

COMMENTARY

Inclusivity and Integration: The new Sustainable Development Goals and a second chance for Bretton Woods

Scott Vaughan, IISD President and CEO
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Poverty anywhere constitutes a danger to prosperity everywhere.

Franklin Roosevelt, 1944

This weekend, politicians will mingle with spiritual leaders—notably the Pope—indigenous leaders, civil society, business executives, celebrities, central bankers as well as the usual cranks. Amid traffic gridlock in Manhattan, thousands will celebrate the adoption of the Sustainable Development Goals, or SDGs, at the United Nations Headquarters.

This will be the biggest gathering of world leaders to support sustainable development since the 1992 Earth Summit in Rio de Janeiro. Beyond the superlatives and disdain these grand photo opportunities bring, the SDGs have sparked genuine hope. Mary Robinson has dubbed the SDGs “the Bretton Woods moment for our generation.”¹

The SDGs have plenty of detractors. Some dismiss global development targets altogether, complaining that top-down targets ignore how community-led development actually functions. Respected economist

¹ *The Economist*. (2015, March). The unsustainable goals. Retrieved from <http://www.economist.com/news/international/21647307-2015-will-be-big-year-global-governance-perhaps-too-big-unsustainable-goals>

William Easterly, for example, complains that the SDGs embody the development community’s fetish for action plans and top-down targets that miss the complexity of bottom-up poverty eradication.² Other complaints are more predictable: the civil society group ATD Fourth World argues that human rights references are tepid,³ while ICSU argues that only one-third of the SDGs are science-based.⁴

The harshest criticism is their policy sprawl. The retiring Millennium Development Goals comprised a tidy set of 10 targets. By contrast, detractors predict that the SDGs are destined to collapse under their own weight, hampered by too many goals (17), too many targets (169), and the handiwork work of too many countries (193). Earlier this year, *The Economist* called this vast agenda a betrayal of the world’s poor.⁵

² Luke, C., & Igoe, M. (2015). Bill Easterly’s take on the SDGs. *Devex*. Retrieved from <https://www.devex.com/news/bill-easterly-s-take-on-the-sdgs-85621>

³ *IISD Reporting Services, Sustainable Development Policy and Practice*. (2014, July). Civil society reacts to proposed SDGs. Retrieved from <http://sd.iisd.org/news/civil-society-reacts-to-proposed-sdgs/>

⁴ *IISD Reporting Services, Sustainable Development Policy and Practice*. (2015, February). Science-based analysis of SDGs finds less than one-third of targets are well-defined. Retrieved from <http://sd.iisd.org/news/science-based-analysis-of-sdgs-finds-less-than-one-third-of-targets-are-well-defined/>

⁵ *The Economist*. (2015, March 25). 169 Commandments. Retrieved from <http://www.economist.com/news/leaders/21647286-proposed-sustainable-development-goals-would-be-worse-useless-169-commandments>



One imagines some commentators pining for the good old days when a sensibly focused global development agenda could be drafted by an equally sensible small group of experts behind closed doors, just as the MDGs had been. Those days are over. Good riddance. The SDGs have been negotiated and endorsed by all countries. Of critical importance, they are—unlike the MDGs—universally applicable to all countries.

This core principle of inclusivity extends beyond *how* the SDGs were negotiated as well as where they will be applied. (For an insight into the three years of negotiations, see IISD colleague Lynn Wagner’s Huffington Post article – [link here](#)). Inclusivity is also perhaps the central idea of the SDGs. The complaint that they are too big misses this central point about inclusivity compared to more familiar specialization: the SDGs aren’t simply bigger than the MDGs, but fundamentally different.⁶ Rather than comprising a list of disparate goals, the transformative idea behind the SDGs is their pursuit of policy coherence and integration. This integration includes both substantive areas like human health and education, as well as blending free market actors with proactive government-led development action to advance sustainable development.

The limitations of development specialization has led to the growth of so-called nexus issues: food security linked to water management, trade and gender, energy markets linked to low carbon energy solutions. The SDGs draw a broad development roadmap built around this central idea of integration, thereby locking-in nexus approaches and moving them to an ambitious international level.

This paper examines two dimensions of the SDGs: inclusivity and institutions. Part One is triggered by Robinson’s hope that the SDGs offer a new Bretton Woods moment for the 21st century, by exploring the some of the ideas and actors that shaped the earlier vision of the first Bretton Woods system, which laid the economic foundation and institutions of the post-

Second World War period. This commentary draws on the remarkable scholarship of Eric Helleiner’s *2014 Forgotten Foundations of Bretton Woods*.⁷

The segment to follow explores the role of international institutions in supporting the vision of integration at the heart of sustainable development pathway.

