ANTICIPATE

Designing an Economic Compass for Sustainable, Inclusive and Resilient Societies

Abstract

Economic growth has significantly improved material well-being around the world, reduced poverty and closed the gap between rich and poor nations. At the same time, it has led to growing inequality within nations and over-exploitation of the Earth's resources. Global economies face several challenges in the future: first, a wave of technological developments fuelled by artificial intelligence (AI) will further test the limits of today's views about labour, capital and employment. Second, climate change creates an urgent necessity to use natural resources more carefully. Third, there are grounds for a move against globalization and towards more localization that could undo the benefits of international specialization. These developments call for a new economic compass to help us chart a course through the policy challenges ahead. This will help anticipate winners and losers of economic shifts ahead of time, design welfare systems fit to purpose, better understand and counter environmental externalities associated with various economic choices and build more resilience into the global economy.

- Which policy interventions have the best chance to guarantee human employment in meaningful jobs and avoid growing inequalities when intelligent machines become more widespread in the future?

- How can we move rapidly towards a regenerative circular economy that limits the impact of our economic actions on the planet while assuring the well-being of all?

- Can we make globalization more resilient and sustainable without losing the benefits of international specialization?

Participants

Moderated by:

Richard Baldwin, Professor, Graduate Institute Geneva, Switzerland

Organized by:

Jean-Pierre Danthine, E4S Executive Director, University of Lausanne/IMD/EPFL; Member, GESDA Academic Forum, Switzerland

With:

Philippe Aghion, Professor, College de France, INSEAD and London School of Economics, UK

Ian Goldin, Professor, Oxford University, Senior Fellow at the Oxford Martin School, UK

Katheline Schubert, Professor, Paris School of Economics, France

Global economies face several challenges in the future. First, a wave of technological developments fuelled by AI will further test the limits of today's views about labour, capital and employment. Second, climate change creates an urgent necessity to use more carefully natural resources within the planetary boundaries. Third, there are grounds for a move towards de-globalization and re-localization that could undo the benefits of international specialization.

Richard Baldwin, a professor of international economics, introduced the first topic, the future of work, through a poll at the beginning of the session that showed many people in the audience were concerned about a future loss of jobs. However, Philippe Aghion, a French economist, expressed an optimistic view of automation. He said he believes it has great potential to improve productivity and employment. Evidence from his own research shows that automation has created substantial benefits for sales and employment of firms that use these technologies. He also emphasized that taxing automation, such as a robot tax, is a bad idea, as it comes at great expense to productivity. Moreover, it is difficult to define what is a robot, he said, and in light of international fiscal competition the enforcement of a robot tax would require a multinational approach. He said he believed automation can be managed through appropriate policymaking in market and educational policies, such as investing in skills and "good jobs". In his view, the "Nordic model" of employment, particularly the Danish flexicurity system, can serve as a model for how the gains of automation can be reaped without creating social inequality.

The second challenge, according to Baldwin, lies with the environment. The poll during the session showed that most people in the audience were not optimistic that governments will adopt policies needed to avoid catastrophic climate and environmental changes. Katheline Schubert, an economics professor, emphasized the challenge of gaining public acceptance for implementing fair

climate policies. She also reported advances in how to make climate policies more just, for example by redistributing the gains of CO_2 taxes. She also said that while the costs were clear, policymakers have to clarify the gains from such a tax, in particular for the poor, which could boost the acceptability of their policies. There has been no evidence, she argued, that continual economic growth and sustainability can be simultaneously guaranteed in the future.

The poll also showed that most people in the audience did not believe globalization has peaked. Ian Goldin, a professor of globalization, contended there will be more, not less, globalization in science, digitalization and finance. While physical flows were already peaking before the COVID-19 in line with the decreasing share of goods relative to services in global GDP, the international flows of ideas and financial flows will continue to grow. These are processes that will accelerate and change our lives. These trends have been evident during the COVID-19 pandemic, he said. However, it is important that globalization increases its resilience against systemic risks, the "butterfly defect" of globalization. Stopping globalization will not stop global threats such as climate change, pandemics, or other catastrophic risks but will rather amplify them. Goldin advised using increased international cooperation to counter the threat that rising nationalism poses to economies. In contrast, the recent tendency towards nationalism is itself a threat for our economies, for globalization and for our collective wellbeing. Coordinated global efforts and strengthening organizations are key in his regard: "We have to work together to manage globalization," he said.

Takeaway Messages

Our economies are facing big challenges, but the policy solutions are on the table and have to be implemented.

Automation can be managed without losing potential gains through labour and education policies, such as investing in skills, and good jobs, and by redistributing the gains of automation.

Climate policies that take into account historical contributions to rising emissions are likely to gain wider acceptance by the public.

More research is needed in economics to tackle environmental questions and the circular economy.

Globalization is expected to accelerate but can be managed through more international cooperation.

More information

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