



**Global
Challenges
Foundation**

Sustainable Development with Free and Fair Trade and Democratic Assembly

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The submission proposes a new system for global trade with a guaranteed balance of trade, replacing current surpluses and deficits. Nations running a surplus in trade are to annually pay into a common pool, from where those running a deficit receive payments, thus compensating for the current lack of labour mobility while eliminating the need for multilateral agreements on trade. This would enable free trade to promote higher incomes, efficiency and stop a free trade race to the bottom. Businesses are on their part protected by a more clear rule of law. Wealth is redistributed between rich and poor countries, as all nations share the cost of promoting world development and welfare. Nations with smaller economies than their population size warrants will owe less than they otherwise would to the common pool, with poorer nations incomes rising faster than the incomes of richer ones. Nations would also contribute to the common fund according their share of CO₂-emissions and population. This would make transitioning to a green economy a viable foreign trade strategy for all nations. The system is to be managed by an assembly of democratic member-states, with membership open to all, and with weighted votes.





1. Abstract

The proposed global governance model is at its core a new global trading system where everybody gains, thus creating an incentive for nations to preserve and protect the global commons while preserving their sovereignty. Management of the system is by an assembly of democratic nations.

The Free-and-Fair proposal consists of three legs. The first leg I call 'Free-and-Balanced': free trade with a guaranteed trade balance, as trade-surplus nations reimburse trade-deficit ones on an annual basis. It is designed to solve the problem that labor is not mobile across nations, a core assumption of a functioning market in classical economic theory. The free trade component promotes higher incomes, reduces costs to international firms, protects developing nations from predatory international firms, and can help developing-world firms compete with the developed world-ones. The guaranteed trade balance component protects nations with weaker comparative advantages, stabilizes markets and currencies, reduces problems of resource curse and Dutch disease, and promotes greater sovereignty as nations no longer need to fear a race to the bottom with free trade.

The second leg, which I call 'Free-and-Progressive', is a system for equitably redistributing wealth from the richest nations to the poorest ones, creating a global economy where everybody is better off. Nations with smaller economies than their population size warrants will owe less than they otherwise would to a common bank, and nations whose economies are larger than their population size warrants would owe more than they otherwise would to the common bank. Since Free-and-Balance guarantees a zero trade balance in goods and services, Free-and-Progressive means that the incomes of poorer nations would rise faster than the incomes of richer ones.

The third leg I call 'Free-and-Green': member-states pay the difference between their actual share of global warming costs and the share of these costs they should pay according to their population size. Since Free-and-Balance guarantees a zero trade balance in goods and services, the incomes of nations contributing less to global warming than their population size warrants would rise faster than the incomes of those contributing more to global warming than their population size warrants. This would make transitioning to a green economy a viable foreign trade strategy for all nations.

The system is managed by an assembly of democratic member-states, even as membership is open to all nations. Resolutions are approved with three differently-weighted votes: by member, by population share, and by economic share. The democratic requirement with weighted voting is designed to grant the assembly the legitimacy it would need to entice the industrial democracies to join and accept assembly decisions, as these nations would pay a disproportionate share of the costs of Free-and-Progressive and Free-and-Green.

The Free-and-Fair system is designed to create a more equitable world for human kind by addressing underdevelopment, climate change, population growth, and conflict and insecurity. While Free-and-Balance frees nations domestic policies and creates a more robust and equitable global economy, Free-and-Green is designed to make it so a more robust economy is green-friendly for future generations. Free-and-Progressive addresses extreme poverty by making



the incomes of the poorest nations rise faster than those of the richer ones. It addresses too the problems of rapid population growth and politically-motivated violence, as underdevelopment is the foremost cause of population growth and extreme violence within and between nations.

The Democratic Assembly yields additional promise for a better world. As an assembly of democratic nations with weighted votes, it can emerge as the legitimate voice of the world. While its power is limited to Free-and-Fair, its non-binding resolutions can serve as focal points spawning international cooperation on any issue, as civil society organizations within nations rally around resolutions, circumventing cumbersome multinational negotiations. The Assembly would also make global management more democratic: since it would represent the opinion of multiple democratic member-nations, it would pose a constraint on the actions of any individual nation, democratic or not.

In this way Free and Fair Trade with Democratic Assembly has the potential for creating a more equitable and sustainable world, while improving the conditions for all humankind. Global cooperation is furthered without any infringement on the sovereignty of nations, and global management is made more democratic in a body that has legitimacy as the moral voice of the world.

