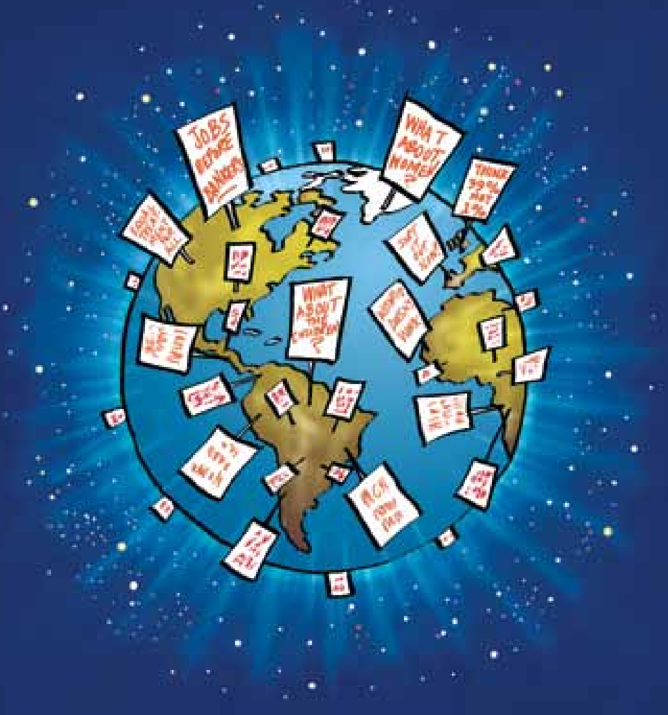
Be Outraged

THERE ARE ALTERNATIVES



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CONTENTS

SUMMARY: Beyond outrage to alternatives.

Pushed to extremes, austerity is bad economics, bad arithmetic, and ignores the lessons of history. We, an international group of economists and social scientists, are outraged at the narrow range of austerity policies which are bringing so many people around the world to their knees, especially in Europe. Austerity and cutbacks are reducing growth and worsening poverty. In our professional opinions, there are alternatives – for Britain, Europe and all countries that currently imagine that government cutbacks are the only way out of debt. The low-growth, no-growth trap means that the share of debt in GNP falls ever more slowly, if at all. It may even rise – as it has in some countries.

Unemployment: A waste for economies and a tragedy for people. Unemployment is a triple waste – a loss of output, a waste of people, and a kick in the face of young men and women at an age when they need to be gaining experience, confidence and self-respect. Over 10 % of adults – one in 10 – are unemployed in Europe, up by 50% since 2008. More than one in five – 22% – of young people in Europe under 25 are unemployed,

Yet there are alternatives. Stimulus can increase employment and economic growth.

The first phase of stimulus in 2009 and recovery did have positive effects, which should not be ignored.

But the stimulus was not maintained – the first failure. It was not backed up with measures to overhaul bank regulation and control – a second failure. And only limited actions were taken to tackle the dangerous trends of financial globalisation, growing inequality and 'precarisation' in the labour market – a third failure. The fact that women and care were hardly considered, if at all, constituted a fourth failure.

Europe is increasingly caught in a trap whereby the screws of austerity are tightened while reductions of debt and deficits proceed ever more slowly. Job creation for economic growth, as well as for human needs, must become a priority. So must action for gender equality

Examples for Inspiration: We can learn from other countries as well as our own history. In response to the 1997-2000 East Asian crisis, countries such as Korea, Indonesia, Thailand and China vowed "never again!" They strengthened regional institutions and built up reserves. Their response to the current crisis has been to maintain growth and invest heavily in education and in programs for unemployed youth, in contrast to Europe which is often cutting back on opportunities for youth.

India in 2005 introduced a National Rural Employment Guarantee Act (NREGA), entitling each rural Indian household[1] to one hundred days of unskilled work per year on public work schemes. So far, this has generated a billion days of work, almost half for women.

The Financial Sector must change from Bad Master to Good Servant. The financial sector, both national and international, has two main functions. Firstly it should serve the needs of the real economy. Secondly, it should help manage and mitigate risk. In the last two decades it has done neither. Countries need a far smaller, simpler, more transparent and accountable financial sector, focussed on lending to the real economy, not on making exorbitant profits and salaries for outrageously overpaid bankers and banksters.

Examples for Inspiration: In post-World War II USA and Europe, and many developing countries like Brazil and India today, the financial sector has been well regulated and controlled. Well-run public banks have played an important role. It is clear that finance can support and *not* undermine the real economy, but strong and clear regulation is required.

Extremes of Inequality: they can be reduced. Levels of poverty and inequality today are staggering. Top incomes in the UK and US have soared, much more than in France, Germany and Japan. In 2011, salaries, benefits and bonuses of top directors in the FTSE 100 companies increased by an average of 49%, "despite minimal growth in their companies". The richest 1% (61 million individuals) earn the same amount as the poorest 3.5 billion (56% of the world's population).

The lessons from history are that inequalities can be reduced (and fast) if governments are committed. A recovery "with a human face" would be inclusive, expanding employment opportunities, sustaining health and education services, and providing social protection support for those below the poverty line, especially women, as a matter of social and economic justice.

Examples for Inspiration: In the last decade Brazil, Thailand, Malawi, Argentina, Chile, Malaysia, Venezuela and Bolivia have all reduced inequality, through:

- Fiscal policy that aims to balance the budget along with expansionary expenditure
- Minimum wage legislation
- Increasing access by all social groups to secondary and higher education
- Increased taxation and rising tax/GDP ratios, especially from oil and mineral exports
- Social protection measures involving cash transfers to poor people

Such policies to tackle inequality have increased growth, not held it back, generating strong political support.

International Support for Recovery: Global problems need global solutions. After the G-20 in London in March 2009, coordinated action restored recovery for a year.

World growth reached 4% in 2010. But the effort was not maintained. The economic losses from failures to take global action have now reached staggering levels. Lost production in 2011 amounted to at least a trillion dollars worldwide with further losses foreseen in 2012 and 2013.

The leaders of the developed countries and the emerging countries urgently need to get back to coordinating their efforts as they did in 2009. National and regional action, with global support, must address the three scourges – unemployment, extremes of inequality and environmental unsustainability.

Actions for the longer run. The above are urgent priorities. But they are not enough. Governments everywhere need to start on a process of restructuring their economies to meet the long-run challenges: care, climate change and sustainability.

The care economy and equality for women. The care economy and social infrastructure needs support and investment. Cuts alone usually leave women to pick up the pieces and children to bear the brunt. Women's work and support for care can strengthen both society and the economy, if combined with more equality for women. It is counterproductive to sacrifice women's and children's rights and support in the name of credibility in financial markets.

Examples for Inspiration: The Nordic countries lead the world in government support for child care and pre-primary education services, including good wages for public pre-school teachers.

Human sustainability over the 21st century. Simply restoring economic growth to previous patterns will not be adequate to meet long run challenges. In most of the world, certainly in Europe, populations are ageing, pensions are being cut and often affluenza is losing its charms. This raises fundamental challenges for lifestyles and living standards both for older people and for younger generations. A quarter of under 16s in Europe today are now expected to live to 100 years of age or more. They will have to survive with whatever is today's legacy after tackling –or not tackling – climate change and environmental destruction. Is economic growth merely to support ever rising consumption or to help with these fundamental challenges?

