

THE NEW GLOBAL ECONOMIC ORDER

Edited by Lili Yan Ing and Dani Rodrik



The New Global Economic Order

As anti-globalization reshapes the world, the divide between East and West, developed and developing countries, and North and South, deepens, creating new challenges for economic policy and global governance. This book provides a nuanced and balanced analysis of economic transformation over the past century, exploring critical themes such as structural change, resource mobilization, and the future of global growth.

Featuring insights from leading economists, this volume offers expert commentary on economic transformation, development strategies, and the evolving global order. It further examines into pressing governance questions surrounding AI, green technology, and the financing of health crises, future pandemics, and energy transitions.

A vital resource for economists, policymakers, and researchers, this book provides strategic guidance on navigating global shifts and mobilizing resources to drive sustainable development in an emerging new global economic order.

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3 Rethinking Global Governance

Cooperation in a World of Power

Joseph E. Stiglitz and Dani Rodrik*

3.1 Introduction

Today, the world is highly integrated and interdependent. Climate change affects all; emissions from one country can have devastating global effects. Viruses know no international borders. For more than 200 years, a basic lesson of economics has been that lowering trade barriers contributes to higher standards of living by allowing for greater specialisation and taking advantage of comparative advantages. Knowledge produced in one country can be of benefit to the whole world.¹

While these areas and many others demand global governance, the world possesses limited global cooperation. Policies are determined by domestic politicians based on ‘national interest’; the nation-state remains the principal locus of political accountability. Taking into account such a political reality, a more circumscribed, less ambitious global agenda may be preferable. This chapter thus advances a framework for minimal global governance architecture.

First, some general principles that should govern the design of global governance are outlined, and their justifications are provided. The next section discusses the reasons—both positive and normative—for the minimal conception of global governance. In the remaining sections, implications of these ideas are drawn from a variety of arenas—intellectual property rights, trade, financial flows, monetary policy, investment agreements, and management of debt. Principles help examine the possibility of good agreements (green-lighted), areas where agreements should be widely circumscribed (red-lighted), and areas where agreements should occur under extreme caution (yellow-lighted).

3.2 Four General Principles²

A minimalist global governance architecture should be based on the following four principles. First, international rules should generally allow countries to do as they please as long as they do not engage in explicitly beggar-thy-neighbour (BTN) policies³ or, in the case of advanced countries, impose significant costs on poorer countries. It is remarkable how many provisions of global agreements violate this principle. Typically, the behaviours of small developing countries have no impact

on the global economy, yet this is an arena in which international agreements have had perhaps the most binding effects—precisely because these countries are small and powerless. Countries may engage in actions that the West suggests are foolish (e.g., various domestic regulations, investment policies, or social policies), but they bear the consequences. Hence, the first principle restricts international discipline to policies that have a specific BTN nature.⁴

The second principle is that there are marked variations amongst countries, so any international agreement must reflect these differences in circumstances. These differences may arise from different national preferences, historical trajectories, or economic conditions (e.g., levels of income). If national regulations or standards reflect the provision of public goods, countries may differ in their ideals regarding the type of public goods. Financial regulations, for example, may entail a trade-off between promoting financial innovation and securing financial stability. Similarly, various nations will put different weights on the contending goals of privacy, convenience, and innovation when regulating new technologies such as artificial intelligence (AI).

The third principle is that global agreements should be consistent not only with global efficiency but also with global fairness. A focus on global public goods and the avoidance of BTN policies, with due regard to differences across countries, is not enough. Addressing climate change or global health, for example, requires significant resources. Poorer nations should not be asked to pay for more than their fair share—especially as in the case of carbon, the advanced economies are responsible for the bulk of historical emissions. In both cases, the standard of global fairness would require significant resource and technology transfers from the North to the South. Similarly, policies in advanced countries such as the United States can have significant adverse effects on developing countries. A minimal standard of fairness requires that such countries formulate their policies with due regard to negative spillovers, especially for poorer nations. This principle also implies that developing countries and emerging markets should be wary about signing on to agreements that give them a small share of the surplus generated—especially because of the high levels of uncertainty associated with the future evolution of the global economy. A small gain can easily be turned into a large loss.⁵

