

A world in turmoil needs fundamental change

COMPILED BY JENS MARTENS, GLOBAL POLICY FORUM

The COVID-19 pandemic and the national responses to it brought the world almost to a complete lock-down. Economic, social and cultural life came to a virtual standstill in many places, borders were closed and trade flows interrupted. All over the world, States have intervened, to various degrees, to restrict the freedoms of their citizens in order to slow down the spread of the pandemic and prevent healthcare systems from collapsing.

The long-term political, economic and social consequences of COVID-19 cannot yet be fully predicted. However, there are signs that the far-reaching measures taken to combat the pandemic will have a massive impact on human rights and the implementation of the internationally agreed Sustainable Development Goals (SDGs). The current global economic recession affects all countries in the world. Unemployment, poverty and hunger have risen dramatically. Measures to combat global warming and the extinction of species threaten to move further down on the list of political priorities.

What makes the situation even worse is that many countries were already confronted with massive social, ecological and economic problems before the crisis. These have not now disappeared. Climate change with its devastating consequences continues at a rapid pace; systemic racial and gender discrimination perpetuate inequality and injustice and undermine social cohesion; the increasing number of authoritarian regimes is a serious setback for human rights and the urgently needed socio-ecological transformation.

In addition, even before the outbreak of the coronavirus, the macroeconomic situation in many countries had already deteriorated, owing to a vicious circle of debt and austerity policies threatened reversals in socio-economic development.

Enormous losses and damages, but very unevenly distributed

When the new coronavirus was first detected in China, at the end of 2019, the decision to lock down huge areas in order to stop its spread clearly put the protection of life first. Economic losses and damages were to be dealt with later. One by one (but remarkably, not collectively) most governments of the world took similar decisions and societies drastically reduced population mobility on an unprecedented global scale. This has affected countries in different ways, depending on their social and economic context. The losses and damages are enormous, but very unevenly distributed.

UN Secretary-General António Guterres stated with striking clarity: “COVID-19 has been likened to an X-ray, revealing fractures in the fragile skeleton of the societies we have built. It is exposing fallacies and falsehoods everywhere: The lie that free markets can deliver healthcare for all; the fiction that unpaid care work is not work; the delusion that we live in a post-racist world; the myth that we are all in the same boat. Because while we are all floating on the same sea, it’s clear that some are in superyachts while others are clinging to drifting debris.”¹

In response to these problems, mass protests, many of them led by women, have been shaking a growing number of countries worldwide. In Ecuador, Chile, Brazil and Argentina, in India, Egypt, Lebanon, and many other countries millions of people were taking to the streets in late 2019 and early 2020. Fear of COVID-19 as well as curfews and other “Stay at home” restrictions succeeded in emptying the streets of these protesters temporarily, but after a few months, in many countries, including Chile and Lebanon,

¹ <https://www.nelsonmandela.org/news/entry/annual-lecture-2020-secretary-general-guterres-full-speech>

as well as the USA, people are back on the streets to protest violence and discrimination as well as hunger and other human rights violations.

Unprecedented fiscal response

Governments and international organizations have responded to the economic and health crises resulting from the COVID-19 pandemic and consequent lockdown on a massive scale. The announced liquidity measures, rescue packages and recovery programmes total US\$ 11 trillion worldwide. 196 countries and territories have taken political measures, albeit of very different scale and scope, depending on their fiscal capacity and policy space. In many countries, particularly countries of the global South, both fiscal capacity and policy space are considerably restricted, making the realization of the 2030 Agenda and the SDGs unrealistic. Without effective multilateral counter-measures, economic disparities and inequality between rich and poor countries will increase considerably. COVID-19 is thus a global wake-up call for international cooperation and solidarity.

Often, the rescue programmes have been used to fill – at least temporarily – financial gaps that exist due to the weakness of social security systems and the absence of effective public services. Not only national governments but also local governments and healthcare providers are facing major challenges in responding to the impacts of the crisis. They had to take emergency measures, set-up new services to enable proper lockdowns, and contain the spread of the virus in their communities. When the first phase of COVID-19 support measures comes to an end, many cities will be confronted with a massive increase in homelessness and hunger, even in richer countries. This is a result of the fact that governments have spent many years liberalizing markets, underfunding and/or privatizing public services, including healthcare, and neglecting social housing.

