

CONCLUSION - WHERE DO WE GO FROM HERE?

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The richness of any conference derives from the wealth of conversation, learning, commitment, passion, and integrity of its participants. The Alternatives to Neoliberalism conference overflowed with an abundance of riches. The preceding chapters capture the formal presentations by a range of excellent authors. With this concluding chapter, we attempt to “recap” the wealth of conversation in the eight workshops. For each we lay out the principal areas of consensus, any areas of disagreements, and proposals for follow-up action and research. The summary is based on a final gathering of paper-presenters, moderators, and volunteer research consultants.

The over-arching consensus of the conference was affirmation of the general thesis that: Democracies can and should control their own destinies and not be at the mercy of capital markets.

Group Session 1 “Domestic Demand-Led Growth: A New Paradigm for Development,” considered the paper by Tom Palley, of the AFL-CIO, and was moderated by Randall Dodd of the Derivatives Studies Center. The discussion yielded points of consensus and of dissension. The points of consensus included; a solid criticism of export-led development, which is linked with declining commodity prices; and affirmation of respect for labor standards resulting in more equitable domestic distribution patterns and access to credit. The working group participants were not agreed on the linkages between labor standards or rights and growth. Some participants maintained that while labor rights (or standards) were of merit, it might not be possible or necessary to guarantee them immediately, especially if their implementation inhibited growth. Another area of disagreement touched on protectionism, whether it was necessary at times and whether or not it was desirable to be “WTO consistent”? The group also could not agree on the appropriate relationship between WTO and social standards. Should the WTO be given added responsibilities because of its enforcement power, or should social standards devolve to another mechanism which might not have the same capacity to ensure implementation but which might enjoy greater legitimacy?

While the working group on “Domestic Demand-Led Growth” did not propose any follow-up actions, they articulated several questions for future research, namely:

- What are the impacts, positive and negative, of World Bank/IMF required financial liberalization?
- What policy recommendations would increase demand while escaping hyperinflation; would promote backward linkages; would increase the growth of the informal sector, and enable it to become integrated into the formal sector?
- Developing countries need institutions that provide credit access to persons needing micro-loans. What mechanisms would make it possible to subsidize such institutions, given the high overhead for supplying small loans?

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In Group Session 2 Didier Jacobs of Oxfam America presented his paper “Democratizing Global Economic Governance,” the moderator for this session was Emira Woods of InterAction. The consensus of the working group was a broad acceptance of the analysis of the paper, along with the need for increased pragmatism in international/global policy making. The principle of subsidiarity was endorsed. The group also strongly affirmed the need for national parliaments and civil society to claim wider roles in international policy making. The workshop participants did not express any differences of opinion on this issue, nor did they propose additional research topics. They did recommend two items for action:

- The need to promote an "opt-out" arrangement for developing countries within the WTO that would be designed in such a way that Northern governments could not manipulate to their own advantage over the interests and intentions of the developing countries.
- The need for other nations and regions of the world to exercise leadership in developing multinational consensus on issues of global economic governance without waiting for the US.

Frances Horner of the US Conference of Catholic Bishops wrote the paper presented in Group Session 3 “International Tax Cooperation and Development Beyond Monterey,” and the moderator was Albert Gyan of Kairos Europe. Following the presentation of the paper, there was ready agreement that the current system of international tax rules and rule making are unjust. In light of this reality, the participants further agreed on the need to discuss rule-making and alternative rules with Southern governments. The group proposed four actions:

- Begin discussions with organizations of developing country governments, such as G77, G24, and UNCTAD. Specifically, the G24 and Dani Rodrik, their research coordinator, should be asked about the possibility of conducting research on these topics.
- Publicize the anti-democratic role of OECD. Given the OECD’s role in tax rules and in ECA oversight, this could be a joint project with those working on ECAs.
- Build relations on Capitol Hill to prepare the way for future action.

The research discussion is capsulized in two recommendations:

- "Run the Numbers": what are the costs of the current rules? What are potential benefits of alternative tax arrangements?
- What is the political feasibility of promoting the UN-endorsed "Global Formulary Apportionment" or the Unitary Tax?

