# Global Economic Governance & Quota Reform

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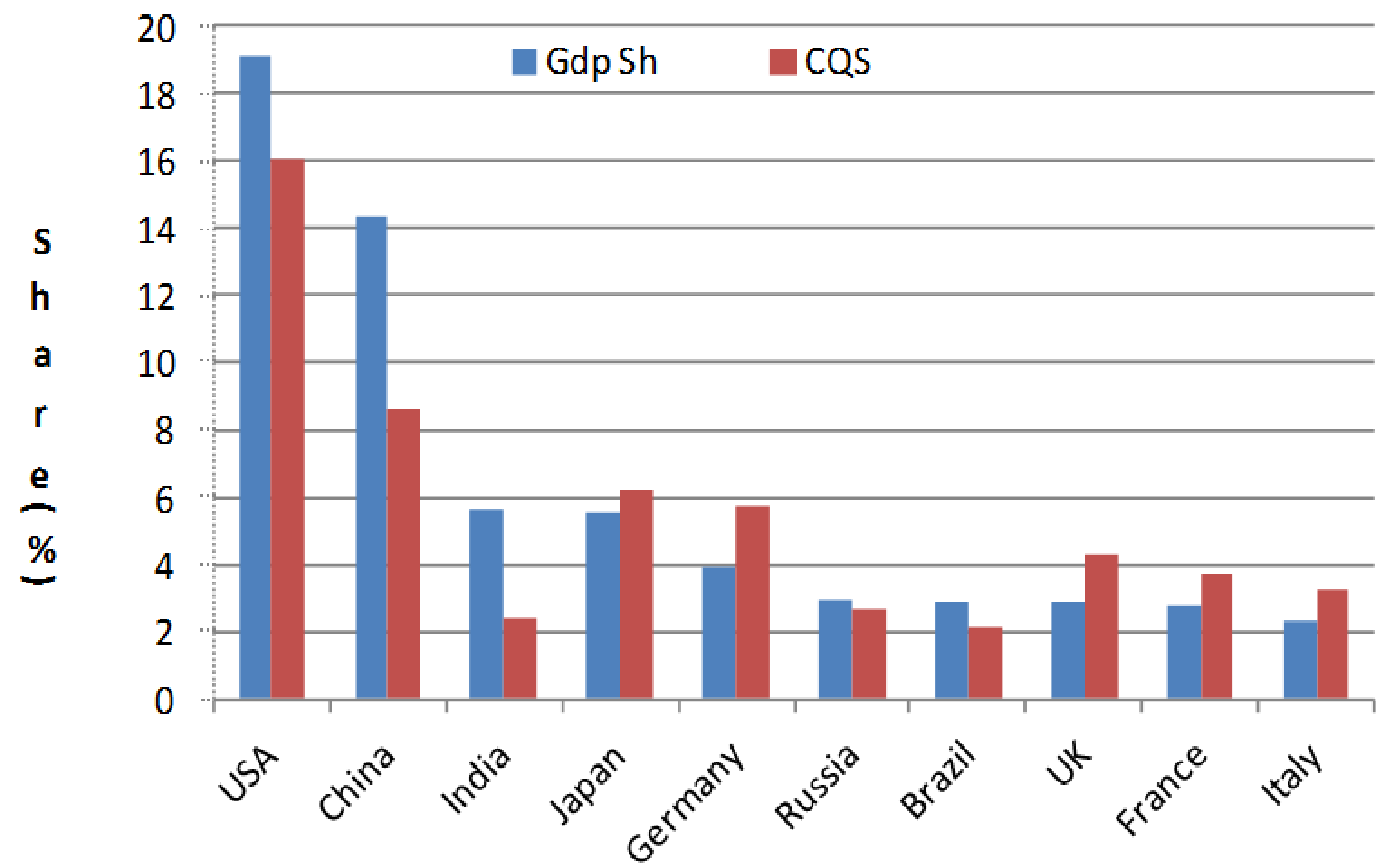
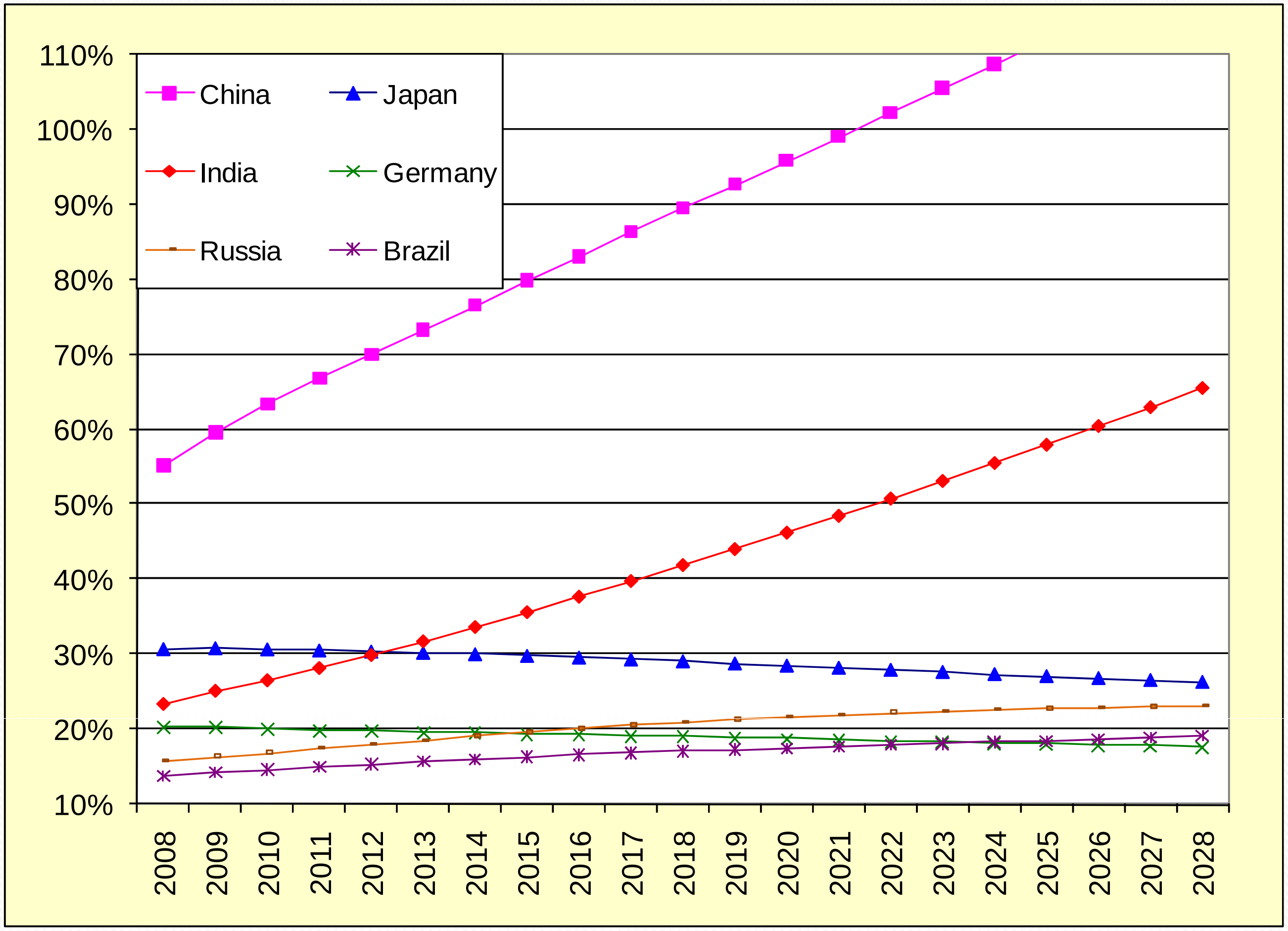
# Trends & Effects of Global Crisis