Strengthening the international system and making it more effective and democratic. Global problems require global solutions. The international system requires fundamental changes, including a Global Reserve Currency, mechanisms to diminish causes of global instability through counter-cyclical macro-economic and regulatory policies, and new modalities for Sovereign Debt Default and Restructuring. A Tobin tax on financial transactions, which is gathering increasing financial support including among major European governments should be adopted in Europe and more widely as a control on speculation and as a source of revenue. Longer term needs also include restoring the position of the United Nations in global economic and social management and reforming the governance structure of the IMF and the World Bank.

CONCLUSION

Leaders of the world need to regain the vision and determination to strengthen the international system and prevent future crises. State action is also needed to help sustain more dynamic national economies and a more stable and balanced global economy, especially when backed by decisive global and regional action. The key priorities for economic recovery are support for employment, for the poorest people, and for women and children, while avoiding environmental destruction. The crisis will only become more serious as positive action is delayed.

There are alternatives
People are suffering unnecessarily
We can make a difference
Action is needed now!

BE OUTRAGED (INDIGNEZ-VOUS) THERE ARE ALTERNATIVES. IT'S NOT TOO LATE!

We, a group of economists and social scientists from different countries, North and South, are outraged at the narrow range of austerity policies which are bringing so many people to their knees – in Britain, in other countries of Europe and in the world beyond. Continued deflation in developed countries will reduce growth in the rest of the world, worsening poverty among the poorest. In our professional opinions and experience working in development in many parts of the world, including in Europe, we are convinced that much of this austerity is unnecessary. There are alternatives – for Britain, for Europe and for all countries that are relying on government cutbacks and austerity policies to cope with their debt problems in Africa, Asia and Latin America.

This paper sets out alternative approaches and policies, emphasising international as well as national and European-wide action to make them possible. We give examples of countries that are successfully pursuing alternatives, mostly from emerging and developing countries. The developed countries have much to learn from this experience. But to bring changes of policy in the UK and other countries in Europe will require a change of mind-set and stronger international initiatives as well *as bolder and more progressive policy and initiatives in each country, with new objectives, new actions and more support politically and from the general public.*

As we write, economic and human indicators are deteriorating – in Britain, in Europe and in many other parts of the world, including it seems in China. Thus the question shifts not to ***if*** *but to* ***when*** *fundamental changes will be made. When will the squeeze on living standards and deterioration in health and other public services reach the point that demand for alternatives will gain sufficient public support and traction, that political leaders will seriously explore and adopt alternative strategies? How much unnecessary human suffering must we put up with before that point is reached?*

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1. ALTERNATIVES EXIST

In the 1930s, UK unemployment soared to 22%, in the US to even more. In the US, President Roosevelt inaugurated the New Deal – with controls on banks and a vast array of actions to stimulate investment, the economy and employment – with "fireside" chats on the radio to explain what he was doing and mobilise public support.

In the UK, John Maynard Keynes wrote the General Theory to challenge orthodox economic thinking and set out a whole new approach in economic analysis and practical policy. But it was too late. By 1933, Hitler had gained power and was ahead in bringing full employment to Nazi Germany in a different way – by arms production, rapid expansion of the military and then by conquest. This, as everyone knows, was followed by the Second World War, with five years of killing, destruction and total deaths of some 60 to 80 million.

The war ended with a clear determination in the West to pursue policies and create international institutions to make impossible any repetition of this deadly 1930s mixture of high unemployment, national aggression and beggar-my-neighbour economic and financial policies. The United Nations was set up in 1945 to support policies that led to full employment, labour rights and rising living standards on a world scale, with recognition and support for universal human rights, backed up by strong international action to ensure economic growth and stability and peaceful resolution of conflict throughout the world. In spite of the Cold War, much of this economic agenda was achieved.

Until the 1970s, the developed countries enjoyed 25 years of mostly low levels of unemployment, greater economic stability and higher levels of economic growth than ever before. Living standards rose, structures of peace in Europe were created, with a variety of policies and institutions for welfare and social protection, including sustained investments in universally available social services such as education and health. The UK established the Welfare State and other European countries various equivalents. Some 50 developing countries gained independence, joined the UN, mostly realising economic growth and human advance never achieved before. It was sometimes called a golden age.

All this was far from perfect – over-centred on the developed countries and heavily biased in favour of the US and the dominant world economic powers with little attention to gender equality and women's financial autonomy, largely based on a male breadwinner model. But it showed what appropriate national action supported by international institutions and international policies could make possible in terms of high employment, rising living standards and social protection for vulnerable groups of the population. Almost all parts of the world made advances, including impressive improvements in health and education. Inequality between households was kept within limits by tax policies and minimum wages, with top salaries fixed or kept by convention at much lower levels than at present.

All this was an unmistakable demonstration that there were alternatives to the Great Depression of the 1930s.

The alternatives required and received supportive international action as well as strong national policies.

Full employment policies and strong social protection were a vital part of action, ensuring that benefits spread to low income people.

2. WHAT WENT WRONG?

Many of these positive aspects of policy were weakened or abandoned in the developed countries in the 1970s and the 1980s. They were also abandoned in many developing countries, as periods of reasonable growth in Latin America and Africa in the 1960s and 1970s gave way to rapidly rising oil prices in the 1970s, and severe debt problems. Developing countries seeking finance from the IMF and the World Bank had to adopt the new neo-liberal policies as a condition of international support. Some of these economic actions were necessary, both to adapt to the changing structures of the world and to offset growing weaknesses of previous policies. But others were ideologically driven and undermined the previous growth model. The costs were heavy. The programmes of structural adjustment and austerity in the 1980s and 1990s had a high toll in terms of living standards and rising poverty levels. They placed particularly heavy burdens on low-income women, especially through increasing amounts of unpaid care work.

The costs were heavy. By the mid-1990s no less than 57 developing countries had become poorer in per capita income than 15 years earlier – and in some cases than 25 years earlier. Even in the more successful cases of structural adjustment, letting market forces rip went too far. In almost all the countries where markets forces were allowed free reign, poverty and unemployment grew, labour rights deteriorated, inequality soared and financial and economic instability increased.

Free market and financial forces have remained dominant in much of the world, even after the crises of 1998-2000 and worst of all, during the present crisis which began in 2007. However, this has not been true to the same extent everywhere. Asian countries built their dramatic economic success over recent decades on a different philosophy, with stronger public-private management and greater control of the market. This was reinforced by the experience of the 1998-2000 financial crisis when Asian GNP declined sharply. As part of their recovery, most of these countries adopted a range of bold new economic policies and created or strengthened regional policies and institutions. Asian countries were determined never again to have to go cap-in-hand to the IMF or the World Bank – and to avoid this need, they created a regional financing facility, built up significant foreign exchange reserves, introduced or strengthened capital controls, and prepared integrated regional economic plans with regular reviews and monitoring. Despite fast economic growth, however, inequality between households widened, gender inequality in labour markets and lower birth-rates of girls persisted. Nevertheless social protection is being strengthened in

Asia and the idea of guaranteed economic and social rights has been gaining ground.

Latin America, another region much affected by financial crises, has also built regional integration to expand internal markets and invested to improve living standards. Such reactions made possible national policies for faster growth and limited contagion from the crisis of 2008-9.

Austerity in European countries has already begun to threaten economic growth and improved social protection in the rest of the world, as markets stagnate. Growth is slowing in China and India and this in turn will depress commodity prices in Africa. The prospects for people everywhere look grim, except for the richest.