2. Description of the model

FREE-AND-BALANCED TRADE (1)

Economists agree that everything else being equal, free trade promotes trade flows better than alternatives, so free trade promotes higher incomes. Tariff-free trade across nations has the problem of unfairness, however, in that labor is not mobile across nations, and not all nations are equal in their comparative advantages.

The global trade system we have today does not address the problems of labor immobility and inequality in comparative advantage among nations. This poses a severe difficulty for many poorer nations, who cannot break-out of the development trap of rapid population growth and extreme poverty. Poverty itself imposes trade disadvantages, since it usually means a less-educated population, added difficulties in developing economies of scale (1), weaker norms of market competition, and fewer resources for protecting domestic markets for firms competing with firms from the more developed nations (2).

These problems have arguably worsened in recent years. The proliferation of bilateral trade agreements increases the bargaining power of nations with larger markets, the more developed nations, vis-à-vis the less developed nations, with the former increasingly setting the terms of trade over the latter (2). In addition, trade preferences are often determined not by national interests but by domestic lobby groups. As a result, global trade terms today are increasingly determined by powerful domestic interest groups within the more developed nations.

The present trading order is not in most nation's interests. It is not in the interests of the more developed nations, since they prefer foremost a robust global marketplace, which is beneficial for their own exports and domestic economies. It is not in the interests of developing nations, which are less likely to obtain the terms of trade they prefer, and whose firms face a myriad of disadvantages in competition with firms from the more developed nations.



These global economic problems can be addressed with what I call 'Free-and-Balanced' trade: free trade combined with guaranteed trade balance. The proposed solution is simple: every year each member-state in the system with a trade surplus pays into a common pool the amount of its surplus. This surplus is then used to reimburse the trade losses of the trade-deficit member-states. The net result with the proposed debit/credit system is a guaranteed trade balance among all member-states. Such a system would yield a number of economic benefits for member-nations.

Higher Incomes (1.1)

Free trade means governments can no longer enact tariffs or other explicit prohibitions on the imports of goods and services. This reduces the role of domestic politics and interest groups as determinants of trade. This means the system is inherently equitable, and nations can maximize the gains of comparative advantage and enjoy greater trade flows. Greater trade flows means higher incomes.

A More Stable Global Marketplace (1.2)

While every nation usually gains from trade, everything else being equal those with fewer comparative advantages gain less than those with those with greater comparative advantages. This is because in today's trading system the currency of a chronic trade deficit nation gets de-valued to boost exports, meaning the national income must decrease. By preserving the market size of trade-deficit nations, guaranteed trade balance stabilizes the global marketplace by helping the less advantaged nations at least keep up with the more advantaged ones. This is also a great benefit for firms from all nations, as it allows for more efficient planning and reduced risk.

Enhanced Sovereignty (1.3)

In traditional trade, national regulations on labor, safety, and a host of other areas can have repercussions for trading partners, which can interpret many aspects of a trade partner's domestic policy as discriminatory. This quandary limits the attainment of real free trade among nations and greatly complicates trade negotiations. It often means some loss of sovereignty with any trade agreement.

With the guaranteed trade balance of Free-and-Balanced, nations are at liberty to adopt any domestic policies they wish. The guaranteed trade balance means that nations cannot gain at the expense of others with neo-mercantilist policies of subsidizing exports or with informal tariffs: any gains from trade that result from these policies are automatically added to the nation's trade balance. This means any informal neo-mercantilist support for an export sector will amount to giving free goods to other member-states, and therefore neo-mercantilism cannot be a rational economic policy. Nations can even practice predatory pricing: since trade partners are free to counter it, nations are not likely to practice it.

In this way, Free-and-Balanced enhances national sovereignty, as nations that wish to protect certain sectors with various domestic tax policies and subsidizations are free to do so. Constrained in the knowledge that these policies cannot be used for neo-mercantilist gain, most nations will select their subsidies carefully, largely with the aim at protecting sectors associated with cultural identities. While powerful domestic interests too will likely seek and gain subsidies, national leaders will know that such rent-seeking will penalize everyone else in the nation,



as everyone would have to pay the corresponding increase in the nation's trade debits. Given that neo-mercantilism is no longer rational and therefore no longer a threat, with Free-and-Balanced nations are free to enact domestic policies as they see fit.

No More 'Race to the Bottom' (1.4)

In today's global trade system nations can be inhibited by the 'race to the bottom': the fear that some domestic policies, such as increases in minimum wage, can have negative repercussions for a nation's trade balance. With the guaranteed trade balance of Free-and-Balanced, nations no longer have this worry: those that wish to heavily regulate their domestic markets or offer generous welfare protections are free to do so without fear that these policies may harm their trade positions. Free to adopt any domestic policies they wish, all governments are free to promote their domestic markets and welfare as they see fit.

