

THE BROOKINGS INSTITUTION

BALANCING GROWTH:  
GLOBAL ECONOMIC GOVERNANCE FOR DEVELOPMENT

Washington, D.C.  
Friday, October 8, 2010

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## PROCEEDINGS

MR. LOMBARDI: Good afternoon to everybody. My name is Domenico Lombardi. I serve as president of the Oxford Institute for Economic Policy and I'm also a senior fellow here at the Brookings Institution.

Let me warmly welcome you to this concluding session of a two-day conference on Global Governance that has been co-hosted by the Foundation for European Progressive Studies by the Initiative for Policy Dialogue at Columbia University, and of course, by the Brookings Institution.

The key theme on which the conference has evolved in the past couple of days has really been the new multipolar world as a reflection of the rise of emerging economies. And just to give you a more tangible idea, according to some research done in a volume that is forthcoming from the Brookings Press, Kemal Dervis and Callum Ford of the Brookings Institution have estimated that in 10 years from now, Asia's GDP, including Japan, will come close to that of the U.S. and the Euro Area combined together. And therefore, this means that the region's -- the Asian region's share of world GDP will increase from roughly a quarter of the global economy as it is today to roughly one-third in about 10 years from now.

So if the world economy and finance are getting so globalized, this begs the question of what the right institutional framework for accompanying this change is. This is really where the gap lies because as it is nowadays recognized by everybody, we lead with any institutional framework, a global governance framework that we have inherited some 66 years ago. And to help to discuss this issue, the organizers have put

together a very, very distinguished panel. To my right I have Pascal Lamy, the director general of the World Trade Organization since 2005. Previously, he was the EU commissioner for trade, senior civil servant in the French Public Administration, chief of staff to the famous EU Commission President Jacques Delors. And in this capacity as head of the WTO he has tirelessly advocated for a conclusion now, for a fruitful conclusion of a pro development Doha round.

And then Massimo D'Alema. He is the first president of the Foundation for European Progressive Studies, the Brussels-based European progressive think tank. And President D'Alema is a primary figure in the European political landscape. He was Prime Minister, deputy prime minister, minister of foreign affairs in Italy. But especially, he has been the main architect of the modernization of the European left. And throughout his political career he has promoted the notion of politics as broader cultural transformation.

Then Joe Stiglitz. He is the co-president of the Initiative for Policy Dialogue at Columbia University, where he is also a university professor. Joe is one of the most influential economic commentators and thinkers of our time. He was awarded a Nobel Prize in economics in 2001 for his pioneering work on what now we all recognize as the economics of information. He was also the lead author of a famous report of the Intergovernmental Panel on Climate Change, which was also awarded a Nobel Prize, this time for peace in 2007. And he has held several appointments, the most recent which was chair of the high level U.N. Assembly panel on the Reform of the International Financial and Monetary System.

And then to my left I have Justin Lin. He is the World Bank chief economist and senior vice president. In that capacity he guides the Bank's intellectual

talent and plays a key role in shaping the economic research agenda and has done so especially in the context of the recent international financial crisis. Prior to this appointment he was for 15 years a professor and the founding director of the China Center for Economic Research at Peking University. And perhaps in connection with what we are going to discuss in a moment, let me underscore that he is also the first Chinese national and the first national from a developing country to hold the position as World Bank chief economist in the Bank's own history.

And then there is Jomo Kwane Sundaram. He is the assistant secretary general for Economic Development at the United Nations. But many of you know him as the founder and chair of IDEA or International Development Economic Associates. He was president of the Malaysian Social Science Association and he has authored over 35 monographs. He has edited over 50 books and translated in about 11 volumes besides, of course, many academic papers and current affairs publications.

So the rules of the game are that each of you has eight minutes and then we're going to have a Q and A session for about half an hour to the extent time allows. Jomo, I would say the floor is yours at this stage and please feel free to go to the podium.

MR. SUNDARAM: Thank you very much, Domenico. And thank you to the organizers for giving me this opportunity to address you today.

I think given the eight minutes which I have, let me get straight to the point. I fear that we have lost what might be termed the Bretton Woods moment, a moment when we have the possibility for transforming the basic rules of the game. This moment came out of the sense of crisis and futility in the last quarter of 2008. And with the so-called green shoots of recovery from the middle of last year, I think a certain sense of complacency and success has set in which has undermined the resolve to transform

and reform.

But nonetheless, I think it is important for us to remember the significance of Bretton Woods in several respects. First, it was a commitment. It came out of a commitment by President Roosevelt to develop a truly inclusive multilateral system to replace the League of Nations. Bretton Woods was in 1944. Before there was the United Nations but it was called deliberately the United Nations Conference on Monetary and Financial Stability. Also very, very importantly there were quite a number of developing countries, mainly from Latin America, of course, who participated and it wasn't just about monetary and financial stability. It was also about creating the conditions for sustaining growth and employment. It was also about post-war reconstruction and post-colonial development as captured by the official name of the World Bank.

Now, what we have, of course, is a recognition that there have been some very serious underlying problems in the system or what my old professor Robert Triffin would have referred to as a non-system, which has prevailed over the last four decades since the end of Bretton Woods system in 1971. Basically, what we have is a situation where the lack of a reserve currency system has contributed to the persistence of imbalances. We also have a problem where we have essentially an architecture which is only -- which doesn't deserve -- it's not deserving of the name and is a great insult to all practicing architects. We have a situation where financial deregulation over the last three decades has created a system which is extremely incoherent and extremely problematic and very difficult to reform. And also a situation where we've promoted in the last couple of decades since Jacques Desrosiers a situation of promoting capital account liberalization without sufficient safeguard which are causing a huge range of problems,

particularly for the so-called emerging markets right now.

Now, while thinking of the crisis and its reform challenges, it's also important for us to think about the longer term challenges. We really need a system which ensures a degree of macro financial stability and which ensures us much more inherent counter cyclical. Macroeconomic policies tend to be procyclical rather than countercyclical. There has been an erosion of prudential risk management, including capital account management for reasons which I've described. We need a system which will finance growth much more effectively to ensure not only output growth but very, very importantly job growth. And we need a system which is far more developmental than is currently the case.

One issue which was not addressed in Bretton Woods but which needs our attention today is to ensure financial inclusion. There are a range of other issues which were discussed over the last day and a half, including questions of policy coherence which I won't get into right now.

Now, the challenge, of course, will take place partly this weekend elsewhere in the city. There are a range of issues which have been raised over the last few years. We have come to a head on governance reform of the Bretton Woods Institution, which I won't get into great detail on. But since this conference is organized by the progressive European community, I think it is important for us to recognize that Europe is grossly overrepresented in the Bretton Woods Institutions and that this remains a challenge for the international system. And given the opening comments made by our chair, given the likelihood of trends in the near future, this is something which needs to be addressed urgently.