- Trends & Projections(fig 1 & 1a)
- Fiscal Crises in Developed countries
  - Economic growth constrained
- Slower Growth of World GDP, Trade
  - Export oriented economies will loose
    - Growth/Development model
  - Domestic oriented (export neutral):
    - Speed up existing reform approach
  - Energy/Oil rich: Return to LT trend

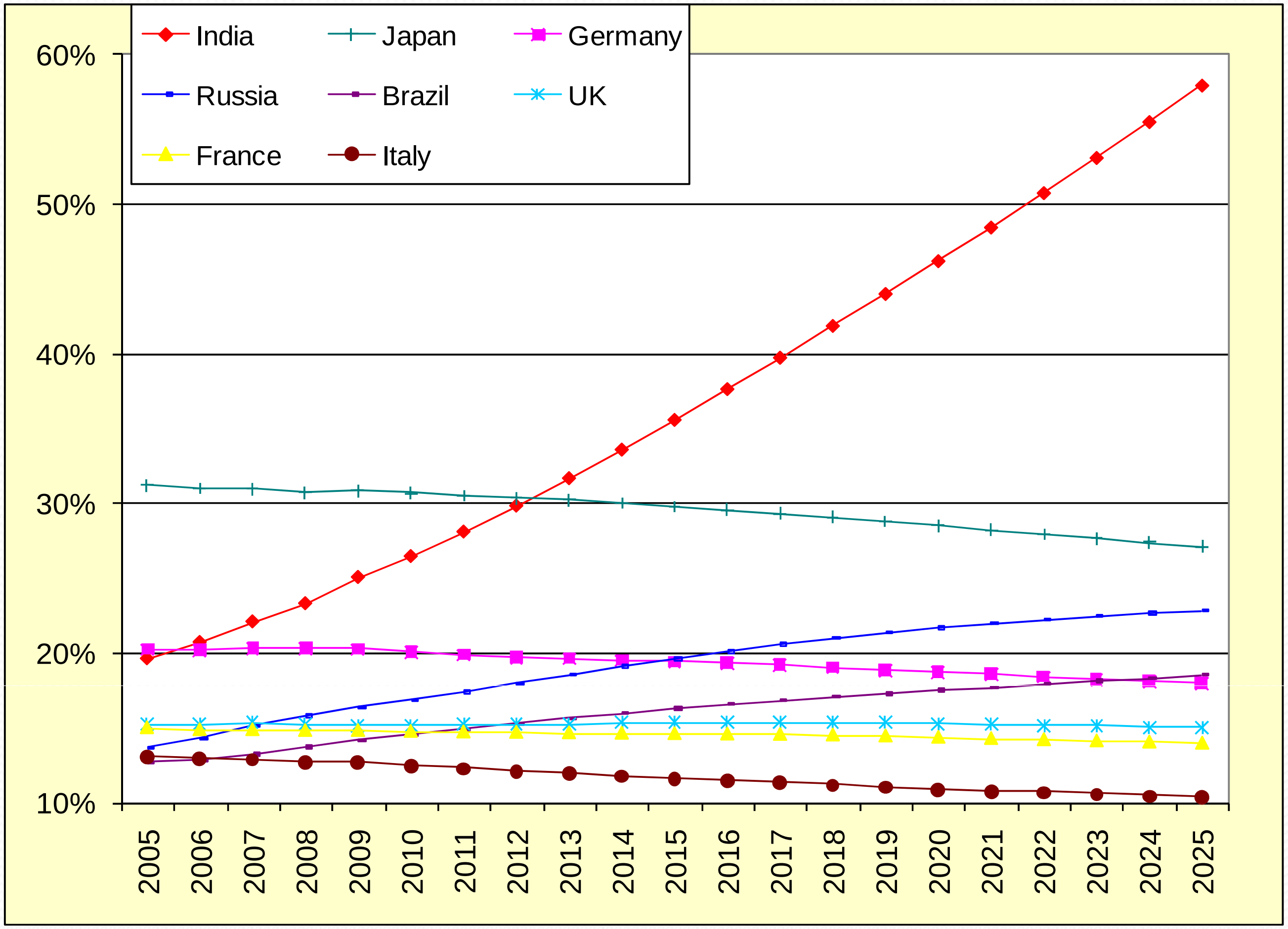
# Shares of world GDP and calculated IMF quota



# 1. Trends in Real Relative Size of Countries (Gdp Ppp)



# 1b Relative Economic Size (GdpPpp)



# Traditional Principle Set A

- One Country One Vote :
  - UN General Assembly: Gridlock and irrelevance
  - => Modified principle: Basic Votes
- One Person One Vote:
  - Protection of individual/minority rights through rule of law essential for true democracy.
  - =>Modified principle: Share of World Population
- Economic Weight in World Economy(Blend):
  - =>Modified principle: Share of World GDP

