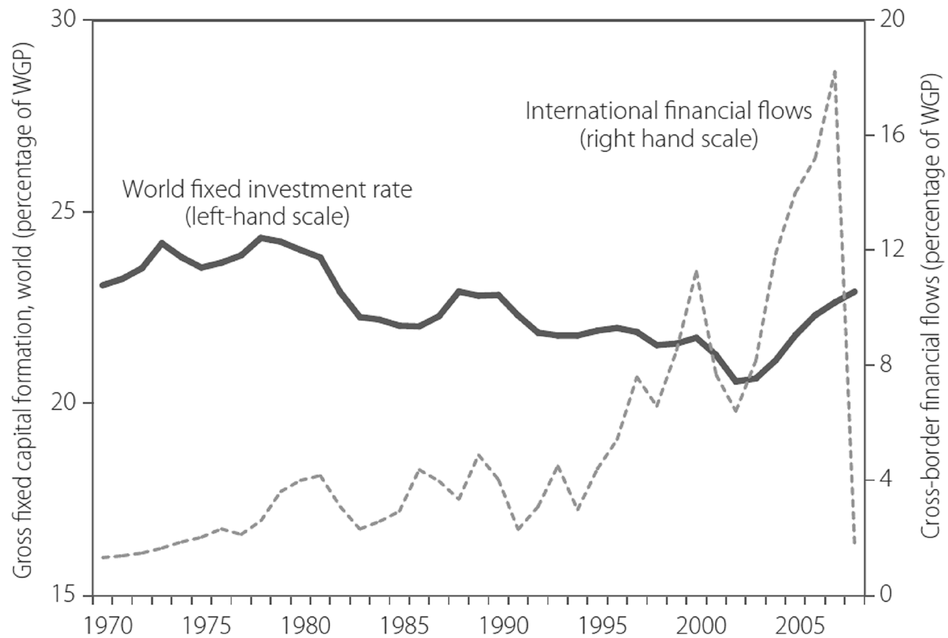


Fig. 1 Rapid growth in financial flows but stagnant fixed investment rate

Source: Table V.1 in United Nations (2010: 141)

of new pools of financial assets which can be traded, on top of which further combinations of financial assets can be created, including financial claims based on what the prices of these assets would be at a future date. Montes (2019: 251) characterizes such a pool on top of a much smaller supply of real assets as an inverted pyramid.

Figure 1 indicates that increases international financial flows have had minimal impact on global fixed investment rates from 1970 in the lead-up to the 2007–2008 Economic and Financial Crisis. Most dramatically, the precipitous fall upon the onset of that crisis. The figure of global cross-border financial flows displays: (1) cycles of upswings followed by downswings and (2) and a large build-up right before the subprime crisis in 2007–2008. However, fixed investment shows a long-term downward glide.

Because the sizes of individual developing economies are much smaller than the ups-and-downs in global cross-border flows, such events have inflicted substantial and dislocating crises on developing countries. Figure 2 zooms in on the patterns for the emerging markets, showing that (1) capital reversals have consistently followed capital surges in inflows and (2) these reversals inflict debt crises.

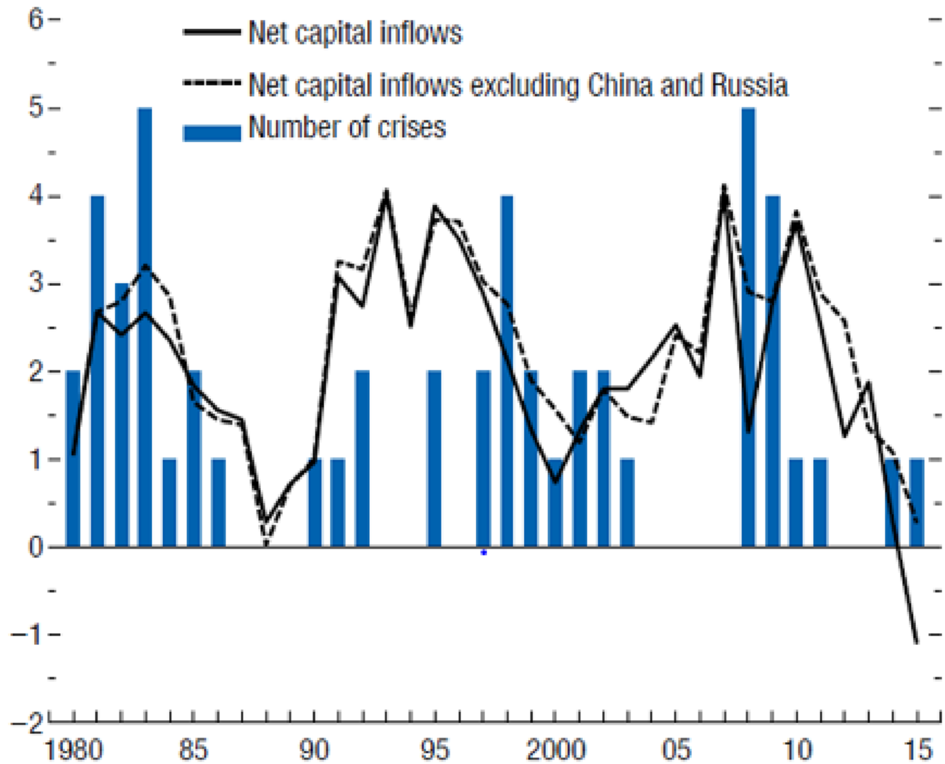
Montes (2019) associates these systemic vulnerabilities to three mutually reinforcing features: (1) the dominance of financial considerations in public and private economic decisions, (2) the dethroning of public sector preeminence and responsibilities in economic matters in order to maximize the scope for action by non-governmental and private entities, and (3) a strong disjunction if not incoherence between investment decisions in real activities and investment in financial assets.