3. PUTTING IT RIGHT

It is not too late – even though unemployment, and especially youth unemployment, are at record levels and the crisis is continuing and may be deepening. We can learn from earlier experience in the US and UK in the 1930s. We can learn from more recent experience in developing countries, especially from China, India and other Asian countries with their "never again" rejection of orthodox austerity and their adoption of national Keynesian policies and controls, along with a variety of regional actions and support mechanisms. We can learn also from Latin America and Africa and from Canada and some countries in Europe.

The experiences of these countries clearly demonstrate that there are alternatives. But the alternatives can only be achieved by new perspectives, new policies and mutually supportive actions in a number of key areas, national and international:

- *Returning full employment* and *decent work* as a major national and international goal and priority.
- *Giving much greater attention to gender equality* and to the mobilisation of women as a force for growth and reform.
- *Investing in high quality care services* Health, nutrition and basic education of all children and other vulnerable groups for future productivity and fairness.

- *Reducing extremes of inequality* as a step towards a fairer and more dynamic society, with less poverty and more social solidarity.
- *Controlling the banks and financial sector* to make them servants of the real economy not masters.
- *Strengthening international action* to support recovery – as well as to tackle the scourges of unemployment, inequality and climate change for sustainable growth over the longer run.
- *Strengthening international institutions* –to make these institutions more representative of the emerging countries and other developing countries.
- *Mobilising the necessary public awareness and political support* for these alternatives.

Key priorities in each of these areas are elaborated in the pages that follow, along with examples of the proposals in action. We concentrate on actions which are already being implemented or which have been clearly articulated by substantial numbers of economists and other professionals. The key points of our argument is that:

There are alternatives. It is not too late. The longer national and international action is postponed, the more difficult are the solutions and the greater and the longer the human suffering caused by delay.

4. UNEMPLOYMENT: A HUMAN TRAGEDY, A TRIPLE WASTE

More than 24 million people are unemployed in Europe today, over 17 million in the Eurozone and nearly 3 million in the United Kingdom, figures which at the beginning of 2012 still seem to be on the rise. The percentages of the workforce unemployed in February 2012 was as a high as 23% in Spain, 19% in Greece, with an average of 10.8% in the Eurozone and just over 10% among the 27 countries of Europe as a whole. Unemployment was lowest in Austria and the Netherlands, both under 5%.

Unemployment in Europe is 50% above what it was at the beginning of 2008, when it was 16 million, rising sharply after this as the economic crisis deepened. Perhaps the most serious figure today is the youth unemployment rate – about 22% of people under 25, over one in five, even not counting those in full time education.[1]

Worldwide, the need for job creation is also great, though the rates of unemployment are often lower. The latest ILO report[2] suggests that global unemployment has reached 200 million, 27 million more than at the start of the crisis – and still rising. Unemployment amounts to 6% of the total global workforce, with many more on low incomes working in the informal sector or in rural areas. The number of unemployed young people, aged 15-24 years, has reached 75 million, 4 million more than in 2007.

In justification of austerity, politicians like to talk of "cutting out waste." Yet high unemployment represents a greater waste, in three respects:

> *a loss of output* with the production of goods and services being below what would otherwise be;
>
> *a waste of human energy and creativity* with people left in idleness or frustration when they otherwise would feel wanted and socially useful;
>
> *a destructive denial of opportunities* for gaining experience, confidence and self-respect especially for young people at the early stages of life.

High unemployment is also a source of frustration which makes violent conflict more likely, with its consequent high human and economic costs, as seen in the last year or two in both developing and developed countries.

These are the reasons why the developed countries kept unemployment at low levels in the post-war era as a matter of national economic priority. They had learnt from the 1930s and didn't want to repeat the experience. For 25 years, such full employment policies achieved considerable success: from 1950-73, average unemployment was well under 3% in the UK and across Europe.

But as these policies received less priority, unemployment rose. National and international policy shifted ever further towards free market policies – and unemployment in Europe rose to an average of 6% from 1974-83.[3] Over the 1980s, globalisation and the shifts to financial dominance in the process of globalisation led to further increases in unemployment to an average of 9.2% over 1984-93.

The nature of work also changed. There was more flexible employment and less job security in developed countries and growing numbers and shares of employment in the informal sector in many developing countries. In the more dynamic emerging countries, employment has grown in the formal sector, but so has wage inequality and employment insecurity.

Financial globalisation has grown in strength and influence in the last 20 years, encouraged by liberalisation of the banking system in many developed countries and external capital market liberalisation in developing countries, under pressure from the Bretton Woods institutions. Both forces have resulted in six trends in worldwide labour markets: declining labour-force participation, especially among young people but also men and women; increases in employment in services; a high and often growing share of workers in the informal economy; high and often growing levels of youth unemployment; declining shares of wages in the national income; and increasing inequality of wages and incomes.

These tendencies have also created a general situation of increased "precarisation", in which more and more workers and their families in all parts of the world are living "on the edge", in ever more precarious situations. The economic crisis of 2008 added to these pressures on people and labour markets. As in earlier crises, employment did not recover as rapidly as did GDP growth in 2009 and 2010. But special to the 2008 crisis was the fact that many workers in the south as well as the north suffered rather than benefited from the "bubbles" in the housing market or the financial sector.

Table 1[4] summarises the different world-wide repercussions of these changes. Owners of capital gained in the run-up to crisis and, to a lesser extent, so did skilled workers, especially in developed and emerging countries. The groups which lost over this period were unskilled workers, peasants and other rural workers, except in those emerging countries whose economies were growing very rapidly.

The 2008 crisis changed all this. Almost all groups were hit with the exception of the capital owners in

Table 1. Effects on various socioeconomic groups in different countries

	Pre-crisis	Crisis	Post-crisis stimulus	Post-crisis fiscal austerity	Back on track
Developed countries					
Capital owners	++	–	++	+	?
Skilled workers	++	–	+	–	?
Unskilled workers	–	–	+	–	?
Excluded	–	0	0	–	?
Emerging developing countries					
Capital owners	++	+	++	+	?
Skilled workers	++	–	+	+	?
Unskilled workers	+	–	+	–	?
Excluded	–	–	+	–	?
Poor developing countries					
Capital owners	+	0	+	+	?
Skilled workers	+	–	+	–	?
Unskilled workers	–	–	+	–	?
Excluded	–	0	+	–	?

the emerging countries – though even in this case, some owners of capital lost out. But these losses were mostly limited to 2008-9, after which almost all groups recovered and gained somewhat from the post-crisis stimulus. However, this stimulus was sustained for only a year or so, and tended to focus mainly on sectors employing mainly men, such as construction and cars, and was followed in 2011 by a period of fiscal austerity. Predictably, most groups then experienced severe setbacks, except owners of capital and, in emerging countries, skilled workers, though even their gains have been much less than earlier.

Unskilled workers and their families have been hurt three times by this sequence:

- they were left behind in the run-up to the crisis
- they were severely affected during the crisis
- they are now suffering from the sharp reductions in government expenditure, from the consequence of the increases in public debt (which were to a large extent created by bailing out the banks) and from reduced economic growth.

The first phase of stimulus and recovery did have positive effects, which should not be ignored or underplayed. Governments took action, nationally and internationally, much better than during the crisis of the

1930s. The stimulus added to demand a total of about 1.7% of world GDP[5]. Banks were massively bailed out, costing Europe and the US an amount equal to one-sixth of world GDP. More positively, national, regional and multilateral development banks sharply increased their loans.

