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Global Markets, Global Citizens, and Global Governance in the 21st Century

Nancy Birdsall, with Christian Meyer and Alexis Sowa

Abstract

The politics, rules, and institutions of cooperation among nations have not kept up with the demands from global citizens for changes in the global political order. Whether norms and policies can make the global politics of managing the global economy more effective, more legitimate, and more responsive to the needs of the bottom half of the world's population, for whom life remains harsh, remains to be seen. There is some cause for optimism, however: citizens everywhere are becoming more aware of and active in seeking changes in the global norms and rules that could make the global system and the global economy fairer—in processes if not outcomes—and less environmentally harmful.

Keywords: Global economic governance, role of citizens, citizen activism, public opinion, global middle class, international financial institutions, World Bank, IMF, United Nations, fairness, income inequality, climate change, global public goods, political legitimacy

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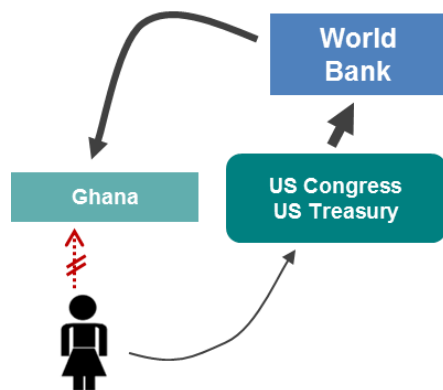
Global Markets, Global Citizens, and Global Governance in the 21st Century

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1. Introduction

Consider two tales of global governance. A Ghanaian woman testifies before the U.S. Congress, hoping members of Congress will tell U.S. Treasury staff to push the World Bank to reverse its support for imposition of user charges for health services in Africa. In this case, an international institution creates an opening she may not have at home to influence her own and other African countries' policies and practices by influencing views in the United States (figure 1.1).

Figure 1.1 A Tale of Global Governance



Or: international nongovernmental organizations (NGOs) fight intellectual property rules adopted at the World Trade Organization (WTO) at the behest of the United States and other rich countries that are keeping anti-AIDS drugs prices high in developing countries, winning changes

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that eventually permit dramatic gains in access to those drugs in poor countries. In this case, the international institution provides the setting for an unofficial, nonstate global movement to embarrass democratic states into accepting a change in the global rules.

These are but two examples of how multilateral institutions can advance the interests of people in the bottom half of the global income distribution. Too often, however, global rules and institutions fail the world's poorer people. Decision making—whether by the G20 group of the world's largest economies, the International Monetary Fund (IMF), the WTO, the multilateral development banks—does not instill confidence, either in the global market's stability or more importantly in its fundamental fairness. In this sense, economic globalization has far outstripped politically democratic globalization.

To be sure, market-based growth and globalization have brought many benefits. Millions of people in the developing world have escaped poverty, and, for the first time in 100 years, the yawning gap between the rich countries and the developing world has narrowed, as China, Brazil, India, and other developing countries grow faster than the United States and Europe.

But the global market has also resulted in ever greater concentrations of wealth within countries, destabilizing capital flows that hurt the average working person, new risks of job loss for middle-class people in advanced economies, and food and fuel price hikes that have had devastating effects on poor households in low-income countries. Problems of the global commons that will not be addressed by the global market itself, most prominently climate change, continue unattended.

What can be done to make the global politics of managing the global economy more effective and more legitimate?

This paper is about the norms and politics behind the resulting loop of influence, including the role of citizens, often supported by nongovernmental institutions (NGOs); of dominant compared with other sovereign states; and of global institutions. It is about the shortfall of adequate management of the global economy, or of adequate “global governance.” The term *global governance* as I use it here refers to political decision-making processes and outcomes, within and among countries, on issues that create spillovers across borders and thus affect people outside any one country. “Adequate” global governance refers to the idea that the processes and

outcomes that result should adequately represent the interests of ordinary citizens, including and especially the world's more than 3 billion people in the bottom half of the global distribution of income who live in developing countries. Adequate global governance would do more to bend the path of future growth in the direction of better shared or equal opportunity or "fair" growth and more environmentally sustainable, climate-friendly "farsighted" growth.

I argue that the politics, rules, and institutions of cooperation among nations are not keeping up with the pace of economic globalization; the reality of increasing interdependence among nations and peoples; and changing norms, evidenced by increasing demands from globally aware citizens for growth in their own and other countries that is better shared and more sustainable. On the positive side, the Internet revolution is giving citizens greater opportunities to make demands on powerful authorities, including beyond their borders; evidence from worldwide surveys of individuals suggests that those demands are shaped by increasing awareness of interdependence and changing norms about civic responsibilities that extend beyond any one nation's borders. On the negative side, growth and global markets are increasing the risks associated with other governments' regulatory and other failures on ordinary people's lives and well-being—from the spread of resistance to antimicrobial drugs to the costs of climate change to the problems of financial markets—and the supply of good governance at the global level seems increasingly inadequate to the resulting challenges.

Global governance is a huge topic that extends from security to health to human rights, international criminal courts, and more. The focus here is on the global economic and financial governance, in particular the shortfall of global cooperation among nation-states that matters not just for economic growth itself but for the future path of economic growth—how shared and sustainable it will be. Global inequality and climate are issues on which there are solutions that are win-win for most countries and their citizens. But they require that domestic policies in the richest and largest countries be better aligned with the demands of an interdependent world—often at short-run costs to key interest and ideological groups in those countries.¹ Domestic policy failings put a premium on the possibility that changing awareness and norms on these

¹ I am grateful to Pratap Mehta for helping clarify the different underlying problems—ideological differences, distributive conflicts, technological superiority of some countries—with which global governance needs to contend.

issues within countries, particularly within countries like the United States and China, could affect their internal politics. Moreover, changing norms could provide a vehicle for the political leadership within those countries, in their own enlightened self-interest, to bind themselves to rules and policies that would otherwise be politically difficult to manage at home.

To a very large extent, a country's growth and the extent of its inequality depend primarily on its own policies and politics and "governance," not on global rules and institutions or "global governance." Rapid growth and increases in inequality in China and India following their firm embrace of market principles in the last several decades are evidence of that. Similarly, weak growth since the financial crisis, and several decades of wage stagnation in the United States, are as much or more a product of the United States' own fiscal, monetary, and financial sector policies as of increasing competitiveness elsewhere and resulting global imbalances over which it has had less control.

But it is also true that no country can insulate itself from the risks to its growth posed by other countries' economic and financial policy mistakes and by the trend of increasing emissions of greenhouse gases. The enormous differences in income between the richest and poorest countries—and within countries between the elite and the marginalized—constitute a moral challenge in an interconnected world. That challenge commands global collaboration to help bind all countries to trade, migration, aid, tax, anticorruption, and other policies and programs that would ensure that growth benefits the bottom half of the world's population. Greater cooperation and collaboration can make more likely and more effective individual countries' own efforts to bend the path of future growth toward greater equality and sustainability.

In section 2, I define global governance and set out the nature of the challenge. I show that the current system is flawed in two ways. First, it is too weak to adequately and consistently represent the interests of ordinary citizens in an interdependent global economy. The problem is less an intrusive "world government" than a weak and often ineffective global polity; there is no analogue at the global level to the role of the state in forging and managing a domestic social contract that corrects for initial inequalities at birth and deals with such market externalities as pollution. Second, where the system does act (or fails to act), it often reinforces and better reflects the interests of the rich and powerful in the world—countries, corporations, and

people—than of the ordinary citizen. Sometimes global rules and institutions give more voice to people than they have in their own countries, as in the opening stories. But much of the time they do not.

In section 3, I summarize evidence that despite tremendous progress in the last several decades in developing countries, the bottom half of the world's population that lives in those countries is and will be relatively poor and deeply insecure in income terms for another two decades at least, with little political voice in their own countries let alone in the global community. Within developing countries, even equally shared growth will result in growing distance between the income and political clout of the relatively rich compared with the relatively poor. In the advanced economies, the middle class (as well as labor versus capital) has gained little or nothing in income terms, undermining confidence in the market model itself and in the benefits of global markets.

In section 4, I discuss evidence from worldwide surveys showing high levels of global consciousness, or what might be called “global citizenship”; younger and better-educated respondents are more likely to think of themselves as global citizens and have higher apparent demand for more globally fair and far-sighted policies in their own countries. Attitudes and norms seem to be ahead of the institutions and rules that make up official global governance.

In section 5, I turn to the “stuck” supply side of global governance, focusing on the economic institutions and clubs that operate across countries, including the G20, the IMF, the multilateral banks, and the recently established Green Climate Fund. Although wholly dependent on their sovereign members, particularly on their larger and more powerful members, they have delegated autonomy to act in the broad interests of all people and for that reason constitute a global public good in themselves. For the most part, the world, especially the world's bottom half, is better off with than without them. But they are less legitimate and effective than they need to be. A key problem is that collective action among sovereigns is difficult in the first place, particularly so with the relative decline of the United States and the reality of today's G-0 (zero) world.

In section 6, I suggest some implications. How can the moral force of changing norms for fairer and more farsighted growth be better reflected in the institutions and the rules that matter at the

political level? How can the activism of “global citizens” in demanding better rules and policies on global issues be more effectively harnessed? What are the implications for policies at global institutions, including a focus on transparency, crowd-sourcing, even mechanisms equivalent to global “voting”? In the most advanced democracies, they include development at the political level of a better narrative in support of multilateralism and cooperation in general on economic issues.

2. The Nature of the Challenge: Global Interdependence, Sovereign Powers, and the Bottom Half

In an increasingly interdependent global system, there is an inherent logic to the idea of a global “polity.” Though economic globalization, or the globalization of markets, has been a key contributor to better lives around the world, bigger and deeper markets, unfettered and unmanaged, will never be sufficient to improve lives for the people in the bottom half of the world’s distribution. The theory is straightforward. Within and across countries, markets are inherently asymmetric, favoring the already rich and connected, and they do not deal with critical intergenerational and other externalities, such as climate change. Within countries, it is the function of the nation-state to use taxes, subsidies, and regulatory powers to offset initial inequalities (by, for example, financing equal access to schooling and forcing polluters to internalize the costs they would otherwise impose on others). The underlying logic of a global “polity” is analogous: to compensate for initial and ongoing inequalities across nations and peoples and to deal with climate, financial, and other market failures at the global level.

This is not to argue that decision making at the global level can or should always or often substitute for decision making at the national or lower levels of government. The subsidiarity principle calls for political decision making to be as decentralized as possible, in order to maximize the influence of the people whose welfare will be most affected by particular decisions. Moreover, it is sovereign states that are the locus of most decisions and policies that have implications beyond any country’s borders (financial services, trade, taxes, immigration, fishing, forests and other climate-relevant policies), and it is states that have the tax, regulatory, and enforcement powers needed to back up coordinated policies and cooperation in and through international institutions.

However, as global markets become bigger, deeper, and more integrated, the resulting greater interdependence increases the global space within which citizens of any one country are more likely to be affected by decisions made in other countries over which they have no political control.² On the one hand, citizens are better able than ever to make demands on powerful authorities beyond the borders of their own countries; on the other hand, they are more vulnerable than ever to the harm authorities and governments other than their own can do to their own well-being.

Governments as well as countries are vulnerable to others' decisions. This century is likely to see a continuing unbundling of the tight relationship between geographic territory and sovereign control. Sovereignty will continue to be the dominant order. But changes in communication, the consolidation of formerly nation-based corporations into global entities, the increase in the reach and influence of international nongovernmental and other civil society groups, changes in production (as a result of robotic and other technologies), and the increasing mobility of money and people across borders all make it harder for sovereign states to collect taxes, enforce laws, and generally impose political order inside their borders.³

In this sense, the problem is that the current global polity is weak in managing the global economy in the common interest, compared with the traditional powers of the typical state in managing the domestic economy. One problem is that cooperation and coordination among states is hard; it is difficult for sovereign states to cede the equivalent of tax and other powers to regional and global institutions, even when it is in their long-run interests to cooperate. The result is that the global polity is too weak to represent ordinary citizens on many issues where global coordination and cooperation are necessary. It is too weak to eliminate tax havens and restrain "race-to-the-bottom" tax competition among countries desperate to attract capital; to extend and enforce agreed safety standards to protect industrial workers at the bottom of complex multinational supply chains; to rationalize rich country immigration policies that

² Held (2003) invokes a principle of "inclusiveness and subsidiarity." In drawing "proper boundaries around units of collective decision-making," ...those significantly ...affected by public decisions ... should, *ceteris paribus*, have an equal opportunity, directly or indirectly through elected representatives, to influence and shape them [and] to have a say in their making" (p. 471).

³ In what is an exaggeration with a grain of truth, globalization has been called "the twilight of sovereignty" (Wriston 1992, cited in Fukuyama 2011).

deprive citizens in developing countries of the right to move even as they impede growth in already rich countries; to generate agreement to price emissions of heat-trapping gasses and otherwise deal with the high and rising costs of climate change in tropical Africa, India, China, or elsewhere in the developing world.

A related problem is that the current system of global governance lacks the legitimacy of the democratic state, often representing the global elite better than the ordinary citizen, through economic and political power that reinforces rather than tempers the excesses of the global market. Powerful interests sometimes block rules and decisions that would yield benefits for most people (as in the case of regulatory failures in financial markets or immigration or climate) and sometimes impose rules and decisions that violate the larger interests of the majority affected (as in the case of the initial WTO Agreement on the Trade Related Aspects of Intellectual Property Rights [TRIPS] regime).

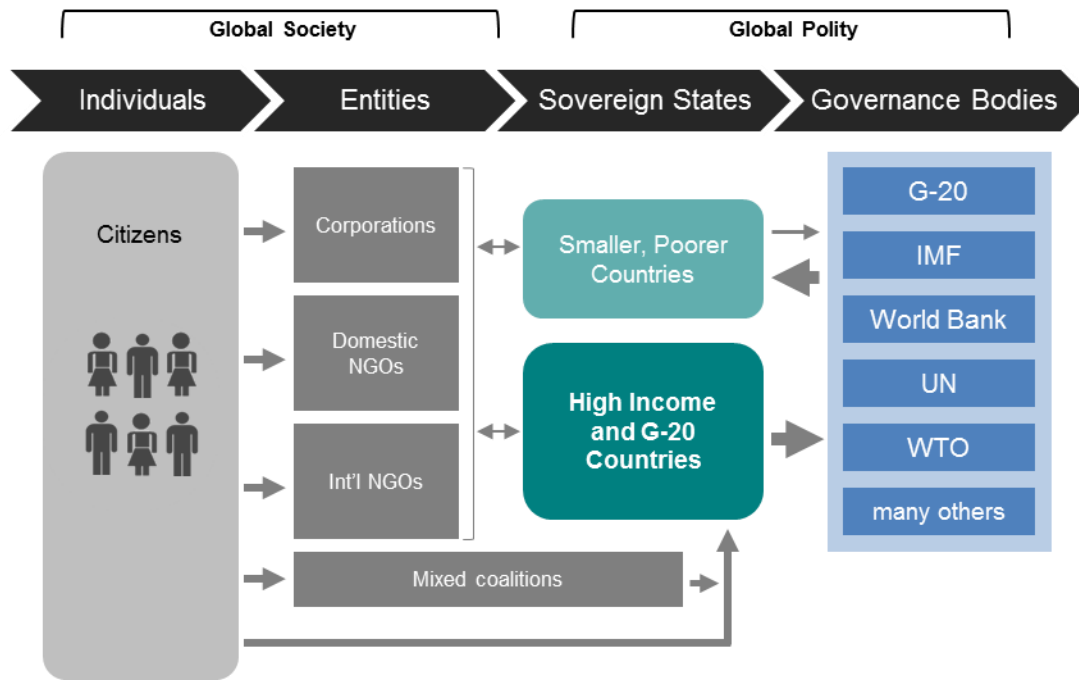
The opening stories illustrate, however, that the system of global governance can be a vehicle for enhancing the interests of ordinary people, by providing voice to people advocating for better rules and policies in countries other than their own. It is in this sense that the ordinary citizen can be better off with than without a system of global governance—and that a stronger and more representative system is desirable.