More Stable Currencies and a More Equitable Order (1.5)

Since currencies are no longer affected by trade deficits and surpluses, Free-and-Balanced yields more stable currencies. This brings forth greater efficiencies in international trade. It also lowers the risks of the Dutch Disease, currency runs, and speculative attacks on currencies.

More stable currencies in turn allows nations to safely maintain smaller hard-currency reserves as required by the International Monetary Fund. A change in this requirement would reduce the expenses of holding these reserves, and would free capital for investment. It would also make the global economic order more equitable by reducing the role of the United States dollar in it, which in turn would reduce the dependence of the global economy on the monetary policies of just one nation.

No More Resource Curse (1.6)

A problem for nations with economies largely dependent on the export of fossil fuels is known as the 'resource curse': the underdevelopment of other sectors of the economy, along with domestic conflict, repression, and dictatorship as groups compete over control of the export revenue. Guaranteed trade balance removes the incentive to maintain trade-surpluses and thus reduces the value of the natural resource export revenue. This makes the state no longer the prize it once was, greatly reducing the risks of conflict, repression, and dictatorship.

With Free-and-Balanced, resource-rich governments are likely to either reduce mineral exports or increase imports. Either way everyone is better off: a reduction in exports reduces global warming, as the cost of fossil fuels must increase; an increase in imports is likely to promote a more consumer-oriented economy and a more equitable distribution of resource wealth. It also encourages greater state investments in domestic public goods including infrastructure, schools, and hospitals.

Reduced Expenses for Firms and Nations (1.7)

The free trade component of Free-and-Balanced removes the need for a complex judiciary system to settle trade disputes. This reduces the cost to nations and multinational firms alike of monitoring and complying with complex trade regulations. This also reduces the cost to multinational firms of lobbying their



governments in the making of foreign trade policies. Firms may yet lobby for informal protections and receive them, but such lobbying will be minor compared to the role it plays in today's global trading order.

Greater Protection from Multinational Corporations (1.8)

Free to adopt any domestic policies they wish, with Free-and-Balanced trade developing world governments would no longer be burdened with the threat of expensive lawsuits, sometimes frivolous, by large multinational firms claiming violations of trade rules. Since the only trade rule is the banning of formal tariffs, smaller developing world governments need no longer fear the interference of the large multinational forms in their domestic policy choices.

More Level Playing Field for Firms (1.9)

Developing world firms face a number of disadvantages vis-à-vis competition with firms from the more developed nations, in part because they tend to have fewer resources (2). The reduced cost to multinational firms of monitoring and complying with the complex trade regulations would thus be a particular boost for developing world firms. In addition, developing world governments that run trade deficits will have greater resources for supporting their own firms, positioning them to create a more level playing field in their competition with the large multinational firms.

We have seen how the guaranteed trade balance of Free-and-Balanced solves the problem that labor is not mobile across nations, a core assumption of a functioning market in classical economic theory. It also enhances national sovereignty and creates a more stable and equitable global economic order.

Free-and-Balanced does not automatically mean that developing nations will catch-up with the developed ones, however. On the contrary, guaranteed trade balance removes as an option the development strategy of trade surplus. Broadly defined, this was the strategy of the Asian Tigers: industrialization by raising capital with trade-surplus reached with low-cost labor. Fortunately, the system can be modified to create more equitable prospects for growth in developing countries, with what I call 'Free-and-Progressive' trade.

FREE-AND-PROGRESSIVE TRADE (2)

With Free-and-Balanced, member-states pay into a common pool their trade surpluses and have their trade deficits reimbursed. This system can be modified to promote development in an equitable way by detracting from each nation's trade balance, each year, the cost of reaching some development goal (for instance, the Millennium Development Goals, or ending extreme poverty). To do this equitably, the share each nation would pay into the common pool can be determined by the difference between its economic share and its population share. Debits and credits can then be added or detracted from the common surplus/deficit pool, which always balances to zero.

In this way we have an inherently equitable process for sharing the cost of promoting world development and welfare that eliminates the role for recurring and cumbersome multinational negotiations. Nations with smaller economies than their population size warrants will owe less than they otherwise would to the common pool, and nations whose economies are larger than their population size warrants would owe more than they otherwise would to the common pool.



Everything else being equal, poorer nations would be more likely to have real trade surpluses than richer ones, and their incomes would rise faster than the richer ones.