The final principle is that all economic arrangements have some sort of broad social and political consequences that must be considered. Economics does not stand outside of society. International economic arrangements can produce redistributive effects across income groups or regions that can produce unforeseen consequences. Limitations on the autonomy of national policymakers can undermine political accountability and produce a backlash against mainstream political leaders, increasing support for right-wing, authoritarian populists. Capital market liberalisation—allowing the free flow of money in and out of a country—has not only large and potentially adverse financial and economic consequences but also political consequences. Global agreements affect the policy space and democratic governance within a country. Economic arrangements may also shape individuals and social arrangements. A society where cooperatives play a more important role may lead to more accommodating individuals; neoliberal capitalism, with its

emphasis on the unwavering pursuit of self-interest, may generate more selfish people and institutional arrangements that condone such behaviour.⁶

3.3 Central Tensions in Global Governance

The centre of political activity and political accountability remains the nation-state. Even in the European Union, which has witnessed a significant transfer of policy-making powers to Brussels, Frankfurt, and Strasbourg, politics takes place mostly in the national capitals. This can be—and often is—seen as a hindrance to global economic cooperation and governance in the face of common challenges such as the provision of global public goods. Furthermore, the multiplicity of sovereigns creates jurisdictional discontinuities, which produce transaction costs and impede global economic integration, reducing efficiency. Now that import tariffs and capital controls have largely—but not entirely—receded into the background, differences in legal regimes and regulatory practices are often the chief obstacles to a unified global economy.

Historically, the nation-state has played a significant and positive role in promoting economic development. It is associated with curbing local violence, expanding social solidarity beyond communities, mobilising mass education, fostering industrialisation, and spreading representative political institutions. Moreover, if the facts are accepted that (i) markets have to be embedded in non-market institutions to provide regulation and to address market failures, and (ii) there is no single, universal mapping between markets and those institutions due to historical contingencies and locally differing trade-offs amongst contending values such as equity versus efficiency, there is a strong normative case for the nation-state even in an age of globalisation. From this perspective, the nation-state can be seen in a more positive light as the site of experimentation amongst diverse institutional forms of market economies. Institutional diversity at the global level and international economic integration are both valuable. An optimum set of global arrangements would not maximise one at the expense of the other, leaving ample policy autonomy for the nation-state.

The design of global governance must consider the tension between two forces. On one hand, global governance can act as a framework to create a fair, just, and efficient world. This includes providing global public goods, limiting negative externalities, promoting positive externality-generating activities, engendering the cooperation necessary to reap the potential rewards of globalisation, and creating a global rule of law (i.e., a rules-based system where every country is treated fairly).⁷ On the other hand, global governance can be a mechanism to exert power and for the powerful to extract rents from the least powerful. There is a clear parallel between the first vision of global governance and the standard arguments for the rule of law within countries—and the tensions identified globally parallel those existing within countries. Although economists have traditionally championed the rule of law, the consequences depend on whose rules and for whom the rules are designed.

The rhetoric surrounding global governance typically focuses on the first force, while the reality more often seems linked to the second force. Global agreements

often propel developing countries into actions through which there is (i) no evident significant externality to justify such exertion of power and (ii) little desire to circumscribe advanced countries from actions (e.g., in their monetary policies) associated with large externalities. The absence of enforcement mechanisms means that typically, when the United States or European Union violates a global regulation or norm, there are no consequences as long as the impacts are only or mostly on the less powerful. When a small country violates a global regulation or norm, however, the consequences may be significant. Thus, in practice, the rules-based system operates markedly differently from the way it is supposed to.

3.3.1 Good and Bad Outcomes

Some countries—most notably those in East Asia—have nonetheless managed to take advantage of globalisation. They have grown rapidly, so the disparity between their incomes and that of advanced countries has markedly decreased. They did not obey the dictates of the Washington Consensus concerning the policies that countries should adopt to maximise growth; yet they still existed within the rules, which were largely written by—and for—advanced countries. Africa’s experience has been different, as it experienced premature de-industrialisation under the structural adjustment programmes of the International Monetary Fund and World Bank and saw incomes stagnate for a quarter of a century, which was even worse than Latin America’s lost decade.