# Traditional Principle Set B

- Demand/Debtors:
  - Vulnerability/Variability of BOP => Access(quota tranches)
    - Reality: Linked to (a) Size/GDP and (b) Contagion (negative effect on others).
  - =>Modified principle:
    - Formula based on GDP will automatically address the dissonance between theory and reality.
    - Asymmetric treatment of positive and negative contributions to Rest of the World.
    - Formula should logically result in higher quota in the former case and lower quota in the latter case!

# Traditional Principle Set B

- Supply/Creditors:
  - Resources: One time contribution-> Higher share ever after?
  - Equity Based Institution: Not company with free market in shares and individuals free to buy from or sell to company.
  - All countries have to accept IMF rules (e.g. surveillance)
  - =>Modified principle: Quota formula - maximum equity/voting right.
    - Large majority of countries is willing to contribute more if it translates into higher quota/voting share.
    - Minority of countries with fund constraints, are free to  to contribute less and have a lower share of votes.
  - Temporary needs can be met through counter cyclical Debt/borrowing limits.

# Proposed Principles (Set C).

- Domestic Government
  - Democratic principle: 1 person 1 vote
- Global Economic Governance:
  - Partial surrender of Ec. sovereignty
  - More autonomy => greater sacrifice
  - Economic size => Autonomy/Power
- Global Role ⇔ Economic size (GdpPpp)
  - Economy share in Aggregate (World)GDP => Quota Share

# T1. Contribution to World Growth: Abs

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | |
| China | 0.23 | 0.26 | 0.38 | 1.63 | 0.26 | 0.33 | 0.32 | 0.32 |
| USA | 0.11 | 0.08 | -0.03 | -1.07 | 0.12 | 0.08 | 0.09 | 0.11 |
| Euro Area | 0.10 | 0.09 | 0.02 | -1.00 | 0.05 | 0.06 | 0.04 | 0.05 |
| India | 0.08 | 0.08 | 0.10 | 0.49 | 0.10 | 0.11 | 0.11 | 0.11 |
| Russia | 0.05 | 0.05 | 0.06 | -0.38 | 0.02 | 0.03 | 0.03 | 0.03 |
| Japan | 0.03 | 0.03 | -0.03 | -0.59 | 0.05 | -0.01 | 0.03 | 0.03 |
| Mexico | 0.02 | 0.01 | 0.01 | -0.21 | 0.02 | 0.02 | 0.02 | 0.02 |
| Brazil | 0.02 | 0.03 | 0.05 | -0.03 | 0.04 | 0.03 | 0.03 | 0.03 |
| Korea | 0.02 | 0.02 | 0.02 | 0.01 | 0.02 | 0.02 | 0.02 | 0.02 |
| UK | 0.02 | 0.02 | 0.00 | -0.23 | 0.01 | 0.01 | 0.01 | 0.01 |
| Turkey | 0.02 | 0.01 | 0.00 | -0.10 | 0.02 | 0.02 | 0.01 | 0.01 |
| Indonesia | 0.01 | 0.01 | 0.03 | 0.09 | 0.02 | 0.02 | 0.02 | 0.02 |
| Memo item | | | | | | | | |
| Germany | 0.03 | 0.03 | 0.01 | 0.32 | 0.03 | 0.03 | 0.01 | 0.01 |

# Contribution to World Growth: Rank

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|---|
| China | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| USA | 2 | 4 | | | 2 | 3 | 3 | 3 |
| Euro Area | 3 | 2 | 6 | | 4 | 4 | 4 | 4 |
| India | 4 | 3 | 2 | 2 | 3 | 2 | 2 | 2 |
| Russia | 5 | 5 | 3 | | 7 | 5 | 6 | 5 |
| Japan | 6 | 7 | | | 5 | | 5 | 7 |
| Mexico | 7 | 12 | 11 | | 10 | 9 | 10 | 10 |
| Brazil | 8 | 6 | 4 | | 6 | 6 | 7 | 6 |
| Korea | 9 | 9 | 9 | 8 | 8 | 10 | 9 | 9 |
| UK | 10 | 10 | | | | 15 | | 11 |
| Turkey | 11 | | | | 11 | 8 | | 13 |
| Indonesia | 12 | 11 | 5 | 3 | 12 | 7 | 8 | 8 |