In this manner the global economy can succeed in the same way the United States economy succeeds: just as the U.S. Federal taxes produce a perpetual redistribution of income from the higher-income states, like California and New York, to the lower-income ones, like Alabama and Mississippi (3), Free-and-Progressive normalizes a redistribution from the higher-income member-nations to the lower-income ones. While developed nations would pay more than developing ones, with the free-trade commitment the developed nations will have a larger export market, and thus ultimately be wealthier with Free-and-Progressive than without it.

The proposal does not end with Free-and-Progressive, however, because successful development will only exacerbate the problem of climate change, which in turn is likely to nullify any economic gains from Free-and-Balanced and Free-and-Progressive. Fortunately the system can be modified to permit an equitable distribution of global warming costs, with what I call 'Free-and-Green' trade.

FREE-AND-GREEN TRADE (3)

With Free-and-Balanced, member-states pay into a common pool their trade surpluses and have their trade deficits reimbursed. This system can be modified to address climate change by detracting from each nation's trade balance, each year, the environmental cost of the nation's contribution to global warming (for instance, using IMF calculations of global warming costs, (4)). To do this equitably, each nation can be charged the difference between its actual global warming costs and the share of these costs it should pay according to its population size. Debits and credits are then added or detracted from the common surplus/deficit pool, which always balances to zero.

With Free-and-Green, nations contributing less to global warming than their population size warrants are rewarded with real trade surpluses for having greener economies, and transitioning to a green economy becomes a viable trade strategy: everything else being equal, the incomes of greener member-nations would rise faster than the incomes of less green member-nations.

MANAGING FREE-AND-FAIR (4)

One of the great advantages of the Free-and-Balanced system is that it is inherently equitable: member-states pay into a common pool their trade surpluses and have their trade deficits reimbursed. There is no need for annual re-negotiations among nations, as each member-nation's share of global trade surpluses and deficits are already determined by principle. A transparent and independent bureaucracy can manage the common pool, handle member-nation appeals, and suspend nations that choose not to pay their obligations. Of course the selection of administrators of this bureaucracy, and a judiciary branch that has the power to overrule it and handle national appeals, will have to be made by member-states. These appointments are not likely to be controversial, however, since they do not involve policy matters. In this way, the Free-and-Balanced aspect of the system can in theory function by consensus of member-states, as is currently done at the World Trade Organization.



Politics are unavoidable, however, in the management of Free-and-Progressive and Free-and-Green. At their core Free-and-Progressive and Free-and-Green are, like Free-and-Balanced, inherently equitable: there is no need for annual re-negotiations among nations in the distribution of costs, as each member-nation's share of the costs of development (Free-and-Progressive) and climate defense (Free-and-Green) are determined by principle. However, unlike Trade-and-Balanced, recurring decisions must be made on the total costs of Free-and-Progressive and Free-and-Green. In Free-and-Progressive member-nations will need to decide how much they are willing to redistribute from the richer nations to the poorer ones; with Free-and-Green member-nations will have to decide on the methodologies for calculating each nation's share of global warming costs, and the overall costs.

These decisions on the costs of Free-and-Progressive and Free-and-Green are inherently political, as some nations will have to pay more than others, and governments do not equally value trade and a greener world. These differences in costs and values means we cannot expect all nations to always agree on these costs, even as all trading nations would gain from the stronger global market and everyone would gain from a greener world. It follows that for Free-and-Progressive and Free-and-Green to have any chance of success, these parts of Free-and-Fair must be embraced by the nations that reliably have interests in both free trade and sustainable development.

The Crucial Role of the Market Democracies (4.1)

For Free-and-Progressive and Free-and-Green to have a fair chance of being enacted, they must be embraced by the nations that will bear most of their costs and be willing to pay them. According to IMF calculations of global warming costs (4), the world's climate-dirtiest nations are, in order, China, the United States, Russia, the European Union, and Japan. Three of these groupings are different from the rest: the U.S., the nations of the E.U., and Japan are all market democracies. As such they all have reliably-stable political systems with vibrant civil societies and strong democratic political cultures that value the equitable rule of law and equality of opportunity among all nations and peoples.

Most importantly, history has shown that the market democracies tend to agree on global issues and easily form systems of economic cooperation. The market democracies also reliably place trade at the top of their foreign policy agendas, and have clear interests in a global free trade system.