In the Uruguay Round of negotiations establishing the World Trade Organization, advanced countries obtained most of their demands, while developing countries got few. The subsequent round—known as the Development Round—was supposed to rectify the imbalance (e.g., Stiglitz and Charlton, 2007). However, that round collapsed after 14 years of futile negotiations in December 2015.

3.3.2 The End of the Neoliberal Order

Another reason to rethink global governance centres on the fact that today’s global architecture was created largely in an era of neoliberalism, where a certain set of ideas prevailed. Free trade and unfettered capital movements were desirable, but these ideas have now largely been discredited, and the policies based on them are being rethought. The benefits of free trade seem less than were claimed, and the costs that were imposed, especially on workers—including lower wages, large adjustment costs, and high levels of uncertainty and vulnerability—are greater. The same is true for capital market and financial market liberalisation.⁸

3.3.3 Self-Interest of Nations

A realistic agenda for global governance must be based on the national interests of individual countries if it is to be self-sustaining. A complication arises because the concept of self-interest is ambiguous; what may matter is not the self-interest of the country as a whole but that of powerful interests within the country.

Thus, one may argue that it is in the unilateral self-interest of the United States to abolish many tariffs, reduce emissions, and push for agreements where others do. However, producers (e.g., those in the fossil fuel industry) may have a different view, and it may be politically impossible to design compensation schemes that would induce them to go along with policies in the national interest. Those heard in international trade negotiations are typically not ordinary citizens but producers (Rodrik, 2018). After an agreement is made, it may also be those interests that determine compliance.

Sometimes, the overall gains to society are sufficiently large and broad that special interests are overcome, possibly by some form of compensation. Indeed, agreements can be viewed as ways of restraining special interests, featuring some coalescence of disparate weaker forces against more powerful special interests. Many international agreements—reflecting this battle between special interests and broader national interests—do compel countries to undertake actions in their own interests unilaterally. More commonly, however, rather than trade agreements serving to restrain special interests in favour of the general interest, powerful special interests use international agreements—typically made in secret with relatively weak public discussion—to tie the hands of governments in favour of the special interests. For example, in recent negotiations over digital trade, the digital giants have been attempting to forge agreements that would circumscribe the ability of governments to impose regulations concerning privacy, digital harm, competition, and national security.

3.3.4 Externalities

Even in areas where there are large externalities, and, in principle, global cooperation would enable better outcomes, cooperation may be difficult to achieve. Advanced countries exert negative externalities on others, and they do not want to be circumscribed in their actions; it is thus difficult—if not impossible—to obtain the cooperation of those adversely affected to compensate (i.e., bribe) the powerful countries not to exert their negative externalities in a Coasian solution.

3.4 Towards a Minimalist Global Architecture

The preceding sections provided an argument for a minimalist global architecture; this section illustrates this system of global governance. Two areas are highlighted—climate change and public health—in which the costs of global cooperation could be low, benefits large, and special interests limited under a minimalist global governance. Then, an area is examined in which an ambitious global reform agenda—multi-national taxation—has mixed results, with successes and failures consistent with pursuing a minimalist agenda. Investment agreements are then discussed, in which the world seems to be moving towards a minimalist agenda. Next, a minimalist trade agenda is outlined; finally, debt, which has long had a minimalist agenda that has failed, is reviewed. In each arena, some elements of a minimalist agenda are suggested; no agenda is comprehensive.

3.4.1 Climate Change

There is now almost universal agreement that global action is necessary to deal with climate change, most emissions going forward will come from developing countries and emerging markets, and additional finance is required if developing countries and emerging markets are to make the investments required to reduce emissions. An easy source of funds exists—the issuance of Special Drawing Rights by the International Monetary Fund (IMF). Special Drawing Rights are essentially IMF-printed money, which—as long as there is sufficient excess capacity in the global economy—are close to costless. Despite the low or no cost, however, resistance continues, perhaps because the issuance of public money may reduce the returns of those in the financial sector. A global agreement for climate change and Special Drawing Rights would be of enormous benefit.