Figure 2.1 illustrates the relationship between global citizens operating in what might be called “global society” and the “global polity.” Global society consists of a multilayered, complex system of civil society organizations, citizen movements, and single-issue coalitions of state and nonstate actors. These nonstate movements and organizations make up the demand by global society for better rules and policies at the global level.⁴ They work to influence decisions and policies of the sovereign states and the institutions operating at the behest of states, which make up the supply of decision making and rules by the global polity (see, for example, Held 2003; Held and McGrew 2003; Norris 2003). The challenge is to make the supply side—the more and less powerful sovereign states themselves and the clubs and institutions in which sovereign states

⁴ Regional organizations of states, such as the regional development banks or the Chiang Mai Initiative, are thus included.

cooperate—more effective and more responsive to the needs and demands of citizens on the demand side.

Figure 2.1 Global Citizens in Global Society and the Global Polity



3. The Bottom Half: Is the World on the Right Path?

Growth in the last two decades, especially the last decade, has been high in many developing countries. Because China and India together account for so much of the world’s population, and had high rates of poverty two decades ago, their growth has reduced global poverty dramatically. As a result, the typical person in the developing world is immensely better off today than her counterpart of the past. New technologies, better organization, and delivery of services within countries and programs financed by private and public aid have contributed to gains in education, health, and other social indicators that have been faster and more dramatic than gains in income in the decades since the end of World War II (Kenny 2012).

Life has been getting better in other domains as well. In his treatise on the decline of violence over the thousands of years of human history, Steven Pinker (2011b) credits the spread of

“democracy, trade, and international organizations” associated with the end of proxy wars in the developing world; the rights revolution; and “the expansion of international peacekeeping.” In short, what has made the world a better place has been the combination of the state, with its monopoly on legitimate force and its ability to use tax revenue for basic services; the global market and the trading system; and the beneficent effects of globally organized cooperation on not only peacekeeping but smallpox eradication, tariff reduction, and more.⁵

However, for the world’s typical citizen in the developing world, at the median of the distribution of developing world income, life is still harsh. Though her income has risen from perhaps \$1 a day 50 years ago, it is still less than \$3 a day today—well below the estimate of daily income, closer to \$10 a day, associated with a permanent escape from poverty and entry into the secure middle class in developing countries.⁶ This typical citizen is likely to live in a country—Bolivia, China, India, Nicaragua, Nigeria, Tanzania—where though not poor by the international standard of living on less than \$1.25 a day, her ability to hold the state accountable to her as a citizen with rights is limited. Consider the case of the Tunisian Mohamed Bouazizi, who immolated himself when the local police destroyed his vegetable cart, triggering the Arab Spring. He was not poor, but he was not materially secure either, and for him the state was more predator than protector.

In this sense, there is a long way to go in reducing global income inequality. Though China, India, Brazil, many countries in Africa, and other countries in the developing world are now growing faster than countries in the rich world, bringing unconditional convergence in income for the first time in several hundred years, the absolute differences in income between the advanced economies and developing countries—and between the richest and the poorest people wherever they live—are still enormous. Current median household income per capita in the United States is about \$50 a day,⁷ more than 10 times that in the developing world. Relative poverty and indignity are still the reality for at least half the world’s population.

⁵ Pinker refers to “the expansion of people’s parochial little worlds through literacy, mobility, education, science, history, journalism and mass media” (Pinker 2011a).

⁶ The estimate of median daily income is based on Milanovic (2012). On the \$10 line, see Lopez-Calva and Ortiz-Juarez (2011), based on panel data from three countries of Latin America, and Birdsall (2010).

⁷ The estimate is based on median household total money income divided by the mean household size (U.S. Census Bureau 2012).

Assuming that growth is shared equally within each country, so that country distributions of income do not change, projections of country-specific growth for the next 25 years imply a near doubling of the income of the median-income citizen, to more than \$5.⁸ But even with this increase, most people's income will still live well below the level associated with material security. Households with per person income of \$5.20 a day spend 60 percent of their income on food (compared with about 10 percent for the median-income household in the United States). And many will still have only limited political agency in their own countries. If democracy works in countries like India, where people with income of \$5 a day are above the median, their interests and aspirations will be represented reasonably well in the political system. But the reality is that the poor are poorly represented in even the most mature democracies of the advanced economies. In much of the developing world, democracy, where it exists, is fragile, and systems of accountability do not work well.

For the "typical" citizens who follow Bouazizi, much depends on the long-run politics of distribution within their own countries. The politics of distribution, in turn, may well depend on the extent to which the rising middle class sees its interests aligned with those of the poorer, insecure majority rather than the richer elite in its own countries. If the former condition holds, a growing middle class could be key to the institution or state building in the developing world that would sustain the growth of the recent past (see the paper by Dani Rodrik on this website).

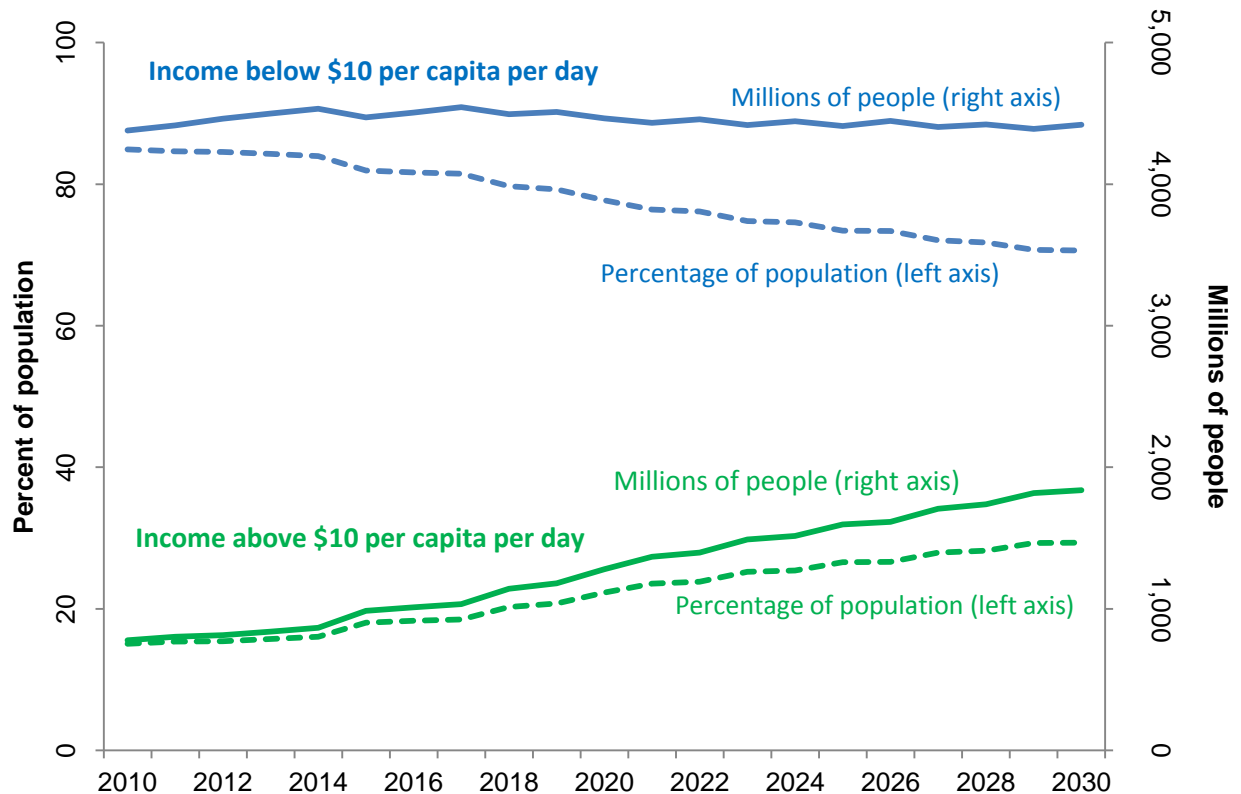
Our projections of income growth imply an increase in the size of the (\$10–\$50) middle class in the developing world from about 15 percent to almost 30 percent of the population (that is, from about 800 million in 2010 to more than 1.9 billion in 2030) (Birdsall, Lustig, and Meyer forthcoming).⁹ Figure 3.1 plots the projected increase in the share of people in the developing

⁸ These estimates are explained in Birdsall, Lustig, and Meyer (forthcoming). They use a simple model to project growth and to rescale the global income and consumption distribution data for 2005 from the World Bank's World Income Distribution (WYD) database. Growth projections rely on a three-factor production model from the Centre d'Études Prospectives et d'Informations Internationales (Foure, Bénassy-Quéré, and Fontagne 2012). They then assume that household income and consumption increase by 70 percent of the real GDP per capita (at purchasing power parity) growth rate. This methodology follows Ahluwalia, Carter, and Chenery (1979) and Dadush and Shaw (2011).

⁹ These numbers refer to the middle class in low- and middle-income countries. Globally, we estimate the middle class to grow from about 1.5 billion in 2010 to 2.6 billion in 2030. This definition of the middle class is based on evidence from Latin America that on average it is at an income or consumption level of \$10 a day that people are relatively secure from falling back into poverty, defined as \$4 or less per day.

world with income of more than \$10 per day (that is, the middle class and the rich) with respect to the poor and the vulnerable (see Birdsall 2012a for an explanation of the income groups).

Figure 3.1 Rise of the Middle Class in Low- and Middle-Income Countries, 2010–30



Source: Birdsall, Lustig, and Meyer forthcoming.

Note: Income distributions for 2005 are rescaled using real GDP per capita growth forecasts, assuming no changes in the distributions.

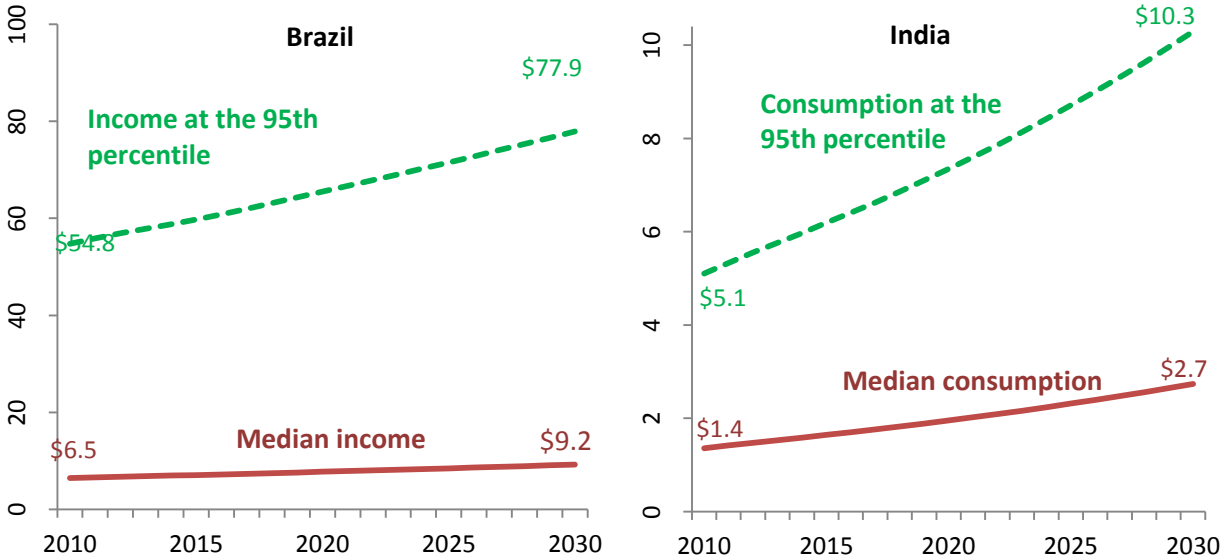
Projections are not predictions, however; they almost surely overstate the extent to which recent trends will persist, both in the level of growth and the distribution of its benefits. The sustained growth in East Asia for more than 40 years relied heavily on increasing manufactured exports—a strategy, as Rodrik points out, that may not be available to current low-income countries. The

The relevant minimum might well be somewhat lower in poorer regions. In a similar exercise, Ravallion (2012) finds that between 2008 and 2015, the number of poor people could decline from more than 1.2 billion people (22.4 percent of the developing world’s population) to a little more than 1.0 billion (16.3 percent of the total population). He assumes distributional changes, whereas Birdsall, Lustig, and Meyer (forthcoming) assume constant 2005 income distributions. Both apply country-level growth projections to baseline poverty data, assuming a pass-through of national accounts growth to survey means.

equally shared growth built into the projections may also be optimistic; the trend since the 1990s of increasing inequality in many (though not all) countries makes the politics of sustaining the free market and globalization itself difficult, especially in the advanced economies, where the middle class in the advanced economies has had little if any increases in its real income over the last two decades.

Most problematic of all is the fact that even equally shared growth across all parts of the income distribution increases the absolute difference in income between the income-secure middle class and the rich (more than \$10) and the poor and vulnerable (under \$10), as shown for Brazil and India in figure 3.2. Within countries, absolute differences can generate increases in the prices of positional goods and in the social tensions associated with high inequality (Frank 1985, 2005). They also imply growing distance between the political clout of the relatively rich compared with the relatively poor. It is impossible to predict how these changes will affect the politics of distribution within countries and the interests and values of the middle class with respect to their poorer citizens or how they will interact with evolving views of the new middle class on global issues.

Figure 3.2 Divergence between Top and Bottom of Income Distribution in Brazil and India, 2010–30 Median daily per capita income or consumption (in purchasing power parity dollars)



Source: Birdsall, Lustig, and Meyer (forthcoming). Note: Income and consumption distributions for 2005 are rescaled using real GDP per capita growth forecasts, assuming no changes in their distributions.

Finally, the rise of the middle class in the developing world, is leading to huge increases in the consumption of energy. In the absence of higher pricing of carbon and the early elimination of the link between energy consumption and carbon emissions, this increase is exacerbating climate problems and could reduce growth itself (see the paper by Andrew Steer on this website).

In short, even healthy rates of growth in the developing world, even equally shared, do not move the bottom half of the world's future population into the secure middle class. They imply continuing high levels of poverty in the relative sense and inequality of outcomes overall, while adding to the risks of climate change.

For the next several decades, the average citizen—a person with median world income—will continue to be mostly a victim or beneficiary of others' actions and decisions, in her own country but also abroad. She may enjoy the benefits of living in a more democratic and accountable state—or not. She may or may live in a fragile or frontline state, where poverty, inequality, and local injustices may lead to civil conflict—or not. Her situation and the rest of the bottom half of the world's population might in itself create risks for other countries around the world—or not.

What does her situation have to do with global governance? The moral challenge for the global “system” is to minimize the risks from abroad she faces—AIDS or other pandemics, a new financial crisis, damage to her natural environment and livelihood caused by climate change—and to maximize, to the limited extent possible from outside, her opportunities for a better life. Projections of growth rely in part on the assumption that the current institutional arrangements for managing the global economy will continue to play this role, at least to the extent they have up to now. The next section suggests that demand that they do so is growing.

4. Norms Not Politics: Global Citizens and the Demand for Better Global Governance

Consider a simple model of citizens' demand for “global governance” in the form of a better or better-managed globalization. Individual demand takes the form of interest in and advocacy of policies that maximize positive global spillovers and minimize negative ones, both within individuals' own countries and in supranational institutions.

Demand for better managed globalization is difficult to observe directly. However, it is possible to observe aspects of “globality,” or global consciousness, at the individual level in at least three

forms: awareness of the global forces that affect one's life, at home or abroad; an attitude accepting or internalizing some rights and responsibilities in the face of those forces as a global citizen and the logic of nations cooperating through international institutions; and activism or lobbying at some level for changes in policies and practices at home or abroad to alter those global forces. Over time, an increase in these three As (awareness, attitude, activism) on the part of individuals could be viewed as the natural outcome of cheaper and faster communications across borders and cheaper and more reliable transportation, which provide new opportunities to work, live, study, and vacation outside one's own country. They also bring increased exposure and vulnerability to global forces: global financial crises, wage competition, climate change, cyber-warfare, terrorism, drug trafficking, and so on. Across individuals, at any one time, education, exposure to media, income, childhood travel, living outside one's country of birth, and sector of work are likely to be associated with one or more of the three As.

The identification of greater global consciousness of individuals in terms of awareness and attitude is different from the concept of "cosmopolitanism" or "cosmopolitan citizens" proposed by Pippa Norris and Ronald Inglehart, for example (Norris and Inglehart 2009). Norris defines cosmopolitans in terms of personal identity and contrast it with "nationalists" (Norris 2003). Cosmopolitans are understood as identifying more broadly with their continent or with the world as a whole than with their country, and in particular as having greater faith in regional and global institutions of global governance than do nationalists, who identify primarily with their own country.