It follows that of all types of nations, it is the market democracies that would bear most of the costs of Free-and-Fair, and be willing to pay them. However, these nations are not likely to commit to a system that imposes costs on them unless the procedures for determining these costs are perceived by them as legitimate. This means the market democracies must be able to reserve for themselves the largest influence in decision-making in Free-and-Fair. It also means the assembly of member-nations that makes these decisions can include only nations whose governments are democratically elected.

A Democratic Assembly (4.2)

The populations of the market democracies are not likely to accept as legitimate any assembly of representatives of member-states that grants substantial financial power, over them, to unelected governments. This means the assembly of member-



states that decides the costs of Free-and-Progressive and Free-and-Green can include only governments perceived by the populations of the market democracies as legitimate: fellow democracies. Reliable standards of what constitutes free and fair democratic elections can be determined in the treaty that establishes the Free-and-Fair system, and procedures for suspending the voting rights of nations that hold less-free elections can be managed by its independent bureaucracy.

Weighted Voting (4.3)

How can voting power in the Assembly be both equitable and grant the market democracies the influence needed to entice their participation? One equitable solution that has a chance of success is to require three votes for an assembly resolution to pass: one where each member-state has one vote, one where each member's vote is weighted by its population, and one where each member's vote is weighted by its economic share. This ensures representation, respectively, for smaller nations, larger nations, and the wealthier nations that would bear most of the costs. The equal and population-weighted votes model the principle of state representation in the U.S. Senate and House, respectively; the third economic-weighted vote ensures the representation of the market democracies.

IMPLEMENTATION (5)

All or Nothing (5.1)

For Free-and-Fair to work, members must participate in all three legs: Free-and-Balance, Free-and-Progressive, and Free-and-Green. If nations can pick and choose which parts they join, the system will collapse: trade-surplus nations would stay out of Free-and-Balance, higher-income nations would stay out of Free-and-Progressive, and climate-dirty nations would stay out of Free-and-Green. In addition, the free trade component of Free-and-Balance may be key to enticing some of the market democracies into joining and paying a disproportionate shares for Free-and-Progressive and Free-and-Green.

Time Delay for Free-and-Green (5.2)

If Free-and-Green were enacted today, with IMF calculations of global warming costs (4), five nations would face enormous annual outlays (in U.S. dollars): China (one trillion), the United States (one-half trillion), the European Union (one-third trillion), Russia (one-quarter trillion), and Japan (one-twentieth trillion). While the IMF estimated costs are not likely to be acceptable to any of these nations at any time, these figures show that member-nations must be granted a grace period wherein they can make the substantial investments needed to transition to sustainable green economies. While the costs of Free-and-Green may not be determined during the delay period, the uncertainty of what these costs will be would yield a strong incentive for most of the industrial nations to make the investments necessary to quickly transition to greener economies. A seven or ten year delay would not be a detriment to the end goal of Free-and-Green, for if nations use it to successfully transition to green economy then Free-and-Green will have been a success.

Corruption (5.3)

A potential obstacle with Free-and-Fair stems from the problem of corruption and rent-seeking that is present in many nations, especially the poorest ones. Some developing nations with strong cultures of corruption are likely to distribute Free-and-Fair credits to supporters with partiality rather than equitably across citizens, thus impeding the objective of sustainable development.



There are ways to solve the problem of corruption. Weighted majorities of state representatives in the Democratic Assembly are free to decide how Free-and-Fair credits are disbursed, and these majorities could decide to bypass governments with direct cash payments to citizens. Alternatively, the Free-and-Fair bureaucracy could monitor the government spending of funds. Failures to comply with equity and transparency requirements can result in automatic suspensions of credits.

Non-members (5.4)

For Free-and-Fair to be acceptable to most nations, it must not exclude members from maintaining trade relationships with non-members. To make this possible, arrangements can be instituted so nations can monitor and restrict the third-party movement of goods and services.

Sanctions (5.5)

For Free-and-Fair to be acceptable to most nations, it must not constrain member-nations from pursuing their values and interests in global politics. This means all individual members must have the option of sanctioning trade with members and non-members. To make this possible, arrangements can be instituted so nations can monitor the third-party movement of goods and services.

While member-nations must be free to pursue their political interests, it is not practical for individual member-nations to have the power to veto other members' receipt of Free-and-Fair credits. However, to grant member-nations a voice in funding credits to those they oppose for political reasons, a compromise solution would be to grant weighted majorities the power to suspend credits to individual member-nations.