3.4.2 Public Health

An important part of global governance concerns knowledge and intellectual property. Accordingly, since 1995, the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement has provided strong protections, the terms of which were set by advanced countries—as well as special interests (e.g., pharmaceutical and entertainment industries) within those countries. The provisions largely echoed those within the United States and European Union and were designed to maximise profits rather than to enhance innovation or well-being (e.g., Stiglitz, 2006). A single regime was imposed on all countries. For example, it called for compulsory licenses for health, the importance of which was reinforced during the HIV/AIDS epidemic. The pharmaceutical industry resisted and, in subsequent years, embraced multiple dilatory strategies, which resulted in millions of US dollars in profits. The deaths and suffering were only collateral damage.

The issue came to a head with the COVID-19 pandemic. There was an urgency to develop the vaccines, therapeutics, and associated products and to ensure that they were widely distributed. No one knew how long the pandemic would last, how bad the consequences would be, nor how it would mutate. Governments (especially that of the United States) spent billions of US dollars to rush research and production, building on government-supported basic research to create the mRNA platform for COVID-19 vaccines.

Due to the urgency of the moment, South Africa and India requested a waiver of intellectual property under the TRIPS Agreement to increase the manufacturing capability for vaccines, therapeutics, and associated products. Users would still have to pay royalties, but the underlying legal framework would be unchanged. US President Joe Biden appeared persuaded, but the grip of the pharmaceutical companies in Germany, Switzerland, and the United Kingdom proved to be an insurmountable barrier. The waiver was never enacted.

A minimalist trade agenda would recognise that the appropriate intellectual property regime for each country depends on its circumstances—in particular, that the TRIPS Agreement does not always advance the well-being of the global

economy and society. Moreover, there needs to be, at a minimum, automatic intellectual property waivers in the presence of any pandemic declared by the World Health Organization—as well as compulsory licenses for technologies related to climate change.

3.4.3 *Taxation of Multi-National Corporations*

An important aspect of globalisation is multi-national corporations operating in multiple countries. Ascertaining how taxing rights should be allocated has been difficult, and corporations often strive to ensure that their income is attributed to jurisdictions with low tax rates. The transfer price system, which has been in place for a century, has been inadequate for new digital technologies. The system attempts to allocate profits to where income arises by pretending that there are arms-length prices at each stage of production. Yet as such prices do not, in fact, exist, prices can be easily made up. Profits can thus be shifted to, for example, a tax haven like Panama. The abuses of the system are enormous; for example, all of Apple's profits in Europe originate from a few employees in Ireland.

As the world sank into the Great Recession of the late 2000s, the need for more tax revenues became urgent, and the diversion of profits to tax havens became increasingly problematic. Digital giants appeared to be amongst those not paying their fair share of taxes. The Organisation for Economic Co-operation and Development (OECD) thus began working to improve the global tax regime through base erosion and profit shifting (BEPS), which has two pillars: (i) ensuring firms pay a minimum tax of 15% (yet often lowered through exceptions and exemptions to 12%–13%, less than half the rate of taxation in Latin America); and (ii) allocating tax rights for the largest firms for a small portion of their profits (based on no economic theory). In return, countries would have to forego imposing unilateral measures, like digital taxes. The revenues that most developing countries could expect from BEPS was miniscule, and when offset by the potential for growing digital taxes, almost surely negative. Although it began as an initiative to raise more revenues for developing countries, ensure that the multi-national corporations pay their fair share of taxes, and simplify the taxation of multi-national corporations, BEPS failed on all accounts, except one—guaranteeing that multi-national corporations pay at least a very low minimal tax.

OECD claimed BEPS as an important first step that would eventually generate the desired results. Yet it is undeniable that multi-national corporations from the United States and European Union—especially the digital giants—had triumphed with a minimal tax. Moreover, thanks to a small additional tax on a small portion of their income, they would be protected against additional taxation, such as digital taxes.

From this, it can be discerned that the locus of global decision-making needs to be in a venue where the voices of developing countries and emerging markets are stronger than in OECD, the club of advanced countries. The G24,⁹ a group of developing countries, has put forward a coherent set of reform proposals, which was ignored in favour of those put forward by advanced countries.

A minimalist agenda that would focus on setting a minimum tax rate, curtailing tax havens, reforming the double-tax regime, and preserving rights to taxation may lead to a better global tax regime.

3.4.4 Investment Agreements

Investment agreements began as a seemingly innocuous effort to protect investors against expropriation. Investors could buy insurance against expropriation at a low cost through a branch of the World Bank Group and national insurers, but expropriations had become rare by the time that investment agreements started to proliferate.