The Bretton Woods Legacy

The prevailing view of the Bretton Woods system that shaped the postwar international economic order is that it was framed around the notion of exclusivity. The principal architects of the Bretton Woods agreement were members of a club not so much made up of two countries—the United States and the United Kingdom—but rather the two men who headed their delegations to the Bretton Woods negotiations: Harry Dexter White of the U.S. Treasury and John Maynard Keynes, the world’s most famous economist of the era, author of the *Economic Consequences of Peace and the General Theory of Employment, Interest and Money*.

The conventional interpretation of exclusivity extended to the narrow set of economic ideas that have been assumed to frame the Bretton Woods intellectual foundations based on economic liberalism, with the institutional architecture that emerged—the International Monetary Fund, the World Bank and the General Agreement on Tariffs and Trade—formed to facilitate the international free movement of capital and trade.

Yet the history of the ideas that shaped the postwar order, and the actors who promoted them, were more diverse and inclusive than conventional wisdom has assumed. In a remarkable work—the *Forgotten Foundations of Bretton Woods*—Eric Helleiner weaves a richly textured history of the guiding principles, economic ideas and scope of pro-development institutions that defined earlier visions of the Bretton Woods system. Far from solely creating the

⁶ *The Guardian*. (2015, January). Sustainable development goals: changing the world in 17 steps – interactive. Retrieved from <http://www.theguardian.com/global-development/2015/jan/19/sustainable-development-goals-united-nations>

⁷ Helleiner, E. (2014). *Forgotten Foundations of Bretton Woods: International Development and the Making of the Postwar Order*. Ithaca and London: Cornell University Press.



enabling conditions for free markets and private bankers within them to thrive—later parodied by the Washington Consensus endorsement of liberalization, deregulation and privatization—Helleiner uncovers a far richer history of the Bretton Woods system.

The ideas certainly included support for free markets. Critically, however, they also included the consideration of ample policy space for government-led, pro-development actions specifically designed to advance developing country interests. This agenda included longer-term pro-development priorities such as lifting standards of living in developing countries, coupled with a remarkable range of short-term measures that included trigger mechanisms to stabilize commodity prices in resource-dependent developing countries, international balance-of-payment financing, developing country debt restructuring actions and infant industry tariff protection in developing countries.

Helleiner examines the substantive input of a much wider group of developing countries that actively participated in and thus shaped the Bretton Woods negotiations. These comprised all 19 countries of Latin America (with the exception of Argentina), as well as China, Egypt, Ethiopia, Liberia, South Africa, India, Iran, Iraq, and the Philippines. Although this is a relatively small group of countries compared to today's UN membership, 1944 preceded the wave of independence of many countries, particularly in Africa.

These countries brought a diversity of interests and perspectives, including lifting standards of living within their borders, ramping up development finance from public agencies. For example, the Mexican delegation—which chaired key negotiating committees—“arrived in Bretton Woods ready to inject some interest in economic development issues into the debate.” They were not alone. The head of the Chinese delegation at Bretton Woods—Hsiang-Hsi Kung who was then both minister of finance and head of the central bank—underscored in the opening session China's ambitious development goals, including support for large scale

industrialization, echoing the vision of his predecessor Dr. Sun Yat-sen. At the close of the First World War, Sun had proposed a model in which all industries would be state-owned, while at the same time fostering channels to access international capital for the mutual benefit of China and the global economy.

Of critical importance was that many of these views from developing countries complemented the prevailing views of the United States up to 1944. Helleiner argues that the U.S. international economic stance was influenced by the lessons of the Great Depression and a kind of globalization of the New Deal, which saw a rich array of government-led economic experiments, including the Tennessee Valley Authority or various agricultural support initiatives. It was also conditioned by the Good Neighbor policy of the Roosevelt administration, based on an ending of predatory economic interventions, particularly in Latin American countries.

While the U.S. position in the Bretton Woods resulted in a less bold institutional vision when compared to Keynes' advocacy of the International Clearing Union (the weaker version is discussed in Part Two), many developing country participants at the Bretton Woods conference shared the simple idealism expounded by the United States around the notion of shared economic prosperity and the need for explicit development policies that extended beyond the reach of markets.