# Openness vs Macro Contribution

- Openness (Trade-GDP ratio)
  - Unrelated to global importance or impact
- Global Aggregate Demand shortfall
- Contribution to net demand
  - Critical to global recovery
  - Table of net contributions
- Abandon Anti deluvian concepts

# Net Contribution to World Demand: Net Balance on Goods & Services

| | 2009 | 2010 | 2010 | 2009 | 2010 |
|---|---|---|---|---|---|
| | | | | | |
| | Deficit | Deficit | Net Cont | Rank | Rank |
| USA | -381.3 | -500.0 | 43% | 1 | 1 |
| India | -78.4 | -82.8 | 7% | 2 | 2 |
| UK | -46.4 | -76.2 | 7% | 3 | 3 |
| | | | | | |
| | Surpus | Surplus | Net Cont | Rank | Rank |
| China | 220.1 | 232.1 | -14% | 183 | 183 |
| Germany | 178.6 | 193.9 | -12% | 182 | 182 |
| Russia | 91.5 | 123.6 | -8% | 181 | 181 |
| Saudi Arabia | 37.6 | 85.4 | -5% | 175 | 180 |
| Netherlands | 58.9 | 63.5 | -4% | 180 | 177 |

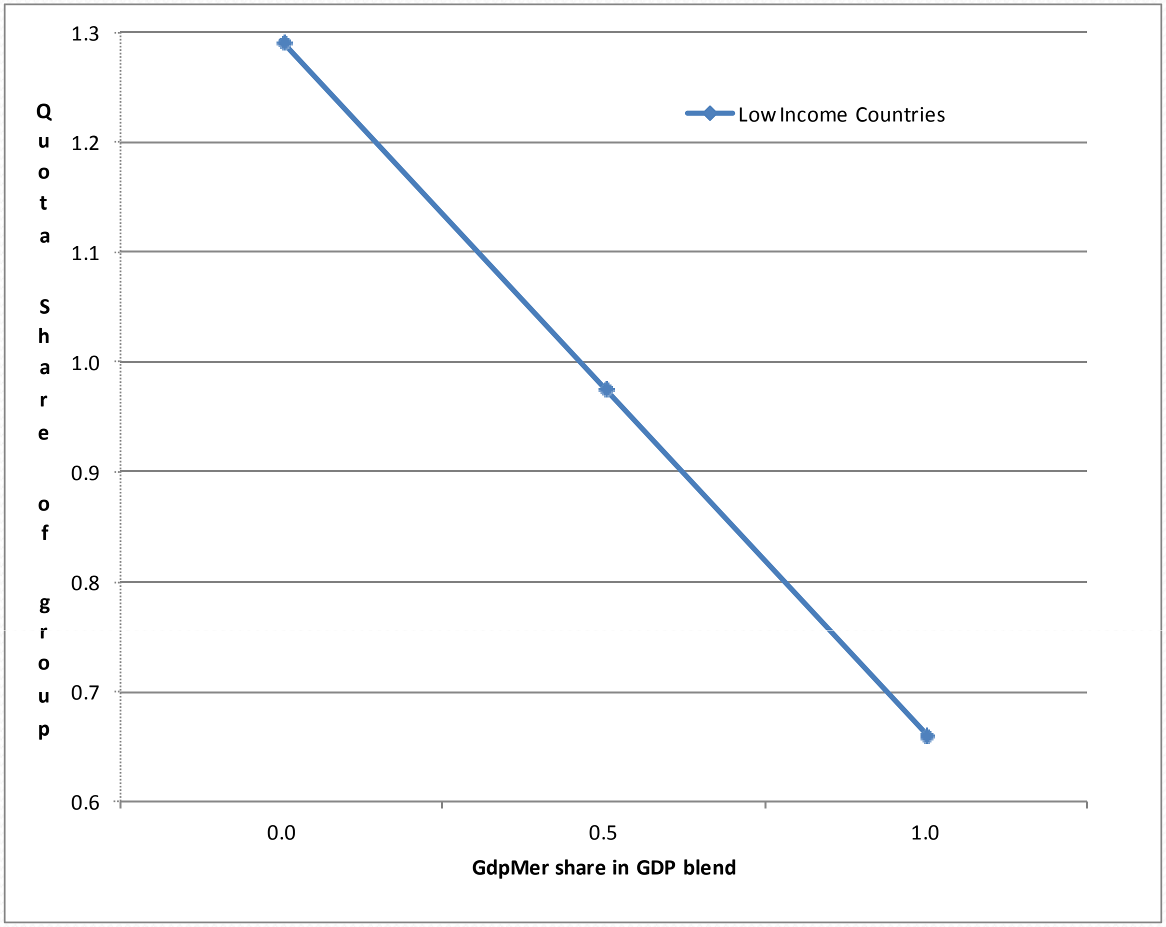
# Economic Reality vs. Quota Proposals

| | Quota Shares | | | 2011 country share in aggregate GDP | | Contribution to growth in 2011 | | 2010 Contribution to to net demand(-net G&S) | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Post 2nd Round(%) | 14th general review % | Rank | Share | Rank | % | Rank | Abs | % D/S | Rank |