I take the view that the AAA of individual globality need not substitute for—indeed, can enhance—national identity.¹⁰ And I prefer to treat institutions of global governance not as an indicator of individuals' global consciousness but as an outcome of demand for policies and practices relevant to managing globalization (as in figure 2.1), both because global AAA need not reduce an individual's primary identity with her country (or local community) and because demand, as proxied by AAA citizens, may well be for changes in national policies in their own

¹⁰ Mayda and Rodrik (2005) cite Smith and Jarkko (1998, p. 1) as noting that "national pride is not incompatible with cosmopolitanism (literally being a 'world citizen')." I allow for the possibility that identifying primarily with one's own country is not incompatible with a high degree of global consciousness in terms of awareness, attitude, or activism.

countries that affect global forces, fully independent of confidence or lack thereof in another regional or global institution.¹¹

The most comprehensive country coverage in a single set of surveys of global awareness and attitudes comes from the World Values Survey, which covers up to 70 countries in a series including 1981–84 and four additional waves that are publicly available.¹²

Awareness and Attitudes

Survey questions regarding supranational identity and world citizenship provide some insight into the extent and possible future trend of individuals' awareness of global interdependence.¹³ Table 4.1 summarizes the results of simple tabulations of the responses to these two questions. Supranational identity (most recently asked in wave 4 of the surveys, covering 1999–2004) is defined as the percentage of respondents answering “world” as their primary identity given the choices locality, region, country, continent, or world. About 11 percent did so; there is some association with being younger and better educated and a possible association with higher relative income within one's own country. The figure rises to 12–16 percent if “world” as a second choice is counted (not shown in table). The responses for the United States were particularly high, second only to Moldova among the more than 50 countries for which these data are available, at 20 percent for world as first choice and 33 percent as second choice.

Almost 30 percent of all respondents asked the question “Do you see yourself as a world citizen?” (2005–07) “strongly agreed” that they did (in this case, respondents did not need to rank seeing themselves as a world citizen against seeing themselves as citizens of their own country).

¹¹ In the long run, confidence in global institutions could be a determinant of globally oriented activism at some level (for example, as a result of the effect of global institutions on welfare at the national level). That effect is likely to be greater in weak and poor countries, where welfare is more likely to be affected by global institutions' practices, as suggested by the opening story of the Ghanaian testifying at a U.S. Congressional hearing. However, even in these countries, the role of global institutions in affecting real long-term welfare is limited compared with the role of national policies and conditions, as most studies of the impact of outside aid, trade, anticorruption and other policies conclude. A possible exception is UN peacekeeping in countries like Somalia and Liberia.

¹³ This section is based on Birdsall and Meyer (forthcoming).

Table 4.1 Awareness of Global Citizenship, by Socioeconomic Characteristic
(percent of survey respondents)

<i>Characteristic</i>	<i>Supranational identity^a</i>	<i>World citizen^b</i>
Total	10.6	28.6
<i>Age</i>		
15–29	13.5	31.6
30–49	11.0	28.7
50 and over	7.4	25.4
<i>Gender</i>		
Male	11.4	29.4
Female	9.9	27.8
<i>Size of town</i>		
Small (< 50,000)	8.7	26.9
Large (≥ 50,000)	13.6	29.7
<hr/>		
<i>Highest education level attained</i>		
Incomplete elementary	6.3	31.5
Complete elementary	8.3	27.1
Incomplete lower secondary	8.8	27.9
Complete lower secondary	10.3	26.6
Incomplete higher secondary	11.1	27.6
Complete higher secondary	11.5	27.8
Incomplete tertiary	15.1	29.6
Complete tertiary	15.5	30.7
<i>Income decile</i>		
1	11.3	32.1
2	9.9	27.6
3	9.4	26.1
4	10.2	26.6
5	9.9	28.2
6	10.5	29.5
7	10.3	29.2
8	12.6	30.0
9	11.7	28.9
10	14.6	32.2

Source: Author's calculations, based on data from wave 4 (1999–2004) and wave 5 (2005–07) of the European and World Values Surveys.

Note: Figures show results for full sample of all countries in each wave. Observations are weighted using integrated N-preserving weights.

a. Percentage of respondents reporting “world” as first choice in question G.001 in wave 4: “To which of these geographical groups would you say you belong first of all? Locality, Region, Country, Continent, World.”

b. Percentage of respondents responding “strongly agree” in question G019 in wave 5: “People have different views about themselves and how they relate to the world. Using this card, would you tell me how strongly you agree or disagree with each of the following statements about how you see yourself? I see myself as a world citizen.”

On a question about the degree of confidence in the United Nations, 58 percent in the 1994–99 wave and 50 percent in the 2005–06 wave were positive, suggesting not only awareness but acceptance of the idea of an international institution (Birdsall and Meyer forthcoming).

These results are consistent with largely favorable ratings of the United Nations, the IMF, and the World Bank in other surveys conducted over the last decade. In France, Germany, and the United States, for example, more than half of respondents had favorable views because “many global problems can’t be solved by a single country” (Pew Global Attitudes Project 2009, 2011 and German Marshall Fund 2005, cited in Council on Foreign Relations 2011).

Columns 1 and 2 of table 4.2 presents the results of ordered logit regressions of these two responses, controlling for respondent-level characteristics and including country fixed effects. For both questions, a higher level of education is significantly and strongly associated with a higher probability of identifying as a world citizen. Based on the regression results, panel a of figure 4.1 plots the predicted share of respondents who strongly identify as a world citizen for different levels of education. The relationships with age and relative income are weaker, though respondents at the upper end of the income distribution are somewhat more likely to identify with the world and to describe themselves as world citizens. Respondents with daily household per capita income of more than \$10 (who are likely to be in the income-secure middle class and who are without doubt in the top half of the global distribution of income) are significantly more likely to identify themselves as world citizens (based on Branko Milanovic’s World Income Distribution dataset [see Birdsall and Meyer forthcoming]).¹⁴ Finally, in separate regressions for

¹⁴ The dataset is available at <http://go.worldbank.org/2PYY9EMYI0>.

low-, middle-, and high-income countries, education continues to matter, with the magnitude of the resulting probability of yes answers greatest for the high-income countries (not shown).¹⁵

Table 4.2 Ordered Logit Regressions Results on Awareness of Global Citizens

<i>Variable</i>	<i>Supranational identity^a</i>	<i>World citizenship^b</i>
<hr/> <i>Gender</i>		
Female	-0.171*** (0.0191)	-0.0239 (0.0255)
<hr/> <i>Highest education level attained</i>		
Completed primary	0.137* (0.0552)	0.0604 (0.0621)
Incomplete lower secondary	0.267*** (0.0696)	0.181** (0.0683)
Complete lower secondary	0.340*** (0.0618)	0.197** (0.0678)
Incomplete higher secondary	0.427*** (0.0833)	0.209* (0.0887)
Complete higher secondary	0.555*** (0.0726)	0.295*** (0.0719)
Incomplete tertiary	0.682*** (0.0723)	0.441*** (0.0701)
Complete tertiary	0.832*** (0.0889)	0.483*** (0.0726)
<hr/> <i>Age</i>		
30–49	-0.0900** (0.0287)	-0.0232 (0.0338)
50 and older	-0.308*** (0.0464)	-0.0417 (0.0482)
<hr/> <i>Decile of income distribution</i>		
2	-0.119* (0.0542)	-0.0718 (0.0532)
3	-0.118* (0.0580)	-0.0995 (0.0622)
4	-0.0713 (0.0562)	-0.0573 (0.0658)
5	-0.0367	0.0350

¹⁵ The results for world citizenship are smaller and less statistically robust in middle-income countries.

	(0.0637)	(0.0605)
6	-0.0268	0.0320
	(0.0654)	(0.0718)
7	-0.0272	0.0251
	(0.0698)	(0.0764)
8	0.0440	0.0136
	(0.0666)	(0.0833)
9	0.0718	-0.0105
	(0.0649)	(0.0955)
10	0.218**	0.138
	(0.0793)	(0.0967)

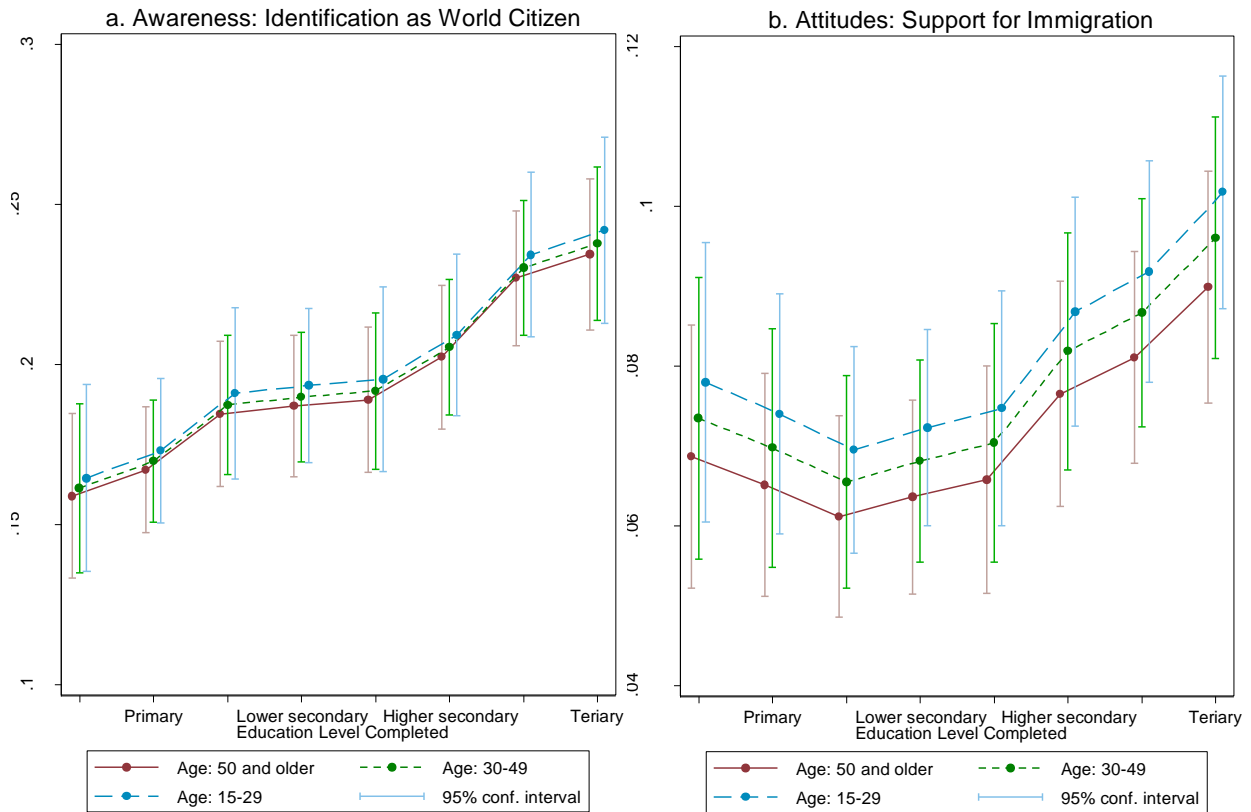
Sample size	80,552	58,764
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Source: Birdsall and Meyer (forthcoming), based on data from wave 4 (1999–2004) and wave 5 (2005–07) of the European and World Values Surveys.

Notes: Table shows ordered logit results with country dummies and country fixed effects. Lowest level of each dummy omitted. Robust standard errors, clustered at the country level, are in parentheses. * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$.

- a. Based on responses to question in wave 4: “To which of these geographical groups would you say you belong first of all? Locality, Region, Country, Continent, World.”
- b. Based on responses to question in wave 5: “People have different views about themselves and how they relate to the world. Using this card, would you tell me how strongly you agree or disagree with each of the following statements about how you see yourself? I see myself as a world citizen.”

Figure 4.1 Predicted Probabilities of Strongly Identifying as World Citizen and Strongly Supporting Immigration, by Education and Age



Source: Birdsall and Meyer (forthcoming), based on data from wave 5 (2005–07) of the European and World Values Surveys.

Note: Figures show adjusted predictions, holding all independent variables at their means. Calculations are based on ordered logit regressions in table 4.2. Robust standard errors are clustered at the country level. Ranges show 95 percent confidence interval.

The question about world citizenship was asked only in the most recent wave of the World Values Surveys. In contrast, the question about supranational identity was asked in waves 1–4 (1981–2004). Comparing cross-sections over time in a constant sample of countries reveals no clear trend in the overall responses. However, the responses to the questions on world citizenship and supranational identity imply that awareness increased over time and that with continuing gains in education in developing countries it will continue to increase. It is possible that the age effect is a life-cycle rather than a generational one and that the effect of education is related to relative rather than absolute years of schooling. But cohort and trend analysis of age effects in

election surveys in nine Western societies over several decades indicates that age effects were indeed intergenerational, reflecting a marked shift to what Inglehart calls “postmaterialist” values among people who grew up after World War II (Inglehart 1971, 1997, 2008; Inglehart and Baker 2000).¹⁶

To go beyond awareness to an indication of attitudes relevant to global interdependence, we consider questions on immigration (2005–07), economic aid to poorer countries (1999–2004), and the global environment (2005–07). Table 4.3 provides simple tabulations of these results.

Table 4.3 Attitudes toward Immigration, Global Warming, and Economic Aid, by Socioeconomic Characteristic
(percent of survey respondents)

<i>Characteristic</i>	<i>Immigration^a</i>		<i>Global warming^b</i>		<i>Economic aid^c</i>	
	<i>Full sample</i>	<i>High income</i>	<i>Full sample</i>	<i>High income</i>	<i>Full sample</i>	<i>High income</i>
Total	13.3	6.8	60.0	60.5	52.9	60.1
<i>Age</i>						
15–29	16.1	9.4	59.6	61.3	56.2	68.8
30–49	13.0	7.3	61.0	61.7	51.9	57.9
50 and older	10.9	5.2	59.2	59.0	50.4	56.0
<i>Gender</i>						
Man	13.6	7.1	59.4	58.1	52.0	59.1
Woman	13.0	6.6	60.6	62.7	53.8	61.0
<i>Size of town</i>						
Small (< 50,000)	13.7	6.0	58.9	60.7	55.9	66.2
Big (≥ 50,000)	15.3	10.9	60.1	61.6	51.8	59.6
<i>Highest education attained</i>						
Incomplete elementary	21.7	6.1	55.6	52.1	56.9	70.6
Complete elementary	12.8	5.9	55.5	58.2	51.7	61.3
Incomplete lower secondary	17.4	6.1	59.6	62.1	50.7	50.5
Complete lower secondary	11.6	4.5	58.2	57.1	49.5	54.0

¹⁶ The measure of postmaterialist values is based on respondents’ choice of goals among a set designed to tap economic and physical security on the one hand and self-expression and the nonmaterial quality of life on the other. The result is similar to that first reported by Easterlin (1995) and more recently reported in surveys of well-being, namely of diminishing (though not to zero) returns to increases in personal income. See Kahneman and Deaton (2010), Graham (2012), and Stevenson and Wolfers (2008).

Incomplete higher secondary	10.0	5.9	61.6	59.6	49.9	52.8
Complete higher secondary	10.1	6.9	60.9	62.4	52.8	58.9
Incomplete tertiary	11.2	8.5	66.5	63.9	54.0	60.6
Complete tertiary	11.7	10.0	66.3	63.6	58.1	69.1

Income decile

1	15.1	7.7	60.7	61.5	56.1	63.4
2	14.8	5.9	60.0	61.3	55.0	62.4
3	12.5	5.6	60.3	60.7	53.1	56.5
4	12.2	5.5	60.4	58.9	49.7	61.3
5	13.5	6.8	60.2	60.1	51.0	62.4
6	13.7	6.7	57.3	57.8	53.9	54.0
7	13.5	8.6	56.4	59.9	52.6	57.8
8	13.3	7.5	58.7	60.9	49.8	54.0
9	12.5	8.4	61.1	63.2	48.0	56.1
10	13.1	9.3	62.9	62.7	50.9	62.2

Source: Author’s calculations, based on data from wave 4 (1999–2004) and wave 5 (2005–07) of the European and World Values Surveys.

