

Building Back Better: Transforming our Global Economic Governance Institutions for Shared Societies

Danilo Türk and Cassam Uteem, World Leadership Alliance-Club de Madrid

If we are to ensure our global institutions are transformative, they must return to their founding philosophy. Social justice, inclusion and equity can no longer be guiding principles. They must be the core of our work to deliver global economic security.

We find ourselves at an unfortunate crossroads for humanity in which the strategies and models we have built through much sacrifice are proving inadequate for the challenges confronting us ever more urgently.

As the last century came to a close, we held a certain confidence that the benefits of liberal democracy were increasingly evident to all. This has proven not to be true. Those benefits, distributed less equitably over the ensuing decades, have allowed for mounting divisive and polarizing inequality and a feigned triumphalism of non-democratic models increasingly employing the tools of repression.

Given the magnitude of its health, economic, social and political consequences it is easy to overlook the reality that the global COVID-19 pandemic is just the latest of a daunting catalogue of transcendent challenges to the world we believe we know. We have

begun to experience the devastating impacts of climate change ranging from climate-driven migration and food security instabilities through to water conflict to the more obviously linked weather-related disasters. Beyond these there exist a whole range of destabilizing factors, including public anxiety resulting from the globalization and digital transformation of national economies radically reducing the labor force; the erosion of traditional values; rising inequality across the globe; migration at an unprecedented scale, and overt efforts to weaken the democratic institutions and systems of checks and balances necessary for defending and promoting equity.

Faced with new challenges we are witness to the resurgence of old tricks: apprehension regarding the future makes divisive discourse, most often founded in cynical legacies of racism and repression of ethnic or religious minorities, a mobilizing tool to convert any given identity group, minority or newcomer in an easy target of frustrations. This has led to a global epidemic of polarization as a powerful driver of social division threatening democratic practice world-wide. Built around rhetoric which inspires an 'us-versus-them' mentality and fear of others, illiberal politicians have weaponized identity politics to exploit insecurities faced by citizens – the very opposite of the inclusive and participatory ideals envisioned in democratic governance so valued by Members of the World Leadership Alliance – Club de Madrid and peoples who have benefited from the freedoms and opportunities associated with liberal and open societies.

As Members of the WLA-Club de Madrid, over 110 democratic, former Heads of State and Government, we have a moral responsibility to share our leadership experience in shaping analysis and crafting dialogue which lead us to transform our current structures into more human-centered and resilient ones, capable of effectively responding to the challenges of the times.

This means big ideas that go beyond once-in-a century regeneration. We may, at present, be faced with a once-in-a-civilization moment in which our resilience and cultural continuity may very well hang in the balance.

Fortunately, we have a well-developed set of globally accepted principles and foundations from which to build forward. These include

PART IV: IMPLICATIONS FOR GLOBAL GOVERNANCE

the legacy of human rights concepts that began with the presciently holistic Universal Declaration of Human Rights in 1948 and which have expanded over time to more detailed concepts, covenants and initiatives like the Human Development Index; the critical efforts of UN Women; Agenda 2030 and its Sustainable Development Goals, just to name a few. At the WLA-Club de Madrid we have worked for more than a decade to articulate a Shared Societies vision to ensure broad understanding that social inclusion is a critical success factor for democratic practice.

These concepts represent a potential underpinning for the real task of our times: reinventing democracy for the 21st century based on a new Social Compact to engage public institutions, civil society and the private sector with full social inclusion to ensure no one is left behind. This updated Social Compact must be built around respect not just for negative freedoms and individual rights but also empower positive freedoms, allowing people to exercise their capacities and achieve their potential. If liberal democracy has not been able to build equitable well-being, create social cohesion, fulfil the aspirations of diverse and newly engaged constituencies and respond to the myriad of 21st century challenges, we need to undertake its transformation.

What does this mean for the institutions of global economic governance engaged in this book? The short answer is everything.