ACCEPTABLE TO MAJOR STATES AND THE WIDER INTERNATIONAL COMMUNITY (6)

No Supra-national Authority (6.1)

The proposed Free-and-Fair system has no supra-national authority: member-states abide by system rules because it is in their interest to do so. The power of the assembly or representative states is strictly limited to deciding the costs of Free-and-Progressive and Free-and-Green, and the manner of distribution of Free-and-Fair credits. Nations are free to withdraw as they wish, or simply not pay their obligations to the pool and face automatic suspension.

Enhanced Sovereignty (6.2)

Rather than limit national sovereignty, Free-and-Fair enhances it. As discussed above, with Free-and-Balanced trade the neo-mercantilist pursuit of trade surplus is no longer a rational trade strategy, so is no longer a threat to any member-nation. This means nations are free to enact domestic policies as they see fit: those that wish to heavily regulate their domestic markets or offer generous welfare protections are free to do so without fear that these policies may harm their trade positions. Inversely, nations are free to protect domestic sectors as they see fit, such as those that have cultural value, without fear of interference or even complaints from other member-states, who cannot be substantially threatened by these policies.

Less Developed Nations (6.3)

Most developing nations have lower income and green economies, and will largely benefit from Free-and-Fair and likely join it, even if they have trade surpluses. There are two basic kinds of developing nations that may not so benefit and may



be disinclined to join: resourced-cursed nations and those with trade-surplus or climate-dirty economies.

Resource-cursed Nations (6.3.1)

Most nations whose economies are largely dependent on the export of fossil fuels have less developed rent-seeking political economies (Norway is the most obvious exception). As discussed above, guaranteed trade balance removes the incentive to maintain trade-surpluses and continue with an oil-subsidized rent-seeking economy. While some governments may choose to join Free-and-Fair and increase imports by subsidizing a consumer economy, others may prefer to continue distributing the fossil-fuel wealth to domestic rent-seekers. Russia, for instance, has a sizable trade surplus made up largely of fossil fuel exports and a government that seems intent on continuing with this kind of political economy. Governments that wish to do so are not likely to join Free-and-Fair.

The absence of resource-cursed nations is not a threat to the system, because the success of Free-and-Green will eventually undermine these nations' political economies, as the global demand for fossil fuels dries up.

Climate-dirty Nations (6.3.2)

Other than Russia, there is only one nation with a chronic trade-surplus and climate-dirty economy that is large enough that its absence from Free-and-Fair would matter: China. China's leaders may be additionally reluctant to join because it would not have a vote in the democratic assembly.

China's leaders still have incentives to join, however. First, the seven-to-ten year delay in implementation of Free-and-Green could in theory allow its leaders to make the investments and reduce China's green cost to zero. Second, China's low per capita income may earn it some credit with Free-and-Progressive that would offset some of the debit of Free-and-Balanced. Third, China's leaders seem to value the global market, and may well perceive long-term interests in free, balanced, and clean trade. They must know that the present order of China's overwhelming trade surpluses cannot be maintained indefinitely, and that if they do not join Free-and-Fair they could end up being excluded from much of the world's market as members of Free-and-Fair are positioned to protect their economies and welfare from China's trade surplus and climate-dirty economy. Whatever China chooses, its participation is helpful but not critical to the success of Free-and-Fair, since most nations would join because most would benefit from it.

The More Developed Nations (6.4)

Despite having to pay a disproportionate share of the costs of climate change and global development, citizens and political elites in the more developed countries, meaning the market democracies, will likely support Free-and-Fair. A robust and stable global marketplace is the foremost consistent goal of these nations. Voters and elites alike want an equitable global order where everyone is wealthier rather than poorer: voters want this because it fits their core values on the equitable rule of law and equality of opportunity; elites want this because they know that their own economies will do better with global economic development. Most are well-aware of the impending disaster of climate change and the need for global cooperation to solve it. A democratic assembly would be legitimate in these civic cultures, as would the weighted three-tier voting procedure.



Civic Grounding (6.4.1)

Beyond core values, many influential special interest groups would have interests in Free-and-Fair. Among private interest groups, large multinational firms will favor the free trade aspect of Free-and-Fair, while labor unions and others would favor the protection Free-and-Fair grants from the race to the bottom. It is not obvious what groups would not perceive interests in Free-and-Fair, other than climate-dirty energy companies that would lose in any effort to address climate change.

PROBLEMS ADDRESSED (7)

Extreme Poverty (7.1)

Free-and-Fair trade clearly addresses extreme poverty, as outlined above.

Climate Change (7.2)

Free-and-Green trade clearly addresses climate change, as outlined above.