Notes: “Full sample” refers to full sample in each World Value Survey wave. “High income” is a subsample based on the World Bank country classification. Observations are weighted using integrated *N*-preserving weights.

a. Responses to wave 5 question: “How about people from other countries coming here to work. Which one of the following do you think the government should do?” Percentage refers to respondents answering “let anyone come.”

b. Responses to wave 5 question: “Now let’s consider environmental problems in the world as a whole. Please, tell me how serious you consider each of the following to be for the world as a whole. Is it very serious, somewhat serious, not very serious or not serious at all? Global warming or the greenhouse effect.” Percentage refers to respondents answering “very serious.”

c. Responses to wave 5 question: “Some people favor, and others are against, having this country provide economic aid to poorer countries. Do you think that this country should provide more or less economic aid to poorer countries? Would you say we should give...” Percentage refers to respondents answering “a lot more than we do now” or “more than we do now.”

Asked about immigration policy, a relatively high 13 percent of respondents would “let anyone come” from another country; 41 percent would let immigrants come “as long as jobs are available.”

Attitudes toward aid are even more positive. A majority of respondents in all countries surveyed favored providing more economic aid to poorer countries, and 16 percent favored providing “a lot more” aid. Support was even greater in a subsample of rich countries, where about 60 percent of all respondents and almost 70 percent of respondents 15–29 favored providing more aid to poorer countries. In other surveys, overall support for economic aid was even greater. In 17 of 20

developed countries, more than 80 percent of respondents said they had “a moral responsibility to work to reduce hunger and severe poverty in poor countries”; in only three developing countries were the percentages lower than 80 percent (72 percent in India, still high, and 54 percent in Russia (World Public Opinion 2008, as cited in Council on Foreign Relations 2011). Majorities of people polled in eight advanced economies were willing to finance the cost of achieving Millennium Development Goal 1 (eradicating extreme poverty and hunger), as long as other countries pulled their weight.

Large majorities in all 25 advanced and developing countries surveyed in a global poll judged global warming to be a “serious” problem (majorities in 15 of 25 found it to be a “very serious” problem). In the same survey, majorities in 23 of 25 countries agreed that “dealing with the problem of climate change should be given priority, even if it causes slower economic growth and some loss of jobs” (Pew Research Global Attitudes Project 2009, as cited in Council on Foreign Relations 2011).

Table 4.4 Ordered Logit Regressions Results on Attitudes of Global Citizens

<i>Variable</i>	<i>Immigration^a</i>	<i>Global warming^b</i>	<i>Economic aid^c</i>
<i>Gender</i>			
Female	-0.0175 (0.0202)	0.0788* (0.0342)	0.0504 (0.0360)
<i>Highest education level attained</i>			
Completed primary	-0.0561 (0.0467)	0.157* (0.0632)	-0.0778 (0.0939)
Incomplete lower secondary	-0.124 (0.0762)	0.308*** (0.0651)	-0.0759 (0.109)
Complete lower secondary	-0.0818 (0.0586)	0.408*** (0.0539)	-0.173 (0.0904)
Incomplete higher secondary	-0.0459 (0.0603)	0.448*** (0.0618)	-0.154 (0.0981)
Complete higher secondary	0.117* (0.0554)	0.497*** (0.0648)	-0.0942 (0.0848)
Incomplete tertiary	0.180* (0.0828)	0.750*** (0.0855)	-0.129 (0.112)
Complete tertiary	0.293*** (0.0806)	0.765*** (0.0795)	0.0432 (0.117)
<i>Age</i>			
30–49	-0.0639* (0.0274)	0.102*** (0.0279)	-0.155*** (0.0431)
50 and older	-0.137*** (0.0406)	0.105** (0.0378)	-0.242*** (0.0511)
<i>Decile of income distribution</i>			
2	0.0146 (0.0565)	-0.0354 (0.0769)	-0.123 (0.0737)
3	-0.0437 (0.0498)	-0.0183 (0.0890)	-0.186** (0.0674)
4	0.000514 (0.0479)	-0.0186 (0.0888)	-0.284*** (0.0805)
5	0.0278 (0.0465)	0.0229 (0.0855)	-0.322*** (0.0740)
6	0.0859 (0.0492)	-0.0837 (0.0998)	-0.205* (0.0870)
7	0.158* (0.0618)	-0.0946 (0.0948)	-0.201 (0.104)
8	0.108 (0.0727)	-0.0415 (0.0969)	-0.263** (0.0933)

9	0.251*** (0.0662)	-0.0899 (0.0979)	-0.180 (0.0944)
10	0.369*** (0.0735)	-0.129 (0.130)	-0.152 (0.101)
Sample size	61,476	56,630	28,667

Source: Birdsall and Meyer (forthcoming), based on data from wave 4 (1999–2004) and wave 5 (2005–07) of the European and World Values Surveys.

Notes: Table shows ordered logit results with country dummies and country fixed effects. Lowest level of each dummy is omitted. Robust standard errors, clustered at the country level, are in parentheses. * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$.

a. Based on responses to wave 5 question: “How about people from other countries coming here to work. Which one of the following do you think the government should do?”

b. Based on responses to wave 5 question: “Now let’s consider environmental problems in the world as a whole. Please, tell me how serious you consider each of the following to be for the world as a whole. Is it very serious, somewhat serious, not very serious or not serious at all? Global warming or the greenhouse effect.”

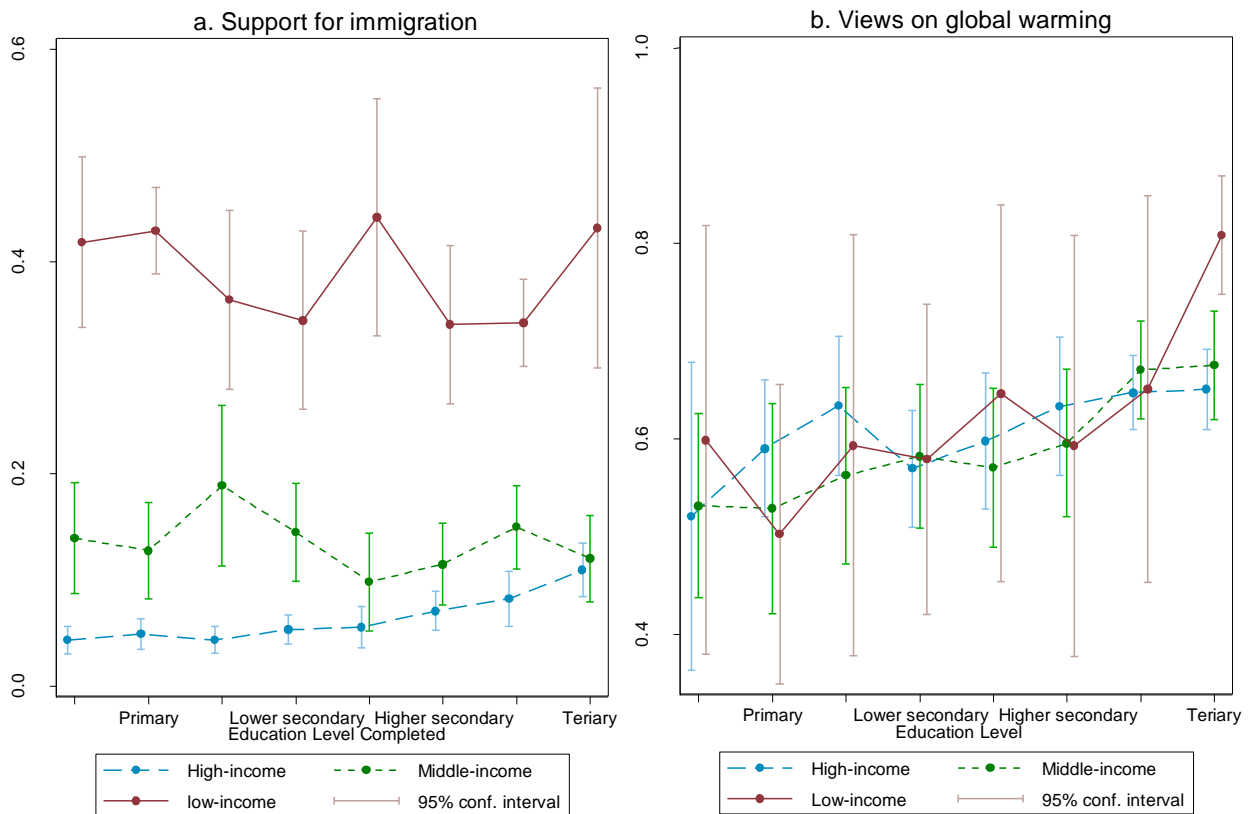
c. Based on responses to wave 4 question: “Some people favor, and others are against, having this country provide economic aid to poorer countries. Do you think that this country should provide more or less economic aid to poorer countries? Would you say we should give...”

Table 4.4 summarizes the results of ordered logit regressions on measures of attitude with country fixed effects. For the questions on support for immigration and the seriousness of global warming, there are strong and significant associations with higher levels of education (see figure 4.1). For all three questions, there is some association with younger age. Respondents at the top of their countries’ income distributions are more favorable to immigration; there is no similarly clear relationships between relative income and attitudes on global warming or economic aid.¹⁷

¹⁷ Using surveys from the late 1990s conducted as part of the International Social Survey Programme (ISSP), Mayda and Rodrik (2005, p. 1416) find that “pride in a country’s democracy is positively correlated with pro-trade attitudes.” In this sense, an attitude seen as global is associated with identification with one’s own country’s characteristics. Mayda and Rodrik interpret this finding as indicating that trade is less threatening to individuals who have confidence in their country’s political and economic institutions. They also report that pride in a country’s political influence in the world is negatively associated with a pro-trade attitude. In a comprehensive study of individual attitudes toward immigration using data from the World Values Survey and the ISSP, Mayda (2006) finds that younger respondents, respondents in urban areas, and better-educated respondents show stronger support for immigration. She finds that real income does not affect immigration preferences in the ISSP survey but that relative income has a positive impact on support for immigration in the World Values Survey.

In separate regressions for low-, middle-, and high-income countries, education is strongly associated with more positive attitudes on immigration in high-income countries but not as clearly in developing countries.¹⁸

Figure 4.2 Probabilities of Strongly Supporting for Immigration and Believing that Global Warming Is a Very Serious Threat, by Income and Education



Source: Birdsall and Meyer (forthcoming), based on data from wave 5 (2005–07) of the European and World Values Surveys.

Note: Figures show adjusted predictions, holding all independent variables at their means, based on three separate ordered logit models of subsamples for low-, middle- and high-income countries. Income groups follow World Bank classifications. Results include a respondent-level dummy for gender. Standard errors are clustered at the country level. Ranges show 95 percent confidence interval.

In middle- and particularly low-income countries, education at the tertiary level is associated with a higher probability of concern about global warming; in high-income countries, where

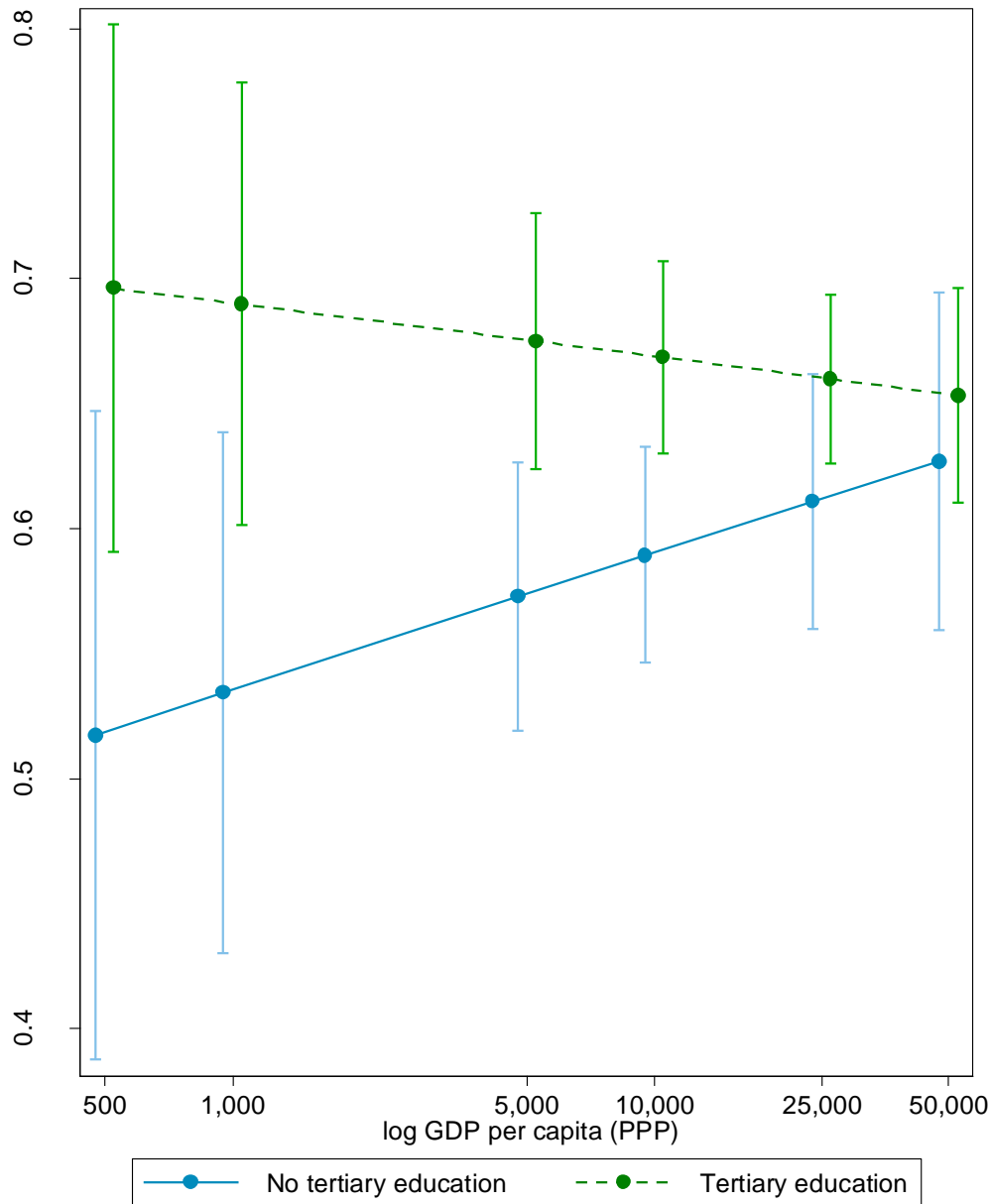
¹⁸ These findings mirror earlier findings by Mayda (2006), who shows that education is positively correlated with proimmigration attitudes in richer countries but negatively correlated with proimmigration attitudes in poorer countries. Her findings are robust in several specifications and hold in the ISSP and World Values Survey datasets.

overall levels of concern are about the same as in poorer countries, education has no particular effect. In one of the few statistically robust results associated with gender, women in high-income countries are more likely than men to be concerned about global warming, perhaps because they are more likely than men to take into account the risks to their children and grandchildren. In all three groups of countries, if anything, education seems to reduce pro-aid attitudes, especially for people with less than completed secondary education compared with people with no education at all.

A test of the effect of tertiary education without country dummies on concern about global warming indicates that the education effect is statistically robust and substantial in magnitude. Respondents with tertiary education are significantly more concerned than respondents without tertiary education, with the gap narrowing with increasing country GDP per capita (figure 4.3). Overall, concern about climate change also appears to be positively associated with country GDP per capita, though the relationship is not statistically significant. (In country cross-sections, demand for local environmental services such as antipollution controls and increased habitat protection does not seem to kick in until GDP per capita reaches at least \$10,000; concern about global warming could be independent of income altogether and might not have any income relationship to willingness to accept costs of dealing with it.¹⁹)

¹⁹ There is a large body of literature on the environmental Kuznets curve; see Stern (2004) for a good overview of the debate. Using the World Values Survey data, Dunlap and York (2008) find no clear relationship between country income and environmental concern. Torgler and Garcia-Valiñas (2005) offer a comprehensive analysis of individual-level determinants of environmental concerns using World Values Survey data for Spain.

Figure 4.3 Probability of Viewing Global Warming as a Very Serious Threat, by Income and Education



Source: Birdsall and Meyer (forthcoming), based on data from wave 5 (2005–07) of the European and World Values Surveys.

Note: Results are based on an ordered logit model with tertiary education dummy and continuous log GDP per capita (PPP), fully interacted. They include a control for gender. Standard errors are clustered at the country level. Ranges show 95 percent confidence interval.