In practice, the agreements gave foreign investors more rights than domestic investors, protected investors against changes in regulations and taxes, and compensated them exorbitantly for any losses incurred. Disagreements were settled through investor-state dispute settlements that involved highly paid private arbitrators, not subject to modern standards (e.g., concerning conflicts of interest and transparency) and without a framework for appeal. By 2016, the agreements started to be used against the United States; a critical difference between the North Atlantic Free Trade Agreement (NAFTA) and the US-Mexico-Canada Agreement that succeeded it was the elimination (for the most part) of investor-state dispute settlements. Within Europe, there has also been a move against these agreements, as it has become clear that they are likely to be an obstacle to the green transition.

Investment agreements are a clear manifestation of powerful companies advancing their interests over the well-being of society. Although it now appears unlikely that any new agreements will be signed, there is a legacy of such agreements; a minimalist global architecture would work to terminate them.

3.4.5 Trade and Industrial Policy

It is easier to specify what should not be in a good trade agreement than what should be. The principles enunciated earlier imply (i) providing more scope for countries to tailor their intellectual property regimes to their economic circumstances than the TRIPS Agreement allows; (ii) not imposing digital rules until after there is greater clarity about the regulatory regime that is appropriate for each country; and (iii) not circumscribing a country's regulatory framework unless there is compelling evidence that it is a BTN policy.

The issue is that it is not easy to classify whether industrial and/or trade policies are BTN and against international commitments. For example, industrial policies in the form of subsidies to encourage the development of particular industries, particularly those aimed at enhancing the green transition, have emerged as problematic. Reducing emissions is a global public good; actions of countries towards green production and consumption should be welcome. Yet these may distort trade patterns, giving countries a comparative advantage in the production of, for example, a particular green product. China created a marked advantage in the production of solar panels, originally through government subsidies and

eventually because of it acquired technological superiority and scale economies. Other countries have not been able to compete; the United States and European Union thus have imposed tariffs on Chinese exports, including the panels. Under a minimalist approach, China's subsidies and, thus, cheaper panels would be viewed as globally welfare-enhancing, while the United States and Europe may have potential job losses in these sectors.

Another example of the US's Inflation Reduction Act (IRA) subsidies is also actually directed at enhancing green investment. Some are investments in non-tradeable sectors (e.g., energy) whose impact on the global trade regime is only indirect (e.g., subsidised electricity). The objective of the measure is to green the economy but in ways that do not cost jobs (i.e., that maintain and strengthen current competitive relations based on the current implicit carbon subsidy arising from not charging a carbon price). The same is true of green subsidies for tradables, like electric batteries. In both cases, jobs in the United States may come at the expense of jobs in developing countries. This may make the Inflation Reduction Act a BTN policy, although that is not its goal.

However, we should take note that some provisions of the Inflation Reduction Act, such as domestic sourcing requirements, are indeed BTN, which are explicitly discriminatory vis-à-vis trade partners. If the United States seeks to divert jobs that may be created elsewhere to the United States and is successful in doing so, the result would be a clear BTN practice. Green policies targeting climate change mitigation cannot be neatly separated from trade policies, and often, domestic political bargains will necessitate advanced countries adopting messy policies that are good for the climate but potentially problematic from a trade perspective. Developing countries, however, do not have the fiscal space to respond to this. Even if they could, there would be significant adverse consequences for the global distribution of income, with corporate profits increasing at the expense of everyone else. Countervailing duties would be of limited benefit since they would only affect imports into the country imposing them—not competitiveness in other countries.

Similar trade-offs exist with the CHIPS programme of subsidies for advanced technologies in the United States. To the extent that this programme targets important market failures (e.g., innovation spillovers and national security externalities), there is little reason for disciplining the United States through global rules, even if the benefits accrued primarily to the United States. The programme could be used as a source of geopolitical leverage over other nations to alter their technology-sourcing decisions, penalising them for using Chinese technology, in which case it would be more objectionable. The United States has deployed a broad range of export controls on advanced semiconductors and equipment, purportedly for national security reasons. To the extent that these controls aim to undermine the technological capabilities of China—as many observers believe they do—the policy is BTN (Rodrik and Walt, 2024).