Rapid Population Growth (7.3)

It is well-established that rapid population growth and economic dislocation is associated with extreme poverty in lower and middle-level developing nations. As newer health and farming technologies reach traditional economies, mortality rates decrease, life expectancy increases, and demand for rural labor decreases. The result is rapid population increase associated with problems related with dislocation and emigration, including human trafficking and politically-motivated violence.

The solution to the problem of population growth is successful development: we know that higher income nations tend to have stable population growth rates. The problem is that today's global trade system poses a development trap: many nations cannot reach stable population growth rates as rapid increases in population offset the gains of economic growth.

The Free-and-Progressive part of Free-and-Fair offers a mechanism for raising the incomes of the poorest member states faster than those of the higher-income members. In this way Free-and-Fair will assist nations in overcoming the development trap and solving the problem of rapid population growth.

Politically Motivated Violence (7.4)

It is well-established that poverty and economic dislocation are the leading correlates of civil conflict, insurgency, and widespread support for groups that advocate sectarian violence, genocide, and terrorist tactics. By enhancing the growth prospects of all nations, especially developing ones, the Free-and-Fair system reduces the risk of civil war, insurgency, and sectarian and terrorist violence within and across nations. In addition, the Democratic Assembly will have the authority to block credits to nations who violate norms of proper behavior of member-nations, at home and abroad.

PROMISE OF A BETTER WORLD (8)

The power of the Democratic Assembly is strictly proscribed by treaty: it can decide only the costs of Free-and-Progressive and Free-and-Green, the manner of distribution of Free-and-Fair credits, and (perhaps) appoint managers of the bureaucracy. The Assembly has no supra-national authority, and no power or responsibility to address security issues in any way. These limitations are essential if the system is to draw in the participation of most nations, including the traditionally-neutral ones.



Despite the strict limitations on its authority, the Democratic Assembly yields the promise of a better world, in two essential ways. First, the democratic members bearing the greatest costs, the market democracies, will have the power, if a majority of the weighted-voting members agrees, to suspend credits to nations as they choose. Since these nations share common values on human rights and international behavior, this assembly will promote stronger international norms and laws regarding human rights, fostering a more just and equitable world.

Second, the assembly of member-nations, representing only democratic member-nations, will have a degree of moral authority. This means the body has great potential, since there is nothing to stop it from passing non-binding resolutions on any matter it pleases. For many today the United Nations does not have moral authority; nor does the next-best contender, the United States, have it reliably. An assembly of democratic nations will have this moral authority.

In this way, the assembly of democratic nations can act as the legitimate voice of the world. Resolutions can serve as focal points for international cooperation, around which civil society organizations in multiple nations can rally, pressuring their governments to support the resolutions. In this manner cumbersome multinational negotiations are circumvented, and global cooperation is furthered without any infringement on the sovereignty of nations. For instance, the Democratic Assembly may pass a resolution (always non-binding) that offers standards for national regulations of multi-national firms. Civil groups may then pressure political parties to adopt the resolution in their platforms. If enough support emerges, some nations may form a separate treaty agreeing to the national regulations.

The Democratic Assembly would also make global management more democratic. As the voice of multiple democratic member-nations, it would have the moral force to sway public opinion across the globe. This would pose a constraint on the actions of any individual democratic nation. In this way global management is made more democratic, legitimate, and equitable, and global cooperation is furthered without any infringement on the sovereignty of nations, in a body that has legitimacy as the moral voice of the world.

3. Motivation

CORE VALUES (1)

As a system designed to promote sustainable development, Free-and-Fair promotes the good of all humankind and in a manner that respects the equal value of all human beings.

DECISION-MAKING CAPACITY (2)

Free-and-Fair is an equitable and transparent system for distributing the costs of global sustainable development. As such it largely functions without the burden of political decision-making, other than deciding on the costs of Free-and-Progressive and Free-and-Green, and the manner of distribution of Free-and-Fair credits. These decisions are made in a three-tiered voting system with nation-members equally-weighted in one vote, population-weighted in another, and economic-weighted in another. Deadlock can happen but is not a dire threat to the system because recurring assembly decisions are needed only with regards



to Free-and-Progressive and Free-and-Green. Deadlock cannot effect Free-and-Balanced, since assembly decisions are not needed in managing the trade surplus/deficit allocations. Recall too that the selection of members of the bureaucracy that manages the system is not controversial (and can be done by consensus).

