WORKING PAPER / 2012.09

The Millennium Development Goals post 2015: Towards a global social contract

Peter A.G. van Bergeijk

IOB
INSTITUTE OF DEVELOPMENT
POLICY AND MANAGEMENT

University
of Antwerp

Working Papers are published under the responsibility of
the IOB Research Commission, without external review process.

Comments on this Working Paper are invited.
Please contact the author at **bergeijk@iss.nl**.

Instituut voor Ontwikkelingsbeleid en -Beheer
Institute of Development Policy and Management
Institut de Politique et de Gestion du Développement
Instituto de Política y Gestión del Desarrollo

Postal address:
Prinsstraat 13
B-2000 Antwerpen
Belgium

Visiting address:
Lange Sint-Annastraat 7
B-2000 Antwerpen
Belgium

Tel: +32 (0)3 265 57 70
Fax: +32 (0)3 265 57 71
e-mail: iob@ua.ac.be
http://www.ua.ac.be/iob

WORKING PAPER / 2012.09

The Millennium Development Goals post 2015: Towards a global social contract

Peter **A.G. van Bergeijk***

September 2012

* Institute of Social Studies, The Hague, The Netherland.

This paper is based on an invited lecture at the occasion of the opening of the academic year at IOB, University of Antwerp (September 21, 2012) and contains ideas developed in Van Bergeijk 2012a and Van der Hoeven and van Bergeijk 2012a.

INSTITUTE OF DEVELOPMENT
POLICY AND MANAGEMENT

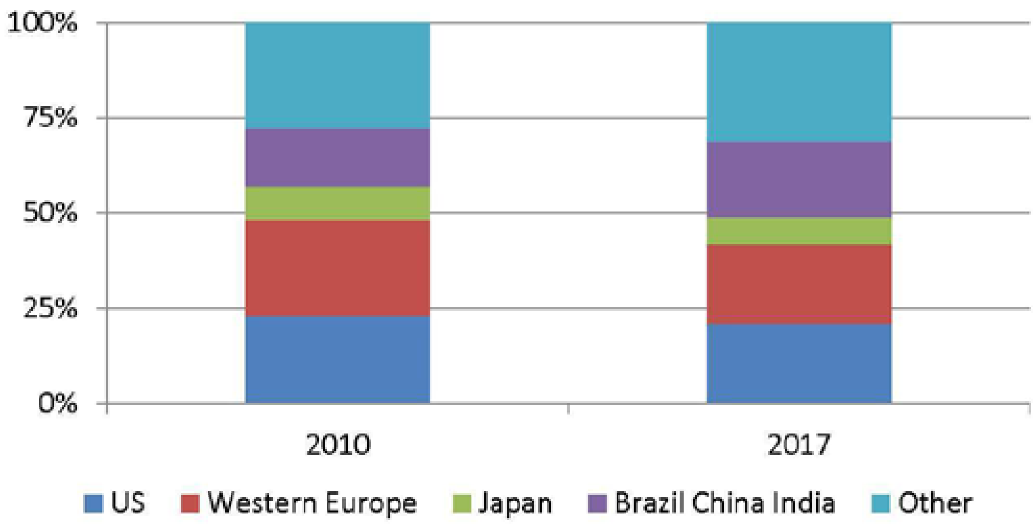
University
of Antwerp

Table of Contents

1. Introduction

This paper deals with the outlook for the interrelated issues of global economic governance and the efficacy of development policies. These are relevant issues in view of the post-2015 Millennium Development Goals (MDGs). My main point is that the formulation of the post-2015 MDGs will have to recognize the new geopolitical and geoeconomic realities that follow from the unprecedented growth of the so-called emerging markets since the 1990s. These economies do still have many characteristics of developing countries especially in remote and rural areas, but at the same time have very large modern sectors that compete successfully on the world markets. These successes are reflected in their sharply increasing shares in Gross Planet Product. Indeed, given the current growth slow-down in the advanced economies and the decoupled (and continuing) growth in the so-called BRIICS-countries (Brazil, Russia, India, Indonesia, China and South Africa) it is likely that 2015 will mark the historic fact that the developed countries no longer have a majority share in global production (Figure 1). It is therefore clear that the emerging markets will have (and, indeed, should have) a much more substantial role in global governance structures, including the international organizations. The issue at stake is whether this is favorable or unfavorable for global governance. Moreover, it is pertinent to investigate the implications of the changing economic conditions and to seek ways to make the best use of the new geopolitical and geoeconomic realities.

