The United Nations and Global Social-Economic Policy
Global Keynesianism for a New Era

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The Preamble of the UN Charter states that the organization is "to employ international machinery for the promotion of the economic and social advancement of all peoples." Article 55 says: "With a view to the creation of conditions of stability and well-being which are necessary for peaceful and friendly relations among nations . . .," the United Nations shall promote "higher standards of living, full employment and conditions of economic and social progress and development" as well as "solutions of international economic, social, health and related problems."

The organization's founders and most powerful members—the United States, Britain and France—hoped to create a new era that would avoid the chaos that followed the First World War. The visionaries that planned the new world organization hoped to head off economic collapse, war and revolution by a dose of social democratic reforms and intergovernmental policy coordination. With Keynes, they believed that governments and international agencies should take more initiative in managing and steering capitalist economies. And they were ready to promise a better life to their peoples as an antidote to more radical social and political movements.

But for all the soaring Charter language, the United States and its allies never permitted the United Nations to assume its full powers in the social and economic fields. The visionary wartime planners soon gave way to the "realists"—the bankers, Treasury officials, oil company executives and other managers who had their doubts about "do-gooders" and excessive promises. Realists in the US State Department like policy planner George Kennan recognized that it would not be easy to control a world in which, as he pointed out, five percent of the world's people enjoyed nearly half the total wealth.
As time went on, the conservatives’ influence grew and their fears proved well-founded. UN membership climbed, and the United States and its allies could no longer comfortably dominate the organization. Instead, they faced nagging opposition from economic nationalists of the Southern countries (many just emerging from colonialism) and from the Soviet Union and its bloc of state economies. So the Western powers chose to build up alternative institutions—such as the World Bank and the International Monetary Fund—where they could dominate policy decisions, maintain secrecy, and craft policies more in their direct interest.

Even so, a certain consensus prevailed from the end of WWII until the mid-1970s. That consensus—an uneasy balance of Soviet statism, European social democracy, Third World economic nationalism and Rooseveltian “New Deal” policy—conceded an important role to the nation state in economic development, promised minimum social and economic guarantees to citizens, and favored a process of national economic planning and regulation. Often called “Global Keynesianism,” the consensus allowed the UN (including the specialized agencies and funds) to build up considerable influence and to work without major interference from the Bank and the Fund. UN programs spread education as a universal right, promoted community-based preventive health programs, developed better conditions for wage workers, and worked to develop nationally-based industries and more egalitarian trading rules. States everywhere grew rapidly.

The early 1970’s saw the high water mark of the Global Keynesian era, as many newly-independent states embarked on “nation-building” and made their weight felt at the United Nations and in the global economic arena. Petroleum-producing countries led by OPEC nationalized their production and forced sharp increases in the price of oil, other primary producers of the global South followed suit, the Non-Aligned Movement pushed for a New International Economic Order, and a new Centre for Transnational Corporations at the UN worked to develop a global “Code of Conduct” for TNCs. The nation state, as orchestrator and regular of economic life, stood at the center of virtually every economy.

**Global Keynesianism Ebbs**

But the tide had turned by the mid-1970’s. In the emerging era of global transportation and communications, of computers and mega-mergers, economic activity could no longer fit within the bounds of nation states, even the very biggest ones. More and more, gigantic trans-national corporations came to dominate the world economy—operating in dozens of countries, producing for an increasingly globalized marketplace.
Statist economies in the East lost momentum while those in the South (usually emprisoned in tiny markets) sank into corruption and failure. In Western Europe, North America and Japan, the Global Keynesian consensus ebbed swiftly, as communications, trade and production burst out of national boundaries and increasingly reorganized on a regional or global level. Under these new conditions, the old system of nationally-based economic regulations appeared as an unacceptable barrier to progress in the eyes of the business and financial elites. Unemployment, once considered politically unacceptable, began to soar throughout the richest countries.