However this stimulus was not maintained –a first failure. It was not backed up with measures to overhaul bank regulation and control –a second failure. And only limited actions were taken to tackle the dangerous accompanying trends of financial globalisation, growing inequality and 'precarisation' in the labour market – a third failure. The fact that women and care were hardly considered, if at all, was yet another failure.

Bold and more comprehensive measures should have been taken – but were not, at least not in Europe and the US. Most governments shied away from special measures to attenuate the consequences of the crisis on labour. Co-ordinated by the international organisations in the 2008 crisis, governments acted as a banker of last resort – but not as an employer of last resort for protecting workers and stimulating employment. In this respect, the treatment of labour was totally different from the treatment of finance and capital. The banks gained but the people suffered. More serious, the lack of broader action meant that the crisis still continues.

The severe and continuing problems with the public debt in the UK and with Euro-debt in the Euro-region underscore this situation. Instead of supporting measures directed towards higher growth and more employment on a trajectory which would reduce public debt-GDP ratios, governments are slashing public expenditure. This in turn is slowing growth and making it ever more difficult, if not nearly impossible, to reduce public debt-GDP ratios. Europe is increasingly caught in a "No-growth, Low-growth" trap whereby the screws of austerity are tightened while reductions of debt and deficits proceed ever more slowly, if at all. This is bad economics, bad arithmetic and blatantly ignores the lessons of history.

Employment: priorities for action

1. Employment creation, especially for youth, should be made a top priority of macro-economic policy for recovery, not left as a by-product of reviving economic growth; a key solution to the current jobs crisis are expansionary fiscal policies, not austerity;

2. A target for employment creation should be set, linked to a target for reducing the number of unemployed and the rate of unemployment. For the medium run, a target of 5% unemployment as a maximum would seem reasonable – the level in Europe of five years ago. In the US, unemployment is still high at 8.5%, though down

from 9.5% a year ago. There should be a separate target for youth unemployment

3. Action towards employment creation should take three forms:

> a) the adoption of incentives and directives to increase employment both in the public and in the private sectors
> b) boosting production in employment-intensive industries and services, both private and public, especially in small enterprises and in health and care;
> c) the adoption of special short to medium-run programmes for the expansion of employment. The net cost of these should be calculated, taking account of the savings that would be made in unemployment and other benefits.

4. Job creation needs to be a priority but it must involve the creation of decent jobs that allow people to earn a living with dignity and fulfilment of their rights at work as well as their right to work and to combine earning a living with responsibilities for care of children, sick people, and frail elderly people.

Box 4.1 Employment policies in other countries:

INDIA In 2005 India introduced a National Rural Employment Guarantee Act (NREGA), entitling each rural Indian household to one hundred days of unskilled work per year on public work schemes. The scheme draws in part on experience in the Maharashtra Employment Guarantee Scheme which has run successfully since 1980. Although opposed by fiscal conservatives, the National scheme is in accord with the rights based agenda of the Indian Supreme Court and is gathering increasing support. To date, the NREGA has generated around 10 billion days of work at minimum wages, and 70% of total expenditure on the scheme is on wages. Nearly 50% of the workers have been women.

COSTA RICA introduced policies of stimulus focused on youth. This involved expansion of secondary education and special incentives to keep pupils from poorer families in secondary school. Mothers of poorer families received cash grants each month for each child remaining in secondary school. Some 178,000 are still receiving this. Even though the government deficit has put public expenditure under pressure, this programme has been maintained.

IN THAILAND, special new programmes for youth were devised as part of the stimulus, providing training on setting up one's own business and entrepreneurship and being ready to do this when general economic recovery began.

IN NEPAL, following the end of conflict, the government initiated an employment scheme for the worst affected districts, which was taken up by the World Bank and by USAID, eventually creating some work and incomes for over two and a half million people, as well as constructing roads and other infrastructure.

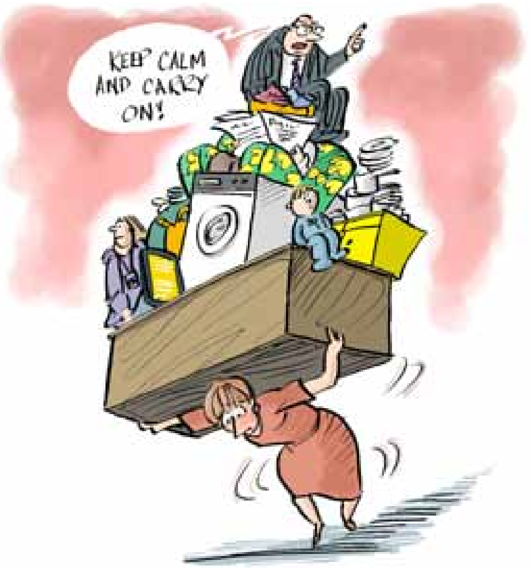
5. BUILDING CARING ECONOMIES, BASED ON GENDER EQUALITY

Virtually all economies are marked by persistent gender inequalities in labour markets and in decision-making in business and in government. Though women's labour force participation has risen in most countries, the majority of women are still confined to a few relatively low paying occupations, considered to be 'low skilled'. Women are more likely to be in precarious work than men and more likely to experience poverty in old age. In the world as a whole around only 17% of parliamentarians are women and the same percentage of ministers are women. In most countries only a small minority of members of boards of large companies are women. A key reason for these inequalities is that women and girls, even in the richer countries, tend to do much more of the unpaid work of caring for families and communities than do men and boys. Provision of this unpaid care is seen as women's responsibility, though individual men help with some tasks. For instance, women spend twice as much time on child care as men in Sweden, 4.6 times more in Ghana, and 6 times as much in Pakistan. As a result of the double burden of both paid and unpaid work, on average, in most countries, women work longer hours in total than do men, low and middle income women are the hardest hit.

In the majority of countries, women are left to find their own solutions as to how to combine earning a living with taking care of their families: informal arrangements with friends and neighbours, use of services provided by NGOs, paying for-profit businesses for care services, employing paid care workers, often migrants, in their homes. Research has demonstrated that the majority of paid care workers are underpaid and overworked though those employed by the public sector tend to enjoy better terms and conditions. Paid care work is mainly a female occupation and is often, erroneously, regarded as low skilled[6].

Men and women have been affected by the different crises in different ways throughout the world. The financial crisis of 2008 led to the loss of jobs for men in some places (especially where the recession first hit private sector industries that employ mainly men, such as construction and mining); in other places it led to the loss of jobs for women (where the recession first hit private sector industries that employ mainly women, such as garments and electronic assembly). More recently, the austerity policies and savage cuts in public spending in Europe and the United States have squeezed family budgets but also resulted in public sector job losses, both taking a heavy toll on women's livelihoods.

Whether it is men or women who are losing their jobs, it is usually women who are expected to pick up the pieces: to look after their families, to cook more at home rather than buying prepared food, to grow more in kitchen gardens, to make clothes rather than buying ready-made – in short, to try to find additional ways of saving money or making money in the informal economy; and often, while doing all this, to try to



console depressed husbands and frustrated, angry teenagers, and crying and hungry children. These are frequently described as 'coping strategies' but often they extend to 'desperation measures', including sex work; and their efforts are sometimes met with violence from men frustrated at the destruction of their ability to be breadwinners.