Now, looking forward there are other issues as well, which if we are to

build and to retain a system of truly inclusive multilateralism, there are in my view a number of challenges, other challenges which have not been mentioned so far which also need addressing. I think nine years ago Mrs. Krueger's proposal of a sovereign debt restricting mechanism was rejected for a variety of reasons but I think we threw out the baby with the bathwater and we need to revisit the whole question of sovereign debt workouts in a much more constructive fashion.

Secondly, the whole question of international tax cooperation is something which has come up even before the crisis but attains -- it acquires a certain new salience given the fiscal crisis which many countries are facing all over the world, not just poor countries but also middle income and some of the rich countries as well.

A third question is how do we ensure -- how do we bring about recovery in this very difficult situation? My colleague, Justin Lin, has pointed out that we have a situation where the availability of cheap credit before the crisis meant a great deal of overinvestment in quite a number of sectors and so there is now over excess capacity and underutilized capacity, and hence, a great deal of reluctance to invest. And so what we do need is incentives, publicly provided incentives, to ensure the kinds of investments which are badly needed in a number of areas. And two in particular which I would like to highlight, which we have recommended at the United Nations as part of what might be termed a global green new deal. New deal in terms of job creation, green in terms of addressing environmental and sustainability concerns, and global in the sense that there will be international collaboration. And this would be the questions of climate change mitigation, as well as adaptation. And secondly, the problems of food agriculture which are obviously under a great stress.

And finally, I think the whole question of governance, which is the big

challenge which we are trying to address in this session; there have been a number of proposals over the years. In the 1940s, it was envisioned that the Economic and Social Council of the United Nations would play this kind of role. But unfortunately, it has not happened. And there are some challenges which need to be addressed in that connection. There have been proposals of an Economic Security Council, the L27 proposal, associated with Kemal Dervis when he was at the United Nations, and more recently Angela Merkel, the chancellor of Germany has proposed the idea of a Global Economic Council. These are all proposals, and because of the failure of the international community to move forward on these proposals there has been a lacuna, a vacuum which has been created, and this has been filled by the G20. Certainly, it's much more inclusive and so on but nonetheless it has limited legitimacy and credibility precisely because it is in a sense a negation of inclusivism. And it's not just a question of inclusion; it is also a question of accountability.

So these are some of the challenges which we face together which I hope you address today. Thank you very much for your attention. (Applause)

MR. LOMBARDI: Justin Lin, please.

MR. LIN: Thank you, Chair. I would like to offer some view about implications of the emergence of multipolar growth world on the global economic governance. And we know that the world landscape was dominated by a few industrialist countries before 2000. And in 2000, the seven industrialist countries contributed to about two-thirds of the global GDP measured by market exchange rate. And even measured by purchasing power parity, the 7 countries still contribute to about 49 percent of global GDP in 2000.

But the landscape changed very quickly after 2000 because after 2000

you will find many, many countries were able to achieve dynamic economic growth. For example, in the Michael Spence Gross Commission Report, it identifies 13 economies which were able to maintain 7 percent and more growth rate continuously for 25 years. And you find in the period of 2000 and 2008, 29 countries in the world achieved that growth rate, and especially 11 of them were in African countries. So it's now an achievement that is available to many, many countries. And that is the case because if you look in 2000 and 2008, the developed countries, their average annual growth rate was 2.2 percent but the developing country; their growth rate grows to about 6 percent. Even in Sub-Saharan countries, in the year 2000 and 2008, their growth rate was 2.6 percent higher than the average of these high income growth rates.

And as a result, the global landscape changed. By the time of 2008, the 7 countries, their contribution to global GDP reduced down to 52 percent measured by market exchange rate and the rest of the world contributed 48 percent. But if we measure by the purchasing power parity, by the time of 2008, the developing part of the world contributes to close to 60 percent of global GDP already. And these are dramatic changes.

And more important is that this kind of difference in growth rate -- that is the developing country grows much faster than the high income country continued after the global crisis. On the average the developing countries, their growth rate is about 4 percent higher than the high income countries. And not only -- so far in other global crisis, about half of this growth in the world came from the developing countries and will also continue to come from the developing country, not only in terms of GDP but also in terms of trade because trade recovery in the developing country is much faster. And Mr. Lamy is going to say more about that.

And with this kind of situation, we're changing the world landscape. It certainly requires a new world governance, and luckily, we have the facility of G20 Summit and that replaced the G7 quickly. And in this G20, certainly other developing country, including BRIC, they are sitting at the same table with the high income country. And so far this proves to be a very effective mechanism in coping with the crisis because the financial crisis can; we understand that the shock on the equity markets, the shock to the international trade to the industrial production in the world was more serious than what happened in 1929. At that time there was a feel we may enter into a long period of the recession with depression like, you know, what happened in 1930s. But because of the G20, the country can come into some kind of cooperative solution. On the one hand, you know, up top, the fiscal stimulus domestically and also pressure to have this continuation of free trade as well as the financial rescue. So the world is quickly coming into some kind of recovery and that shows the G20 is effective in a global governance in this kind of changing global world because now you find cooperation among the high income countries and among the developing countries; cooperation between high income country and a developing country will be very important for coping with this crisis.

And now we have the recovery but we need to understand the foundation of the recovery is still very weak. And the main reason I say it's very fragile is because there is still a very large underutilization of capacity or excess capacity, high unemployment in the high income country. And under this kind of excess capacity, high unemployment situation or the traditional way of policy measures should be fiscal stimulus. But we know that in a high income country fiscal stimulus runs into some kind of constraint, you know, the so-called the ricardian equivalence country. If the government increased or sustained this stimulus, spending of money, creating a job, but

in anticipation in the future people may have to pay back the debt and they will start to save. As a result, you know, the equity amount will not increase much, but public debt may increase very rapidly. And under that kind of situation people were concerned about debt sustainability. So that is a constraint.

However, if the high income country resolves from the fiscal stimulus, then the global economy slowed down substantially and under the kind of dilemma what would be the solution? And I think the solution should be finding some kind of new demand for the excess capacity for the goods produced in a high income country because if we try to use some kind of monetary policy to, you know, to devalue the currency, it's a way to promote exports from high income countries. It is at best a zero sum game because, you know, the high income countries all encounter similar situations. They all have excess capacity. They all have a high unemployment rate. And if the one country tried to increase the export, there will be the expense of other countries export market. And the other country needs to increase their unemployment rate. So that is at most a zero sum game.