Figure 1 Shares in Gross Planet product 2010-2017



Source: IMF World Economic Outlook Database, October 2012.

The remainder of this essay is organized as follows. Section 2 will deal with the issue of motivation arguing that an earth economics approach is necessary in order to understand the challenges and opportunities that the emergence of the BRIICS countries poses for the provision of global public goods. Section 3 focuses on the economic conditions for the public provision of public goods highlighting the challenge posed by the fragmentation of economic power due to the changing international division of labour. Section 4 argues for the need for a global social contract and draws some analytical conclusions regarding the formulation of Millennium Development Goals post-2015.

2. Why do we need earth economics?

My starting point is that our planet's economy cannot flourish without global public goods, including non-economic goods and services such as health care, the environment, universal education and peace. Global public goods include global rules and regulations that are highly important for the proper functioning and further development of the Earth economy, such as . Examples are the rules against economic discrimination provided by the World Trade Organization, the labour standards provided by the International Labour Organization, and the Millennium Development Goals. These forms of global governance are important facilitators if not drivers for global economic cooperation, the global division of labour and global development. The keyword here obviously is global. Global public goods do not recognize borders. This implies that the analysis of global public goods needs to be done at the supranational level. Unfortunately the idea of the whole – the global economy – is presently often lost in the analyses of the international organizations. Commenting on this phenomenon, Robert Wade has noted that:

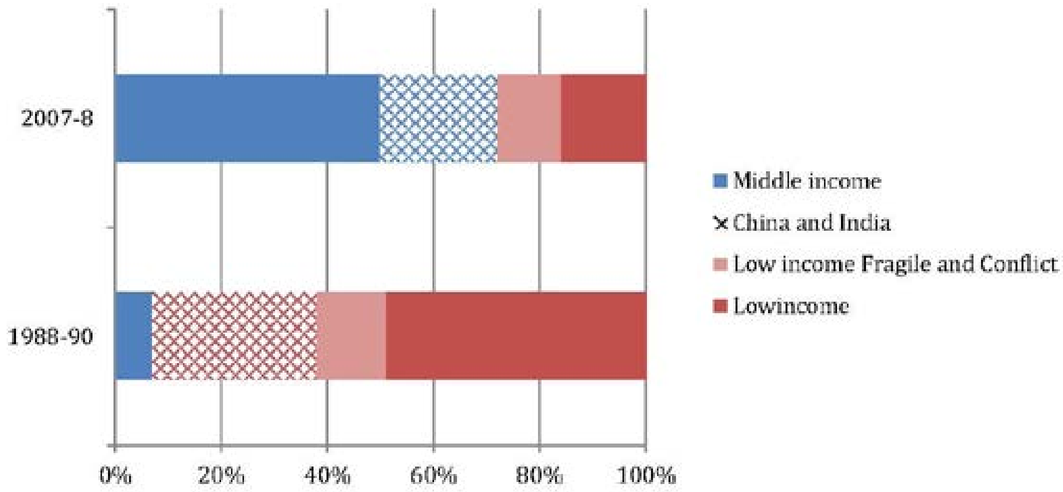
> The World Bank and the IMF still buy into this basic idea. They pay remarkably little attention to the global economy, instead taking the country as the unit and seeing the world economy as an aggregate of countries. The whole thirty-year run of the World Bank's flagship, The World Development Report, takes the country as the unit of observation and prescription, and says very little about the international system in which countries have to operate. The recent push away from macroeconomics towards thinking small reinforces the same tendency (Izurieta 2009, p. 1162).

It is in the same vein that this essay thinks big – while developing a global perspective on governance and development. This is of course an abstraction, but it a useful abstraction because it will help us to get the debate sharp. This is not to suggest that global public goods develop without national and regional institutions. Typically global public goods are the consequences of negotiation, compromise and cost sharing between nations. Indeed, while spontaneous and non-governmental provision of global public goods is possible, most often concerted action by governments is necessary to make progress. This eassy does not deny this truth, but by making the eartheconomic assumptions we will be able to reframe existing problems. In addition global public bads exist that are concrete threats to Earth's economy and the well-being of the earthling: pandemics, climate change, financial instability and widespread poverty and inequality are clear examples of factors that hinder development and well being of the earthlings. Typically, the Millennium Development Goals are important instruments that set targets to reach the global public goods and tackle significant global public bads.