Even before COVID-19, many countries of the global South were already in an economic crisis, one characterized by contractionary fiscal policy, growing debt and austerity policy measures that made these countries more vulnerable to future crises. As a result, most governments are facing serious fiscal

constraints in responding to the current crisis, in part shaped by IMF conditionalities, and by their dependence on international financial markets and credit rating agencies, and exacerbated by the sharp decrease in public revenues due to the decline in tax payments and export earnings.

It is therefore not surprising that the COVID-19 fiscal responses of the countries of the global South are substantially lower than those of the countries of the global North, not only in absolute terms but also in relation to GDP.

In the first phase, many government COVID-19 emergency programmes contained certain social components that aimed to provide (more or less targeted) support for families in need, prevent unemployment and keep small businesses and companies financially afloat. But aside from the fact that even these altogether huge amounts of money could not prevent the global rise in unemployment, poverty, and corporate bankruptcies, the temporary measures produced at best a flash in the pan effect that will quickly evaporate when the support ends. The social catastrophe then comes only with a delay. Environmental considerations, on the other hand, played hardly any role in the first phase of COVID-19 relief programmes; they slipped down the priority list of many governments. For the most part, economic relief packages have been ecologically blind.

Overall, the first phase of COVID-19 responses did not succeed in recognizing the demand of many CSOs and trade unions that access to corporate bailouts and other public funds should be subject to conditions designed to protect and empower workers, stop tax dodging and end corporate practices fueling inequality, climate breakdown and human rights abuse.

It is therefore all the more important that now, in the second phase of policy responses, longer-term economic stimulus packages not only support economic recovery, but also promote necessary structural change, such as strengthened public social security systems, improved remuneration and rights of workers in the care economy, and the transition to circular economies, which seek to decouple growth from consumption of finite resources.

If used in the right way, such policies could offer the chance to become engines of the urgently needed socio-ecological transformation proclaimed in the 2030 Agenda for Sustainable Development.

“8 R”-agenda for systemic change

The continuous chain of humanitarian disasters, be it floods in Southeast Asia, the locust plague in East Africa, the devastating explosion in the port of Beirut or the destruction caused by wildfires in Brazil and California or hurricanes in the Caribbean gulf, show that crises and grievances do not stop because of COVID-19. On the contrary, they are all the results of a dysfunctional system that puts corporate profit above the rights and well-being of people and planet.

In response to the COVID-19 crisis, the World Economic Forum has initiated the “Great Reset” in order to reshape “stakeholder capitalism”, and rightly states that the “inconsistencies, inadequacies and contradictions of multiple systems –from health and financial to energy and education – are more exposed than ever.”

But pushing the reset button just restarts the game, without changing the rules of the game – or even the game itself. The reset button clears the memory and reboots the (old) system, a system which has proven that it could not prevent the current crises, but rather has caused them.

We offer as an alternative an “8 R”-agenda for systemic change.

The eight sections do not provide a comprehensive reform programme. Rather, they illustrate in a nutshell eight issue areas where not only policy and governance reforms but also changes in the underlying narrative are long overdue. Action in these areas are a necessary precondition for making progress towards the socio-ecological transformation proclaimed in the 2030 Agenda for Sustainable Development.

1. Re-value the importance of care in societies: The pandemic has revitalized the idea that essential jobs exist. Care-giving jobs are at the top of that list, even though historically they have been hardly recognized, socially devalued and badly paid, with little or no benefits or protection. A recognition of the essentiality of care should foster a process of transformation in the way in which it is socially addressed. Democratically expanding horizons of equal care arrangements, allocating public resources to building care infrastructure and recognizing and strengthening community care arrangements are essential elements in any process of building a different way out of the current global crisis.

2. Re-empower public services: Around the world, frontline public service workers continue to receive praise and support for their vital role in responding to the COVID-19 crisis. Yet, these underfunded public services and brutal working conditions are not inevitable. They are the result of decades of deliberate erosion of our public services through budget cuts, privatization and understaffing. We must make sure these services are well financed. We need a better global tax system to ensure corporations and the very wealthy pay their fair share and do not use their economic power to exercise undue influence over public policy. The remarkable wave of re-municipalizations in more than 2,400 cities in 58 countries shows how possible – and popular – it is to bring services back into public control.