| USA | 17.67 | 17.41 | 1 | 19.105 | 1 | 7.5% | 3 | 500 | 43.4% | 1 |
| Japan | 6.56 | 6.46 | 2 | 5.574 | 4 | -0.7% | 182 | -75 | -4.6% | 179 |
| China | 4.00 | 6.39 | 3 | 14.351 | 2 | 32.6% | 1 | -232 | -14.3% | 183 |
| Germany | 6.11 | 5.59 | 4 | 3.918 | 5 | 2.7% | 6 | -194 | -12.0% | 182 |
| UK | 4.51 | 4.23 | 5 | 2.858 | 8 | 0.8% | 19 | 76 | 6.6% | 3 |
| France | 4.51 | 4.23 | 6 | 2.811 | 9 | 1.2% | 14 | 58 | 5.0% | 4 |
| Italy | 3.31 | 3.16 | 7 | 2.319 | 10 | 0.4% | 37 | 36 | 3.2% | 6 |
| India | 2.44 | 2.75 | 8 | 5.668 | 3 | 10.8% | 2 | 83 | 7.2% | 2 |
| Russia | 2.49 | 2.71 | 9 | 3.014 | 6 | 3.3% | 4 | -124 | -7.6% | 181 |
| Brazil | 1.78 | 2.32 | 10 | 2.928 | 7 | 2.8% | 5 | 11 | 0.9% | 13 |
| Canada | 2.67 | 2.31 | 11 | 1.764 | 14 | 0.9% | 16 | 31 | 2.7% | 7 |
| LIC | 1.88 | 1.89 | | 1.29 | | 1.9% | | 63 | | |
| LMIC | 9.0 | 8.8 | | 12.0 | | 18.1% | | 140 | | |
| UMIC | 15.2 | 17.5 | | 26.0 | | 45.3% | | -316 | | |
| HIC | 73.9 | 71.8 | | 60.7 | | 32.0% | | -355 | | |