Now, if we want to find some positive sum game, that is a win-win situation for everyone. Is there a possibility for that or not? My friend Jomo mentioned that a bit. Yes, there are opportunities because in a developing country there are many, many good investment opportunities. Those kind of investment initiation run can create jobs, can create gross, and create a demand for high income countries' capital goods. But at the same time, if we also promote long term growth in a developing country and with that we can have, you know, some kind of win-win situation to help the high income country as well as the developing country simultaneously. And I think the G20 would be a good forum to discuss those kind of win-win solutions. And as the summit in Seoul or

next year's summit in Paris can come into those kind of arrangements. That's G20.

And certainly, the World Bank is part of the Bretton Woods Institution; part of the global economic governance should also reflect this kind of new global scenario. And one thing certainly is to change the voice and the presentation in order that, you know, the World Bank increase the voting power to the developing country about 6 percent. Now the developing country has 47.19 percent of the voting power. The goal is to reach 50 percent, 50 percent. And also create a third chair for the South American countries. And now we have 25 chairs. Developing countries have 13 chairs. And also all the three empties including myself as chief economist are all coming from the developing countries. So that's a voice in the presentation.

The World Bank is a knowledge institution. In the past, the knowledge came from high income countries and then implemented those kind of knowledge to the developing countries. And in this kind of new multipolar growth world, knowledge usually comes from both the developed countries and developing countries and the two need to go from the north to the south, from the south to the south, and even from the south to the north.

Okay. And as of now we are promoting some kind of open knowledge agenda provided data freely and provide a forum for exchanges also encourage networking and so on. Hopefully by this the World Bank can be more effective in helping the developing country to cope with their problems, to eliminate poverty, and also contribute to the global recovery.

Thank you. (Applause)

MR. LOMBARDI: Thank you, Justin. I will call Joe. You can go to the podium or you can -- if you don't have perhaps PowerPoint slides you can sit there.

Yeah.

MR. STIGLITZ: So let me begin by raising three major issues. First, why do we need global economic governance, and particularly how do we think about that for purposes of development? What should be the agenda and what should be the institutional framework? Now, the reason that one needs some system of global economic governance should be clear. Globalization and integration of -- closer integration of the countries around the world has meant that countries are more interdependent. There are more externalities. Actions by one country have effects on another, made so manifest in the current economic crisis where bad economic policy in the United States has affected people all over the world.

Whenever you have that kind of interdependence, externalities, global public goods, there is a need for collective action. And obviously since these are global problems there has to be collective action at the global level but at the national level when we have these kinds of problems we have a national government. Here we have no global government. What we have is a system of global governance without global government, which is a complex set of institutions, institutional arrangements, treaties, rules and so forth. And the subject of the discussion is how do we improve those sets of rules and institutions? How do we make global economic governance work, particularly work better for developing countries and for development?

Now, when one asks the question of what should the agenda be, in a sense almost every aspect of the economy today is affected by what happens in the global context. So global economic governance has to really extend to almost every area. And in a way you can think about that in again a parallel to what's happened with the nation's stakes. The reason you have national government list the area in which

national governments have policies in the national level as opposed to leaving it say in the United States at the state level or in Europe at the country level, is a recognition that there are interdependencies, externalities, global public goods. And so the same thing arises at the national level.

So as you start listing the list -- making a list of what is -- what are the issues that ought to be addressed, and I'm going to come back to later how they ought to be addressed, it's a comprehensive list that includes finance. Much of what Jomo talked about is in the area of finance. How do we make a more stable financial -- global financial system? Obviously, real peculiar aspects of it that much of the risk of exchange rate volatility, interest rate volatility is born by the developing countries. Risk is not shifted from poor to the rich like it ought to be in a well functioning market. We have very high levels of volatility. Developing countries need a reliable stable source of finance for development. They are highly unstable. We have a problem that Jomo mentioned of restructuring debt. The sovereign debt restricting mechanism. But we also have problems in private restructuring when they entail cross border flows. The reserve system clearly is antiquated where you have a global system which is so dependent on the currency of one country. But that's one area.

Another area that's really very important is technology and knowledge. Justin emphasized the importance of knowledge which separates developed from developing countries is not just a gap in resources but a gap in knowledge. But there's a -- in the WTO we created a framework, TRIPS. There WIPO, the World Intellectual Property Organization, but there are very big deficiencies in that framework, both for protecting intellectual property but also for the promotion of knowledge which is a public good. A great deal of concern about access to knowledge, access to medicine. The

developing countries are asking for a development oriented intellectual regime, and so far they've not succeeded in getting it.

Trade. I won't say very much about it because I assume that later on we'll have some discussion of that. But in terms of development it's clear that what was hoped for was a development-oriented round of negotiations. And I think what's emerged so far doesn't deserve that epithet. Maybe it's better than nothing. That's a question of debate. But certainly, it has not really been fully addressing the concerns of developing countries on issues like non-tariff barriers, migration, escalating tariffs, a whole long -- agricultural subsidies. And in fact, the recent crisis highlights one new aspect of that. The advanced industrial countries have provided massive subsidies to their banks, to their auto companies, and will do it again so that the rules of the game have been changed. Fundamental way. Those firms who know they have made losses know that they can call upon their governments for massive subsidies when the time needs. So it's not just the ex post subsidies. Knowledge that there might be subsidies is an unfair trade advantage.

Environment. Global warming is another very big issue. Developing countries need to be compensated for their environmental services, the rainforests that they provide. But the issue of climate justice, the fact that the development countries are among those who bear most of the cost of global warming.

So that's a broad agenda. And let me then talk about the institutional framework. And as I said, there's more -- the legal framework, protections of investment. Right now the many investment treaties provide rights without responsibilities. A really -- the judicial procedures are an embarrassment to anybody who believes in the rule of law. So bankruptcy -- well, I mentioned cross country bankruptcy procedures. Almost every

area of economic governance is -- should be a subject of discussion.

So what's the institutional framework? First, what's wrong with the current one? Well, I think there's a lot of things wrong. First, many of the things that have been brought within the ambit of global economic governance, attempts at standardization, shouldn't be there. And many of the things that are there shouldn't be there. So many of the things that we need aren't there and many of the things that are there are really areas where the compelling case for harmonization of standardization haven't been made.

Why is that? I think we all understand the global economic governance to a large extent has been taken over by special interests. And it's an extreme case of what we all know about political economy domestically, that there are special interests for whom the gains are very small and the costs are dispersed among society but globally the gains are even more concentrated and the costs are more dispersed and less understood. So the special interests are very large. I saw that in the U.S. government very clearly. You know, it was -- it was really where the special interests -- there was one other agency -- two other agencies where the special interests were very strong but it was clearly at the top of the list of where if you give a contribution you get a benefit.

There are other problems, structural problems. One of them is the silo nature of the global framework.

One minute? Okay.