3. Re-balance global and local value chains: The COVID-19 pandemic exposed once again the vulnerabilities generated by commodity dependence and overreliance on global value chains. They reflect the dominant model of a global division of labour which disregards the massive externalities related to resource exploitation, environmental degradation, displacement of communities, and the violation of human rights and labour rights. The current crisis offers the opportunity to rethink and remodel these unbalanced export-driven development strategies, shift the centre of gravity away from the global economy and take bold public policy and investment decisions to strengthen domestic circular economies. Three cornerstones of the necessary economic transformation are the strengthening of sustainable local

food systems, enhanced regional (or subregional) cooperation to overcome the constraints of limited domestic demand, and systemic reforms in international trade and investment regimes to widen the national policy space for transformation.

4. Reinforce the shift towards climate justice: Against the backdrop of increasing climate change impacts that inordinately adversely affect the poor, especially in developing countries, and a potential deepening of the development gap and global inequality as a result of these and other crises, a more just and equitable approach to addressing climate change has to be undertaken. In particular, countries of the global North should start phasing out and shifting subsidies and investments away from fossil fuel exploration, extraction and production immediately and commit to transition rapidly to a 100 percent use of clean and renewable energy by 2030. They should scale up the provision of climate financing to at least US\$ 100 billion by the end of 2020 and increase that rapidly between 2020 to 2030.

5. Re-distribute economic power and resources: The relief and recovery packages being put in place by governments and international institutions are a critical means for tackling the structural inequalities exposed and perpetuated by COVID-19. In designing and implementing these packages, governments have the chance to start disrupting the status quo and breaking up the concentration of corporate and elite power at the root of these inequalities. However, most governments are currently failing to take this opportunity. Redistribution is absolutely crucial for a just recovery from COVID-19, for realizing human rights for all, and for achieving the SDGs. But on its own, redistribution is not enough – we also have to think about how we create wealth, resources and power in the first place. Crucial “pre-distributive” policy areas in this regard include labour and wage policies and financial and corporate regulation.

6. Re-regulate global finance: The coronavirus crisis and resulting economic lockdown have made clear that fundamental steps need to be taken in financial regulation and reform of the international financial architecture. At least to some extent, they have also created new political impetus for such steps.

One essential element would be a sovereign debt workout mechanism. This requires an institution that makes independent and binding decisions on sovereign debt restructurings based on objective criteria and is able to enforce it in an impartial manner. To address the problems of tax dodging facilitated by financial secrecy jurisdictions and an unfair global tax system, an intergovernmental tax body – with universal membership and a strong mandate – should be created under the auspices of the United Nations.

7. Re-invent multilateral solidarity: Mobilizing support for international cooperation and for the UN must start with bending the arc of governance back again – from viewing people as shareholders - to stakeholders - to rights holders. There are many global standards and benchmarks that could be developed to measure this progression. These should be at the forefront of pursuing substantive, rights-based multilateralism and distinguishing it from multilateralism in name only. The UN should be the standard bearer at the global level, not a neutral convenor of public and private engagement. This requires predictable and sustainable public resources, currently undermined by tax evasion and illicit financial flows and detoured to servicing undeserved debt burdens. The necessary but not sufficient condition for multilateral solidarity, the fuel to change direction, is a new funding compact at national level and to finance an impartial, value-based and effective UN system.

8. Re-define the measures of development and progress: SDG target 17.19 of the 2030 Agenda urged the international community “to develop measurements of progress on sustainable development that complement GDP”. COVID-19 shows that this is not a statistical subtlety but a matter of life and death. The example of the Global Health Security Index (GHSI), an analytical tool intended to identify gaps in epidemic and pandemic preparedness, shows that largely ignoring the social and environmental determinants of health and concentrating instead on the infrastructure, advanced technologies and liberalized regulatory frameworks, can lead to misinterpretations and misguided policy conclusions. The still dominant development paradigm’s main message is that countries need to get richer,

not more sustainable, and that to climb the ladder and become “developed” they should follow the advice – and example – of their richer peers. This mindset must be overcome once and for all.