Social justice, inclusion and equity can no longer remain just guiding principles. They have to be placed at the core of our efforts as stewards of global economic security. At the WLA-Club of Madrid we developed Guiding Principles of the Economics of Shared Societies in 2011 demonstrating the benefits of and delineating policy parameters for inclusive economies.¹ We called on the G-20 to build jobs for inclusive growth in 2013.² Since that time we have engaged efforts to ensure the global economic governance institutions focus on inclusion and equity and fully supported the Agenda 2030 vision for inclusive and sustainable growth.

For our global economic governance institutions this means going

1 The Economics of Shared Societies

2 Societies that Work: Jobs for Inclusive Growth

beyond building better capacity for understanding and impacting goals of social cohesion and equity to making them mission-level objectives of their economic philosophy. Though tremendous progress has made in reducing poverty globally, all too often the institutions created 70 years ago in Bretton Woods have been perceived to be supporters of the status quo and benefactors of entrenched interests. The risks of this perception, whether founded in reality or not, cannot be understated in the current context where identity and grievance narratives are manipulated, making a perception not quite an alternative fact but at least a very powerful driver of political articulation. The challenge is, therefore, to ensure that our global economic institutions become standard-bearers for broad-based economic well-being, inclusion and equity.

This is not as radical as it might first appear. Putting forth the idea of increasing the wellbeing of people in increasingly diverse and connected societies at the center of our economic goals represents a return to the core principles that inspired the original concepts of liberal economics and market economies. Adam Smith, the historical figure most identified with establishing the parameters of our current economic system was fully aware of the dangers related to inequality, including the economic distortions of concentrated wealth and warning that the true measure of a nation's wealth is not the size of its king's treasury or the holdings of an affluent few but rather the wages of the 'laboring poor'.³

Making our global economic governance institutions transformative in this sense, or returning them to their original philosophical purpose, if you will, is no less formidable a task than reinvigorating democracy. But the times demand such vision and verve, and the imaginable alternatives are clearly less desirable. If our global economic governance institutions cannot become clear proponents for economic transformation beyond a notion of purely financial profitability driving market economies, they risk serving a functional role in a deeply unjust world of degraded humanity exploited by inequities and the political controls required to maintain authoritarian order. Better to end up on the right side of history.

³ <https://www.theatlantic.com/business/archive/2016/06/the-problem-with-inequality-according-to-adam-smith/486071/>

PART IV: IMPLICATIONS FOR GLOBAL GOVERNANCE

This new history could begin with investing in economic programmes which have proven effective. Countries with a strong tradition of universal social protections, for example, have weathered this pandemic and other crises with less severe impact on their citizens, and importantly, on the vulnerable populations within their borders. We believe two particularly fruitful opportunities at present lie with reforming and creating an international tax regime that ensure corporations contribute to social development and offering debt relief tied to specific social development programming outcomes, as opposed to a windfall for borrowing states. We are buoyed by the work of young economists like Heather Bousher¹ and Dambisa Moyo² and initiatives like the Wellbeing Economy Alliance,³ all challenging us to rethink our economic assumptions and strategies. Is it that difficult to imagine a World Bank and International Monetary Fund fully vested in fulfilling SDG 8 which proposes inclusive growth and full employment?

We offer these recommendations and citations not as economists, and we defer the strategy and implementation to those who have spent their lives studying and mastering its principles. We are, rather, democratic political leaders who have seen and hopefully demonstrated the benefits of putting people first and working to build coalitions that respect difference and cooperate in solving common problems peacefully. Our leadership experience has taught us that this is the way forward, and there has been no time in living memory where this is more imperative than the present.

1 <https://www.nytimes.com/2020/08/28/business/heather-boushey-biden-economic-inequality.html>

2 <https://www.nytimes.com/2020/07/31/opinion/coronavirus-economy.html>

3 <https://wellbeingeconomy.org/tag/wego>