Now let us by way of example see how this global perspective has gained in relevance for the issue of global poverty. Consider Figure 2 that illustrates that now a days about three quarters of the global poor live in middle-income countries. According to Sumner (2010) only 28 per cent of the global poor presently live in low-income countries of which 12 per cent in fragile states and 16 per cent in stable countries. Note that this shift is not the result of the growth spurt of China and India (this only strengthens the underlying trend): only two decades ago 50% of the global poor lived in low income countries other than China and India. Nowadays

50% of the global poor live in middle income countries other than China and India (Figure 2).

Figure 2 Share of $1.25/day global poor by country type



Source: Sumner 2010, Table 4.2

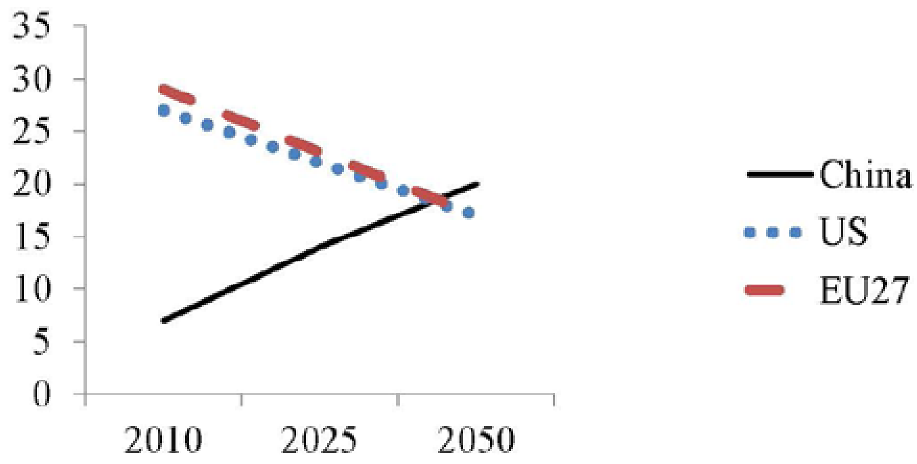
Obviously, the fact that only one quarter of the global poor is living in poor countries has important implications for poverty reduction strategies, development policies and for other Millennium Development Goals. For the vast majority of the world's poor Official Development Assistance in the traditional sense is now irrelevant and development policies targeted at the poorest countries only reach a minority of the global poor. Poor households on average would benefit more from a less unequal primary income distribution including improved access to social services, good productive jobs and a well-functioning rights based system. We will see in Section 4 how the changing geopolitical and geoeconomic landscape suggests a different approach to the process of formulation of post 2015 development goals, for the contents of these goals and for the actors to be involved in the discourse. But before doing that, let us take a look at the economics of the provision of global public goods, such as the targets of the Millennium Development Goals, in order to get a better understanding of the underlying conditions..

3. Global Public Good Provision and Fragmentation

It is plausible if not unavoidable that the shift in relative economic power that we discussed in Section 1 will translate into a shift in the politics of international governance. While the non-OECD perspective is not anti-capitalistic *per se*, typically non-OECD countries put more emphasis on co-ordination and the long-run effects of policies than the industrialized countries that despite the persisting Great Recession still continue to favor the atomistic individual freedom to choose. A change in the basic norms and values in world economic governance is probable since it will be more difficult for the OECD economies to continue to exercise their monopoly on global leadership in view of the emerging competitive fringe of China, Brazil, India and the likes. The key question to be addressed in this section is how the economic conditions for supply of global public goods will develop in the foreseeable future. The wave of globalization that started in the mid 1990s resulted in the successful participation of the previous outs (centrally planned economies, many developing economies) into the Earth economy. How does the emergence of emerging outsiders influence the basis for global public good provision?

Olson (1965 and 1982) developed a theory of collective action that still is highly informative for any debate on the provision of public goods and for understanding the basic determinants of success and failure of the cooperation between governments in providing supranational institutions, rules and regulations. Collective action is plagued by the free rider problem: once a public good is provided rational beneficiaries have no incentive to pay part of the costs of the production of the public good, because they cannot be excluded from its use. By implication only small and coherent groups can and will effectively involve in collective action (provided that it is mutually beneficial), but if the proceeds are to be divided by (too) many and cannot be substantially appropriated by the key producer then public goods will typically be underprovided. Since all countries have an incentive to free ride, Kindleberger (1981, 1986) argues that global public goods will only be produced by a hegemon (or leading nation) with sufficient (economic ad political) power to initiate and maintain global public goods. The key issue in his view is therefore the development of hegemony and as we have seen before substantial shifts are occurring that challenge the hegemonic position of the United States. One might want to argue that an alternative for hegemony can be developed if a small group of leading economies can work closely together to provide the necessary governance and global public goods. The future outlook for this scenario, however, is not bright. Consider Figure 3 that reports on forecasts of the Great Shift study (Fouré et al., 2012) of the Centre d'Études Prospectives et d'Informations Internationales (CEPII).