In recent years, the need for care has increased at the same time as the public provision of it has been reduced. All over the world women and girls, especially low- and middle-income women and girls, are being called upon to try to bridge this gap, to provide a safety net of last resort. Often this jeopardises the health, education and training of women and girls, as well as their ability to secure decent paid work, let alone to play a greater role in decision making in business and in politics. Such pressures are undermining whatever progress has been made towards gender equality; and undermining the well-being of all, men and boys as well as women and girls.

All too often women get little help from the state in caring for their families in difficult times. Even when governments have responded to falling rates of growth and rising unemployment with a fiscal stimulus, they have usually focused on transport and physical infrastructure, not social infrastructure. As fiscal stimulus gives way to fiscal austerity, public services and income transfers are being cut. Most of this burden falls on women. In effect, the rights of women and children are being sacrificed in the name of credibility in financial markets.

In contrast to all this, the current crisis should be made an opportunity for more fundamental changes. This is one of the real alternatives. Economies and societies need to be rebalanced, recognising that women and men alike need time to provide unpaid care and have a right to decent paid work that can be combined with caring responsibilities without penalty. There is also need to build systems through which the provision of care is shared more equally between families, communities, businesses and states; and more equally between women and men, girls and boys. This will become ever more urgent as the proportion of older people increases over the next decades, and care for older people becomes ever more important. Worldwide, the population over 65 is projected to more than double over the next 30 years, from 500 million to 1.3 billion. Europe is expected to be the "greyest" continent, with one in four over 64 and one in 7 over 75.

Caring economies: priorities for action

1. Recognising the importance of high-quality publicly-provided care services for the achievement of gender equality and human well-being is the starting point for the formulation of alternatives

2. The different forms of provision of care services (unpaid, paid public and paid private) need to be tracked as a key indicator, as important as financial balances and production of tradable goods and services. Paid public provision is particularly important because it can be supplied free, or at an affordable rate and it is more likely to provide decent work.

3. The expansion of public sector provision in services like health, education, and care of children, disabled, ill and frail elderly people, has an important role to play in meeting job creation targets in a gender equitable way.

4. The scope of public investment must be expanded, so that it includes not only physical infrastructure but also social infrastructure, including care services.

5. For the longer term economies and societies need to be rebalanced, to give recognition to the fact that women and men alike need time to provide unpaid care

6. Many women's organisations around the world are already calling for these kinds of priorities and transformations. A recovery for all must include the voices and knowledge of women with everyday experience of trying to combine providing care with getting a living. It is time economic policy makers learned that lesson too.

Box 5.1 Public provision of care

The Nordic countries lead the world in public expenditure per child on child care and pre-primary education services[7]. Much of this is spent on publicly provided services. Total expenditure on long-term care for the elderly in OECD countries ranges from around 0.2% to 3% of GDP, although most countries spend less than 1.5% of GDP. Only Norway and Sweden spend more than 2% – they have the highest share of persons aged 80 and over in the OECD, and they offer comprehensive publicly funded services to those in need of intensive care, particularly in nursing homes, but also in home care. Nonetheless, even in these two countries, the majority of care is provided by other family members[8]. Evidence from Nordic countries shows, that public employment has a positive impact on care workers' wages. Unionisation rates are often higher in the public sector, contributing to increased bargaining power. There are comparatively good wages and stable working conditions for public preschool teachers[9].

6. REDUCING INEQUALITY: A RECOVERY FOR ALL, NOT JUST THE FEW

At the beginning of the 21st century, levels of poverty and inequality are staggering. The richest 20% in the world enjoys more than 70% of global income, while the poorest 20% only obtains two paltry percentage points.

The richest 1% (61 million individuals) had the same amount of income as the poorest 3.5 billion (56% of the world's population). At the bottom end, two in five of the world's population, live below the international poverty line of US$2 a day; of those, one billion people live in extreme poverty, surviving on less than $1.25 a day.[10]

But poverty is not only about income. Poverty also has non-economic dimensions, like lack of access to services, discrimination, exploitation, or fear: vulnerability to shocks, lack of voice in decision-making, being helpless to violence and corruption. As we take a wider view of poverty, the numbers of people affected by it increase. About 20,000 children die daily from preventable diseases. One thousand women die every day because of complications related to pregnancy and childbirth. More than 6 million people die every year of infectious diseases, far more than the number killed in the natural catastrophes that make headlines. All this suffering could be avoided if there was more equality in

Box 6.1 The extremes of inequality

Top incomes in the UK have continued to soar, in spite of the financial crisis. The typical FTSE boss earned 75 times more than the typical employee in 2006 – and one year's pay rise was £400,000 compared with the employee's increase of about £700. These gaps have continued to widen – and in 2011 the incomes of civil servants have been held to 1% even while inflation increases by 4 or 5 times as much[11].

A recent OECD study showed income inequality among working age-people in UK since 1970s has risen faster than in any other wealthy country. By 2008, incomes of the top 10% were about 12 times higher than the bottom 10% in UK, up from 8 times in 1985. In other developed countries the gap is about 9 to 1.

The share of the UK's super-rich – the top 0.1% – in GNP in 2005 was 14.3% of GNP, double their 7.1% share in 1970. About half of the top 1% of income earners is found in the financial sector. Research by Mark Stewart shows that almost all the increase in inequality in the last 12 years has come from the financial sector. At the same time as top incomes have soared, the state has done less and less to narrow the gaps. From the mid 1970s to 1980s, the tax-benefit system offset more than 50% of the rise in income inequality. Today it is only 20%.

access to effective health and social protection systems. Human rights are violated daily all over the planet.

Although many of the super-rich hardly notice the price increases, the poor truly suffer. Local food prices are 80% higher, on average, than before 2007. The impacts of high food prices on poor families have been devastating, increasing hunger and malnutrition which may have irreversible impacts on children. Further, austerity measures have been reducing public

expenditures for social goods and services in most countries, at a time they are most needed.

Box 6.2 Bankers pay

In early 20th century, pay in the financial sector in the US was on a par with private sector pay elsewhere, for persons of similar levels of education. But financial sector skills and pay then rose, to 1.7 times the rest of the private sector in 1929, the year of the Wall Street crash. The gap continued, even after the crash – until the late 1930s, when parity largely returned until the 1970s. Pay and the cost of financial mediation more than doubled by 2006. The US financial sector's profits now represent the absurdly high level of 40% of total corporate profits[12].

In spite of the financial crisis and the squeeze of austerity policies, top incomes in the UK, the US and in some other developed countries have continued to soar. In the last year alone, the salaries, benefits and bonuses of top directors in the FTSE 100 companies increased by an average of 49%, "despite minimal growth in their companies". Britain's economy may be struggling… but the same cannot be said of FTSE 100 Directors"[13].

A century ago, Henry Ford paid his workers a wage that would allow them to buy the cars they were making;

it worked, it was a good measure to build prosperity. But in recent decades, the gap between those who work hard and those who reap the greatest rewards has grown to obscene levels. In the US, CEOs were paid 821 times as much as a minimum wage earner in 2005; it was 51 times forty years earlier. Even in India and China, top incomes have increased substantially. Note however, that top incomes have grown less in continental Europe and Japan[14].

The extreme inequality in the distribution of the world's income should make us question the current development model (development for whom?), which has accrued mostly to the wealthiest. Social discontent is becoming more widespread in Europe and all over the world, and governments are losing legitimacy. The ILO has created a "social unrest index", highlighting global levels of discontent related to unemployment, worsening of living standards, lack of confidence on governments and perception that the burden of the crisis is not being shared fairly. The ILO's *World of Work Report 2011*[15] warns of a significant aggravation of social unrest in over 45 of the 118 countries surveyed.