An expression of that simple idealism is exemplified by the statement of Roosevelt in 1944 to a group of visiting ministers attending a meeting of the International Labor Organization, that “Poverty anywhere constitutes a danger to prosperity everywhere.” At the opening of the Bretton Woods conference in 1944, Secretary of State Morgenthau noted that “prosperity, like peace, is indivisible . . . [P]overty, wherever it exists, is menacing to us all and undermines the well-being of each of us.”⁸

Such sentiments found earlier expression among senior U.S. officials and leading economists. For

⁸ All quotes are from Helleiner.



example, in 1940, U.S. Secretary of State Cordell Hull—in an address to foreign ministers of the Americas at a meeting in Havana—stated that “no nation or group of nations can hope to become or to remain prosperous when growing poverty stalks the rest of the earth.” Two years later, Charles Kindleberger—then a young economist at the U.S. Federal Reserve who became one of the pillars of development economics in the 20th century—wrote in *Foreign Affairs* that addressing income equality within and between nations must become one of the main policy goals of the postwar period to tackle international income disequilibrium.

The key U.S. architect, Harry Dexter White, wrote in early 1942:

It is true that rich and powerful countries can for long periods safely and easily ignore the interests of poorer and weaker neighbors or competitors, but by doing so they only imperil the future and reduce the potential of their own level of prosperity. The lesson that must be learned is that prosperous neighbors are the best neighbors; that a higher standard of living in one country begets higher standards in others, and that a higher level of trade and business is most easily attained when generously and widely shared.

In a May 1942 memo to Roosevelt, White notes that the postwar international economic architecture must be capable of supplying the “huge volume of capital” needed for postwar relief, reconstruction and economic development which, he argued, would be essential for the attainment of “world prosperity and higher standards of living” (qtd. in Helleiner, p. 109).

The early drafts of the U.S. position included mechanisms to inject short-term liquidity to assist countries facing balance-of-payments problems; debt restructuring relief; and conceiving of higher tariff protection for infant industry support in developing countries: White countered the prevailing faith in free trade as an engine to accelerate development, which he viewed as “unreal and unsound.”

The first U.S. Treasury mimeograph draft of the Bretton Woods envisioned a United Nations Stabilization Fund and United Nations Bank, whose goals were to raise the productivity and standard of living of the peoples of the United Nations. The scope of envisioned eligible development lending included, at different times during the early negotiations, public sanitation, conservation of natural resources, the eradication of diseases among other areas.

Critically, these were public goods that offered little return to private markets, and thus required the proactive intervention of public finance. For example, a Federal Reserve economist—Arthur Bloomfield—assigned to the Bretton Woods preparations argued that public finance for development far exceeded the interest of private financial agents who were guided by profit and market calculations.

The Long Shadow of a Narrowed Agenda

While the Bretton Woods negotiations considered a wide range of pro-development actions, the scope of ambitions narrowed quickly with the sudden death of Roosevelt in 1944. The Truman Administration quickly ceded much economic territory back to Wall Street, from the scope of development finance to trade protection for developing country industries.

These moves cast a shadow of distrust between developing and developed countries for decades to come, from—as Helleiner argues—the emergence of the New International Economic Order in the 1970s to counterbalance the faith in market-based solutions alone, to the creation of an international organization—UNCTAD—explicitly conceived to offset the perceived singular focus of the GATT in advancing the trade liberalization agenda put forward by wealthy countries.

The scaling back of the Bretton Woods system had equally profound effects on public trust in the World Bank and the International Monetary Fund.



For example, Truman's first nominee to head the newly formed World Bank was an investment banker from Chase Bank, who was quickly followed by its second American president (they have all been from the United States) John McCloy, who blocked most public finance lending to developing countries including Chile, and argued that the minute international private financial flows returned to pre-war levels, the World Bank ought to be closed down.

The consequences of the narrowing of the Bretton Woods institutions has had a long, profound impact on the pattern of economic development as well as on the orientation and perceived legitimacy of the institutions this narrowing created in 1944. It is here that the new SDGs, for all their limitations, create a new space based on an inclusive agenda crafted equally by developing and developed countries.

The pressing challenge is implementation—a target is not a plan. The forthcoming part of this note will examine the lessons we can learn from the current Bretton Woods institutions and the challenges that await the international community in moving from promises to action.

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Head Office

111 Lombard Avenue, Suite 325
Winnipeg, Manitoba
Canada R3B 0T4

Tel: +1 (204) 958-7700

Fax: +1 (204) 958-7710

Website: www.iisd.org

Twitter: @IISD_news



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