For the questions on immigration and economic aid, we again tried to identify trends using various waves of the World Values Survey. Using the same ordered logit models with country

fixed-effects as described in table 4.2 and adding dummy variables for consecutive waves did not reveal clear trends.²⁰ The absence of evidence for a trend does not in itself mean there has been no trend; the framing of the questions, changes in economic and other circumstances, and the changing sets of countries included in various waves could obscure any trend. Most of the questions regarding awareness and attitudes are poor measures of demand in any event, to the extent that there is no clarity about any budget constraint or tradeoff respondents may or may not have had in mind.

What is the bottom line? With attitudes as with awareness (and the distinction is not a clear one), the likelihood of growing support as well as awareness is built into the age and education results in the cross-sections. Most people view the Arab Spring as having been triggered by “exponential technology” (Diamandis and Kotler 2012)—the kind of information and communication made possible through Facebook, which clearly reached more people with less education and income faster than would have been possible 20 years earlier. The growing proportion of young people in developing countries (at least for the next decade); the continuing emphasis on increasing access to education; projected increases in the size of the middle class (reaching 30 percent in many middle-income countries by 2030); and the high levels of financial, commercial, and social interdependence among countries (supply chains, food and toy standards, weather and disease monitoring) all suggest that the surprise would be a lack of increase in awareness of global issues. What the survey results show is that more educated and younger people are not only more aware but also more supportive of policies in their own countries that would be more friendly to people elsewhere. The surprise would be to observe a decline in the implicit demand for better governance of globally relevant challenges.²¹

At the same time, the survey results suggest that awareness of interdependence and support for policies to deal better with interdependence is a product of at least some postsecondary education. Support is increasing, but from a relatively low base in the developing world, where it is probably confined to the income-secure middle class. In Latin America, the median number of

²⁰ We tried to identify trends using both a constructed constant sample of countries across waves and a changing sample. In both approaches, time dummies were statistically significant, but not in any order suggesting a consistent trend.

²¹ The surveys do not give respondents anything that could be said to represent a budget constraint, so I use the word *demand* here in the colloquial rather than the economic sense.

years of schooling of people living on \$5 a day today—our projected daily per capita income for the median-income person in the world in 2030—is only about six (Birdsall 2012a).

Households in which an adult has university education—and may have demonstrated demand for more globally friendly policies in her own and other countries—enjoy income that is 5–10 times greater than the median. But even in middle-income Latin America, in 2009–10, only about 14 percent of households included an adult with completed tertiary education.²²

On the positive side, education and age effects are consistent with the observation that it is often university students who take to the streets and call for change. Income growth in the developing world is propelling university attendance. Though limited to a small segment of the population (and by what are often the more parochial interests of people with more education and income to preserve their own privileges), awareness of global interdependence is surely rising. The question is whether this awareness will be translated into supportive attitudes and affect politics and policies in middle-income countries.

In short, worldwide surveys indicate that citizens everywhere are becoming more aware of the implications of a global market and global interdependence more generally; in the advanced economies in particular, they are becoming more conscious of what might be viewed as their responsibilities as global citizens. These views are less likely to be shared by people in developing countries in the bottom half of the world's distribution of income. But if and when they and their children benefit from higher income and better access to education, at the least they will be more aware of the benefits and risks of participation in an increasingly global economy.

Activism

At the individual level, awareness and attitudes as measured crudely above can be thought of as prefatory to activism. At the same time, activist movements may be central to increasing

²² This figure is the unweighted average of Brazil, Chile, Costa Rica, the Dominican Republic, Honduras, and Mexico in 2008/09. The quality of those estimates varies greatly by country, although a harmonized definition was used. Own estimates, based on data from the Socio-Economic Database for Latin America and the Caribbean (CEDLAS and World Bank 2012).

awareness and changing attitudes, by mobilizing individuals who otherwise would not have become engaged.

The decline in the costs of communication and information in just the last 10 years as a result of the mobile phone has almost surely increased awareness of global interdependence everywhere, perhaps even among people in the bottom half of the world's income distribution. However, the "typical" person in the bottom half of the world's income distribution is much less likely to have the time or tools to participate or the sense of political agency that invites activism. For these people, the costs relative to the benefits of activism are far higher. Such people may have supported the protests at Tahrir Square in Egypt in 2011—but the survey analysis suggests they did not participate in them.

Citizen activism is fueled by the educated and relatively secure middle class, as it was in 19th century Europe. In the early 19th century, antislavery advocates organized into societies and associations, initially within their own borders but eventually crossing geographical boundaries as the movement assumed a transnational form. A variety of other movements emerged during this time, from peace groups lobbying at international conferences to civil society associations focused on trade issues to the International Committee of the Red Cross, which advocated for the protection of lives and the dignity of victims of armed conflict (see Florini 2000). A 1963 study of international cooperation in Europe in the 19th century identified 450 private and nongovernmental international organizations and nearly 3,000 international gatherings (Savedoff 2012, who cites Berridge, Loughlin, and Herring 2009, who refer to a study by Frances Stewart Lyons).

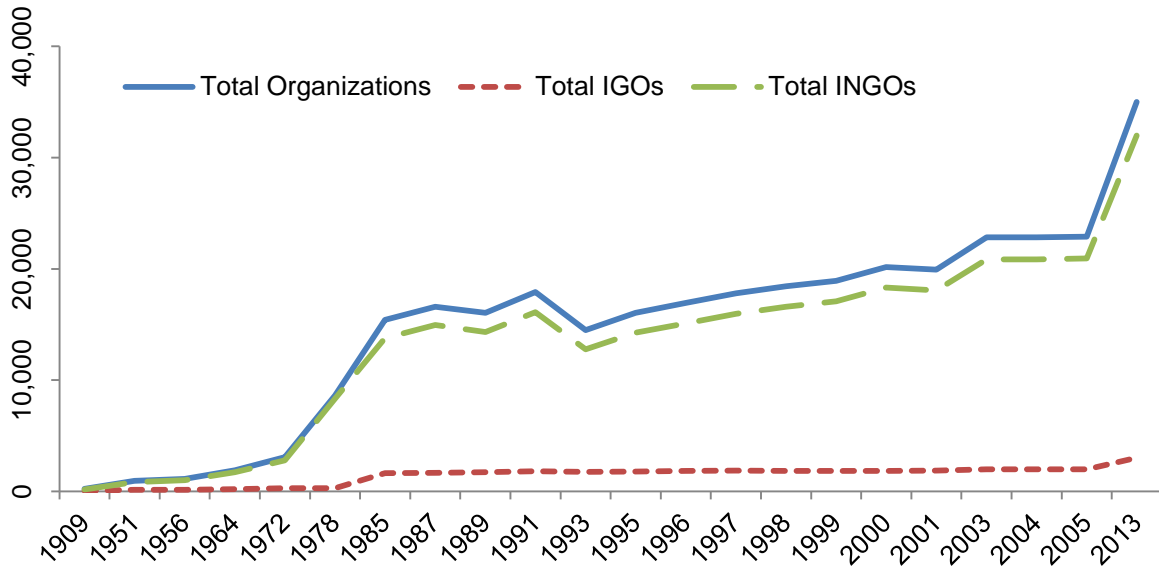
International movements sometimes gained nation-states as allies—Great Britain, for example, used its naval power to discourage the slave trade—resulting in what Savedoff (2012) calls "mixed coalitions" of private and public advocacy (as shown in figure 2.2). In the 20th century, philanthropic organizations became advocates for social and political change; the Rockefeller Foundation—the Bill & Melinda Gates Foundation of its day—provided up to half of the budget of the League of Nations Health Office between the wars (Weindling 1995, as cited by Savedoff 2012).

After World War II, the number of civil society and mixed coalition movements operating at the international level increased again, from an estimated 200 in 1909 to more than 35,000 in 2013, with a marked acceleration in the early 1970s and after 2005 (figure 4.4). The increase in the number of official intergovernmental organizations (such as the IMF and WTO) to about 3,000 today pales in comparison. The number of well-organized and well-funded NGOs that have made the effort to obtain “consultative status” from the United Nations (enabling them to send representatives to UN consultations and conferences) grew from a handful 50 years ago to about 3,500 today, with a marked acceleration in the late 1990s.²³ This growth was not confined to high-income countries: between 1995 and 2011, their numbers increased nearly fivefold in Asia and eightfold in Africa (figure 4.5).

²³ These figures are from the Global Policy Forum, based on data from the United Nations Department of Economic and Social Affairs. Categories are determined by the UN Economic and Social Council (ECOSOC). “General consultative status” is reserved for larger international NGOs that cover most of the issues on the agenda for ECOSOC and its subsidiary bodies; these NGOs tend to have broad geographical reach. “Special consultative status” is for NGOs that cover only a few of the fields of activity of the ECOSOC; these NGOs tend to be smaller and more recently established. “Roster status” is for organizations with a narrow or technical focus that do not cleanly fit into the other categories.

Figure 4.4 Number of Active Intergovernmental and International Nongovernmental Organizations, 1909–2013

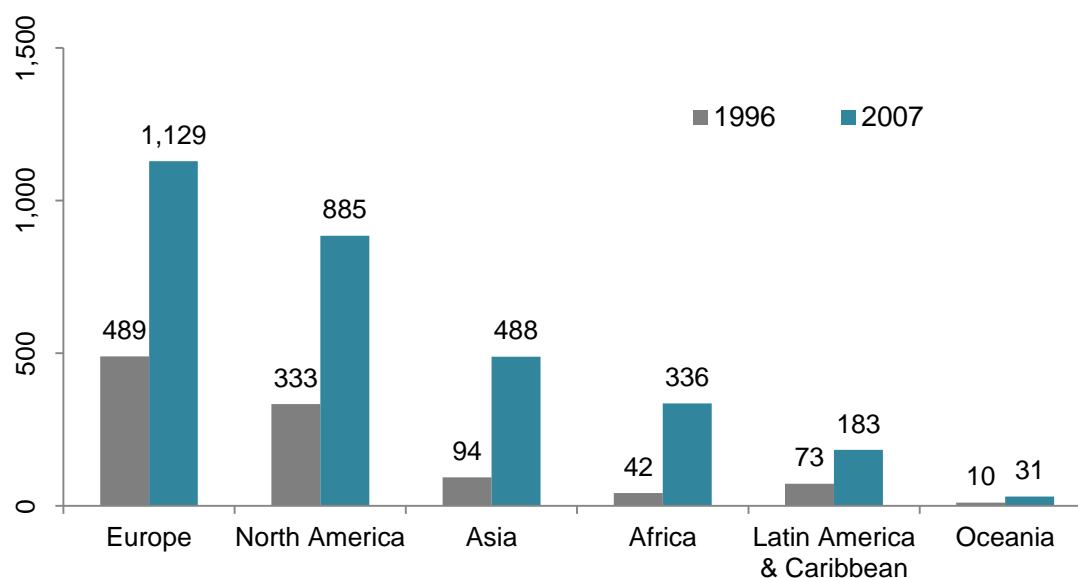
Number of active NGOs



Source: Union of International Associations 2012.

Note: Figures include organizations classified by the UIO as types A–G; for 2013, the breakdown of IGO/NGOs is estimated from the total number of active organizations.

Figure 4.5 Number of Nongovernmental Organizations with UN Consultative Status, by Region, 1996 and 2007



Source: Global Policy Forum, based on data from UN Department of Economic and Social Affairs.

The information and communications revolution is generating new platforms for citizen engagement and advocacy, dramatically reducing the cost of participation and raising the potential for participation to make a difference on the ground and through policy change. This potential is no longer confined primarily to people in high-income countries. Of the 1 billion monthly use active users of Facebook (as of December 2012), 82 percent were outside the United States and Canada; Jakarta is one of the top three cities in terms of Twitter (Semiocast 2012). These platforms provide the basis for hundreds of new virtual organizations. Users of Change.org, a petition platform launched in 2007, grew from 1 million in 2010 to 25 million in 2012. Facebook Causes has had 1 billion “actions taken” by 153 million people. Avaaz, a global web movement that seeks to “bring people-powered politics to decision-making everywhere” has had 50 million “actions” and raised \$15 million since its online launch in 2007.²⁴

²⁴ A more recent online movement is Globalsolutions.org, with nearly 60,000 members who “want the United States to take a responsible and cooperative role in the world.” Since its creation in 2012, the movement has run campaigns to protect the rights of the disabled, include a climate change debate in the

Citizen activism (the NGOs and the mixed coalitions that are part of global society in figure 2.2) has been successful in pushing the global polity on policies and programs to deal with global inequality; the people active in these groups can reasonably be presumed to be motivated by altruism in improving lives, primarily in developing countries. The Jubilee 2000 movement was an international coalition with members in more than 40 countries that beginning in the 1990s lobbied the G8, the IMF, and the multilateral development banks for full cancellation of low-income country debt. Initially a largely Christian movement, Jubilee was famously supported by Bono and Bob Geldof of LiveAid fame, by the establishment and evangelical churches, and by the Jewish leadership in the United States. The movement played a role in triggering considerable economic analysis of the debt issue for poor countries;²⁵ by the early 2000s, it had and succeeded in securing commitments by the G7 and other high-income country creditors to write off virtually all the debt owed to them and to finance equivalent write-offs by the multilateral institutions—at a cost (depending on how their debt is valued) of \$130 billion (Jubilee Debt Campaign 2012).

The Jubilee movement operated outside of official government and intergovernmental institutions to change those institutions' policies. But there are other models. The Global Alliance for Vaccines and Immunizations, founded in 2000, and the Global Fund to Fight AIDS, Tuberculosis and Malaria, founded in 2002, were created through nongovernmental initiatives, including the Bill & Melinda Gates Foundation, which used its own funds to leverage substantial additional public financing from willing governments.²⁶ Since the launch of the Extractive Industries Transparency Initiative (EITI), at the 2002 World Summit for Sustainable Development, 37 countries have signed up to implement a transparency standard jointly agreed to by a coalition of governments, companies, civil society groups, investors, and international

presidential debates, and strengthen the arms trade treaty, among others. Members can contribute to the “Global Citizen” blog prominently positioned on the organization’s homepage.

²⁵ This analysis included the book I co-authored with John Williamson (Birdsall and Williamson 2002). The co-founder and initial patron of the Center for Global Development was inspired in part by a film financed by the Ford Foundation and shown on television in which the high debt of poor countries in Central America was cited as one culprit in those countries’ difficulties in dealing with their social problems.

²⁶ Savedoff (2012) notes that these and other health initiatives eclipsed the activities of the World Health Organization, the intergovernmental body.

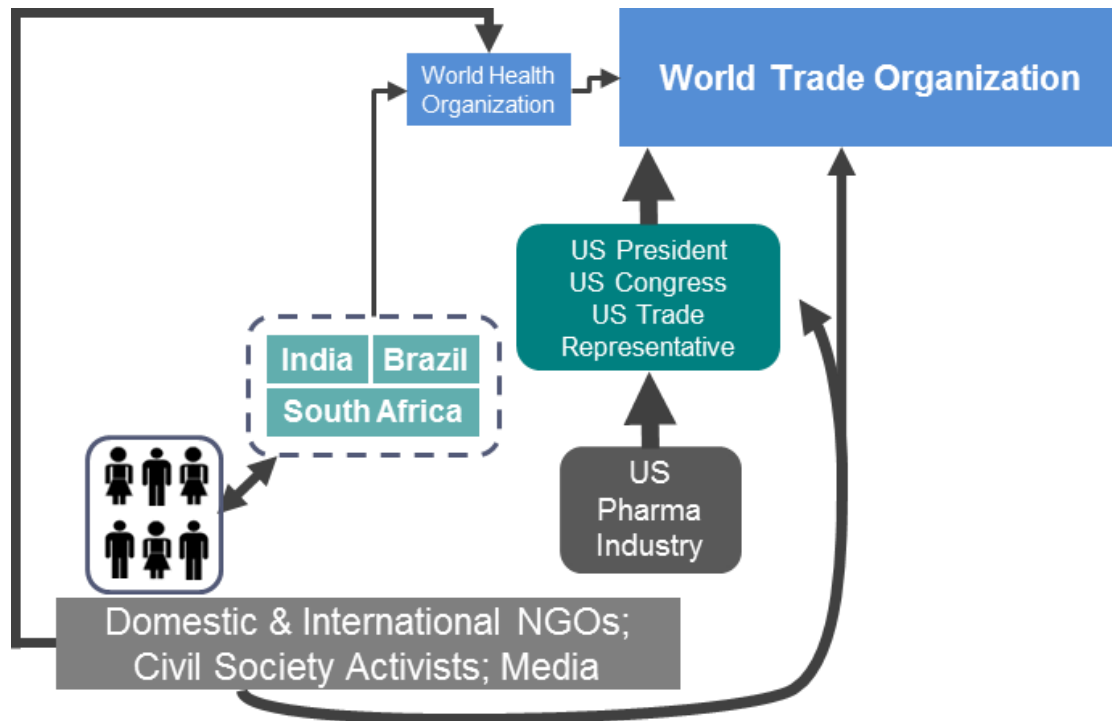
organizations. Countries have embodied the EITI principles in national legislation. The 2010 financial sector regulatory reform legislation in the United States includes the Cardin-Lugar provision, which mandates that mining firms raising capital in U.S. markets report their payments to foreign governments; hundreds of policy and advocacy groups seeking to reduce the corruption and waste in extractive industries that ultimately hurt the poor in developing countries lobbied long and hard for the provision.²⁷ Other movements and organizations—the Robin Hood movement, the Tax Justice Network, the IF Campaign, founded in January 2013—focus on reducing tax evasion and other illicit financial flows and pushing for a financial transactions tax or some other form of international tax that could be used to increase transfers to poor countries and poor people.²⁸

These efforts are drawn from hundreds of examples of citizen activism on global issues. Perhaps the most illustrative is the example illustrated in figure 4.6

²⁷ On the work of lobby groups, see the website of Publish What You Pay, a global network of more than 650 organizations (www.publishwhatyoupay.org).