Group Session 4 on “Improving Financial Markets: Regulatory Proposals to Dampen Disruptions and Deter Distortions” opened with the paper by Randall Dodd, of the Derivatives Studies Center. Manuel Chiriboga of Asociacion Latinoamericana de Organizaciones de Promocion (ALOP) moderated this lively session. There was strong consensus about the need to re-regulate domestic financial markets, including non-banking transactions, such as hedge funds. There was also strong support for the idea that the prudential regulation of markets was a powerful tool and that it could be viewed

as a complement to other policy proposals such as capital controls and transaction taxes. However there was no consensus as to whether the approach was just as effective as the use of alternative policies. Many participants strongly endorse the Tobin Tax campaign, and wanted to focus discussion there. The moderator asserts that Tobin Tax (currency transaction taxes) and the prudential capital regulations Dodd proposed are complementary, but also more complex and less familiar than the Tobin Tax. Significant discussion stressed the need to focus on the combination of balance and off-balance sheet activities. The fundamental differences within the group centered on whether or not Dodd's proposals complement the Tobin Tax/Currency Transaction Tax, and over which proposals were politically feasible.

The first proposal for action flowing from this session was for a fuller discussion of Tobin Tax, and whether or not it is sufficient to slow down financial flows, or to what extent it is complementary to other prudential regulatory policies. The New Rules Coalition is currently preparing follow-up actions on this point.

Other proposed actions were:

- Devise ways of getting activists, especially those from outside the G10, involved in the design of prudential financial regulations.
- Work on the Standards and Codes initiated by the IMF, World Bank, International Organization for Securities of Securities Commission, OECD, Basel Committee, and other standard setting agencies.

The research questions the group identified included:

- Should all financial policies be concerned only about flows? Or should they also deal with stocks?
- How can rule making in this field get beyond the governments of the ten largest economies?
- Of what merit are the standards and codes being developed and monitored by the IMF?
- Of what merit are asset-based reserve requirements? How do their merits compare with the reserve requirements of the Basle accords?

Group Session 5 focused on "Sovereign Debt Workout Arrangements" drawing from the paper by Kunibert Raffer of the University of Vienna, Austria. Randall Dodd of the Derivatives Studies Center moderated. The large working group endorsed Raffer's use of the Chapter 9 of the US Bankruptcy Law as the basis for moving forward on international sovereign debt arbitration. This approach was interpreted as a strong improvement over the IMF's approach and that of the US Treasury. Collective Action Clauses and Debt Standstills were endorsed as well. The group further agreed that the international financial institutions must be included among the creditors. However, if the IFIs were to be the first new creditor during a debt bankruptcy or standstill arrangement, then they would merit "preferred" creditor status. In no way could the IFIs be exempt from sovereign debt bankruptcy proceedings. The principal of disagreement was actually a lack of clarity about whether US Chapter 9 criteria and procedures could be applied internationally. The question was especially relevant in light of the fact that US Courts

had ignored critical aspects of the law when applying it. The working group took immediate action by arranging lobby visits for participants with IMF Executive Directors from the United States, Austria/Belgium, and Brazil.

The single research theme that emerged involved the determination of norms for sovereign debt forgiveness? What institution should set them? There was concern that such criteria not continue or intensify existing IFI conditions, along the lines of current structural adjustment policies.

Ilene Grabel of the University of Denver moderated Group Session 6 on “Globalization’s Most Perverse Secret: The Role of Export Credit and Investment Insurance Agencies.” Aaron Goldzimer of Environmental Defense presented his paper. The topic was new to many participants so they shared a common sense of surprise regarding the sheer size of the export credit agencies' influence on international trade. In the end they agreed that “Big” and “Bad” summarized their assessments of the ECAs. They further agreed that little is known about the ECAs in the broader public, but that it would be relatively easy to do popular campaigning around them. The group articulated no differences but generated several action and research points. Points for action included:

- Current elite advocacy needs to be expanded, including working closely with national parliaments around the world.
- Demand greater accountability and transparency from all ECAs. The US Export-Import Bank is not very forthcoming, yet it is the most transparent of all the ECAs!
- Insist that all ECAs adhere to the minimum standards of the World Bank on environmental and social criteria.
- Increase distribution of Goldzimer’s Export Credit Agency paper.

