

ronmental stewardship. It is estimated that emerging market and developing economies, excluding China, need \$3 trillion a year by 2030 to fund climate action and the SDGs, of which \$2 trillion should be raised domestically and \$1 trillion will have to come from outside.

The Summers-Singh Group of Twenty (G20) report has proposed that multilateral development banks provide an annual increase of \$260 billion. Innovative financial mechanisms, including the use of guarantees to de-risk and scale up private sector investment, must be mobilized to boost and complement these efforts. The World Bank and multilateral development banks will need further funds from shareholders through a capital increase.

Given that the membership of the Group of Seven is too narrow to be the steering committee for the world economy, the G20 should become what it was intended to be: the premier forum for global economic cooperation. For that to work, it needs to be more representative through a constituency system, and it should assemble a professional secretariat that can ensure continuity of policy from year to year.

Maintaining hope in challenging times is essential. Kennedy's nuclear test ban treaty in the 1960s, Ronald Reagan's and Mikhail Gorbachev's nuclear arms reductions in the 1980s, multinational efforts to prevent the depletion of the ozone layer in the 1990s, the 2009 G20 summit stabilizing the global economy, and the more recent Paris accord on climate all demonstrate the potential for global cooperation. But success requires visionary leadership and a willingness to work together.

Two paths are before us. One leads toward global fragmentation and deepening crises, while the other will, if we work collectively, bring prosperity, progress, and hope. I choose hope. **F&D**

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Fairy Dust's Economic Possibilities



Zachary Carter

Keynes celebrated the ideals of the Bretton Woods institutions as a victory for the human spirit

One of the most playful addresses delivered by John Maynard Keynes in his 30 years in public life was also one of his last. Speaking among the “veils and beards of Spanish moss” in the late-winter warmth of Savannah, Georgia, Keynes asked his audience of economists, lawyers, and diplomats to consider, for a moment, the fairies from “Sleeping Beauty.”

What, Keynes wondered, might be asked of those benevolent sprites at the “christening” of his beloved “twins”—the World Bank and the International Monetary Fund? Keynes hoped for three “appropriate gifts.” First, a many-colored coat to serve as “a perpetual reminder that they belong to the whole world.” Second, a set of vitamins to give them “energy and a fearless spirit.” Finally, the gift of “wisdom, patience, and grave discretion” to win the trust of peoples in need.

Though it may have been lost on his audience, the invocation of “Sleeping Beauty” was more than a flight of fancy for Keynes; it was a literary allusion reinforcing what he understood to be the fundamental purpose of what became known as the Bretton Woods institutions. Prior

to Walt Disney's 1959 screen adaptation, "Sleeping Beauty" was best known as a lush ballet by the Russian composer Tchaikovsky, itself based upon a German story by the Brothers Grimm, who had drawn from a medieval French folktale. No nation could claim "Sleeping Beauty" as its instrument or property—the story's timelessness was a product of its internationalism.

Brotherhood of man

For Keynes, at least, the Fund and the Bank embodied a geopolitical ideal more deeply cherished than any particular technical or administrative point of order. Indeed, he celebrated the Bretton Woods institutions as a victory for the human spirit, even as many of his own proposals were defeated across multiple rounds of negotiation. "As an experiment in international cooperation, the conference has been an outstanding success," he gushed to Richard Hopkins, a British Treasury official, after the 1944 gathering in the mountains of New Hampshire. "We have been learning to work together," he told the conference itself. "If we can so continue, this nightmare, in which most of us here present have spent too much of our lives, will be over. The brotherhood of man will have become more than a phrase."

One of the great intellectual challenges for Keynes across the final 15 years of his life had been communicating to the economics profession that David Ricardo's theory of comparative advantage was not in fact a substitute for this mode of cooperation, reciprocity, and cultural exchange. The global economy did not consist of two commodities, as it did in Ricardo's famous thought experiment, and technological advance had diminished the significance of the efficiency gains to be harvested from trade liberalization. When US Secretary of State Cordell Hull advanced free trade at Bretton Woods as a solution to the war's devastation, Keynes mocked "the lunatic proposals of Mr. Hull." What mattered in the grand scheme of things was not so much the absence of tariffs but the maintenance of balance and the acknowledgment of the different developmental needs of different countries.

"Policy tools appropriate for this century will not simply replicate those of recent decades."

In the late 1940s, those developmental needs included reconstruction of regions devastated by the war and industrialization of poor countries that had been excluded from the explosive growth Europe and the US had enjoyed since the turn of the century. Cheap imports could help countries access what they could not provide for themselves, but tariffs could also help nations develop or repair their war-damaged industrial sectors. No iron law, Keynes believed, could indicate which made more sense under specific circumstances.

Today, the climate crisis has established new developmental needs for even the wealthiest countries. No nation can hope to mitigate the doom bearing down upon the planet without the swift cultivation and deployment of new, clean technology. The policy tools appropriate for this century will not simply replicate those of recent decades. This is particularly true on questions of international trade, where tariffs, state subsidies, and state-owned enterprises—so often maligned by economists as barriers to innovation and competition—will likely be essential for the development of a healthy global market for climate-friendly industry. For the moment at least, green technologies are infant industries that require far more protection than discipline.

Principle and platitude

Keynes's greatest fear for the Fund and the Bank—expressed implicitly in his Savannah speech by reference to the malign fairy Carabosse, and more

explicitly in his dispatches home—was that the "twins" would become instruments of US power rather than truly independent international bodies. And ultimately, the Soviet Union's failure to ratify the Bretton Woods accords meant that both the Bank and the Fund were destined for careers on one side of the Cold War. Absent some forms of trade intervention and protection, the directives of Ricardian comparative advantage will always favor early entrants to the green technology space, leaving a few privileged nations to enjoy the full fruit of development. This is a recipe for domination, rather than cooperation.

But the future is what we make it. By helping different nations pursue new technology and expertise through experimentation with a broad economic policy palette, the Bretton Woods institutions can play a transformative role not only in the fight against climate change, but in the furtherance of international harmony. This is a role that only international institutions can play with any hope of success.

Keynes was aware at Savannah that talk of international coordination and cooperation was "pious words exceedingly difficult to fulfill." The difference between high principle and empty platitude is often difficult to discern on paper—only through persistent communication and sincere dedication can great ideals be sustained. And this will be especially true in climate development policy, where universals will be rare and particulars complex. What makes sense for one country or technology will not necessarily apply to others. But if an international institution can survive for 80 years, outlasting both the Cold War and the 20th century, then it is not unreasonable to hope that it might serve as a forum for innovative cooperation across the next 80. "Fairies or no fairies," as Keynes said at Savannah, "let the omens be good." **F&D**

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