Figure 3 GPP shares of China, EU27 and the United States 2010 – 2050



Source: Calculations based on Fouré et al. (2012), p.57.

Figure 3 illustrates two future challenges for global governance. Firstly, the share of the three largest economies in global production decreases from 63% in 2010 to 54% in 2050. (This fragmentation is of course good news for many people around the globe because it reflects the improvement of their standards of living due to the catching-up of the large emerging economies; my point is that this also make the provision of global goods more difficult). Secondly, China becomes the largest economy by 2050, but its share in 2050 Gross Planet Product is lower than the current share of the present hegemon, the United States. The increased fragmentation of the international power structure that is moving from a (bi)polar system dominated by the US and Europe towards a less concentrated system suggests that the current phase is crucial: if the three largest economies can cooperate they have a window of opportunity to build and strengthen global governance That window, however, is likely to close around 2050 when their share has decayed and the then hegemon China will have less clout than during previous episodes. The year 2050 seems to be far away and to leave ample scope for action. The longevity of the process of international institution building (that often takes many decades) actually implies that action is urgently needed.

4. The Need for Global Social Contract and implications for MDGs post-2015

If global economic governance is to continue in an open multilateral setting, then the industrialized world should not alienate the BRIICS countries from that system but rather create ownership of the emerging economies quickly. One implication is that – rather than simply imposing Western norms and values – one should respect the difficulties and choices underlying alternative effective development models. The global agenda should thus no longer start in the global North. For long development aid has been modelled as a look-a-like of the Marshall Plan for the recovery of the European nations after the Second World War. Likewise the Washington Consensus proscribed free markets and small government because that seemed to work in the industrialized countries. Many indications exist that one should be critical about the wisdom and general validity of the policy prescriptions that come from the developed countries, ranging from the lack of progress for the Least Developed Countries (Fialho, 2012) to the financial and economic crisis, that forced 'those who did not gain earlier to pay for the sins of irresponsible and unregulated finance' (Gosh 2011, p. 22). Several authors have recognized the validity of ideas and economic concepts developed in the South. Lin and Rosenblatt (2012) have noted that most ideas about economics – even about development economics – have been developed in the industrialized countries. They call for a democratization of development economics

> The economic theories that originate in developed countries attempt to explain and promote the growth in the developed countries; as such, they may not be relevant to developing countries because of the differences in the challenges and opportunities (…). Meanwhile, successful developing countries have generated many useful lessons for how to achieve dynamic growth. Their experiences will be more relevant for other developing countries than the experiences of the developed countries because of the similarity of their opportunities and challenges. Most economic theories are produced by economists in developed countries with the intention to explain economic phenomena in developed countries or by economists who use developed countries as reference to explain phenomena in developing countries (such as structuralism and the Washington Consensus). (…M)any economic and social constraints to development differ across countries and/or across time (Lin and Rosenblatt 2012, p. 35).

It is interesting to confront the democratization of development economics with the politics of global development. What can be learned from the formulation of the Millennium Development Goals in 2000?

Table 1 Millennium Development Goals

MDG s	Original (2000)	New: Post 2015
Process	Secretariat, Donor Driven	Wider consultations civil society, government groups
Target group	Poor in developing countries	Poor in All countries
Principle means to achieve goals	Official Development Aid National Public Expenditure	Changes in international system, National Public Expenditure, Development Aid for fragile and low income states
Macro-economic Framework	Absent	Sustainable and equitable Eartheconomic growth
Environment	Mainly absent	Inclusion of Sustainable development Goals
Human Rights	Absent	Reemphasizing existing rights. Global social floor, Claims for redistribution
Global governance	More or less absent	Provision Global Public Goods
Targets	Global	Global and link to National