On the other hand, the United States is clearly violating existing international agreements with impunity. In the absence of a functioning appellate body, there is no way to hold it to account; even if there were such a body, it would be a slow and drawn-out process. At the same time, the European Union is attacking developing

countries that attempt to use industrial policies (i.e., Indonesia, which has banned the export of unrefined nickel). The minimalist trade agenda suggests that weighing national and global benefits against the trade-diverting effects of such subsidies is too much to ask of a global governance system ruled by power. Indeed, some fundamental assumptions of the post-World Trade Organization trade order are no longer tenable.

Moreover, China's economic growth has not led to greater convergence between its economic model and that of the West; instead, it has fuelled greater geopolitical tensions and triggered the prioritisation of national security over efficiency and comparative advantage considerations. Supply chain resilience has become a critical objective for all nations. These, along with other challenges, such as pandemic preparedness, imply that deep economic integration on the hyper-globalisation model is no longer feasible. Markets on their own do not account for concerns, and governmental interventions—including through subsidies and trade restrictions—may be warranted.

There is no longer a presumption that any governmental intervention is an unwarranted and unfair trade intervention—particularly one designed to gain an advantage over a trading partner. The focus on trade should move from stricter, common rules seeking policy harmonisation to a more minimalistic approach that expands national policy space while avoiding the worst BTN policies and ensuring the poorest countries are not systematically left behind.

3.4.6 Debt

Debt has always been a problem for the poor and for poor countries, but in the aftermath of the COVID-19 pandemic, war in Ukraine, and post-pandemic inflation, it is becoming critical. Several countries are in debt distress, and a few have gone over the brink. There is no international framework for resolving sovereign debt problems, such as bankruptcy procedures that help overindebted individuals and corporations within each country restructure their debts. These procedures help protect households and jobs and incentivise lenders from pushing excessive indebtedness. The United Nations General Assembly overwhelmingly approved the creation of such a framework in 2014 and followed this with a set of principles, again endorsed by the General Assembly in 2015. A few key creditors—the United States and the United Kingdom—voted against it, however, so it was never realised.

The G20 has recognised the problematic nature of current minimal arrangements. At the beginning of the pandemic, it created the Debt Sustainability Initiative to allow for the suspension of debt payments for those in the most distress. The arrangement proved ineffective, with private sector creditors refusing to participate and debtors being reluctant to ask for debt suspension, lest it lead to a credit rating downgrade. This initiative was thus followed by the Global Sovereign Debt Roundtable, which seems equally ineffective. Most countries do not only need a suspension of debt servicing; they need either greater access to liquidity or debt restructuring. Much literature has shown that the cost of delay can be enormous (e.g., Guzman, Ocampo, Stiglitz, 2016).

The current minimalist architecture is too little—debt negotiations have become a power game in which powerful financial interests overcome others. It is unclear if an international bankruptcy court recommended by the United Nations Commission to be established in the aftermath of the 2008 global economic crisis is achievable (Stiglitz, 2010). Therefore, a more modest mediation service, with the IMF providing benchmark calculations of how much restructuring is necessary if debt is to become sustainable, is perhaps more realistic.

3.5 Concluding Remarks

Global agreements and institutions reflect the imbalances of global power amongst countries and deficiencies in democratic governance within the major countries. Outcomes reflect the interests of large and powerful players within advanced and influential countries. While within democracies, an imperfect system of checks and balances is designed to curb the excesses of power, nothing comparable operates at the global level. There are occasions when the voice of global civil society is heard, but those are more the exception than the rule. Its inability to curb ‘vaccine apartheid’ during the COVID-19 pandemic illustrates the limitations.

A ‘good’ system of global governance must take these realities into account. Discussions have value to help define aspirations. Yet *realpolitik* entails designing a global architecture that balances the benefits of the provision of global public goods and regulation of global externalities with the risks of abuses from the exertion of power by special interests. Today, those who are engaged in trying to construct a global architecture that benefits rich and formidable companies in wealthy and dominant countries have learned how to cloak their self-interest in the language of virtue. The aspiration of a comprehensive and strong agenda for a fair and efficient global architecture has, in many respects, led to a more dysfunctional global architecture—such as premature de-industrialisation and deregulation of capital and financial markets—resulting in deeper economic and financial crises and increasing disparities between the richest and poorest within and amongst countries.