Very natural because trade -- there's a delegation to trade. Trade ministers talk to trade ministers and yet when we start talking about many, the long list, there are complex interrelations. And those get shunted aside and that silo nature really gives special interests broader sway.

So what's the answer? Okay, well, the G20 is a big step up from the G8 but lacks representative -- 172 countries not represented. Not quite right because the G20 is actually G21 or 22 so, but still, most countries in the world are not represented. It lacks political legitimacy. And the answer I think -- and it was -- the view that was taken by the U.N. Commission, was creation of some sort of a global economic coordinating council, which could be small enough based on a constituency principle that -- small enough that one could get meaningful discussion but representative enough and with political legitimacy so that it could be more effective than the G20.

I guess I've run out of time. Okay.

MR. LOMBARDI: I will call on Mr. Lamy. Thank you very much.

(Applause)

MR. LAMY: We're starting from where you've left it. I 100 percent agree that we've witnessed and we are witnessing a huge transformation in the global economy, in technology, in geopolitics, and that the trade universe is probably one where all these transformations are the most obvious and the most interconnected. And that for sure raises governance issues which are the ones we've been discussing here yesterday and today. And in many ways the governance of trade. I mean, the global governance of trade may seem as an example which other bits of this scattered silo system which Joe just mentioned could emulate. We have discipline. We have long experience of negotiating them, of administering them, of enforcing them. We have a dispute mechanism which is -- with no other precedent in the international system in terms of its binding nature. That's for this sort of academic review. If you move to review with reality during these two last years, this system has worked so far. And it has contributed to ensuring this world against this protectionist danger which we all knew was there. It has

worked. Hence, by the way, the sort of increased ownership by developing countries, which I can tell you from the inside is pretty obvious, during this crisis not the least because developing countries would have been the main victims of protectionist explosion given that their growth is more trade dependent than others.

So that's the good side. After all, you know, as we say in my native Normandy, when I look at myself I feel sorry. When I compare myself I feel happy. That's the sort of -- here we could say things in WTO. Now, this is wrong. There still are many challenges which the multilateral trading system needs to address seriously. Let me mention three of them.

Number one, the rules. The rules of international trade as they left it last time, the new addition of the rule book was published which was 1995 remain unbalanced in the favor of development. This was recognized in the construction of the Doha agenda. We are not there yet in the concluding face but we've gone a long way towards this. And one of the main results of the Doha development round, if and when it is concluded and most of that is already on the table, is a strong pro development review of the route.

And on the -- I'm not sure I will agree with you, Joe, maybe it deserves a bit of more technical discussions. You mentioned tariff escalation. Tariff escalation will be scratched if and when the round is concluded. Agricultural subsidies will be diminished in totally unknown proportion in previous rounds, including disappearance of export subsidies. So I won't enter into these technicalities. Suffice it to say that, you know, two-thirds of the members of the WTO are developing countries and there will be no conclusion of this round without a strong development component. Whatever you think about this or I think about this, we're not the ones who decide. The ones who

decide are developing countries themselves.

Second challenge we have is the fact that for many countries on this planet, access to markets or better disciplines on subsidies make no sense if they don't have the capacity to trade. Hence, this challenge of moving the WTO not as a development agency -- many people do that extremely well on this planet and if there is a problem it's probably that there are too many rather than too little -- but in making a better job of articulating developing country capacity, building necessities and the supply by multilateral regional or bilateral development agencies. This is something on which we've made quite a lot of progress in recent years. Aid for Trade is the only place in official development assistance where commitments by governments have been overspent, whereas, as we all know elsewhere it's been under spent.

Third challenge, and this leads me to the final point about global governance of course, is coherence. Trade inevitably connects different parts of human lives, economy, cultures and there is a permanent issue of articulating open trade with global public goods, like environment, like health, like development, like financial stability. And that's for sure an issue which deserves more careful attention. Not least because as many of you have already said, coherence in the system is a problem.

Now, it's not a problem in theory. The theory of the present international system, Model 1648 as we would say for Ganza, is that there is no problem. The system is composed by sovereign molecules whose (inaudible) have the monopoly of coherence and aggregation of coherent sovereign molecules create coherent international organizations. Now, we all know it doesn't work this way and we have an issue there. Hence, proposals such as this economic council. Frankly speaking, I'm not sure that's doable. And something that's built on the model of the Security Council or on the model

of a national government in my view will not work, at least not short term. I've been one of the advocates of this idea which was, if you remember well, pushed by the law in the 1980s. So not yesterday. But with the lesson of experience I think this will take an extremely long time and we better start with what we have.

And what we have is a sort of triangle where various bits of coherence exist. The leadership part is with the G20. The legitimacy part with the U.N. The expertise resource mobilization capacity is with international organizations. So it's not one government, it's not one place; it's a triangle within which more coherence can be produced. And more coherence can be produced within this triangle if the interactions between the various bits of the triangle are improved. There is a reasonably good interaction between international organizations and the G20. There is a reasonably good, although with could be improved, interaction between international relations and the U.N. system where there is a weak link which in my view needs to be addressed urgently is between the G20 and the U.N. system. And I think if we don't fix that reasonably soon the capacity of this triangle to produce coherence, which is a major issue, will be weakened.

MR. LOMBARDI: Thank you very much, Pascal. I will call on Massimo D'Alema.

MR. D'ALEMA: Thank you. Thank you, Mr. Chairman. It's working. Yes. Thank you.

Let me start by remembering one of the most important Italian intellectual and militant of the past center, Antonio Gramsci who wrote many years ago that people who want to change the world need pessimism of intelligence and optimism of will.

Let me start by pessimism, by saying the crisis is not over. I read in the

newspaper that the general director of IMF, our friend, Dominique Strauss-Kahn, told yesterday that the momentum is not vanishing, it's decreasing. I agree. If I may add something, it's decreasing very slowly. The crisis was not just an accident or the outcome of calculation mistakes or unscrupulous greed of a few bankers. The crisis exposes the contradiction of so-called neo-liberal globalization. And it was an illusion. It would be an illusion to believe that by a package of extraordinary measures it was possible to find a way out to close the parenthesis returning to the previous setup.

We risk today and we can see that clearly the risk that we are running is a long period of low growth and unsustainable unemployment. Particularly unsustainable unemployment of young people. And I'm thinking to my country Italy. Major countries which today are seen as developing economies will probably be the only available engine of future economic growth.

So far Europe has been hesitant, to say the least, putting a premium on fiscal consolidation with respect to supporting demand and growth. I know we have to balance the need for fiscal sustainability with the promotion of jobs and growth. But employment is a priority. Otherwise, we risk to fall into a vicious circle jeopardizing not only our social cohesion but also our budget. It's very difficult to consolidate budget without growth and employment.