²⁸ See <http://www.robinhoodtax.org/>, <http://www.taxjustice.net/>, and <http://enoughfoodif.org/>.

Figure 4.6 A Second Tale of Global Governance



A citizen-based movement harnessed international public opinion that embarrassed the U.S. pharmaceutical industry and the U.S. government into modifying their insistence on strict adherence by developing countries to an internationally agreed upon intellectual property regime. In the run-up to the completion of the multilateral Uruguay Round of trade negotiations, U.S. business interests pressed hard for and won inclusion of trade-related intellectual property rules in a multilateral trade agreement—the first time such regulations were included. In principle, these rules achieved a balance between private incentives for innovation and invention and the public interest in access to new products, including new medicines to save lives. Under pressure from the influential and powerful pharmaceutical lobby in the United States (at the time among the top five in spending on lobbying in Washington, DC; it is now the leading spender), U.S. negotiators won agreement to a system that required that all developing countries adopt a tough minimum standard of protection of intellectual property by 2000 (with additional time for the least developed countries), including patent protection for new medicines and drugs of 20 years, comparable to the period of such protection in the United States. Developing countries as a

group, including India and other countries that manufacture generic drugs, agreed only reluctantly; they might not have agreed at all except in the context of the broader benefits of the trade agreement (Devereaux, Lawrence, and Watkins 2006 provide a full discussion). Though aware of the potential benefits of encouraging invention and production in their own industries in the long run, they also feared the costs and the disincentives at home associated with the first-mover advantages of high-income country producers enjoying patent protection.

The deal was done. In the official global governance system, U.S. commercial interests, backed by the powerful U.S. government, got what they sought.

In the next several years, with the spread of AIDS in Africa and other developing countries, activists in the health field began calling attention to the high costs of patent-protected AIDS medications sold by the major pharmaceutical firms. These medications cost as much as \$10,000 a year, obviously unaffordable in countries where annual per capita public health spending was as low as \$10. Civil society mobilized under the leadership of Health Action International, a nonprofit network of 70 organizations; eventually, Médecins Sans Frontières (Doctors without Borders), the Consumer Project on Technology (a Ralph Nader group led by Jamie Love), Oxfam, and other organizations joined in what became an international campaign to change the public understanding and official approach to TRIPS to take into account public health. In 1998, they took the issue of access to medicines to the World Health Organization (WHO), calling on all of its members to acknowledge the primacy of public health over commercial interests. The resulting resolution was approved by the Executive Board of the WHO and followed by a highly contentious discussion between U.S. and developing country officials at the ensuing World Health Assembly. Though never formally agreed to, even at the WHO, the controversy got press attention and contributed to growing concern in the larger public about the effect of high-priced AIDS drugs on loss of lives in poor countries

However, at the same time the Clinton Administration and the U.S. Trade Representative (USTR), under the influence of the pharmaceutical industry and members of Congress, continued to pressure Thailand, South Africa, and then Brazil to retract domestic legislation, particularly the 1997 South African legislation allowing parallel importation of medicines, compulsory licensing of patented drugs, and generic drug substitution. The USTR threatened sanctions on

South Africa, invoking TRIPS; U.S. officials allegedly also quietly threatened reprisals in other areas of trade and security. President Clinton sent Vice-President Al Gore to South Africa in search of a compromise in late 1999, and hearings were scheduled in Congress about the U.S. policy in South Africa. By September 1999 U.S. trade negotiators eased their demands, agreeing to accept a pledge from South Africa that the law would not violate TRIPS.

Under growing public pressure, by late 1999, the pharmaceutical firms announced deep discounts for AIDS treatment drugs benefiting the poorest countries. Eventually, they also donated drugs outright—partly in response to the pricing by CIPLA, an Indian generic producer, of \$600 per patient per year. In April 2001, the 39 Western pharmaceutical firms that had sued the South African government in 1997 dropped their suit.

By late 2001, the activists and developing countries had won an initial victory. A Declaration on the TRIPS Agreement and Public Health was agreed on at a WTO ministerial meeting, stating that the TRIPS Agreement “does not and should not present Members from taking measures to protect public health.” WTO negotiations dragged on for another two years; the poorest countries without manufacturing capacity could not take advantage of compulsory licensing; activists wanted it made clear they could import low-cost generics.

By 2003, the victory was complete. With the Bush Administration sponsoring a huge new program to fight AIDS in Africa, the Clinton Foundation fully engaged, and the pharmaceutical firms fearing further bad publicity, language opening the door for generic imports was agreed to. The major international pharmaceutical firms agreed to compulsory licensing of their patented AIDS medications and to sales of South African manufactured generic drugs in 47 African countries.

The situation illustrated in figure 4.6 was unusual in two ways. First, by linking TRIPS to AIDS, citizen activists invoked the moral imperative to save lives, harnessing public opinion to their cause in the rich world. It is not as easy to build the kind of coalition they built, between health activists and the governments of developing countries, when the enemy is not a corporate lobby backed by a powerful government of an advanced democracy but instead, for example, the millions of consumers all over the world of coal-fired electricity. Second, their position on

TRIPS was nicely aligned with the obvious interests of some of the poorest people in the poor world.

Of course, asymmetry of power operates in the nongovernmental system as well; activists in the richer countries are richer, and their objectives and values do not always necessarily align with those of the bottom half in poorer countries. Energy access is an example; it is not the consumers of energy in the poor world, at rates far below consumers in the rich world, who are the “enemy” in the case of reducing carbon emissions.²⁹ Yet power asymmetries operate not only at the official level in the global economy but at the unofficial, citizen-based level as well. Western NGOs have disproportionate voice and ability to affect the fate of the poor and the weak through the very efforts, such as preventing climate change or protecting global biodiversity, they might view as globally progressive. Journalist Sebastian Mallaby refers to this phenomenon as the “cacophony of our advanced democracies.” He elaborates on the case of the Bujagali dam in Uganda, a World Bank project that was famously brought to a halt by a campaign organized by the International Rivers Network, based in Berkeley, California. Given the World Bank’s troubled history with dams, Western journalists tended to believe the NGOs’ charges about the Bank’s bad behavior without validating their claims. Upon closer inspection on a 2003 trip to Uganda, Mallaby reported that the local villagers would have gladly accepted the financial compensation that was being offered for relocation; in fact, the only people who objected to the dam were people living just outside its perimeter, who would not benefit from the dam’s construction because they were not going to be relocated.³⁰

Still, the lesson is clear: activism powered in part by altruism and the norm that global rules should not do visible harm to people without voice in the system can be effective. Norm-driven activism has changed international rules, from the land mines treaty to the international criminal court to the 2013 treaty to regulate the arms trade. The Millennium Development Goals did not

²⁹ As Todd Moss, of the Center for Global Development, recently wrote, “While climate change is a very real concern, Africans are understandably more focused on the problem that seven in ten people living in the continent have no electricity at all.” On the question of what is fair and equitable in the case of climate change policies, see Mattoo and Subramanian, chapter 2.

³⁰ Mallaby (2004, p. 8) concluded that the story was a “tragedy for Uganda, since millions of Ugandans are being deprived of electricity—deprived by Californians whose idea of an electricity ‘crisis’ is a handful of summer blackouts... and a tragedy for the antipoverty fight worldwide, since projects in dozens of countries are being held up for fear of activist resistance.”

change any formal rules, but they seem to have influenced behavior by setting a new international norm that developing country leaders and G7 ministers acknowledged: that every person, independent of where she is born, deserves the opportunity to lead a healthy, productive life.

The demands of globally aware citizens—citizens with more education and political voice in their own societies—for a better world seem likely to increase, barring a complete disruption of the global economy and the global interdependence that for good and ill affects citizens wherever they live. As interdependence and instant communications expand the global space in which citizens can operate, more people are eager and able to do so—whether as workers, consumers, or political or social networkers, whether using Google map maker to track election fraud in Kenya or Kiva to borrow directly from people-creditors around the world. That is the implication of continuing declines in the transaction costs of organizing, communicating with, and mobilizing citizens and the projected increases in education and income set out above.

Citizen demand is rooted in the growing concern and activism over global inequality and climate change, as well as concern over microbial resistance to medicines, global financial crises, drug trafficking, terrorism, and many other global problems (Goldin 2013). It is also rooted in the growing awareness of unexploited opportunities to increase equality of opportunity and the sustainability of higher living standards across borders—in many ways, including trade, more open borders, and the leveraging of private investments in basic infrastructure. Many people living at a comfortable standard of living are increasingly aware of the potential harm done by failures of policy in their own countries—guns, drugs, immigration, climate—that create burdens for fellow global citizens elsewhere. Despite these concerns, what there is of a “global social contract” (Birdsall 2008) is much thinner than the domestic social contract in high-income countries. Despite the high levels of income inequality across countries, cross-border spending by the richer for the poorer in the form of official aid is less than 0.2 percent of global GDP (based on OECD 2013) (compared with 10–20 percent, depending on how the social contract is measured, within countries).³¹

³¹ Germany, for example, spent about 8.6 percent of GDP on public health and another 4.5 percent on public education in 2008 (OECD 2012a, 2012b).

If the effects of citizen activism for a less unequal world are measured in terms of charitable transfers to developing countries, they are small—an estimated \$56 billion in 2010, compared with about \$130 billion of official aid and about \$190 billion of remittances from countries in the Organisation for Economic Co-operation and Development (OECD) (Adelman, Marano, and Spantchak 2012). Combined official aid and charitable transfers amounted to less than 0.3 percent of the global economy in 2010.³² But as the TRIPS story shows, a large proportion of the activity of “global society” does not have to do with raising money but with lobbying for different policies and practices on the part of the “global polity”—in effect, trying to translate the moral imperative of individual global citizens, or the norm that there ought to be a less unequal world, into change at the political level in the rules of the global game: norms into politics.

5. Politics, Not Norms: The Troubled Supply Side

The supply side of the global polity (see figure 2.1) deals directly or indirectly with the global economy. It is made up of two parts: sovereign states whose actions and policies have implications beyond their borders and various intergovernmental clubs and institutions at the regional and global level in which sovereign states are members.

Like government at the domestic level, “government” at the global level is far from perfect; we should celebrate the extent to which there is global cooperation at all among sovereign states. The “trouble” in this section’s title refers to the weakness of the global polity today relative to the challenges of global inequality and climate (among many others) and the difficulty of imagining that official global governance arrangements will get markedly better.

Weak Global Governance Today

On the problem of inequality across countries, many high-income states act on their own to encourage growth and higher living standards in poorer countries—for example, through aid and trade relations and preferences. But they also cooperate through clubs and the more formal institutions, on the grounds that through cooperation and collaboration they can be more

³² One estimate, based on weighted per person averages for 14 developed economies, is that national governments spend 30,000 times as much helping each poor person at home as each foreigner abroad. (see www.ghemawat.com).

effective at lower cost. On the problem of climate change, cooperation among sovereigns would not only be cheaper; it is also necessary because of the public good nature of the challenge at the global level. In the absence of enforcement of agreed steps by at least the major emitters, free-riding would be too tempting.

The intergovernmental clubs and institutions are state-based political entities; they constitute the global “polity” that is the counterpart to global society and the global economy. They provide some of the global public goods, or aspects of a global social contract, that global citizens are demanding. This is not to suggest that they are the principal suppliers of global public goods or good global policy. Nation-states supply a large portion of global public goods voluntarily, because it is in their own interests to do so. Optimal policies at the domestic level will often be perfectly aligned with the global good, in principle eliminating the need for international cooperation were all nations able politically to act in their own interests (Rodrik 2009; see also Rodrik 1999). Alignment of domestic interests with global benefits also explains many international programs sponsored by countries. The United States has provided the security umbrella for the Western world for decades; with its highly competitive industries and financial services, it was very much in its interests to ensure that the international trading system functioned well.

Examples of intergovernmental clubs and institutions dealing with the global economy are the G7 and the G20, the IMF, the World Bank and other multilateral development banks, the World Trade Organization, the Financial Stability Forum, the United Nations and some of its agencies, and the recently created Green Climate Fund. These institutions were created by sovereign governments to shape and manage implementation of agreed upon programs and, in the case of the more formal institutions, to enforce agreed upon rules. With a few exceptions (the International Labour Organization has union representatives; the Global Environment Fund has civil society on its board), they were generally set up by and for sovereign nations, under formal rules of leadership selection and voting arrangements that are in varying degrees representative and “democratic.”

These global entities make up only a limited portion of what some would see as the global polity. Many other official and informal organizations and movements exist in which states participate,

including the landmine initiative and the EITI; the Global Fund to Fight AIDS, Tuberculosis and Malaria; and the International Business Coalition for Sustainable Development. There are also dozens of international standard-setting associations and organizations, such as the Bank for International Settlements and the International Auditing and Assurance Standards Board. Their shortcomings are emblematic of the weakness of the global polity overall in the face of growing challenges.

The G20 and the major international financial institutions can be thought of as sitting at the top of the heap in political terms. They have the most visible and well-embedded political standing and are made up entirely of their sovereign members. The G20 matters because it operates at the level of heads of state, who in principle can make commitments with political backing; because they dominate the governance of the institutions, they can turn to those institutions to monitor and sometimes implement agreed decisions and actions. The institutions have financial and rule-making power—the equivalent of tax and enforcement powers at the level of nation-states. And, except in the case of the Green Climate Fund, they have embedded legal, financial, and technical assets and rules that provide them with a measure of independence. On the one hand, they are not immune to the interests of their most powerful members; on the other, they provide their members a setting in which they are able to cooperate at lower cost and at a step removed from the immediate demands of each member's domestic politics.

Still, weakness of these institutions is inherent in the difficulty of sovereign states cooperating, even in their long-term interests, because in doing so they give up a measure of their own control. On long-term distributional and environmental issues, it is especially hard to be effective—that is, to agree to act and in some cases contribute financially (perhaps compared with acting cooperatively on immediate security threats). When sovereign states do cooperate, they do so because the benefits of locking themselves and others into rules and policies—as, for example, in the open trading system—are visible and would be difficult to sustain domestically or can be implemented at lower cost or greater effectiveness collectively (examples are the World Bank for reducing lending costs, the IMF for maintaining global financial stability, and the WHO for preventing global pandemics). But cooperation is the exception not the rule.

The problem of the global polity is not only weakness; it is also that decision making among sovereign states is inherently undemocratic and unrepresentative. Where this quality undermines legitimacy, it can contribute to weakness or lack of effectiveness. Governance arrangements of international institutions cannot help but reflect inequalities within and among states, and they will not generally adequately represent the interests of even the typical citizen of the larger and more powerful states let alone the interests of the world's poor. Almost all of the people in the bottom half of the global income distribution suffer a double democratic deficit. They are unlikely to be well represented by their own governments, because many live in states that lack mature democratic institutions, and their countries have limited control and influence in the global institutions. The institutions are in this sense far more imperfect democracies than many national governments. The solution is not necessarily governance structures within intergovernmental institutions that are more "democratic" in representing smaller and poorer states. The UN General Assembly is highly representative of all states but is widely viewed as ineffective; the new Green Climate Fund, in which small developing countries are well represented, appears to suffer from the same problem. In contrast, the G20 and the World Bank, which combine and reflect the economic power of relatively rich members, are viewed as reasonably effective but unrepresentative and lacking legitimacy.

