

Policy Responses to COVID-19

G20 2020

Rebuild after the crisis on three pillars: Equity, security and sustainability

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This Policy Brief is offered to the Saudi T20 process, as a recommendation to the G20 in 2020.

Challenge

While it has been clear since the Asian and Emerging Markets' crises of 1998-99 that unfettered globalisation and the increasing financialization of our economies, widening inequalities within societies, and the pursuit of status through excessive consumption and accumulation, are neither socially equitable nor environmentally sustainable, it has taken this pandemic to bring home the need for radical restructuring of the paradigm within which we conduct ourselves.

Every thoughtful person, whatever her ideological preferences, knows that reverting to the world we inhabited before the virus struck, is not the best way of spending the \$10-15 trillion dollars that we shall have to provide through central banks, and monetize fully, if we are to recover from the crisis.

The fragility of the international order and the global financial system, the unsustainable ratio of aggregate debt-to-GDP before the pandemic, the quantum of government bonds with negative yields, the enormous inequality of wealth and income in too many national societies, and the lack of trust in political and economic institutions in almost all the advanced economies, make it clear that a new paradigm is essential. No rational person can argue that we should rebuild what has been, and is being, destroyed.

Proposal

The sole purpose of our economies and polities is to *advance the welfare of our societies*. To advance societal wellbeing as we grapple with this crisis, we must strengthen the institutions needed for international cooperation, to restore trust, contain conflict, and enable cooperation for the common good.

Equally importantly, we must use the fiscal stimulus, which we are raising through debt that we shall have to monetize, to craft an *equitable, secure and sustainable* system, fit for purpose in a digital age, in which over 7.8 billion increasingly urbanised humans, need personal security and equitable opportunities, while living within sustainable ecological boundaries.

Equity

The aim is equity, not equality. Inequality is not unjust *per se*; it depends on the mechanisms that produce it. Some people work harder, educate themselves, and make better use of their resources. They are likely to achieve more than others. Even large income differences are permissible if the opportunities that give rise to higher incomes are accessible to all. If income differences were based on educational

permissible if the opportunities that give rise to higher incomes are accessible to all. If income differences were based on educational attainment while education was available to everyone, the differences would not be inequitable.

The aim must be to link comprehensive well-being with competitive economic opportunity, by using social security programmes as investment capital, in transparent ways, to develop the economy and build social cohesion.

Core components of such social security programmes are:

- interventions to reduce maternal, infant and child mortality
- food security
- access to decent basic housing
- access to essential preventative and curative healthcare
- access to education (literacy, numeracy, reasoning skills and life-skills), and life-long learning, permitting horizontal as well as vertical mobility for economic opportunity
- safety and economic security in old age

A social investment strategy to advance equity involves investment in these outcomes, to achieve social and economic returns, understanding that inputs by families, firms, and the state are all needed to produce human capital over a life cycle.

A sound social investment strategy is dynamic. Skills acquired at one stage provide the foundation for further skills, or their use, in the next:

- Childcare and pre-school education are social investments in early childhood, as later interventions build on the cognitive skills acquired in these formative years.
- For young people, primary, secondary, and tertiary education provide general and specific skills, equipping them to advance their individual welfare, and contribute to society.
- Two policy packages target adults in their prime:
 - Childcare and social care allow parents to join the labour market, and to reconcile family life with work that enables economic returns that contribute revenue to the exchequer, and to insurance and saving schemes
 - Life-long learning and active labour market policies upgrade skills to meet changing labour demands.
- In old age, targeted policies allow the elderly to use their resources and skills both in the labour market and in society. Active ageing policies results in fewer premature exits from employment, and better health for the elderly, reducing the need for, and the costs of, social and health care.