National stimulus packages are not enough and may not work. In the USA, for instance, the outcome of a very strong effort of the Obama Administration seems to be disappointing so far. But that doesn't mean -- this is my opinion -- that we have to give up stimulus. The problem is to do it in a better way, in a better coordinated way as a part of a global strategy aimed at facing the structural imbalances of global economy.

The first contradiction is between a globalized economy and the inadequacy of the old nation states and the weakness of international institutions. For many years, economists, philosophers, opinion makers, told us that global economy doesn't need politics, institutions, or rather the lack of governance is one of the reasons why the things are going well. It was not true. And now we see clearly that it was a lie. The crisis shows that economic economy without governance doesn't work. We have to divest a trend. For us, for Europeans, the first test is Europe itself. Of course, current tensions among the EU member states manifests that many instruments are inadequate and need to be attuned or reformed, especially in times of global crisis. However, despite those tensions very few wise policymakers today would advocate the reversal of EU's experiment. It is not time for renationalization of our policies. I believe that progress must oppose strongly this temptation. We need a more united, more integrated Europe if we want to play a key role in reshaping global governance.

Professor Stiglitz said we have to improve the complex system of governance. The downsizing of the G7-G8 and the centrality of the G20 was an improvement where I believe big steps towards a more inclusive global governance. However, let's not forget that even the G20 is lacking a representative or democratic legitimacy because it fails to give adequate representation to the global population based on the present and on future forecasts while economic landscape is changing rapidly.

I believe we cannot imagine any global governance without the U.N. system as a fundamental pillar. Let me quote an important document for the global new deal drafted by the Global Progressive Forum together with our foundation, the political drive should be given by a triangle composed by the United Nations body, by the international agencies, by the G20. In regard to the international agency, particularly IMF

and World Bank, I believe we should insist for a real reallocation of voting power in favor of so-called emerging countries and I believe that for European states it would need a single sitsit in order to be more influential than today. A more effective global governance system is instrumental for achieving two main goals. And it's a conclusion.

First, fighting imbalances and inequalities also inside our own societies. The last 15 years in 20 -- 20 European countries on 27, the wage rate -- the wage share in GDP has decreased. One of the results of the neo-liberal globalization is the growing inequalities and the conclusion of growing inequalities is the fall of the demand. Also the internal demand, the domestic demand in our country.

The second goal is promoting new jobs and growth based on new technology, particularly green, research, education, which means let me say clearly that we need a more active role of the states as economic actors, together with the private sector, together with long-term investors with social responsibility. A coalition between states and private sector for a new model of economy.

I think -- let me conclude. This is the only way -- this is the only real exit strategy from the crisis which requires I know a strong political will. And more coordination within progressive governments, political parties, think tank, trade unions, intellectuals. Professor Ocampo told us that after the Second World War, it was up to the national governments to lead devilmnt processes. Why? The national institutions were providing for a good environment.

Today I believe the global agenda is the priority. There is no domestic solution for a global crisis. And this is why it is so important to work together -- Americans, Europeans, Chinese, Africans. And to collect our ideas to have some influence on policymakers, opinion makers, public opinion. We cannot wait for another

crisis to decide to change. We have to change now. This is, I believe, the fundamental message and the high hope -- I want to conclude -- it was for us the foundation for European progressive studies a great honor and pleasure to work together and the high hope we will continue to do it. Thank you. (Applause)

MR. LOMBARDI: Thank you very much. Just if I could try to summarize the debate we've had so far, perhaps also with the benefit of having attended this very interesting and insightful to date conference. I would say that the debate on global governance has really two dimensions. There is a vertical dimension insofar as the global economy increased financial openness, have created greater volatility, greater risks, and therefore, greater scope for global policymaking. Joe Stiglitz was referring to the needs of managing externalities through greater policy coordination. Justin was referring to the G20 which is currently filling a vacuum in global governance. And there were, of course, references to the Global Economic Council from all over Europe.

And then there is a horizontal dimension that is newly rising economies are prompting for a shift in the nature and in the composition of the governance bodies of existing multilateral institutions. And therefore, here the role of Europe is key because clearly we are seeing this really in these days as there is a very strong and lively debate at the IMF on Europe perhaps reconfiguring its representation to give more room to other underrepresented regions of the world.

But this still leaves, you know, the issue of what the G20 role can be in this setting. And perhaps as an area which was suggested yesterday, perhaps the G20 could have this role of global crisis committee due to its nature of being in a former club, a club that can be mobilized, can be convened very quickly, and can act very quickly. And then, of course, you know, apart from this role clearly the multilaterally organizations

as they currently exist, they will need to reform their governance to give greater representation to the new world order.

But I was wondering whether the panelists might have any remarks on this sort of division of labor between the G20 and current multilateral organizations. What role can we envision for the G20 moving forward? And then I would leave the floor to the audience. I don't know, Justin, perhaps you want to have a word on this?

MR. LIN: Well, first, you know, because we just come out of the crisis however the foundation is still pretty, you know, unsound. And in this kind of situation we should use whatever we have to address the issue. And as you indicated, the G20 is available now and in the first stage of the crisis management it was effective. And certainly we should continue to strengthen it in order to increase the likely, you know, challenge in the coming years. But sometimes certainly it's not a perfect institution and as the world is changing and as the global governance should also continue to change, we should continue to explore some other alternative arrangements. So global economic, you know, board or something like that certainly is one thing that we can attend.

MR. STIGLITZ: I just want to emphasize I think, you know, we have one international body that really has legitimacy, the U.N., but it has some problems of effectiveness. And I think, you know, the framework that I think Pascal laid out is part of - - recognize that we already have some institutions which move their strengths. But in some sense they have to be coordinated and brought together. And that was really the idea of the Global Economic Coordinating Council, that it would be in some sense a body that could bring these together but obviously there's always hope on a new body that you don't have the failures of the old bodies so you can be more hopeful than something that

already has not proved up to what one would have hoped. But I do think that it is important to bring it within the fold of the international framework that we have, which is the U.N. I really do think that's very important for giving political legitimacy.

Let me make just one more comment which is -- or two more comments. While the G20 was created in a moment of crisis, we are likely to have other crises and we ought to have an institutional framework. You know, it's like every time we -- this is not the first crisis, and if you're always pretending that the system works perfectly except when it doesn't, you're going to have a real problem. So it seems to me that we need an institutional framework.

The second point I'm going to raise is just to emphasize somewhat the difficulty of addressing some of the problems because there are very different views about how the world works, both epistemologically, how our understanding of the world and also very different interests, both national interests and interests within countries. And so with the national governments we have a way of mediating this and nationally we really haven't succeeded. And that's why I think it's important to develop frameworks that are more inclusive than the G20 and that provide a not only more inclusive but also on a more permanent basis with some ways of bringing in the voices on a more regular basis.