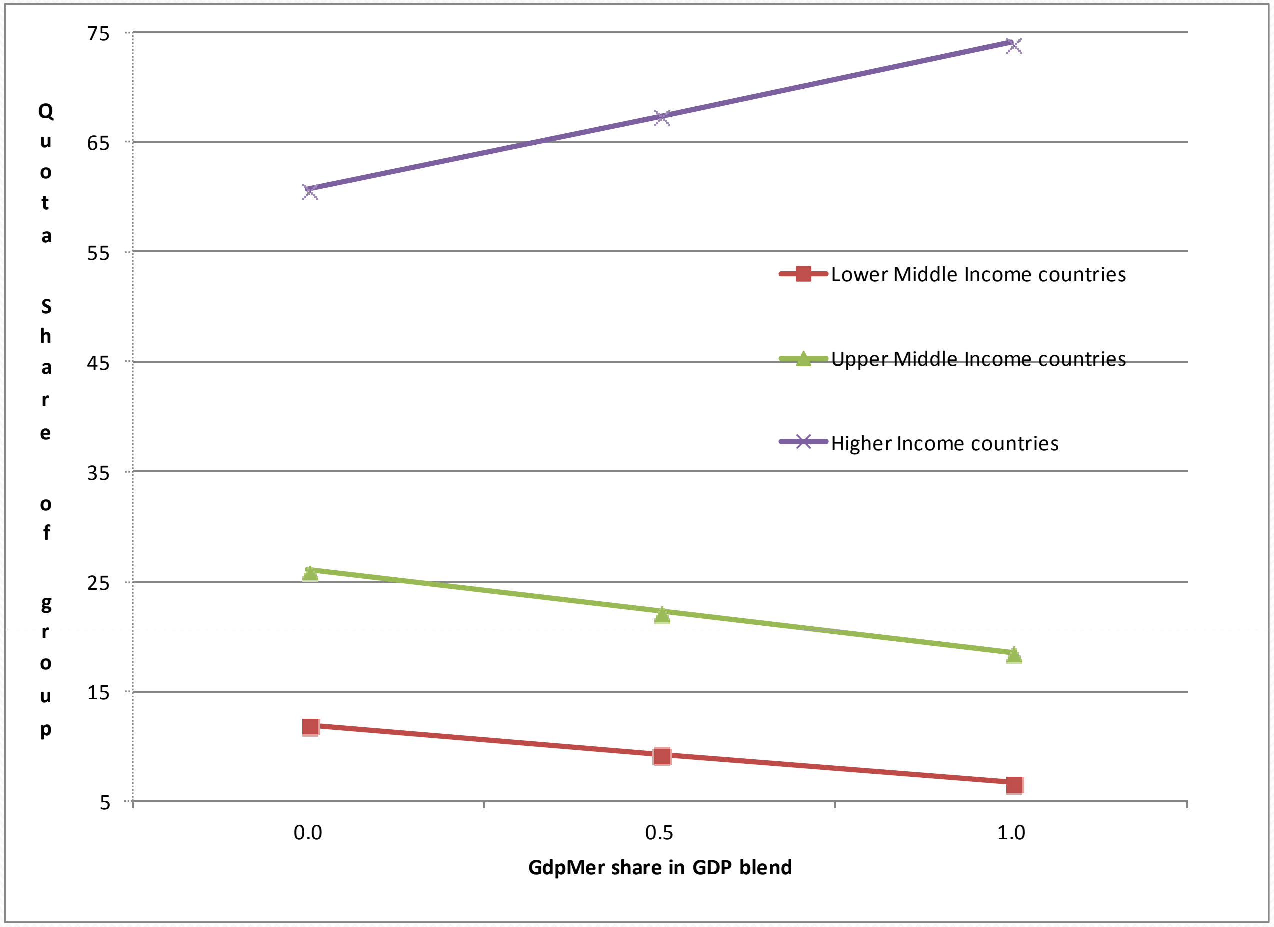
# Table: Variation of Quota share with GDP PPP share (in GDP blend)

| Group | GDPPPP share (in GDP blend) | | | | |
|---|---|---|---|---|---|
| | 0.0 | 0.4 | 0.5 | 0.6 | 1.0 |
| Low Income Countries | 0.66 | 0.91 | 0.98 | 1.04 | 1.29 |
| Lower Middle Income countries | 6.7 | 8.8 | 9.3 | 9.9 | 12.0 |
| Upper Middle Income countries | 18.6 | 21.5 | 22.3 | 23.0 | 26.0 |
| Higher Income countries | 74.1 | 68.7 | 67.4 | 66.0 | 60.7 |

# Variation of LIC Shares with GDP Blend



# Variation of LMIC, UMIC and HIC Shares with Blend



# CONCLUSION

- Implications for Quota Formula
  - Simplicity, Transparency and Equity
- Economic Importance in World Economy:
  - Gdp Share in Global economy (80%);
    - Majority weight of GdpPPP in blend
- Voice and Vulnerability of people
  - Population shares (15%) or share of global poor
- Country Representation:
  - Incorporate basic vote into formula (5%)

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