There are strong arguments for greater equity. Social justice is the first one. Economic and political arguments are the second. Inequality is economically dysfunctional. When consumption is highly concentrated in the top wealthiest income groups, an economy is inefficient, increasingly unstable and, as the IMF has shown, slow to recover from crisis.

Box 6.3 Redistribution in action: some examples

Brazil, Thailand, Malawi, Argentina, Chile, Malaysia, Venezuela and Bolivia are all countries which in the last decade or more have reduced inequality. Although Brazil and other Latin American countries have often started from high levels of inequality, governments have reduced this by a variety of reinforcing policies[16]:

- Fiscal policy that aims to balance the budget along with expansionary expenditure policy;
- Minimum wage legislation;
- Increasing access by all social groups to secondary and higher education;
- Increased taxation and rising tax/GDP ratios, especially from oil and mineral exports;
- Social protection measures involving (cash) transfers to the poor.

Such policies have increased growth, not held it back. These policies have also generated strong political support. The moral is that governments need to go well beyond short-term adjustment measures that mostly benefit the financial sector. Socially-inclusive recovery should be the priority.

This was the case in the roaring 1920s which led to the great crash and ended in financial crisis, and was corrected only by the New Deal and later post-war policies. Post-war policies raised people's incomes and domestic demand, enhanced human capital, productive employment and increased economic growth while keeping income inequality and top incomes in check. Governments then became more involved in guarantees for universal education, medical care, social and housing assistance, minimum retirement levels and the enforcement of labour and antidiscrimination laws. It worked again. The populations of Europe, Japan, North America, Australia and New Zealand experienced a growing prosperity unseen in history.

The lesson is that extremes of inequalities can be reduced if governments are committed – and they can be reduced fast. Today, we need a similar push. A "New Deal" is needed, both for developed and developing countries, in which the benefits of growth are shared by all, instead of the few. We need a fair and just social contract for the 21st century. A recovery "with a human face" would be inclusive, expanding employment opportunities, sustaining health and education services, and providing social protection support for those below the poverty line; a recovery that prioritises the most disadvantaged children, women and families as a matter of social and economic justice.

Reducing inequalities: priorities for action

1. Diminishing extremes of inequality needs again to be made a focus of policy, in countries and in international institutions and agencies.

2. Macroeconomic policies need to put more focus on employment-generating and pro-poor growth, in rich countries as well as in poorer ones. Economic growth needs to be assessed not only by the rate of economic growth, important as that is, but also by its composition and impact on employment and income distribution.

3. Tax systems should be made progressive and sufficient revenue generated to support actions in favour of social protection for the poorest groups. Public expenditure should also be reviewed to reduce expenditures on the items often hidden or neglected – perverse subsidies for large-scale agriculture, fossil fuel development and military spending, for example.

4. Minimum wages should be introduced and maintained at decent levels.

5. Expenditure for social services needs to be sustained, when necessary with new schemes introduced to extend health and education for all.

6. Cash transfers for vulnerable groups may be needed with housing support and human rights enforced. This will mean focusing national development strategies and programmes on the worst and most

pervasive forms of discrimination that confront the achievement of justice in each society – whether this involves addressing gender gaps and the disadvantage or exploitation of women and girls; the neglect of people with disabilities; or the exclusion of minority ethnic groups and indigenous peoples.

7. Inequality needs to be tracked as a measure of economic and political progress.

8. These priorities need to be introduced into reforms of the IMF, the World Bank, the WTO as part of operating in the interests of the majority of people.

Box 6.4. Iceland: An example of economic democracy

In 2011, two democratically-elected governments stepped down in Europe 'to satisfy markets' and were replaced by non-elected technocratic governments to deal with austerity and debt. Many have questioned the legitimacy of these events in Greece and Italy. A lot is to be learnt from the experience of the small country of Iceland, where a national referendum was held in March 2010 that allowed its citizens to vote on whether and how the country should repay a nationalised private debt, claimed by the Netherlands and the United Kingdom. This was not a sovereign debt issue; private Icelandic banks held €6.7 billion in deposits from British and Dutch banks, and, when they collapsed, the government decided to make public this private debt. According to the IMF, this debt was a result of privatisation and deregulation of the banking sector, facilitated by easy access to foreign funding; the growing imbalances were not detected by Iceland's financial sector supervision[17]. In the referendum, Icelandic voters delivered a resounding "no" (more than 90%) to reimbursing the Dutch and British banks and to the orthodox policies that would have accompanied the debt repayment plan. After massive international pressure, a second referendum was called in April 2011; Icelanders again rejected a proposed repayment plan. Despite pressures and threats because of Iceland's heterodox policies – debt repudiation, capital controls, and currency depreciation – Iceland is recovering well from the crisis. It has regained access to international capital markets while preserving the welfare of its citizens, with support from the IMF. In 2012, Iceland's credit rating is much higher than that of Greece. Further, in March 2012, Iceland's former prime minister has gone on trial accused of negligence over the Icelandic banking collapse in 2008, an example of a country demanding its politicians to respond to the public interest and contribute to a just society[18].

7. TRANSFORMING THE FINANCIAL SECTOR FROM BAD MASTER TO GOOD SERVANT

The financial sector, both national and international, has two main functions. Firstly it should serve the needs of the real economy. Secondly, it should help manage and mitigate risk.

In the last two decades it has done neither. It has not provided sufficient sustainable finance for key sectors like that of small and medium enterprises (SMEs) or infrastructure, especially green investments; it has generally failed to finance housing, adequately and sustainably, especially for poorer people. It also has created risk; this has led to numerous and costly crises, starting in the developing world with the debt crises in Latin America that led to the lost decade of that region's development, but then continuing in East Asia in 1997/8, as well as in numerous other countries; since 2007, there has been a major crisis in the developed North Atlantic region, with large effects on the rest of the world in some periods.

This is not inevitable. When the financial sector has been well regulated and controlled, and when well-run public banks have played an important role, the financial sector has played a positive role to support and not undermine the real economy. Examples are post WWII USA and Europe, and many developing countries (like Brazil and India) then and today. The positive experience is clear for public institutions in Europe, such as the European Investment Bank (EIB) at a regional level, and German KfW (Kreditanstalt für Wiederaufbau) at a national level, and in developing countries, such as the BNDES (Banco Nacional de Desenvolvimento Econômico e Social) in Brazil.

Countries need therefore a far smaller, simpler, more transparent and accountable financial sector, focussed on lending to the real economy, not on making exorbitant profits and salaries for the financial sector and its outrageously over-paid employees. If this transformation does not happen, it will make it increasingly difficult, if not impossible, to finance sustained and equitable growth. A weakened and crisis-prone real economy will serve the interests of the financial sector, not the reverse as it should!

Good regulation must be complemented by effective taxation of the financial sector, which has been under-taxed (indeed the financial sector does not pay Value Added Tax). One valuable proposal, which builds on the ideas of Keynes and Tobin, is receiving increasing support, especially in Europe. This would imply all financial transactions would be subject to a very small tax; the current European Commission and Parliament proposal is for a 0.01% tax on all securities, as well as a smaller tax on derivatives. Such a tax would imply that the financial sector could make a fairer contribution to the recovery from the crisis, which it contributed so much to cause. It would give significant revenues to governments for fiscal consolidation and/or for investing in more sustainable growth. The tax would discourage more speculative activities, reducing the risk of future crises, as well as raise revenue in a more progressive way than other taxes.