MR. LOMBARDI: Thank you. Jomo.

MR. SUNDARAM: Yes. I think the G20 arrangement right now has been useful, especially in the first year. It has suddenly coordinated -- resisted protectionism. It certainly played a role in coordinating the monetary policy responses. And in facilitating fiscal stimuli. I find it very difficult to think of any significant achievements since the middle of last year. And I think we need something better than that to move forward. There are a whole range of issues which were identified for

example in Pittsburgh last year which have not been significantly advanced in Toronto. And if you will, the main reason why there is no advance right now is because there is a divide between Washington and the rest of the G7. That is what it is essentially about. So the G20 is to a great extent the G7 plus. And it's the G7 which still very much calls the shots in a very fundamental sense. And the main reason we have gridlock right now is because of the G1 basically not agreeing with the rest of the G7. And I think we have to recognize -- we have to recognize the significance of that divide and the problems it poses.

So the other point, of course, is that everybody outside of the G20 feels a grief that they're not participating in any sense. And this is understandable. And the way to go about it is I think to learn from the Bretton Woods Institution and the systems of representation which you have as biased as they are, an executive director for any particular constituency is accountable not only to his country of origin but to his entire constituency. And this I think is a very important element.

So if we have a system of election from constituencies for representation, through the United Nations system you could overcome this. But the problem as correctly pointed out is that this request chartered change. And chartered change at the U.N. can be easily resisted for a whole variety of reasons. In the interim, there are at least two possible mechanisms which can be undertaken if there is the political will to do so. Number one, you could have a special arrangement of the economic and social council meeting at the elitist level, which comparable to Kemal Dervis' suggestion of an L27, half the membership. Because currently there are two from each constituency and you would have only one from each constituency.

Another alternative is for what is called a general committee of the

General Assembly to meet at the elitist level on the eve of the General Assembly. And this could be easily facilitated without too much fuss and with strong preparation you can have a very, very productive meeting. Of course, you can have additional meetings on an emergency basis as the need demands. But I think what is missing in this is the sense of transformation which was there in Bretton Woods. And this included, of course, besides the two Bretton Woods Institutions, it included a commitment at that time to creating the ITO, the International Trade Organization. And we now have the WTO, but it is not part of the U.N. system, although I must say to Pascal's credit he has been very, very -- very much a team player in the sense of seeing that. But it is not institutionally -- it is not a member of the U.N. system. And this, of course, raises certain challenges.

MR. LOMBARDI: Let me call on Pascal.

MR. LAMY: I'll be a bit less severe than Jomo on the G20, notably because, I mean, I think they've done roughly a good job on financial regulations so far. I'm not saying it's perfect but what I'm certain is that had the G20 not been there we would not have had the sort of progress which we've had multilaterally within the U.S. and within Europe on this issue.

I agree with him that the merger of the cultures of the G7 which had 40 years of summitry culture and the newcomers is not yet done. And that's understandable. The summitry diplomacy is something which is extremely hybrid. And the time -- the Chinese system, the Indonesian system, the Indian system, the Brazilian system, understand the subtleties of these unwritten codes, of this hybrid diplomacy will take time.

On the relationship with the U.N. of the G20, I think at this stage what needs to be organized is accountability of the G20 to the U.N. It's not difficult to do.

We've had -- we've had with the MDG Summit we've had, I think, a reasonably good experience of how the U.N. can be used as a platform for accountability. It's a place where people go and justify publicly to the UNGA, which is sort of a parliament of the planet what they've done. Of course they try to look good but if they try to look good it's probably because they believe if they looked bad it would be a problem. And that's what accountability is about.

And by the way, there is a group of countries who is working on this interaction between the G20 and the U.N. It has a code name which is 3G. It's led by countries like Singapore, Norway, Rwanda, Emirates, who are not members of the G20 but who feel they should have a say. And as a result of the so being, the leader of the 3G, which is Singapore, will be around the table in Seoul. Which shows that, you know, there is a bit of interaction capacity.

Finally, on whether the WTO is or not formally in the U.N. family frankly speaking; that's not an issue. Politically, the WTO is part of the U.N. family. We are bound by all the rules of the U.N., whether it's the charter, whether it's human rights, whether it's economic and social rights. We are part of the system. The only things we are not part of, we're not part of the administrative system of the U.N. and I think I should thank God every day for that. (Laughter)

MR. D'ALEMA: I think that the process will be long and difficult. It's difficult to imagine reform of international system as a momentum. And I believe that the G20 has to remain an informal body. The challenge we have to face, we cannot overcome, is to reform the U.N. system. In order to combine legitimacy and effectiveness, which is not impossible I believe, and we had a long discussion on reform of U.N. Security Council, item member proposals, Jacques Delors proposed an economic

council, I think we have a lot of ideas of proposals. It's time to discuss concretely now because now we have to do it. This is my opinion. We cannot -- I don't think that we have to institutionalize -- the G20 is not to repeat the mistakes of G7-G8, which at the end became the symbol of, a usurper, of legitimate international global governance institutions. And in my view, I don't -- I am not afraid about a G1. I think that the real nightmare for Europeans is G2, not G1. G1 is finished with the Bush Administration, I think. (Laughter) It was an experiment, and in order to avoid G2, not only for the interests of Europe, I think that Europe has to be united. This is why I think Europe has to be united politically, not only a single market, single currency, but politically Europe has to be more united than now.

MR. LOMBARDI: On this very important call I would give the floor to the audience for a Q&A session, perhaps hear from the front row first. Let's group the questions perhaps into four or five and then we'll have a chance for the panelists to react.

MR. SILVERS: I'm Damon Silvers. I'm with the AFL-CIO. And I want to shift -- my question is about what you do with the institutional framework substantively. Yesterday at the Global Progressive Forum meeting that was alluded to by one of the speakers, the president of the AFL-CIO enthusiastically endorsed the substantive agenda that Jomo and Justin described of a global new deal. The question I think -- and the global labor movement also endorses that proposition enthusiastically. The question we have is twofold. The first question is exactly what are the mechanisms for moving capital -- moving capital that is idle today into the kind of green New Deal program that the two of you suggested?

And secondly, what are your thoughts as a group about the political challenge of that agenda in the context of -- because that's fundamentally an

infrastructure in every sense of the word. An infrastructure agenda at the developing world in every sense of the word. How do you do that politically in terms of mobilizing developed world capital without also having a plan for addressing the infrastructure deficit in the developed world at the same time.

MR. LOMBARDI: Thank you. Rachel. Rachel Griff and then Ngaire Woods. Yes, please.