The Global Keynesian consensus collapsed first in the dominant Anglo-American systems, where it had always been weakest. New rightward-leaning governments in these countries started dismantling the welfare state and producing an ideology critical of the state's role in economic life. Prime Minister Margaret Thatcher in Britain (1979-90) and President Ronald Reagan in the United States (1981-88) proclaimed a new market-centered era, with fewer taxes, fewer government-supported services, fewer national companies and fewer rules and regulations. Under intense pressure from multinational banks and corporations, these and other governments eased key financial regulations (or permitted offshore exceptions), so that government policymakers lost control of money and financial markets. Many other governments followed suit with deregulation and welfare cuts, while currency speculation and sudden financial shifts showed governments that they no longer had the freedom to regulate their internal economies. As speculator George Soros commented: "the bond and currency markets vote every day."

**Market Reforms, De-Regulation and Shrinking the State**

As early as 1977, the world's financial capital New York City saw its financially-pressed local government marginalized by a special oversight committee of bondholders, called the Municipal Assistance Corporation. The "Big Mac" (as it was called) imposed harsh cuts in municipal services through its veto over the city budget. Throughout the 1980's, the World Bank and IMF played the role of the Big Mac on a planetary scale, particularly in the global South. Their imposed system of "structural adjustment" pried open one country after another, demolishing the old statist protectionism with utter disregard to democratically-elected governments and their wishes. A total of nearly one hundred states saw their national industries sold off at scrap-metal prices, their health and education systems decimated, their once-mighty ministries of national economy humbled. Even the most powerful states of the South like India and Brazil, after putting up a sharp resistance, found they could not resist the "conditionalities" imposed by the Bank and the Fund. And in the North as well, governments hastened to implement privatization and public-sector downsizing.
Eastern Europe, elated at the fall of the old statist dictatorships, was dragged under the surgeon's knife in 1989-90, as radical free-market reforms—imposed with frightening suddenness and ferocity (Prof. Jeffrey Sach's "Big Bang")—supplanted state-dominated economies. The Western press celebrated the "new freedom," and relished the "emerging markets," with scarcely a thought to the terrible social costs in unemployment, destroyed pensions, ruined public health systems, lives and hopes crushed for millions. A primitive capitalism sprang up, dominated by criminal gangs, thugs from the old state bureaucracy, speculators and foreign carpet-baggers.

The new era at the United Nations deflated the old idealism of social improvement that inspired and drove Global Keynesianism. At first, it saw increasing battles for policy turf between UN agencies and the Bretton Woods Institutions (the Bank and the Fund). The Bretton Woods Institutions, once part of the statist consensus, changed their tune in the 1970s and launched an assault on state-centered development—through "Structural Adjustment Programs" (SAPs). Under SAPs, the Bank and the Fund offered loans to cash-strapped countries. In return, governments promised to re-structure their economies by privatizing public industries, reducing public services, reducing government budgets and eliminating restrictions on currency exchange and foreign investments. As opposed to project-based lending, this "policy-based" lending produced no new production with which to pay back the original loan. Soaring government indebtedness combined with a shrinking tax base, to further undermine shaky state finances.

UN agencies such as UNICEF and UNDP produced harsh criticisms of the SAPs, based on careful research and irrefutable evidence. They showed that these programs had increased poverty and inequality world wide. Global Keynesians argued for "people-centered development" or "human development," said to be new concepts but actually euphemisms for social democracy. They charged their opponents—who they often called "neoliberals"—with callous indifference to human suffering.

Throughout the Eighties and beyond, transnational corporations and financial institutions globalized their activities and forced governments to abandon controls on foreign exchange (trading) of their currencies and to relax regulation of banking and financial markets. "Offshore" tax-free havens for capital sprang up with the tacit support of governments in the money-center countries. Increasingly, transnational corporations and investment houses moved investments from one country to another, speculating on currencies and financial markets, pressing for further tax exemptions and insisting on deeper cuts in regulation. Both transnational direct investment and indirect investment grew rapidly, while official development aid stagnated or began to shrink. Global Keynesian structures dissolved, as governments North and South lost revenue
and were forced to abandon long standing social programs and to repudiate the "social contract" of previous decades. When the Swedish government slashed social programs in the late 1980's and the German government pulled back from its impressive social democratic guarantees in 1995-96, the last remaining bastions of the Keynesian consensus fell.