The apparent tradeoff between effectiveness and legitimacy is not necessary; many observers believe that the limited representation of developing countries in the governance and management of the IMF and the World Bank has at times limited those institutions' effectiveness—for example, when country programs the institutions support lose popular support because they are seen as imposed by outsiders. Of course, "outsiders" may be misguided technically as well as ineffective because they lack political legitimacy (as some would argue was the case for IMF programs during the East Asian crisis or in Greece and Ireland in the last several years). But the misguided technical stance is itself likely to reflect the ideological and political dominance of the traditional powers and the lack of sufficient input from countries that are poorly represented. In other situations, the institutions' lack of legitimacy undermines their

ability to effectively support sound, pro-poor reforms because of civil society or populist suspicions within countries..³³

In the introduction to this paper, I emphasized the apparent inability of today's global governance arrangements to reduce the inequities of the global economy. Weakness also reduces global growth and the stability and efficiency of the global market, often with disproportionately high costs to the welfare of the bottom half of the world's people. The global financial crisis and its aftermath provide a telling illustration. On the one hand, the existence of the IMF and the resources of the multilateral banks provided critical liquidity in the aftermath of the 2008 Lehman Brothers collapse, complementing the coordinated stimulus of the largest economies in 2009 under the umbrella of the G20. On the other hand, the global imbalances that contributed to the crisis persist despite the multilateral surveillance work of the IMF, and they may be worsening, as slow-growing countries resort to monetary easing to stimulate their economies (in a 21st century currency version of trade wars) and the advanced economies fail to implement regulatory and other reforms unable to resist pressure from their own financial services industries concerned with competitiveness.

Global governance also fails in nonfinancial markets. As the cushion between the demand and supply of staple foods declined in 2008 and food prices rose, food surplus countries restricted food exports, panic ensued, and food prices spiked. The WTO has no code of conduct on export restrictions, and there are no standards or rules on the management of emergency food stocks.

In the energy sector, many of the same problems exist. The International Energy Agency is effective, but it is fundamentally an OECD agency, without the full engagement of major consuming nations like China. It is impotent in the face of shortages, price volatility, poor access to energy in the low-income countries, and the looming climate disaster.

Even so, cooperation among states through clubs and institutions can make a difference. It can help lock in optimal domestic policy—the argument for the G20 agreement during the global financial crisis to avoid trade protectionism. The mechanisms of cooperation themselves

³³ Derviş (2005) reports that the World Bank's lack of legitimacy in Turkey complicated its ability to support a program intended to help the poor in there in the early 2000s.

constitute a global public good; cooperation complements the process of securing and locking in the better policy at home, particularly when domestic political decisions are at risk of capture by short-term and powerful vested interests.

The stories at the beginning of this paper (figure 2.1) illustrate three points about the characteristics and roles of the intergovernmental institutions. The three points illustrate their weaknesses and their strengths. They capture the tensions between sovereign independence and the readiness to cooperate, and between the interests of powerful states and the problem of representation in the institutions in which all states are members.

First, the intergovernmental institutions are creatures of their sovereign members and fundamentally beholden to the most powerful among them. They are not immune to the prevailing ideologies and interests of those members (on such issues as the respective roles of the state and the market, the benefits of liberalized capital markets, and so on). At the same time, they can benefit from the institutional strengths of those members. The Ghanaian witness was testifying before the Congress of the United States, at the turn of the century the most powerful nation in the world. The support for her testimony came indirectly from U.S. and international NGOs, which correctly viewed the U.S. government as influential inside the World Bank.

The TRIPS story is equally illustrative. In this case, activists fought for a change in the U.S. position because it was the U.S. position that mattered for the nature of the WTO intellectual property regime. Ultimately, the U.S. government—pushed by a coalition of developing country members, activists, and the broader health community, including at the WHO, and embarrassed by critical press coverage—yielded to compromise.

Second, the World Bank (and to varying degrees other international institutions) is more open or porous to views of “stakeholders” on its programs and policies than many of the developing countries in which it operates.³⁴ These institutions sometimes represent and reflect in a democratic sense the views of global citizens who have limited voice and representation in their

³⁴ In a zen-like coincidence, these two tweets popped up on my browser as I was revising this paragraph: “44% of @WorldBank projects #engagevoices with citizen feedback systems” and “All of @WorldBank’s #OpenData work is at Data.worldbank.org—now with @IMF data too!” Both tweets are from @DGateway, a World Bank–sponsored program, on April 18 at 11:29 and 11:32 a.m. Eastern daylight time.

own country. The Ghanaian expert and supporters of her view adeptly exploited this fact. She was urging the World Bank to promote changes in the approach to financing health in Africa—something she may not have been able to influence directly in Ghana. Some might see the issue as one of the World Bank imposing its views on Ghana, and there would be some truth in that. But the volume and vigor of criticisms of the World Bank by civil society groups, NGOs, and think tanks reflects their view that they can ultimately influence the Bank. Though their policies will often reflect the ideological views and narrow interests of their most influential members (most famously in the case of the so-called Washington Consensus³⁵), institutions like the World Bank are not impervious to change. As Keohane, Macedo, and Moravcsik (2009) argue, when international institutions are more open and responsive to outside parties than some of their member governments, they can be democracy enhancing (though Ghana is one of the more open and democratic countries in its region).

The TRIPS story looks different in its details but in the end illustrates the same point. The less powerful developing countries and most vulnerable of their people are better off with a multilateral institution in which even the most powerful countries subject themselves to agreed rules (Arvind Subramanian makes the same point in his paper on this website). In this case, the United States ended up compromising its apparent domestic interests because citizens used convening, the Internet, and the influence of the press in an age in which those matter.

Third, though creatures of their members, the international institutions have considerable independence. Their staffs have a mandate to use their technical judgment in line with strong professional standards; as bureaucracies, they are one step removed politically from their sovereign members. Indeed, that is the point. Sovereigns create institutions to precommit in their own long-term interests to rules or arrangements that may be politically difficult to manage at any particular moment domestically. That is most obviously the case for members of the WTO, who trade a measure of sovereignty for the benefits of mutual gain.

³⁵ On this issue, Birdsall, de la Torre, and Caicedo (2011) provide a useful summary and analysis of the critique of the “damaged brand.”

Will These Institutions Get Stronger and More Effective?

Overall, the system has strengths and weaknesses. These institutions' ability to make the global system less unequal and less environmentally destructive varies depending on the issue and the institution. Specific examples suggest that the direction is not particularly positive, however. The limited role of the major institutions and the problems of legitimacy of the intergovernmental institutions is emblematic of the broader point of a weak global polity and the resulting shortfall of global governance in management of the global economy.

G20

The G20 group of finance ministers was created at the time of the Asian financial crisis in the late 1990s, at the initiative of the U.S. Treasury. The G20 at the head of state level was created at the end of 2008, with the initiative coming from the White House in the closing days of President George W. Bush's term. Though it has not fully replaced the G7 group of advanced economies, its creation bespeaks the arrival of China and other emerging markets onto the global economic stage. Its focus on economic and financial issues has meant that it has become for practical purposes a kind of steering committee for the IMF and to a lesser extent the World Bank. In both cases, the leading Western power had the convening power to initiate a process bent on collaboration, a point I return to below. The G20 was the setting that enabled the increase in the financial resources the IMF had available to help deal with immediate liquidity problems in 2009. It has since provided the framework for the ongoing "multilateral assessment program," under which in principle the major economic powers use peer review of one another's policies to help minimize the imbalances and distortions that can arise from uncoordinated macroeconomic policies. Many observers also credit the resolve of the G20 leaders to avoid a trade war for the avoidance of protection in the aftermath of the crisis.

The G20 is a self-appointed club, not an institution. It fails any reasonable tests of representation; many of the world's most populous countries have no seat at the table.³⁶ Still, it represents an advance over the G7, and the world is probably better off with it than without. Many observers

³⁶ Rueda-Sabater, Ramachandran, and Kraft (2009) make a sensible and feasible proposal for membership that would combine effectiveness and representativeness. But it seems unlikely that a self-appointed club of sovereigns could easily toss out any of its founding members.

question its ability to retain relevance and leadership even as a club, invoking, for example, the failure at the international level to resolve the issue of global imbalances that contributed to the crisis in the first place.

International Monetary Fund

The Fund was rescued from decline by the global financial crisis. Some healthy reform steps in the two years preceding the crisis may have been important in the G20 essentially turning to the Fund as a major channel for financing the agreed global stimulus. However, the Fund was unable to impose discipline on China and other surplus countries or on the United States in dealing with the tremendous imbalances that contributed to the global financial crisis. In the last few years, its role has been compromised in Europe, where it has participated in lending packages as a minor player (sometimes to the chagrin of its non-European members concerned about the financing risks) without the ability to impose any form of conditionality on Germany or the European Union institutions; the European Central Bank is in the troika instead of being on the other side of the table.³⁷

There is no real consensus in the G20 on whether the Fund should be bigger, with more financial heft in a more vulnerable and independent global financial system. Even if there were, there is no source of a major increase in financing, given the fiscal situation in the United States and Europe and China's reluctance to take a financing lead in an institution in which it still has limited votes or influence. A negotiated agreement that would double the quotas and shift at least some greater voting power to China and other emerging market economies consistent with their size and impact on the global economy cannot advance without the United States, whose agreement is needed because a quota increase requires 85 percent of the weighted votes and the United States holds 17 percent. The U.S. Treasury supports the increase but waited a very long time to find a propitious moment to ask Congress for the necessary authorization (Birdsall 2013).

The Fund has struggled with adjustments to its governance that would recognize the increase in the relative size of major emerging markets. The Europeans hold 8 of 24 Board seats and have

³⁷ Economist Ted Truman made this obvious (once you've heard it) point at a conference in the fall of 2012. See also Mandeng (2013), who wrote "To save itself, the IMF needs to leave the troika."

been unable to agree among themselves on how and when to change their constituencies and give up two seats. Like the United States, the European countries have continued to hang on to the privilege of naming the IMF managing director. The fact that a European heads the IMF (in line with the historic privilege established more than 60 years ago, at the institution's founding) has not helped strengthen the technical credibility of IMF-supported programs in the Eurozone periphery.

The IMF plays a critical role in supporting global financial stability through its periodic surveillance at the country and global level, though in the global case without any mechanisms to effect change. But other potential roles the IMF might play—promoting the sharing of tax information by countries, monitoring illegitimate capital flows, accepting even a modest global tax function through a centrally controlled currency transaction tax (Task Force on International Financial Transactions and Development 2010)—are not on the table.

World Bank

The World Bank's role as a provider of financial transfers was on a declining trend in middle-income countries before the financial crisis. Its value added as a lender in middle-income countries over and above that of the generally leaner regional development banks is not obvious; its strength is in its technical and fiduciary expertise and its global experience.

The recent recapitalization of the Bank was allegedly smaller than it might have been because of the reluctance of the United States to agree to the additional capital that would have been necessary to avoid further diminishment of U.S. shares, votes, and influence. Its former major borrowers are considering establishing their own new BRICS bank, hoping to gain access to more capital for borrowing at lower cost than they can obtain individually and to avoid the onerous procedures that delay and complicate many World Bank projects, especially infrastructure projects. The United States is pushing for ever-tighter and risk-free environmental and other "safeguards" meant to protect against environmental damage, corruption, and violation of indigenous peoples' rights. Borrowers argue that these safeguards impose unreasonable costs and delays in preparing Bank-funded operations and fail to reflect the tradeoffs in poorer

countries between, for example, the role of greater energy supply in improving livelihoods and raising growth compared with protecting natural resources.

Among the 70 low-income states eligible for the Bank's concessional window (the International Development Association [IDA]), as few as 20 will be eligible in 2025 (Severino and Moss 2012), with India, Pakistan, and possibly Bangladesh having "graduated" (assuming the current income cut-off is not increased). Remaining countries will be largely fragile and "flailing" states, in which the Bank's strengths in infrastructure are difficult to exploit and its weaknesses in public sector reform and state-building (IEG 2006) make it hard to envision it being effective. The IDA window is in a sense one more aid agency in a crowded and fragmented aid system; it is, however, more efficient and effective than most bilateral agencies and provides some of the glue that holds a fragmented system together on overall strategy and vision. It faces increasing difficulty playing a strategic role in that system, however, as more than 22 percent of its operational budget is now covered by member countries and other entities through contributions for specific purposes to Bank-managed trust funds.³⁸

Meanwhile, the potential contribution of the Bank in using its financial and technical strengths to contribute to the creation and diffusion of global public goods, including new ideas and products, cannot be realized in the absence of a mandate from its members to move beyond its historical role as a lender to countries. A key problem is the reliance of the Bank for more than 60 years on a single instrument: the sovereign-guaranteed loan (Birdsall and Subramanian 2007; Birdsall 2012b).

The discussion of governance reform of the Bank continues, to little real effect. Modest increases in the voting power of the developing countries are more symbolic than real. In 2012, the United States once more pushed through the selection of an American as president of the institution. Many civil society organizations, particularly in the developing world, see the Bank as the arrogant proponent of what they view as misguided Washington Consensus policies and do not

³⁸ According to World Bank data (IEG 2011), trust fund spending represents 22 percent of the Bank's administrative budget; it represents an even larger percentage of country operations (knowledge products and lending), as the administrative budget covers the Bank's revenue or treasury operations, human resources, building maintenance, and so on.

consider the Bank a legitimate institution. In the United States, this perception does not help shore up declining support for multilateral institutions in general.

Green Climate Fund

The Green Climate Fund (GCF) is the product of hundreds of hours of contentious negotiations, primarily among foreign affairs and environmental officials in the context of the UN–managed conferences in search of a global climate agreement over the last few years. It came into existence in 2012, with a mission to raise and deploy financing of climate mitigation and adaptation programs in developing countries.

The negotiations created a governance arrangement in which developing countries have more influence and veto power than in the traditional financial institutions of the IMF and World Bank. One apparent result has been a reluctance on the part of the traditional trans-Atlantic donors to put any resources they are currently dedicating to climate in developing countries through traditional aid programs into the GCF. This stance is likely to change only when some formal or informal adjustments are agreed that build confidence among potential donors that the GCF’s operations will be effectively managed.

The Future of International Cooperation: From Benign Bully to the G-Zero

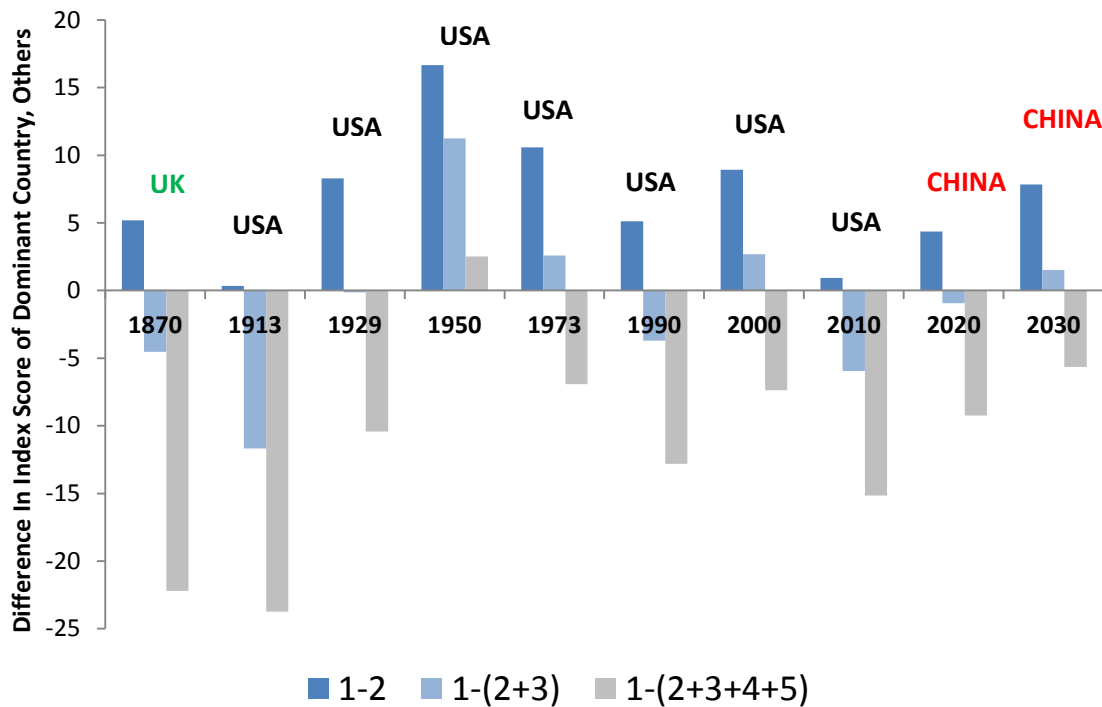
Behind the governance shortcomings of each of these institutions is the ongoing gradual disruption of the 20th century postwar geopolitical order. In that order, the United States provided the leadership, generally but not always benign, in managing the liberalization of international trade and finance, with Western Europe for the most part a reliable follower. Equally important, the United States provided a kind of canonical example of the economic and political direction all countries should take: an open market and a liberal democracy, in which individual freedoms and protection of minority rights in the political sphere and property rights and contract enforcement in the economic sphere buttress each other to minimize elite capture and guarantee sustained and widely shared prosperity.