A reestablishment of the public sector capabilities in regulating international capital flows would appear to be a minimum and modest response to reduce the incidence of developed country balance of payments crises to which unsustainable inflows during the upswing phases of the global financial cycles have contributed. As a staff (institutional) view, IMF in 2012 acquiesced to capital controls policies if applied only temporarily during balance of payments crises (Singh 2018), even though the IMF Articles of Agreement assign to IMF members the sovereign right of capital regulation.

Capital account regulations are critical not just in balance of payments episodes but as a normal tool of development policy. These controls are necessary to restore monetary and fiscal capabilities in developing countries (Montes 2013). These regulations restore a measure of influence of national authorities over domestic policy borrowing rates to be able to support investment projects in real activities, instead of these projects being compelled to compete for the funds of residents and non-residents who have convenient access to liquid investments overseas denominated in strong currencies and thus can insist on higher rates of interest (Montes 2019).

Capital account regulations restore a measure of control to developing countries over their exchange rates, because as Asian developing countries learned in the run-up to the 1997 Asian financial crisis, under open capital accounts exchange rates are mostly determined by the ebb and flow of portfolio

Fig. 2 Net capital inflows to emerging market economies followed by flow reversals instigate increase in the number of debt crises, 1980–2015



Source: Figure 2.1 in IMF (2016: 64).

finance which can force currency appreciation during the booms, thereby undermining trade competitiveness (Montes 1997, 1998).

The nearly exclusive status of the US dollar as the medium of payment, store of value and unit of account internationally is another source of investment uncertainty from the international financial cycles churned by US policy swings. Disciplines had been built into the currency issuance of US dollars at the end of World War II by fixing its value to gold; these collapsed in 1971 when the US unpegged its currency's value to gold in response to persistent declines of its gold reserves.

It is true that the dollar facilitates liquidity management for international actors through the broad and deep bond markets in the USA, although this requires the country to constantly run deficits to provide sufficient liquidity to keep up with the growth of the economy. However, it is unlikely that the USA will give up its macroeconomic policy space to respond to outcomes of its domestic politics.

The USA captures seignorage from supplying dollars when these are applied to the purchase foreign goods and services (Eichengreen 2011). Moreover, the USA obtains access to a low cost and stable source of public borrowing: in the aftermath of the Asian financial crisis in 1997–1998, developing countries built up their international reserves with the purchase of US treasury bills, channeling resources that they could have applied to domestic investment. Stiglitz et al. (2010: 16) estimated that the accumulation of reserves constituted a transfer[10] of resources amounting to US$3.7 trillion in 2007 from developing surplus countries to wealthy deficit countries, exceeding the development assistance from developed countries. In addition, the dominance of the US dollar gives the US treasury the power to choose which governments to grant debt swap facilities during episodes of global crisis, during the crises traced in Figs. 1 and 2.

Notwithstanding the unremitting US resistance, other members of the IMF have called for the increased use of Special Drawing Rights (SDR) (Zhou 2009). The SDR is a currency administered by the IMF for use for transactions among central banks of the IMF's members. Increased SDR use will weaken the dollar's monopoly. At the launch of the financing for development process, UN member States called for a review of the use of SDR (United Nations 2003, para 59); they reiterated this mandate in the second conference in Doha (United Nations 2009, para 73) and punted the

[10] Such a scale of transfers of resources are highly reminiscent of the mechanism based on the control of international purchasing power (Patnaik 2018: 281) applied by Britain on its Indian colony, by which means Britain extracted US$45 trillion from India during its *Raj*.

mandate to the IMF in the third conference in Addis (United Nations 2015, para 107).