Transforming the financial sector: priorities for action

1. A top priority is for the financial sector to be regulated effectively. This requires comprehensive equivalent regulation of the entire financial sector, including the shadow unregulated banking sector, which in the US and Europe is larger than the banking sector.

2. Regulation of capital adequacy, leverage and liquidity must be rigorous and counter-cyclical (the latter to compensate for the natural boom-bust pattern of financial markets and banks, so damaging to the real economy).

3. Speculative activity should be discouraged where the social risks created outweigh any possible benefits to the real economy. Banking activities should be regulated so as to separate utility banking from more risky activity, as was done in the US in the 1930s with the Glass-Steagall Act.

4. Public policy should be directed at the reform of bankers' remuneration systems, to link them to long term performance rather than short-term results.

5. The unhealthy power and influence that the financial sector has over regulators and politicians should be reduced. Together with the reform of funding for political parties, this would give greater autonomy for politicians to serve their electorates and not the interests of the financial sector.

6. Good regulation must be complemented by effective taxation of the financial sector, such as a financial transaction tax.

7. A significant expansion of efficient public banks, especially to finance investment (including in renewable energy), as well as sectors poorly served by the private financial sector, such as SMEs. Banks nationalised due to the crisis could be turned into public banks. Where public banks do not exist, they need to be created.

8. If the private financial sector continues to resist regulation or evades good regulation, then larger parts of the financial sector should become publicly owned: the financial sector is really a means to the end of fair and sustainable growth, and not an end for its own exclusive benefit and that of a small elite.

Box 7.1 Must reducing the public debt of a country always be a top priority?

John Maynard Keynes famously pointed out the dangers of treating national debt like household debt. Robert Skidelsky, Keynes biographer, has summarised the reasons why this is so: governments, unlike private individuals, do not have to "repay" their debt: they have their own Central Bank and their own currency and they can continue to borrow. (This, of course, is not the case for Eurozone countries, which is why agreement on common policy is so critical for them). Deliberately cutting the deficit is not the best way for a government to balance its books. Deficit reduction in a depressed economy is the road, not to recovery but to contraction, because it means cutting the national income on which government's revenues depend. The UK government, for instance, now has to borrow £112 billion more than it had planned when it announced its deficit-reduction plan in June 2010. Moreover, there is no connection between the size of national debt and the price that a government must pay to finance it. The interest rates that the US, Japan, UK and Germany pay on their national debt are equally low, despite vast differences in their debt levels and fiscal policies (see below). Lord Skidelsky ends his comments: "As with 'the spectre of communism' that haunted Europe in Karl Marx's famous manifesto, so today 'all the powers of Europe have entered into a holy alliance to exorcise' the spectre of national debt. But statesmen who aim to liquidate the debt should recall another spectre – the spectre of revolution."

Government debts as % of GDP

IMF data for	**2010**	**2011**
UK	76%	85%
Germany	84%	82%
France	82%	85%
USA	94%	103%
Japan	220%	208%

8. SUPPORTIVE ACTION BY INTERNATIONAL INSTITUTIONS

"A global crisis demands a global response". This was the starting point for the report of the Stiglitz Commission, set up by the UN General Assembly presented to the UN with economic experts from most of the larger economies of the world just over two years ago[19].

So far, global action has been limited and weak. The need for a global response was recognised at the G-20 in London in March 2009. Coordinated action in 2009 restored recovery for a year or so with its commitment to an unprecedented "$1.1 trillion of additional programme of support to restore credit, growth and jobs in the world economy.[20]" Undoubtedly this helped maintain world growth at 4% in 2010 for – but the effort was not maintained and in 2011 world growth fell to 2.8% – a decline of about $ 0.9 trillion below the 4% growth level. The latest forecast is that the situation in 2012 will be even worse, with negative repercussions on all regions of the world. The latest G-20 effort at Cannes in November "did not promise to add much more than was already contained in government plans enacted during 2011.[21]"

The world suffers from lack of leadership, and international action has faltered. Governments have concentrated on action within their borders or, as in

Europe, on their immediate neighbours. These actions have been uncoordinated at a global level so that austerity programmes in one country are reducing or slowing trade and growth prospects worldwide.

The worldwide cumulative losses from failures to take global action have already been colossal – of the order of a trillion dollars in 2011 with the prospect of ever larger losses in 2012 and 2013. In February 2012, the IMF warned that the sharp downturn in Europe could cut China's growth rate nearly in half, from 8.2% to about 4%, leading the IMF to urge China to be ready to launch a multi-billion dollar stimulus to ward off the slump, executed through central and local government budgets. On top of these economic losses, one must add the huge human costs of the crisis, exacerbated by the delayed recovery.

The scale of these losses underlines the costs of crisis and the continuing costs of austerity. Together they should surely fuel outrage – and more public demand for global action. Governments and opposition parties need to ponder the costs of austerity and work harder for more action and stronger global measures of positive response to prevent the losses.

All this demonstrates a tragic feature of the contemporary international system: the mismatch between the increasingly globalised character of the world economy and society and the inadequacy and insufficiency of global governance structures. This inadequacy creates large inefficiencies and enormous human costs in the economic and social area.

The current governance arrangements are faulty on two basic grounds. They are ineffective: the structures do not have the coherence and the leverage required to address the complex challenges of globalisation. And they are unrepresentative and therefore deficient in terms of legitimacy: they still essentially reflect the structure of world economic power and influence as it was in the mid-twentieth century.

There are no appropriate global mechanisms to regularly monitor developments in the world economy, to help steer them continuously in order to smooth out imbalances and avoid bottlenecks, impasses and ultimately crises, and to intervene decisively when crises do erupt. Nor is there a global financial regulator, even though capital is increasingly global. There are the seeds for a global financial regulator in the G20 Financial Stability Board, but it is neither strong nor representative enough to fulfil its key role properly

A globalised world economy calls for coordinated action for the provision of global public goods, especially the prevention of global warming. No binding, comprehensive coordination mechanism exists today for these purposes.

The oversight function that the United Nations

Charter assigns to the Economic and Social Council was still-born in 1947. When Agreements were signed with the World Bank and the IMF declaring that they were specialised agencies, they were made at the same time independent international organisations. The establishment in 1995 of the World Trade Organisation, which shunned the status of specialised agency altogether, completed the marginalisation of the United

Nations from international economic coordination and management and deprived the world economy of an integrated governance structure.

The Bank, the Fund and the WTO do provide forms of governance for discrete areas of international economic relations. But in crucial respects the way they have discharged their role has not made for better overall global governance. The IMF has, especially in the past, performed its surveillance function in a manner which, in the words of the Stiglitz Report, is neither consistent nor even-handed, focusing solely on curbing inflation and misguidedly promoting financial liberalisation. The World Bank has not made the provision of international public goods enough of a priority in its lending. The WTO has in many instances subordinated development objectives to trade liberalisation, under the debatable assumption that the latter will automatically generate development. Additionally, their policies have not prioritised employment and the reduction of the world's severe inequalities.