The minimalist global architecture is based on the presumption that the rich and powerful cannot be effectively constrained, so weaker countries (i.e., developing countries and emerging markets) must discern the agreements and institutions that work best for them with the knowledge that when it is convenient for the rich and powerful to break the rules or to subvert the institutions to work for their own interests, they will do so.

Rivalry between blocs of countries, particularly between the United States and China, may result in a competition for the hearts and minds of those in the developing world that will circumscribe the worst behaviours imaginable. Within democratic countries, there are strong movements in support of social and economic justice as well—not only within the boundaries of a country but extending across the globe. The stronger the competition for influence in the developing world and the more robust the movements for social and economic justice within powerful countries, the greater the possibilities for advancing beyond a minimalist global architecture.

Notes

- * The author acknowledges financial assistance from the Hewlett and Sloan Foundations and valuable discussions with Martin Guzman and David Vines.
- 1 While climate and public health have long been recognised as global public goods, knowledge, too, is a global public good (Stiglitz, 1999).
 - 2 Some of these principles were more fully articulated in Stiglitz (2024), Rodrik (2020), and Rodrik and Walt (2024).
 - 3 BTN policies are defined as those that provide benefits at home only to the extent that they impose costs on other countries. They are policies whose benefits are the direct and intended result of that harm. Applying import tariffs or export restrictions to extract monopoly rents from other countries, competitive devaluations under conditions of unemployment, or paper-profit shifting through tax havens are some examples.
 - 4 Yet countries whose policies have a disproportionate effect on the global monetary, financial, regulatory, or trade context should face a higher degree of accountability and responsibility; ideally, this should occur even under a minimalist global architecture. Arguments entailing political realism that force a focus on this minimalist vision suggest that such accountability is unlikely to occur. Advanced countries should accept some global oversight over policies that have significant and adverse effects on the economic prospects of lesser-developed nations. More expansive global governance would attempt to address externalities more generally; today, this more expansive view is necessary. As an example, the intent of those using fossil fuels is to lower their energy costs; climate change, harming everyone everywhere, is the unintended consequence. Their lowered cost of energy comes at the expense of the well-being of everyone on the planet. Within countries, actions that harm others are regulated, whether the benefits of those actions are the direct and intended result of that harm. Intentions play no role; it is only the effects of actions that matter.
 - 5 A tax agreement recently proposed by the Organisation for Economic Co-operation and Development (OECD) illustrates this. Developing countries were offered a pittance, but in return, they would have to give up rights to impose a digital tax as well as other ‘unilateral measures’. Some countries signed on, believing that even some revenues are better than nothing. Yet, almost surely, with the growth of the digital economy, what they had agreed to forego would be of increasing importance. If this OECD agreement were ever to come into force, developing countries and emerging markets would actually be worse off, with the gains from the global agreement going largely to the advanced countries.
 - 6 This was a central theme of the recent literature on endogenous preferences and how preferences are shaped by society and, in turn, help shape it (Hoff and Stiglitz, 2016; Demeritt, Hoff, Stiglitz, forthcoming). These ideas were derived from a long tradition. See, in particular, Polanyi (1944) and Polanyi (2001), with a foreword linking his work with globalisation by Stiglitz.
 - 7 This vision of global governance sees it as protecting small- and medium-sized countries from the arbitrary exercise of power by advanced countries.
 - 8 Theory and evidence have long been sceptical of many neoliberal claims. See, for instance, Newbery and Stiglitz (1984), showing that in the absence of good risk markets, everyone may be worse off due to free trade; Stiglitz (2004), showing that capital market liberalisation may decrease welfare; Stiglitz (2003); and Stiglitz (2017).
 - 9 Algeria, Argentina, Brazil, China, Colombia, Congo, Cote d’Ivoire, Ecuador, Egypt, Ethiopia, Gabon, Ghana, Guatemala, Haiti, India, Iran, Kenya, Lebanon, Mexico, Morocco, Nigeria, Pakistan, Peru, Philippines, South Africa, Sri Lanka, Syria, Trinidad and Tobago, and Venezuela.

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