Source: Van der Hoeven and van Bergeijk 2012

Consider Table 1 that starts by providing an overview of the principles that guided the formulation of the Millennium Development Goals in 2000. Clearly, the process and the coverage of the areas of interest fit the 'Old World' model in which benign OECD countries from a donor driven perspective formulate global policies that aim at a well-defined group of developing countries. The right-hand column tries to formulate where the global agenda should move covering areas and target groups that were forgotten in 2000 and involving the countries that will be necessary to actually implement the necessary reform at the global level. This list obviously cannot be exhaustive and it suffers from the fact that it originates from an author in the developed world, but it serves the useful purpose of illustrating some of the principles that could help to align the discussions and negotiations of a post-2015 development framework with the geoeconomic and geopolitical realities of the 'New Planet'. We are forced to rethink the concepts of global development and global poverty and this has implications for the goals that the world will set itself after 2015. The Great Recession has made very clear that protecting the poor and the socially disadvantaged in industrialized countries has also become a serious political and societal problem and therefor considering MDG targets for all countries including the developed countries could bring more balance accepting the emerging economies as peers expressing the continuing and shared responsibility of all countries in our global world. As argues elsewhere (van der Hoeven and van Bergeijk 2012), a post-2015 development agenda should take the form of a global social contract in which the least developed countries (LDCs) would be guaranteed concessional resources to achieve inclusion in the world economy and poverty reduction while families in LDCs, emerging, and developed countries would have guarantees and ability to exercise economic, social and labour rights for a better share in the national development outcomes and, at a minimum, safeguards for social protection in times of economic downturns. The best form such a social contract can be given is a renewal and actualization of the social contract with all countries via the Millennium Declaration of 2000.

References

Bergeijk, P.A,G, van, 2012a, Earth Economics Edward Elgar: Cheltenham 2012, http://www.eartheconomics.info

Bergeijk, P.A.G. van, 2012b, 'Opârg fitfara eft ksvurf', 6 – *Ekonomiy ur Ďônopros* **72** (8) (ogust), p. 6.

Elvidge, C.D., P.S. Sutton, K. E. Baugh, B.T. Tuttle, A.T. Howard, E.H. Erwin, B. Bhaduri, and E. Bright, 2009, 'A Global Poverty Map Derived From Satellite Data', *Computers & Geosciences* **35** (8), pp. 1652 – 1660.

Fialho, D., 2012 'Altruism but not quite: the genesis of the Least Developed Country (LDC) category' *Third World Quarterly*, (DOI:10.1080/)

Fouré, J., A. Bénassy-Quéré and L. Fontagne, 'The Great Shift: Macroeconomic projections for the world economy at the 2050 horizon', *CEPII Documents de Travail 2012–03*, CEPII: Paris.

Gosh, J., 2011, 'Re-orienting Development in Uncertain Times', in: P.A.G. van Bergeijk, R. van der Hoeven and A. de Haan (eds), *The Financial Crisis and Devevloping Countries: A Global Multidisciplinary Perspective*, Edward Elgar: Cheltenham, pp. 19 – 36.

Hoeven, R. van den, 2012, 'MDGs post 2015: Beacons in turbulent times or false lights? A contribution to the discussion on a post 2015 Framework for Development', Working paper for the UN System Task team on the post 2015 UN Development Agenda and available at: http://www.un.org/en/development/desa/policy/untaskteam_undf/rolph_van_der_hoeven.pdf

Hoeven, R van der and P.A.G. van Bergeijk, 2012, Millennium Development Goals in Turbulent Times: Emerging Challenges for Post-2015 MDGs, http://www.wider.unu.edu/publications/newsletter/articles-2012/en_GB/06-07-van-der-hoeven/

Kindleberger, C.P., 1986, 'International Public Goods without International Government', *American Economic Review*, **76** (1), pp. 1 – 13.

Lin, J.F. and D. Rosenblatt, 2012, 'Shifting Patterns of Economic Growth and Rethinking Development', *WPS 6040*, World Bank: New York

Olson, M., 1965, *The Logic of Collective Action: Public Goods and the Theory of Groups*, Harvard University Press: Harvard.

Olson, M., 1982, *The Rise and Decline of Nations: Economic Growth, Stagflation, and Social Rigidities*, Yale University Press.

World Bank, 2011, *Global Development Horizons 2011: Multipolarity - The New Global Economy*, World Bank: Washington, DC.

IOB
INSTITUTE OF DEVELOPMENT
POLICY AND MANAGEMENT

University
of Antwerp