An expanded SDR facility will allow developing countries to reduce the scale of their international reserves. With an expanded facility, all IMF members, not only countries considered friendly by the USA, will have access to emergency debt swap resources on the onset of a global crisis. As part of a global response to the COVID-19 pandemic, a distribution of new SDRs would have provided resources that developing countries direct towards their heightened needs in the pandemic. The USA blocked a new SDR emission proposal (US Department of the Treasury 2020), applying its voting weight to prevent IMF members from reaching the supermajority needed for such a decision. On its own, the United States, as the reserve currency country, does not need such a facility, being able to issue new currency to finance its spending despite its already elevated fiscal deficit and accumulated public debt.

Further increases in the use of SDRs can be made possible by allowing more direct exchange of SDRs into market currencies (as opposed to the present where these transactions have to be mediated between central banks by the IMF) and by facilitating SDRs to be traded in markets by allowing private parties to use them. These changes require amendments in the IMF Articles of Agreement through a supermajority of votes, which the United States can obstruct.

Whither the UN in International Economic Cooperation?

The rules and structures of international economic and financial relations established after World War II sought to avoid the vulnerabilities that bedeviled international trade and finance in the first half of the twentieth century. As the financing for development process attests to and as illustrated by examples in this article, these structures have been outstripped by increased global interdependence, the rise of globalized finance and inequitable access to decision-making on economic matters among countries and stakeholders. UN member States have the opportunity to convene processes with the objective of addressing these gaps and revitalizing the UN's original purpose to advance international cooperation to address economic, social, cultural, and humanitarian problems.

The postwar international cooperation effort put enormous weight on decolonization at a time when societies were freeing themselves from actual political and military shackles. As UN member States and their stakeholders wrestle with the obstacles to expanding the scope for action in all countries, particularly developing countries, the parallels to the UN's historic decolonization drive are inescapable.

In this spirit, member states must re-empower the capabilities of the UN to 'slay the new dragons' that threaten peace. This will require a relocation of power away from international platforms and actors not fully accountable, including, for example, the G20 and the OECD, to those adversely affected by their workings; it will require re-imbedding the resolution of humanitarian and development issues[11] in the UN. In the 'systemic issues' arena, these agendas are (1) resolving conflicts arising from intensified economic interdependence, (2) taming the dominance of finance (whose internal decisions are at least one step removed from—if not antithetical to—decisions about overcoming poverty and meeting the 2030 Agenda), and (3) rebalanceing voice and participation in financial institutions (including imbalances bequeathed by postwar voting allocations).

These are not easy political tasks but the alternative to walking on the path marked out in the FfD[12] process is a widening swathe of violence and loss of life, which in the twentieth century was followed by a global redesign that resolved that part of those issues congenial to the winners of those conflicts.

Re-regulating finance as a systemic issue restores the tools for developing country governments to expand domestic investment and point their economies towards development and climate change goals. It also relocates the responsibility to national governments in closer proximity to the populations affected. It would reestablish a diversity of paths to poverty eradication and development. Resolving conflicts towards more coherence among policies of trade, finance, debt and taxation takes the decision-making away from powerful countries and oligopolistic international private corporations. Setting the rules for an orderly resolution of these conflicting economic rules builds in accountability on the part of powerful parties, as opposed to resolving these on a might-is-right basis. It is time for UN member States to address systemic issues anew.

The original set of rules and principles to govern the post-World War II global economy was decided in a conference

[11] The details and technical responses to these issues can be delegated to the array of specialized institutions, as it was in the twentieth century design. But the UN is well configured to address high level decisions, including allocation of rights and responsibilities, in systemic issues. For example, paragraph 63 in the original Monterrey Consensus (United Nations 2003) identified the governance deficits in a list of critical international economic institutions but the responsibility for reform was assigned to the boards of these institutions themselves, instead of being a matter for the UN.

[12] In line with the UN's sustainable development agenda agreed in 2015, the financing for development process is now often referred to in the UN as the 'financing for sustainable development' process. I am using the original acronym in this piece, to highlight the continued relevance of the original process and the feeble progress in critical issues already identified then.

called the 'United Nations' Monetary and Financial Conference', 1–22 July 1944 in Bretton Woods, New Hampshire, United States. The agreements arrived at the meeting established the Bretton Woods institutions. In July 1944, one year before its founding, the 'United Nations' did not exist; it was the phrase that countries opposing[13] the fascist-led countries often called their grouping. On 1 July 1944, it had only been less than a month since the 6 June 1944 Normandy landings with more horrific combat and millions more dislocated and deaths in prospect. But the country representatives in Bretton Woods could not wait for the uncertain end of the war to reach agreement on the future rules for the economic system.

Will the community of nations in the UN wait until mid-century to deal with the dilemmas and obstacles to a development-enabling international cooperation process?

* I am solely responsible for all errors, opinions and analyses.

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