Economic historians are likely to mark the global financial crisis of 2008–09 and its aftermath as the end of the 20th century postwar era of the United States’ near hegemony as a (largely) benign bully.³⁹ The rapid growth of China and other emerging market economies and the resilience of the developing world’s economies following the crisis are changing perceptions as well as reality—and in geopolitics, perceptions matter. The United States is still the indispensable superpower: without its leadership, global cooperation flounders. But it no longer has the will or the means—or, some would say, a credible economic model—for its leadership to automatically command followers. It can now manage but not bully.

In his book *Eclipse*, Subramanian uses an index of economic dominance as the basis for predicting that China will dominate the United States economically by 2020 (Subramanian 2011). Based on this index (which comprises GDP in purchasing power parity, exchange rate terms, trade data, and external financial strength), figure 5.1 illustrates the difference between a dominant country and the second most dominant, the second and third most dominant, and second through fifth most dominant countries since 1870. In 2008, the United States is still the dominant power, but using Subramanian’s index, China (the second most dominant) is close behind.

³⁹ The more conventional term is *global steward*.

Figure 5.1 Extent of Dominant Country’s Economic Dominance, 1870–2030



Source: Author’s calculations, based on index scores from Subramanian 2011.

Note: Figure shows difference between the Subramanian Economic Dominance Index scores of the most dominant country and the second most dominant country, the sum of the scores of the second and third most dominant countries, and the sum of scores of the second through fifth most dominant countries. Scores are the scores in the convergence scenario using IMF weights as opposed to reserve currency weights (see discussion in Subramanian 2011).

For the next several decades, in contrast to the second half of the 20th century, the world will not enjoy the benefits, mixed as they might have been, of a single dominant economic power—one that is more productive and competitive than all the others and able to provide its large middle class with jobs and other benefits of growth. In a unipolar system, one country has the incentives to preserve order and competition and indeed to build more democratic states in its own interests. It has an interest in locking in allies and rivals to rules and institutional arrangement that reduce the costs of cooperation and lock in their benefits.⁴⁰

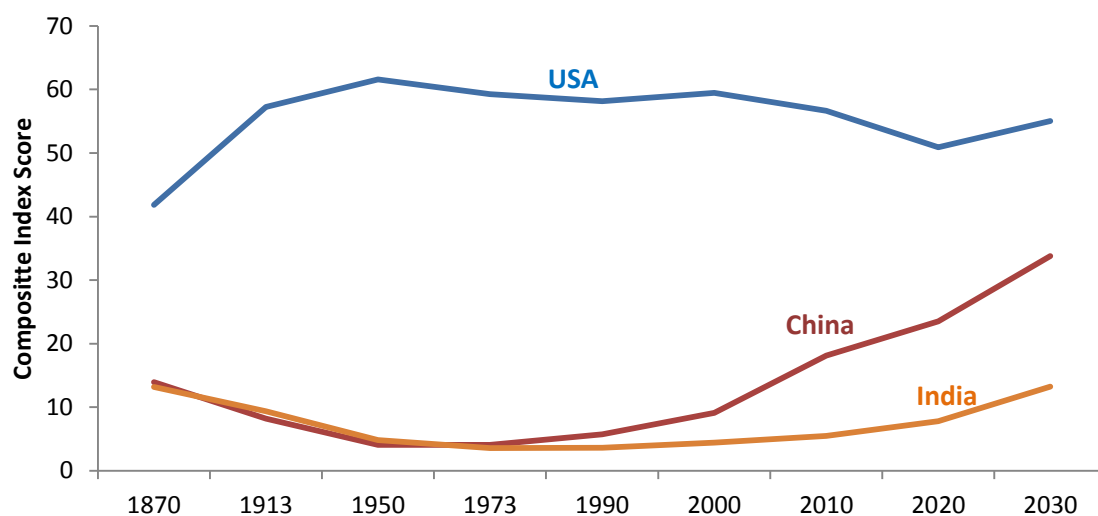
⁴⁰ Naim (2013) argues that the issue is less the relative decline of the United States as hegemon than the general loss of power of sovereign states in the face of other forces. Malloch-Brown (2011, p. 239) is more hopeful about the “momentum toward a fairer and more inclusive world.”

The decline of the United States is only relative, but it is a decline beyond that measured by economic indicators. The United States is no longer in command of the moral and political high ground; its politics are increasingly dysfunctional; it has among the lowest rates of social mobility in the OECD; its leading public intellectuals failed to warn of the risks of the policy and regulatory failures that triggered the crisis in the United States that became global.

A benign bully is difficult to deal with and makes mistakes, even at times violating its own interests in its actions around the world, as the United States has done. A beleaguered bully raises the deeper problem that the impetus for cooperation is less compelling for everyone.

The new power, China, is not willing or interested in taking leadership on common global challenges (Kapur and Suri 2012). China is a big economy and a big market, but it is still poor in per capita terms, and its domestic interests are not yet obviously aligned with the shared interests of other nations in the global economic system. Figure 5.2 adds GDP per capita to the Subramanian index, as a crude proxy for domestic institutional capability and the readiness and ability to take leadership on the global stage.

Figure 5.2 Composite Index of Economic Dominance and GDP per Capita, 1870–2030



Source: Author’s calculations, based on data from Maddison 2009; Subramanian 2011. *Note:* Figure plots a weighted average of the Subramanian Economic Index score (50 percent) and past or projected GDP per capita (50 percent) in each year shown. Projections start in 2010.

The figure illustrates a G-Zero world, a geopolitical and economic system closer to that in Europe when the then large powers stumbled into World War I. In this century, the immediate risk is not war but the health of the model of market-led democracy that has, for all its failures, helped bring millions of people out of poverty.

6. Conclusions and Implications

Few people would argue that the global economy is in great shape. Europe is stumbling, and the U.S. economy is not yet out of the woods. The advanced economies as a group face medium-term problems as their populations age and perhaps as the latest wave of robotic and nanotechnologies further loosens the connection between productivity growth and the creation of “good” jobs that provided a reasonably secure middle-class living standard. Emerging market economies are doing better, but their future growth depends in part on uncertain demand for their products from the advanced economies and on healthy sustained growth in China to drive demand for natural resource-based commodities on which many developing countries still rely for export income. Among low-income economies, the prospects for getting on what Rodrik (on this website) calls the escalator of manufactured exports, which powered the East Asian Tigers in the 20th century to middle-income status, seem poor.

So healthy growth is not a given. And though growth is necessary for a better world, it is not sufficient. Overall, the current path of market-led growth is at best neutral in reducing global and within-country inequality; at worst it could reinforce such trends. Even equally shared future growth in India, China, and Brazil can leave behind a large and frustrated income-insecure group compared with the rising middle class in those countries. And in the absence of a dramatic technological breakthrough in the production and distribution of carbon-free energy, market-led growth is also potentially destructive because of its effect on climate change (see the paper by Andrew Steer on this website).

The global market built on the capitalist system and on democratic and accountable government as the political guardian of that system will probably survive the next several decades, but it is

not entirely secure.⁴¹ The official governance of the global market is inadequate in representing and protecting the bottom half of the world's population, which lives on just \$3 per person per day in the developing world. It is currently inadequate to manage collective action to deal with climate change. There is also a global political problem: in the advanced economies, where the middle class is no longer benefiting from growth, there is growing suspicion of the costs of “globalization” and lack of confidence that the global “system” overall is fair.

That is the problem. But there is also an opportunity.

Worldwide surveys show that citizens everywhere are becoming more aware of and more active in seeking changes in the global norms and rules that could make the global system and the global economy fairer—in processes if not outcomes—and less environmentally harmful. Across the world more people, especially the more educated, see themselves as “global citizens,” aware that what happens inside their own country matters for others outside and that what happens outside matters for them and for their children and grandchildren. Global citizenship is seen not in opposition but alongside national citizenship. This sense is highest among the young and better educated, suggesting that over time it will increase.

Views on the two global challenges on which I have focused—inequality and climate—are emblematic. The young and educated in the rich countries favor increased foreign aid and more immigration; in all countries surveyed, poor and rich, large majorities are deeply concerned about climate change. Along with increasing global awareness is an apparent upsurge in levels of organized citizen-based activism at the international level, especially in the last 5–10 years, perhaps fueled by the zero-marginal cost magic of Internet-based communications.

Of course, activist movements can be misguided and are not always benign. Activism will not always lead to policy changes that represent gains for the world's bottom half. Even within the mature democracies, the poor normally have little time or resources to participate in politics or citizen movements. It is students and the relatively rich who are activists, especially on global as opposed to local issues, and their organizations sometimes end up reinforcing asymmetries of power in the corporate and political worlds, as the Bujagali dam story above suggests. Still, the

⁴¹ Democracy and accountability are the hallmark of what Acemoglu and Robinson (2012) call inclusive politics. They help sustain inclusive economics and, they argue, the nation-state itself.

direction of history has been for the better angels of human nature—altruism, not selfish and parochial interests—to prevail (Pinker 2011a). As often as not, citizen-based movements represent and help the world’s bottom half, sometimes working with willing states in mixed coalitions (the EITI, the Global Fund), and sometimes fighting to change or enforce policies or rules at the official level in the interests of the poor, as in the TRIPS story.

At the same time, citizen movements and mixed coalitions have their limits. They cannot substitute for a weak and unrepresentative global polity. In the absence of a global tax, for example, redistributive transfers from the world’s rich to the world’s poor are minuscule; in the \$70 trillion dollar global economy of 2010, perhaps \$200 billion—less than 0.3 percent—was transferred from advanced to poor economies through voluntary (foreign aid) public channels and private charitable and philanthropic programs. In this sense, the global social contract is a mere shadow of the domestic social contract in advanced economies.

Though transfers are not the key to reducing global inequality, they do illustrate the limits of citizen-based movements to make a real difference without a stronger and more representative global political order, if not a world government. What matters more for reducing inequality are open markets in the rich world, including for agriculture, and development-friendly immigration policy, enforcement of anticorruption laws, prevention of tax evasion, and domestic policies to reduce carbon emissions. These domestic policies of the advanced economies would do more to create opportunities for the world’s poor and vulnerable than aid (Birdsall, Rodrik, and Subramanian 2005). On these policies, however, activists in the rich world cannot make changes on their own; they can effect change only through the political process—in their own countries and governments and in the intergovernmental institutions their governments still largely control.

Citizen movements and mixed coalitions are also unable to address effectively an issue like climate change, which requires a formal or informal agreement on minimum mutual monitoring and enforcement of agreed actions among the major emitting states. Climate change involves

irreversible damage⁴²; the tax power of government (and publicly financed basic research) are key to minimizing long-term damage.⁴³

What, then, is the opportunity? It is to close the gap between the demands of global citizens for a better world and the supply of better global governance. It is to exploit mechanisms that amplify the voices of global citizens, strengthen the ties among them, and link their good intentions to effective national and international policies, giving global society better channels by which to influence the global polity. The results of the surveys and polls reported above are a contribution in themselves; they demonstrate the will of the “aggregated consciousness of the people” (Kull 2010, p. 28). They can be more influential the more they induce the people surveyed to “vote” for or against policies, to make choices among different priorities, and to do so in frameworks that provide clear if imagined limits on public resources.

Individual and official supporters of reducing global inequality and managing climate change can support not only polls and informal voting but civil society groups and think tanks, including in the developing world, that generate information, monitor performance of governments and intergovernmental organizations against their commitments, inform the media, and in general contribute to deliberative discourse. They can insist on transparency of their own governments and of intergovernmental institutions as a critical input to citizen monitoring and activism.

The highly empowered global citizens in the world’s largest economies—the United States, China, Europe, Japan—have a particular responsibility. It is their governments’ actions and lack of actions on financial, trade, immigration, investment, anticorruption, tax, and climate policy that matter most for people everywhere. It is these countries’ domestic policies that often impose negative spillovers on others. For these citizens, a priority should be to lobby that their own houses be put in order—whether it is for a carbon tax in the United States or fiscal expansion in Germany. The same can be said for the small but powerful corporate and political elite within

⁴² Savedoff (2012) emphasizes irreversibility as the defining characteristic of problems requiring collective action among sovereigns.

⁴³ The failure of governments to provide countercyclical stimulus on the fiscal side in the advanced economies also involves irreversible damage for young people who lose out on early entry to the job market.

developing countries—which could back forest conservation in Indonesia, protection of indigenous people in Brazil, and reform of patronage-based school systems in India.

The first-best solution to many global problems would be a more “activist” global polity—if not a world government then something more legitimate, more democratic, and more effective than the current set of intergovernmental institutions. But the world is made up of sovereign nations, and it is within them that democratic and representative systems of government are rooted. It is within sovereign nations that citizens of the world have the possibility and the responsibility to make their governments accountable for policies and practices that have impacts beyond their borders.

The world’s rich and the secure middle class wherever they live have a second responsibility: to support the idea of multilateral cooperation and to contribute to a narrative in their own countries in support of the multilateral institutions. These institutions, for all their shortcomings, allow powerful sovereigns to precommit to rules and practices that are in the broad common interest and protect the interests of the world’s poorer countries. Where multilateral institutions are weak and ineffective—as is the new Green Climate Fund—the common interest is shortchanged and the world’s poor in particular lose out.

In the United States in particular, the most influential citizens would do well to recognize their personal interest in a more effective and legitimate set of international institutions and the risk to them and to the world if the longstanding bipartisan support for the IMF, the World Bank, and the United Nations continues to waver—with Congress indifferent to IMF reform and reluctant to fund increases for the World Bank rather than fund with American bilateral aid programs.⁴⁴ Global citizens in the United States and Europe should endorse the governance reforms at the IMF and the World Bank that would give China and the big emerging markets a larger stake; they should recognize that without these reforms, increasingly powerful countries will disengage, further weakening the institutions and undoing the potential benefits of global cooperation. The big risk of a more fractured global political order is greater in an interdependent global economy

⁴⁴ The United States channels 13 percent of its aid through multilateral institutions, compared with 50 percent in the United Kingdom. This figure is lower than any other OECD donor (Birdsall and Kharas 2012).

than the small risk of less control over policies and patronage at the institutions. The long-run risk is that in a G-Zero, multipolar world, the values and norms embedded in the rules and practices of the institutions, for all that they are not perfectly honored, will be eroded if they lose the legitimacy on which their effectiveness in the long run ultimately depends.

Multilateral institutions and global governance do not provide immunization against capture by ideology and narrow interests; they are weakened by the lack of clear legitimacy. But their problems reflect the larger challenge of collective action among sovereign states, especially in the absence of a single dominant power. The creation of the IMF, the World Bank, and the seeds of what later became the WTO at Bretton Woods in 1945–46 was a singular event, triggered by the political and security catastrophe of World War II and helped along by the commercial and security interests of the United States in a prosperous and stable global economy. Some would view the agreement among 13 fully sovereign and independent states in North America to join together in “these united states” at the time of the creation of the U.S. Constitution as an even more singular event, as would be further economic and political consolidation in Europe. The point is that if today’s global economic and financial institutions did not exist, they would be hard to reconstitute. If they become more marginal or less legitimate or fail to get off the ground in the first place (as in the case of the Green Climate Fund), the world as a whole will be worse off, the world’s bottom half especially so.

The politics, rules, and institutions of cooperation among nations have not kept up with demands from global citizens for a fairer and more farsighted global political order. The question is whether the moral force of that rising demand can generate an increased supply of good global governance. The jury is still out.

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