MS. GRIFFITH-JONES: Yeah, Stephany Griffith-Jones. My question is actually very complementary towards what Damon was just asking in terms of the substance. You addressed very eloquently the institutional characteristics but how can these global -- this G20 institution which seems to be slowing down in their role, particularly the G20, be used to expand the world economy? For example, in terms of a more expansionary fiscal policy where we're going exactly in the wrong way particularly in Europe, and how can the intellectual framework for expansion be modified?

And also, how can -- although, you know, it's been said that there's been quite a lot of progress on for example regulating the financial sector, how can the financial sector more deeply be transformed so that it serves the needs of a recovery, particularly through clean energy and infrastructure? Thank you.

MR. LOMBARDI: Thank you. Ngaire?

MS. WOODS: Yes, thanks. Ngaire Woods. I thought this discussion was great. I mean, it told us why we need to really think about global economic governance seriously. And I actually came away from listening to the speakers thinking actually that there's some very rich positive lessons from the institutions that you've spoken about for global financial regulation. So if we move the debate forward and think what are the practical problems that we're addressing when we look at global financial

regulation, there's an information problem. Right? Information has been hidden and distorted.

There's an access problem. Access has been had to rulemaking only by the financial services sector itself and there's an ideas problem. Right? There has not been a sufficiently open set of ideas and alternative ideas to frame regulation. And I think the speakers have told us some interesting ideas about how we overcome those problems.

So on information and how we get better quality and more diverse information sources, the reforms in the World Bank that Justin has mentioned are really important openings to listening and hearing a different kind of information. The kinds of reforms that Pascal Lamy has pushed in the green room process and in the WTO and in its transparency are all indications. The IMF's transparency has been a way that it's opened up information and yet none of that has occurred in the BIS or in the Financial Stability Board. It's still a secret enclave in a way. You can't even find out when they're going to meet, let alone what they're going to discuss. I think that's serious.

I think on access, again, all of the institutions that we've listed have seen in the last decade a great opening up to different kinds of stakeholders and different kinds of interests and that the G20 is pushing yet further in that direction. And yet I think we're seeing far too little of that still in the financial regulatory domain. And I agree that the G20 is opening up a crack of light there but I think the lessons from the other institutions need to be reaped and applied to global financial regulation.

And then on ideas, I think it's really interesting the way that the cultures in each of the organizations that have been discussed have been broken open to some degree by changes in staffing, by changes in resources and instruments, and so forth.

And obviously, the crisis has done its work in pushing people to open up to new ideas. And yet the ideas to be used in framing the new financial regulation I think need a whole lot more work. And I think the way to get there might be by looking at these other institutions. Thanks.

MR. LOMBARDI: Thank you, Ngaire. Right there.

SPEAKER: Thank you very much. My name is Dr. (inaudible). I'm from Global Strategy Enterprises. My question is about good governance. That is representation, transparency, accountability.

Bretton Woods was created out of the Second World War by the winners of that crisis. However, the current solution is now being designed by the losers of the economic crisis. So the good guys who played by the rules actually were not rewarded after all; they're outside the market. That idea of the World Bank being a knowledge bank, technology bank, I'll add maybe labor bank because growth without jobs, especially the young populations of the world today, were not represented in any one of those three institutions. The U.N. is not represented. G20 is not represented. The international organizations are not represented. The unemployed massive population, the youth, are not represented. So how can we make this new economic crisis respond to the winners who played by the rules who actually lost eventually. Eventually I'm asking how can we say in good governance into this new multipolar economic order.

Thank you.

MR. LOMBARDI: Another question here from the front row.

SPEAKER: Thank you very much. Let me ask you a little about this triangle that was put up between the G20, U.N., and the IFIs. And it's a question about the structure of the G20. The G20 evolved out of meetings of finance ministers and

governors of central banks. And all of a sudden we have three summit meetings and we are about to have a fourth summit meeting. And there is something wrong with all that because just for parody, economics is too important to be left to ministers of the economy and persons of central banks. I mean, the question is much more essential and there should be a new mechanism which is in fact slowly evolving within the G20 of Sherpa kind of system under which the heads of state of the G20 inform and are briefed by somebody who has a more general outlook than what comes out of the people dealing only with finance. Thank you very much.

MR. LOMBARDI: I think I would leave -- give a chance to the panelists to react. Two minutes for each of you to react to the questions that you feel you want to elaborate a bit on.

MR. STIGLITZ: Okay. Let me say a word about the global new deal. The problem of getting the capital from those who have a surplus to those who need it is actually not that difficult. I mean, one can create -- there already are things like sovereign wealth funds that can do it and one can use the World Bank, one can create new institutional structures. The U.N. Commission recommended some new institutional structures free from some of the problems of the past. But I think that's not an impossibility -- in fact, it's actually fairly easy. And within that framework it's certainly not inconceivable that one could create a development bank in the United States. The real problem here, Europe has a very successful European Investment Bank that plays a very large role in Europe. It's only because of particular peculiar ideological view about that you can't have successful public banks; actually you have successful public banks. It's successful private banks that I worry about that has made this difficult. And it's really ideology, not -- there are many successful public development banks of which the World

Bank is one example. You know, not perfect but actually has done a reasonably good job of allocating capital. And managing risk much better than our private banks have.

MR. LOMBARDI: Okay. Thank you. Massimo D'Alema.

MR. D'ALEMA: Yes.

MR. LOMBARDI: Quick reaction on the questions from the audience.

MR. D'ALEMA: Too many questions. But let me again to focus on Europe because I believe we have to see clearly what we can do concretely because it's time to act not only. Europe is going to discuss a new stability package, a stability package reform, which would be -- it's my opinion -- absolutely catastrophic for Europeans. And forcing austerity plan, imposing targets is totally unrealistic. Totally unrealistic. I believe that today what's needed for progressive is -- I'm talking about ourselves. Our responsibility is to oppose. To propose is totally the opposite, a more flexible interpretation of stability pact, a stronger coordination of growth policies because Europe is a strange institution. Because at the same time we decided a 2020 European plan which is totally crazy compared to the concrete decisions that the European Council is doing in order to enforce a stability pact. I think, well, this is our responsibility also because I remember 10 years ago we were in government 13 center-left governments of 15 governments in Europe. And we failed reforming the European Union. Under the influence of neo-liberal ideology or the optimistic vision of markets of globalization, we failed. And we pay the price today.

The fact is that Europe is based on stability pact and we don't have a growth pact. We have binding roles for stability but we don't have shared target for growth and employment. This is an enormous asymmetry of Europe and I think that we have to change. And the reform of stability pact is a good, good opportunity for us to

involve public opinion and trade unions in a serious discussion about the future of Europe. The future of Europe is important also at a global level because Europe can play an important role in changing.