An equitable social order also requires structured policies to engage women in gainful economic roles. Janet Yellen has argued that women's engagement in the economy at levels equivalent to those of men, would add appreciably to economic output and societal well-being. To enable that, one needs more than access to education and employment. Social norms and practices must be adapted to allow women to meld responsibilities to children with professional obligations in work. Flexible working hours, less mandatory travel away from one's home, and increased use of digital technologies for teleworking, are practical adjustments that can be mandated normatively. The lockdowns effected in response to the pandemic have made it clear that these are feasible; and have triggered a technological surge that will make such approaches more effective and convenient for firms and employees in future

Security

States must provide security to –

- reduce the vulnerability of *individuals, communities, nations, and humanity*
- mitigate and manage tangible threats; and
- improve resilience to shocks at different scales.

Addressing each of these is a challenge; determining how to allocate scarce resources to achieve them in concert, is a greater one.

As governments exist to enable the well-being of their societies, they must –

- *Improve human security* by enabling freedom from want and fear
- enable the *security of sub-national communities within the state* from crime, disease, and natural disasters
- *ensure national security* through the protection of borders and national institutions
- provide *security for non-national communities* within their countries against natural disasters, persecution, and crimes against humanity; and
- *contribute to regional and global security* by averting war between states, and ethnic and ideological conflicts; economic disruption; threats posed by infectious diseases; and combatting environmental degradation and climate change.

The categories are not mutually exclusive. The UNDP's 1994 *Human Development Report* sought to induce the 1995 *World Summit on Social Development* to expand the scope of *global security* to include –

- *economic security* (an assured basic income for individuals)
- *food security* (continuous physical and economic access to basic food)
- *health security* (protection from disease and unhealthy lifestyles)
- *environmental security* (protection from the short- and long-term ravages of nature, man-made threats in nature, and deterioration of the natural environment)
- *personal security* (from physical violence, by individuals, sub-state actors, the state itself, or external states)
- *community security* (from sectarian and ethnic violence); and
- *political security* (from political repression, torture, or ill-treatment, and interference with information, belief, and expression).

As the purpose of a polity (and the government comprising it) is to secure the well-being of its citizens and those residing within its territory, one should not ring-fence elements of *security* inappropriately. *National security* is meaningless in the absence of *human security* within the state. *Regional*, or indeed, *global, security* cannot be achieved in a space fractured by fear and mistrust.

Just as periods of relative peace in history have been characterised by agreement on the norms constituting the legitimate order, and a balance of power that enabled accommodation of the vital interests of each state, so a peaceful and prosperous national society depends on the satisfaction of the vital interests of its citizens. We need to reintegrate the dimensions of security, recognising that the purpose of all security interventions is the reduction of threat and vulnerability.

Sustainability

The world has committed to transition to carbon-neutrality, and the IMF has estimated that this transition will require investment of \$2.3 trillion each year for a decade.

As IMF Managing Director, Kristalina Georgieva said at the Petersberg Climate Dialogue XI, the fiscal stimulus must be used to reduce emissions, phase out subsidies for hydrocarbons, and prioritize investment in clean transport, sustainable agriculture, and climate resilience.

The IPCC's *Special Report on Global Warming of 1.5 °C*, prepared in response to the decision of the 21st Conference of Parties of the United Nations Framework Convention on Climate Change, concluded that limiting warming to 1.5°C requires slashing global emissions by 45 percent below 2010 levels by 2030.

The IPCC also indicated that we shall have to remove 1,000 gigatons of CO² from the atmosphere by 2100, perhaps through more terrestrial carbon sinks, bioenergy coupled to carbon capture and sequestration, and direct air capture.

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The *Global Ocean Commission* set out in 2013 to address “governance [of the oceans] to combat the anarchy that rules the waves.” Five key drivers of ocean decline were identified: The rising demand for resources; technological advances; the decline of fish stocks; climate change, the loss of biodiversity and habitat; and weak governance of the high seas.

The Commission recommended, inter alia:

- An SDG for the ocean
- an end to subsidies that lead to overfishing
- getting and keeping plastics out of the ocean
- safety standards and liability for offshore oil and gas; and
- creation of a High Seas Regeneration Zone.

SDG 14 was adopted to mitigate ocean acidification, secure habitat, and species protections, reduce pollution, and end illegal fishing and subsidies. But, despite this, and an impressive list of individual commitments, actions to date have not dented the problem.