The Bank and the Fund, moreover, have governance structures which do not reflect the changes in the distribution of economic and financial weight in today's world. In particular, they do not allow for an adequate presence of the emerging economies and developing countries generally. Currently voting power is proportional to the countries' quotas in the capital, and the quotas in turn are calculated as a weighted average of GDP and other variables. This has meant that the advanced countries held 60% of the votes in the IMF in 2006 and slightly more in the World Bank. Although some changes were made in that year and twice subsequently – the total effect has only been to raise the share of the emerging and developing countries to 42% in the IMF and to 47% in the World Bank, still leaving emerging markets with a minority voting share.

In the WTO, while the governance principle is that of consensus, in reality the influence of major trading partners is still decisive.

The non-representative nature of governance arrangements in the economic and social areas has been exacerbated by the growing importance of the Group of 20, which has in effect displaced the international financial institutions as the body in charge of managing globalisation. Although the group includes eight countries which are not members of the OECD, it still clearly over-represents the large economic powers of a world that has past.

Whatever the need for stronger and more representative governance, the languishing world economy, with growth slowing in most of the world and Europe on the knife edge of recession, requires priority actions.

International Institutions:

Priority actions for recovery

1. *Global coordination of actions to accelerate recovery*. Coordinated action in 2009 restored recovery for a year or so but soon after efforts faltered. The leaders of the developed countries and the emerging countries need to get urgently back to coordinated efforts as they did in 2009 with a global perspective of recovery.

2. *National and Regional actions, coordinated with global support, to address the three scourges – unemployment, extremes of inequality and environmental sustainability.* Action in all regions and most countries is needed to tackle each of the three scourges. A few economies have these as priorities –but most are narrowly focused on an increase in growth rates, with little attention to the structural changes needed in the pattern of growth if employment is to be increased, extremes of inequality reduced and climate change and other forms of environmental damage tackled. All are needed if a path towards long-run sustainability is to be established.

Priority actions for effective representation

3. *To restore the position of the United Nations in global economic and social management.* The UN is the legitimate global structure par excellence. It should play a central role in securing coherence in global economic

and social policy and provide leadership to address global issues, with a strong development orientation. This would go beyond the coordinating function of ECOSOC – a large and unwieldy body, which has so far resisted efforts at reform. Instead, the proposal in the Stiglitz Report should be adopted for a new Economic and Social Council set up at the highest level in the UN, fairly small in size, made up of members chosen on the basis of constituencies to ensure broad representativeness. The new Council should be assisted by a Panel of Experts, in turn made up of specialists from all continents and with a pool of supporting experts world-wide. These changes may seem bold and radical but not when set against the inadequacies of global governance as it operates today – and the mess the world economy is in. There are alternatives!

4. *To reform the governance structure of the IMF and the World Bank.* New repartition of quotas is needed, based on today's world economy. In the case of the World Bank, voting shares should also be related to the degree of involvement of the country in the pursuit of the aims of the institution: contributions to the IDA for donors and levels use of borrowing facilities for borrowers.

5. *A more extensive use of double majority voting* – i.e. a requirement that certain important decisions should command given percentages of support in terms both of shares and of members. This already exists in

the IMF, where for instance 85% of voting power and a 60% majority of members is required to amend the Articles of Agreement. Expanding this to other major decisions and extending it to the World Bank might significantly contribute to bridging the legitimacy gap of both institutions.

6. *To explore the fundamental changes required for the international system in longer term.* There are four mechanisms which need exploration, technical and political.

- i A Global Reserve System, based on the SDR,
- ii Mechanisms to diminish causes of global instability and establish counter-cyclical fiscal and financial regulatory policies.,
- iii The legal and economic modalities for Sovereign Debt Default and Restructuring,
- iv The possibilities for establishing an International Court for Debt Restructuring.

None of these are new ideas but so far, most have been considered within a context of Western economic dominance and control. The challenge now is to exchange thinking and explore options with professionals and political leaders of emerging countries. The lessons of Asian experience in establishing or strengthening regional institutions after the 1998-2000 Asian crisis is especially important to draw upon.

9. ACTION SPEAKS LOUDER

Most, if not all, of these priorities for action in employment, gender equality, income inequality, financial control and international coordination will gain the support of a majority of citizens in the countries that need to make them – much more than sustaining support for austerity. At present the false view that austerity is the right and only solution is dominant amongst political elites in Britain and much of the rest of Europe. This is reinforced by the belief that financial markets will threaten any deviation from this orthodoxy. By repeatedly stating this view of markets, it may even become self-validating.

Moreover, those who wish to see a smaller role for the state and a larger one for the private sector appear to be using the crisis as an opportunity to cut back the state, even though the lesson of the crisis is that the state needs to be stronger not weaker.

Support for cutback policies is also supported by powerful corporations, especially in the financial sector and among other moneyed interests in the more developed countries who feel that the long-run benefits to them from austerity will outweigh any short run costs.

Neglected in these beliefs and interests is the fact that stronger supportive state action can lead to more dynamic national economies and a more stable and balanced global economy as it has in the past and is today in the more successful emerging countries, like Brazil and Indonesia, India and China. Support for stronger global and regional action is thus a major priority from which countries in all parts of the world can gain and which all countries therefore need to make a central part of their own national economic strategies for the short-run and the long-run.

Moreover stronger state leadership is needed to build the action and momentum to for the sustained actions required to respond to climate change and other forms of environmental destruction, which only become more serious and difficult as action is delayed. This must include support for the most deprived regions and groups in all countries and global support for the least developed countries, if these groups and countries are to have a stake in the outcomes.

All this depends on a more robust and equitable system of international economic and political management. The main parts of the present system were largely created during and shortly after the previous world crisis –the Second World War. Leaders of the world need to regain that vision and determination to strengthen and rebuild the international system sufficient to tackle the challenges of the 21st century as well as to prevent another global crisis.

In order for these changes to be made and to be *sustained, ways must be found significantly to strengthen the alternative more progressive voices and to improve democratic processes both at national and international levels. In many developed countries this must include campaign finance reforms.*

Leaders and journalists in the media need to be outspoken. They have a critical role in building understanding and demands for new approaches. So also do professionals and students in schools as well as in universities and many others in NGOs and religious organisations. All need to bring home the basic message: there is no one alternative that can work better for most citizens, there are many. They need to be explored and debated, seriously and urgently.

Governments have pivotal roles of leadership, internationally and nationally, for immediate recovery as well as structural change for the longer run. For short- run recovery, the key priorities are:

Making employment a central goal of policy for stimulus and recovery and setting a target for creation of decent jobs, including youth employment

Making public provision of high quality care a central concern of policy as well as a way of freeing women from some of their unpaid work to participate in employment on a more equal basis. These are steps to economic rebalancing over the long run, so that terms of employment for men change to enable them to share more equally with women the burdens and the pleasures of caring for others.

Taking action to reduce extremes of inequality, including actions to provide a social protection floor, maintain essential services for children and redress deprivation, and at the same time, raise the revenue for this in ways which reduce top incomes and restructure taxation to the burden falls fairly.

Re-establishing the conditions under which finance becomes a good servant and not a bad master of the whole economic system. This means: tighter regulations over the shorter and longer run, controls on speculative activity, bold measures to set limits on the salaries and bonuses of bankers and others.

Unless and until these are done, public disillusionment with the gross injustices of the financial sector will grow, undercutting public support for the other actions needed for recovery. Long-term growth will also be less likely and more fragile, as the financial sector will continue to be prone to cause major frequent crises instead of financing the real economy.

There are alternatives,
People worldwide are suffering unnecessarily,
We can make a difference,
Action is needed now !

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