

# **Post crisis and recovery? What lessons have been learned....**

## **Part II: UNCTAD intellectual history and contributions**

**Selected moments in the history of UNCTAD**

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# Outline

- ***Objective -- Current events and historical perspectives***
- ***Why UNCTAD?***
- ***Draw from what UNCTAD has learned:***
  - Lessons learned from the past***
  - Lessons learned from other crises***
  - Older lessons related to the crisis***
- ***Looking ahead.***

# Thinking development

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## BEYOND CONVENTIONAL WISDOM IN DEVELOPMENT POLICY: An intellectual history of UNCTAD 1964-2004



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UNCTAD

## TRADE AND DEVELOPMENT REPORT, 1981-2011

Three decades  
of thinking  
development



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# Origins of UNCTAD and parallels today (1)

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

*Recognition that these asymmetries were constraining the efforts of developing countries to establish strong and balanced growth path.*



## Origins of UNCTAD and parallels today (2)

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

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

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

# Themes for this presentation

***Inter dependence***

***Macro and finance***

***Global governance issues***

***Over-arching message: the developmental state not the 'night watchman'***

***Markets AND the state***

# lessons about interdependence (1)

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

## Lessons about Interdependence(2)

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



# Macro and finance lessons (1)

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

- *Investment and Growth comes first, then people will save.*

- *Focus on the constraints to investment*

- *The role of profits*

- *Eg Latin America 1990s, Developing Countries from 2000s,*

- *TODAY*

## Macro and finance lessons (2)

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

## Macro and finance lessons (3)

### *Fiscal policy matters*

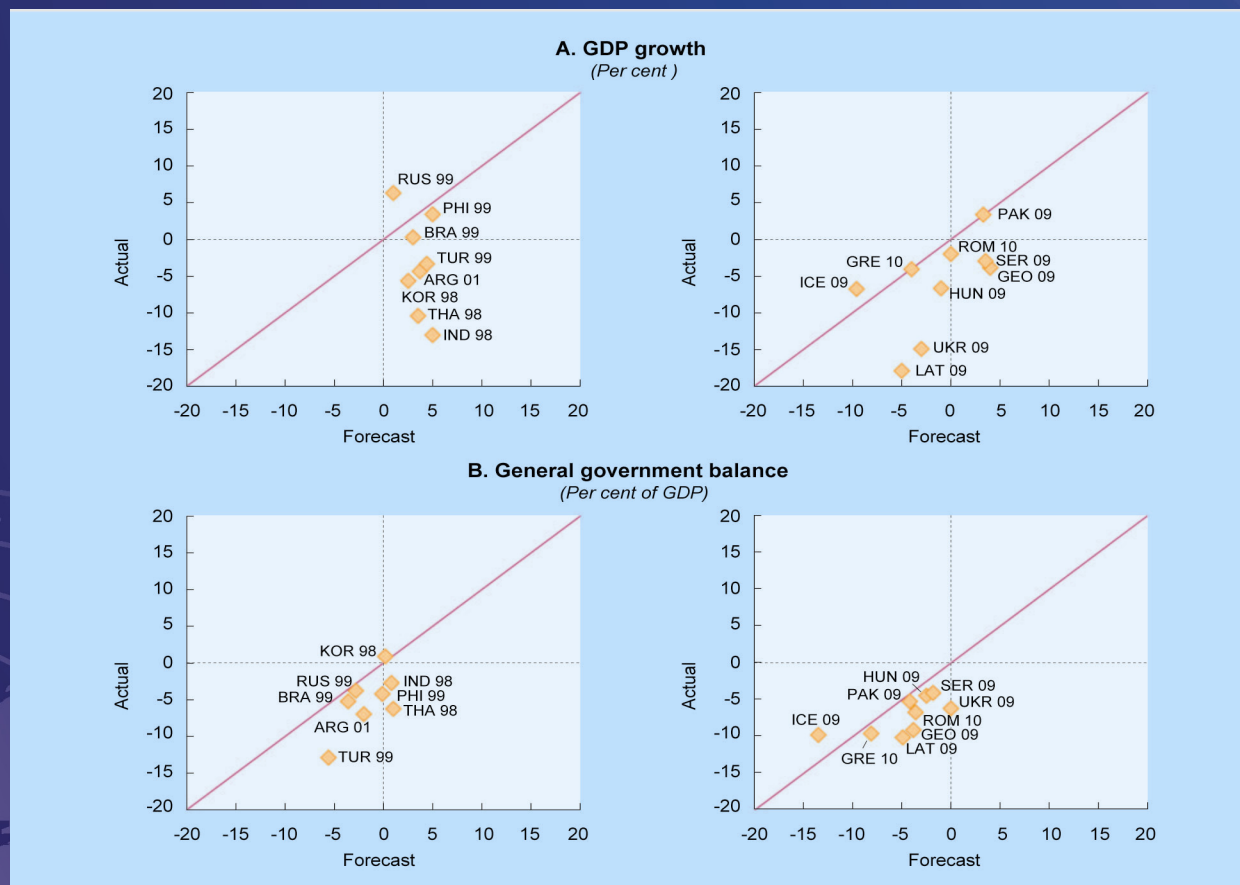
- *Balancing the budget is not an objective in itself (TDR85:52,88:IV, ...10:Vii, 11:II)*
- *Proactive fiscal policy is needed to respond to the macro situation*
- *"the private sector is unable to take the lead in re-igniting growth. This is the moment ...for government spending" (TDR92:IV, TDR03:IV...)*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

## Macro and finance lessons (4)

*Some lessons we learned:*

- *Recovery of world economy and regional growth in developing world –*
- *"the economies that provided growth stimuli to the ROW were those were monetary and fiscal policy supported domestic demand growth. This is true for both developed and developing countries" (TDR04:V, TDR09:II...)*
- *Today – de-coupling world economy*

# And again ... the fallacy that fiscal austerity sparks growth (TDR11)





# Some global economic governance lessons (1)

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

***and to ensure adequate growth opportunities for all members of the system – the establishment of a development consensus" (TDR84:11).***

# Some global economic governance lessons (2)

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

***Regulation and supervision of finance and international capital flows***

# Some global economic governance lessons (3)

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

***Arrangements for maintaining stable exchange rates among the major currencies***

# Inter-governmental machinery (1)

***Conference – every four years***

***UNCTAD XII- Globalization for development: opportunities and challenges***

***UNCTAD XIII – Development led globalization***

***Trade and Development Board – annual***

***Two policy-making Commissions***

***Eight multi-year or single-year expert meetings.***



# *Trade and Development Report 2012*

## Policies for Inclusive and Balanced Growth

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### TRADE AND DEVELOPMENT REPORT, 2012

Policies for Inclusive  
and Balanced Growth



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