About the global governance, I think fundamentally we agree. I think that we have to establish a cooperation between G20 and the G20 has to be informal. It's difficult to imagine the G20 as a decision-making board. It's still a consensus making body because after the G20 meeting it's up to the national government to delivery. But it's very important strengthening of the interaction between the U.N. system and G20 through a more formalized engagement involving full U.N. participation throughout the short preparatory process and the permanent U.N. seat and the proceeding. I think that the only way is to use G20 as an effective instrumental body connected to the U.N. system because legitimacy is there.

MR. LOMBARDI: Pascal.

MR. LAMY: Yeah. Let me --

MR. LOMBARDI: Quick reaction.

MR. LAMY: -- yeah. Pick up on two issues. The transparency issue and the G20 structure. On transparency, I 100 percent agree that it's a powerful tool of global governance. It's the one we use in WTO in November '08 when we started this monitoring of a protection and development and it's worked extremely well. Now, why does it work? It works because we [inaudible] with the inconvenience of sovereignty. Sovereignty -- the psychological side of sovereignty is proudness. And they are proud. And it also addresses the problem of sovereignty which very often is the monopoly of incoherence. What sovereign nation states reclaim is the right to be incoherent, i.e., not to say the same thing in different bits of the international system. Now, if you introduce

enough transparency then it shows. Now, of course, on one condition which is that this is -- there's an echo at home that somebody at home hears about that. In the political system, you know, a particular party, civil society, trade unions, whatever. That's an essential condition because if we send transparency signals and they fall on sort of a deaf system, it doesn't work.

On the structure of the G20, I very much agree with your observation on the importance of the Sherpa process. I was a G8 Sherpa for 10 years between '84 and '95. You're absolutely correct that the kitchen secret is a person who has permanent access to the boss and who will be credited to a total identity between what he or she will say on a topic and what the boss will say on the topic, which in the political, diplomatic, administrative system is a rarity. Now, the guarantee that he will always say what -- he or she will always say what you say and the other way around. It's a rarity and it presupposes the very specific link and a very specific position. And that's one of the reasons why non-G8, G20 members have a problem with the learning curve. Thinking that in the Chinese system a man or woman will suddenly have direct access to the boss and we have this sort of connection, I mean, it's totally unimaginable. Even in things like, you know, the Indian system, the relationship between Montek (inaudible), which is a very, very close relationship, yet Montek doesn't decide for the whole Indian system. So that's a crucial thing and I think you are right to point to this very specific element of coherence.

There will always remain a problem with the G20 members who are already representing constituencies, i.e., Africa and Asia. In these two cases the sort of articulation of a Sherpa process with a constituency representation that raises specific problems.

MR. LOMBARDI: Okay. Thank you, Pascal. Justin, quick reaction.

MR. LIN: Yeah. I'd like to respond to the question that the large number of low income countries and large number of unemployment, you know, young people, whether that will mean their interests will be represented in a new global governance. I think a lot depends on two things. One is incentive compatibilities. The other one is institutional design. And currently, I think that there are some incentive compatibilities there. As I argued in my presentation, to help the low income country is to the interests of the high income country to get out of the current crisis. And certainly because of that they will have incentive to, you know, look into the program so someone can help the low income country.

And similarly for the World Bank. Our mandate is poverty reduction. And the poverty reduction in low income countries is something we need to take care of the needs of low income countries. That's incentive compatibility. And the other one is that even incentive compatible; you also need to have institutional design to implement that. And for the World Bank now we move to the open system. Open knowledge opens the solution, open data is a way to you know, try. Whether this system, this institutional design can achieve our mandate better. And if we again, the experiences of that I think a similar, you know, institutional design can be shared by other global governance. And in that way I think the goal, the issue you raise, may be better achieved.

MR. LOMBARDI: Thank you, Justin. Jomo?

MR. SUNDARAM: Yes. Let me address Damon's question on the global green new deal.

I think it's generally known that the estimates right now for renewable energy generation compared to fossil fuel energy broadly speaking, leaving aside nuclear

for example is about three to five times as many jobs created. If we refer back to the new deal, the original new deal and Roosevelt's citizen conservation call, about the equivalent about two million jobs were created for a population of 135 million. Today this would be the equivalent of about 5 million created. I think that gives you a sense of how much can be generated through such an initiative.

Now, why -- so why global? The countries most in need, and the countries who lack energy infrastructure, are mostly likely to be tempted by the cheapness of fossil fuel energy. The only way they can be persuaded otherwise is by helping them by subsidizing essentially.

Now, you could have, therefore, the generation of renewable energy on a cross subsidized basis. Essentially, you already have in Europe a number of countries in Europe feeding tariff systems, feeding tariff systems which encourage renewable energy and expense of fossil fuel energy. In Spain and a number of other countries, this can be done at the regional level, perhaps between Europe and Africa, for instance.

Now, the potential for this will be very considerable but it has to be a global arrangement and this will -- can significantly help in terms of also mobilizing private funds. If you look at the Deutsche Bank proposal which (inaudible) oversaw late last year, I think, the estimates currently are for about four to one -- four private, one public. And those are the kinds of numbers which we are talking about. If you look at what was an offer at the middle of last year, Ed Miliband and Gordon Brown were talking about 100 billion per annum. Sarkozy was also talking, and the European Council, if I'm not mistaken, were also talking in that ballpark.

The problem was, of course here in Washington, the president made a decision that, you know, considering that Kyoto was rejected in '95 to '00 in the Sense,

you know, health care reform was more doable. So there was no deal to be had in Copenhagen. I think we have to be honest about this. Otherwise we will not be able to proceed. We have to recognize that from now on it'll have to be increments. But one crucial element which will also help us to deal with the problem of economic recovery which will also help us to deal with development more generally because if you have the energy infrastructure, then even the poorest countries can begin to develop on that basis. On that subsidized basis.

We all complain about how poor people are using bio mass energy. And but it is the cheapest energy available to them, and we have a serious problem of energy poverty. So a simple minded solution of having a global carbon tax is not going to help it. Global carbon tax will actually raise the cost of energy for poor people Unless you have countervailing mechanisms. So this is the kind of challenge which we have. It will help us not only to address the problems of recovery; it will also facilitate the progress which is needed to make a deal on climate. And this I think will be extremely crucial. Thank you.

MR. LOMBARDI: And on this note, Jomo is going to close today's event. So thanks to all of you panelists. Thank you, you from the audience, for taking the time to come at the Brookings Institution. But especially a big thanks to the organizers of this event: the Foundation for European Progressive Studies, the Nation for European Progressive Studies, the Initiative for Policy Dialogue at Columbia University, and The Brookings Institution.

Thank you. (Applause)

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