The World Wildlife Fund’s *Living Planet* report, also released in October 2018, recorded:

- a 60 percent decline in wildlife populations in just over 40 years, due chiefly to overexploitation and land conversion for cities and agriculture
- a dramatic reduction in bee and other pollinator numbers, heightening risks to soil biodiversity.

It pointed out that ecosystem services from nature are worth around US\$125 trillion a year but are being destroyed by unsustainable production and lifestyles. It thus advocated an urgent transition to a net carbon neutral society; halting and reversing nature loss and restoring enough land and ocean to a natural state, to sustain life. A new research initiative on “Bending the Curve of Biodiversity Loss” has been created to identify the trade-offs we need to make.

Sustainability involves more than addressing climate change. The oceans, and the biodiversity of our complex adaptive earth system, as well as the effects of human activity on the bio-geosphere, must be considered as a whole. The work pioneered in the *Stockholm Resilience Centre* by Johan Rockström and Will Steffen, focusing on *planetary boundaries* that we cannot breach without risking our survival, is the most useful point of departure.

In 2018, Daniel W. O’Neill et alia explored the challenge of achieving a high quality of life for all without destabilising critical planetary processes and concluded that this posed significant challenges. They concluded: “...the universal achievement of more qualitative goals (for example, high life satisfaction) would require a level of resource use that is 2–6 times the sustainable level, based on current relationships. Strategies to improve physical and social provisioning systems, with a focus on sufficiency and equity, have the potential to move nations towards sustainability, but the challenge remains substantial.”

We must coordinate policies into an *integrated earth system* approach. Climate, oceans, freshwater aquifers, soils, forests, fields, and the biodiversity in each, are all part of one bio-geosphere, as is our species. We must avoid the temptation to treat parts of the whole as though they were discrete.

Adopting this approach will demand changes in our social and economic behaviour. There are at least three principles:

- We must delink personal gratification and social status from excessive consumption.
- As we urbanise further, we must greatly enhance efficiencies in residence, mobility, work, and entertainment; and minimise wastage.
- As we grapple with the challenges and opportunities of the first post-industrial bio-digital revolution, the need for *circularity* – re-use and environmentally efficient recycling – is paramount.

Designing a new system around the principles of *equity*, *security* and *sustainability* is conceptually simple, although developing a detailed framework and securing agreement at scale will be challenging.

The need to develop a new system along these lines can, however, serve as a template for the Italian Presidency in 2021.

With the support of the Sherpas, each of the Engagement Groups – Business 20, Civil 20, Labour 20, Science 20, Think 20, Urban 20, Women 20, Youth 20 – can be asked to develop specific proposals on core elements of the principles of *equity*, *security* and *sustainability* that should be incorporated into a new system design, and embedded structurally and systemically into national and international instruments.

Each of the groups of Agriculture Ministers, Climate and Environment Ministers, Development Minister, Digital Economy Ministers, Education Ministers, Employment Ministers, Empowerment and Inclusion Ministers; Energy Ministers, Finance Ministers and Central Bank Governors, Health Ministers, Infrastructure Ministers, Tourism Ministers, Trade and Investment Ministers, and Water Ministers, can be asked, in parallel, to consider how to embed equity, security and sustainability as organising principles in their portfolios. The meeting of Foreign Ministers ahead of the Summit of Heads of State and Government can coordinate a draft communiqué for submission to the Summit for adoption, to ensure that a coherent and well-aligned message is communicated thereafter.

As it is unlikely that the whole agenda will be completed within a single Presidency, especially as much of 2021 will be taken up in managing the economic consequences of the pandemic, the aim of restructuring the global system, and its national components, according to these principles should be adopted as the rationale of the G20 for as long as is necessary to achieve agreement on a new order that is fit for purpose in this era. Taking this approach will introduce greater coherence into the agendas of successive Presidencies and enable the G20 to achieve its true potential.

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3. G20 Saudi Arabia

[G20 in 2020 Engagement Groups](#)

4. G20 Saudi Arabia

[G20 in 2020 Events Calendar](#)

Existing Initiatives & Analysis