But the neoliberal system has so many obvious weaknesses, that even its apologists and defenders worry that the present round of "reforms" may have gone too far. Global social inequality has grown enormously in parallel with inequality within individual countries. In the turbulent new environment, some governments have virtually collapsed (Somalia, Zaire, Yugoslavia), while even strong states have suffered from disintegrating pressures (Czechoslovakia, Russia, Italy, Canada, Belgium). Harsh structural adjustment programs have heightened internal conflicts and civil wars, setting off unprecedented streams of refugees and terrible new "ethnic" conflicts. New and emerging diseases threaten life and health. Food stocks have sunk to a very low level. Environmental crises loom.

**Keynesian Critique, Neoliberal Counter-Attack**

Throughout the 1980s, the Global Keynesians stepped up their criticisms of the neoliberal reforms and offered new proposals to regulate markets or make them (as they liked to say) "more people-friendly." The Japanese and the continental Europeans tended to support these moves, preferring a more interventionist state than the Anglo-Saxons. A number of UN offices and agencies played a leading role in this campaign, including the International Labor Organisation, the World Health Organisation and the Center for Transnational Corporations. Other key actors were UNICEF (and particularly its research center in Italy), UNDP, UNCTAD, and the UN Research Institute for Social Development in Geneva. Later, leadership to some extent passed to the newly-established *Human Development Report*, launched in 1990 under the tutelage of Pakistani development expert Mahbub Al Haq. UN initiatives for the environment likewise staked out a critical position.

The British and U.S. governments were not persuaded, as they deepened their commitment to neoliberalism. Following warnings of "Bolshevism" at the UN by the conservative Heritage Foundation, US President Reagan demanded wholesale "reforms" that would purge the UN of its social democratic leanings and make it more "market friendly." To back up its demands, the US cut its dues contributions in the mid-1980s. The long financial crisis that followed forced the UN to reduce its staff, especially in social and economic policy programs. Under the guise of "reform," and in the name of "efficiency," "streamlining," "cutting bureaucracy," and "doing more with less," the neoliberals succeeded in slashing UN programs, while shifting social and economic policy-making to the Bretton...
Woods Institutions. The most fervent neoliberals hated the UN, but many also suspected the Bretton Woods Institutions themselves, seeing them as still committed to a nation-centered economic vision and a lending program that favored public over private investments.

The current round of UN reforms (1995-96) further challenges the Global Keynesians, threatening to downsize UN core social programs still further. UN agencies and funds face intense pressures to cut back and to adopt neoliberal policies . . . or be closed down. WHO, UNICEF and ILO, three bastions of Global Keynesianism, announced new policies of "cooperation" with the World Bank in 1995. One agency, UNIDO, faces imminent closure after the US abruptly withdrew (with three years of dues arrears) in late 1995.

But with a quarter of the world's people (some 1.4 billion) in deep poverty and nearly the same number malnourished and lacking in the most basic health care, the neoliberal system is highly unstable. Currency speculation has created a series of deep crises, of which the Mexican debacle in 1995 and the Asian crisis of 1997 are some striking recent examples. Civil wars rage. Huge nationwide strikes and mass protests erupt (Italy, France, Argentina, South Korea). Nation states are losing their capacity to manage their economies, to regulate social life, even to levy taxes, while giant transnational corporations tightened their grip over worldwide finance, production and trade. By 1995, the 200 largest TNCs accounted for nearly a third of the entire global economy.

Grassroots protests surge everywhere, taking many forms. Some protests look backward: ethnic solidarity, virulent nationalism, religious fundamentalism. But increasingly, critics of neoliberal globalization look for new forms of global solidarity. Citizen organizations span national borders, to demand a more just international order based on common humanity and shared social responsibility. For the first time, global social movements are appearing.