What about deadlock regarding the costs of Free-and-Progressive and Free-and-Green? Presumably, poorer member-nations are likely to prefer higher development and global warming costs than the wealthier market democracies, who will bear the bulk of these costs. If deadlock occurs it simply means that Free-and-Progressive or Free-and-Green are suspended for that year (if decisions are made annually). This outcome is not preferred but will not result in a collapse of the system: the core structures of Free-and-Balanced, the bureaucracy, and the Assembly will remain in place. Both Free-and-Progressive and Free-and-Green can resume as soon as member-nations reach an agreement on these costs. This shows too how Free-and-Progressive and Free-and-Green will cease in the happy event of their success in reaching global sustainable development.

In addition, deadlock on Free-and-Progressive and Free-and-Green is unlikely, for three reasons. First, democratic nations tend to agree in international bodies, especially the market democracies. Second, member-nations have interests in agreement. The poorer member-nations benefit with any agreement on development and global warming costs. The market democracies benefit from a greener and more robust global marketplace; they also benefit from the free access to developing world markets. Third, the civil societies in the market democracies are likely to punish leaders whenever agreement on Free-and-Progressive or Free-and-Green is not reached. Leaders know that failure to reach agreement grants their domestic political opponents a critical issue in subsequent elections.

For these reasons, in all likelihood agreement on the expenses of Free-and-Progressive or Free-and-Green will be reached on a recurring basis, even as the amounts agreed upon may be less than the true costs of global warming or that preferred by developing nation-members. Most everyone wants a compromise outcome: the market democracies want a greener and more robust global marketplace; the developing world members want the credits and trade advantages of Free-and-Fair. Since multinational negotiations are replaced with Assembly majorities, larger individual nations would no longer have effective vetoes as they have today. In this way, the proposed order is far more equitable and effective than the present one, and everyone is better off.

EFFECTIVENESS (3)

Member-state representatives appoint members of the independent and transparent bureaucracy that manages the three legs of Free-and-Fair: Free-and-Balanced, Free-and-Progressive, and Free-and-Green. Members have the power to manage and monitor this bureaucracy, to ensure the implementation of its decisions. Free-and-Balanced trade will effectively reduce extreme poverty by generating a more robust and equitable global economy, resolving problems of the resource curse, reducing the expenses of holding hard currency reserves, offering greater protection from multinational corporations, leveling the playing field for developing world firms, and yielding greater assurance that the growth rates of developing nation economies will keep up with the more developed ones, reducing demographic and migration pressures.



The effectiveness of Free-and-Progressive and Free-and-Green depends on recurring decisions in the Democratic Assembly, constrained by common interests in sustainable development and public opinion and civic groups within nations. In this way the proposed system would seem to offer far greater promise of being effective for attaining equitable sustainable development than the present order dependent on cumbersome multinational negotiations.

RESOURCES AND FINANCING (4)

The distribution of the costs of Free-and-Balanced, Free-and-Progressive, and Free-and-Green is inherently equitable and predetermined: nations are required to pay their shares of the amounts decided by the Democratic Assembly. All other resolutions of the Assembly are non-binding and thus require no financing. Revenue is needed only for Assembly proceedings and the bureaucracy that manages operations. Member-states could grant the Assembly the authority to decide these costs with member states required to pay their economic shares.

TRUST AND INSIGHT (5)

The Democratic Assembly is likely to always act in a trustful and transparent way. As a body of democratic nations, resolutions that seem to violate trust and democratic norms of equity are unlikely to pass. Binding resolutions are made only with regard to Free-and-Progressive and Free-and-Green, management of the bureaucracy, and sanctions on membership credits. Member-nations are always free to withdraw in the event they feel such resolutions violate trust and transparency.

FLEXIBILITY (6)

The democratic assembly manages the Free-and-Fair bureaucracies. Resolutions can make improvements to the procedures as needed. However, there is nothing to stop the assembly from passing resolutions that recommend an increased power for it. If these are supported by global public opinion and civil societies, member-nations are free to revise the treaty that established Free-and-Fair and the democratic assembly.

PROTECTION AGAINST THE ABUSE OF POWER (7)

The Democratic Assembly has only the power to decide the total costs of Free-and-Progressive and Free-and-Green, the manner of distribution of Free-and-Fair credits, and to manage the bureaucracy. It has the power to monitor and control this bureaucracy at will. As a democratic body, it is unlikely that the Assembly or its bureaucracy could overstep its mandate or favor special interests. The Democratic Assembly has no authority to interfere in the internal affairs of nation-states. As check on abuse, nations are free to withdraw membership as they wish, or simply not pay their obligations to the pool and face automatic suspension.

ACCOUNTABILITY (8)

The decision-makers are member-nations, who hold their representatives accountable by their own national laws. The Democratic Assembly has the power to hold members of its bureaucracy accountable for their actions.



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