The group’s research agenda covered the following:

- A cost-benefit assessment of the merits of reforming the ECAs versus abolishing them.
- What is the welfare loss of export subsidies?
- What is the share of foreign debt of developing countries that is owed to ECAs?
- What investment screens or criteria would be appropriate for ECAs?
- What level of corruption is associated with ECAs?
- Do ECAs create jobs in either the creditor or the debtor countries?

In Group Session 7, Ilene Grabel of the University of Denver presented her paper “Capital Account Controls and Related Measures to Avert Financial Crises.” Filomeno S. Sta. Ana III of Action for Economic Reforms was moderator and provided commentary.

The goal of Ilene's proposals was to reduce financial instability, hence the need to re-regulate global finance. The criteria for assessing proposals include: 1) Assisting LDCs to integrate into the global market; 2) crisis management; 3) eliminate volatility; 4) provide space for policy autonomy; 5) provide public revenues. The working group participants took no exception to the goal or the criteria. They did express the need to

develop policy options that are available to developing countries in search of greater financial stability.

Two specific actions emerged from this group:

- Hold the IMF's "feet to the fire" by insisting on the implementation of Article IV, which allows countries latitude in terms of capital account liberalization.
- Await publication of Ilene's book, which will be of educational use in the North and South.

Several proposed research topics flowed from this working group:

- How do the provisions in the General Agreement in Trade in Services (GATS) compare with the above criteria? How does the IMF Article IV compare? How does the North America Free Trade Agreement (NAFTA) compare?
- In developing countries, how can domestic financing support investment? How can they attract "good" foreign direct investment?
- How to capital controls affect the cost of capital?
- Do investors prefer financial stability (and hence will tolerate capital controls) over instability in the post-Asian/Argentinean crisis environment?
- How much policy autonomy, and in what areas, do developing countries really have in terms of capital controls?

Group Session 8 considered the paper "Exchange Rate Management" by John Grieve-Smith of the University of Cambridge. Albert Gyan of Kairos Europe moderated. The participants strongly supported managed exchange rates, although they recognized such arrangements are not currently politically feasible. In fact, it is difficult even to convene a coalition to begin the process of changing the current arrangement with its false dichotomy of either fixed or floating rates. The long-term preferred arrangement would involve two-tiers of exchange rates, one regional and the other global. No differences emerged, however the group was unable to propose an action agenda.

The ample research agenda they developed included:

- A power analysis: how could it become possible politically to begin changing the exchange rate regimes?
- What are a range of viable regional arrangements for economic governance?
- What are appropriate exchange rate policies before the ideal two-tiered managed exchange rates?
- What options are available to address the special exchange rate problems of small economies?

The range of proposed actions and research topics is extensive, even daunting. The New Rules Coalition has accepted the challenge to work on a select few of these issues. The Coalition invites all conference participants and those who read this book to address still others.

The Coalition took seriously the recommendation to publish the conference proceedings. In addition, we enlisted Professor James Weaver of American University to serve as

Research Coordinator for the Coalition. We are in conversation with the leadership of the G24 about collaboration on select research topics, beginning with exploring issues related to the International Tax Cooperation and alternatives to the current OECD managed rules. We will also be connecting with IDEAS, a network of Southern researchers and research centers. The research and action Coalition members will engage in include: a workshop on Currency Transaction Taxes (Tobin Tax); seminar and advocacy around an international bankruptcy arrangement; monitoring of the IMF's Codes and Standards; continued research on export credit agencies. Beyond the parameters of this conference, under the leadership of Bernhard Gunter, we will continue to challenge the World Bank and the IMF to work with academics and civil society organizations to implement social and environmental impact assessments for all of their lending programs.

This conference centered on the thesis that financial markets must not control democratic governments. This conference served to promote several of the goals that are the *raison d'être* of the Coalition: financial stability, subsidiarity, equity, environmental sustainability, participation and transparency. In the coming year, the Coalition will re-dedicate its energies to integrating environmental sustainability into all of our work.

We wish to thank all who participated in this conference, all who made it possible. It re-energized the Coalition members; we hope it will energize or re-energize many others who share our commitment to the 6 core goals. Again, we thank the C. S. Mott Foundation for its bold venture capital investment that has made this Coalition possible, the Heinrich Böll Foundation for enabling so many colleagues from developing countries to participate and the Ford Foundation for funding the work of Didier Jacobs.