

The New Development Agenda: What is really holding us back?

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Meeting the SDGs

- SDGs more ambitious than MDGs, which were essentially extrapolations of past trends.
- Unlike the MDGs, the SDGs recognise the significance of **processes** in meeting targets.
- They are also interlinked, specifically with the focus on reducing inequalities.
- But meeting them necessarily requires an enabling macroeconomic environment, nationally and globally – and that is currently lacking, much more than was the case for the MDGs.
- So we need major changes in national and global strategies – essentially a **Global New Deal**.

The global economy:

Living dangerously in the decade since the Great Recession

- Global GDP growth slower, at “new normal”
- Global trade growth even slower.
- Commodity cycle continues with slump following sharp downturn from 2012 and only minor recovery in 2016.
- Where will global demand come from?
- Reduced demand from North is critical reason for global slowdown but developing countries are not able to take up the slack and facing both internal and external problems.
- Cross-border capital flows volatile once again.
- Inequality continues to increase: falling wage shares, poor employment generation and more insecure employment even during “recovery”

Picking up but not lifting off

Table 1. World output growth: Annual percentage change^a

<i>Country or area</i>	<i>2001– 2008</i>	<i>2015</i>	<i>2016</i>	<i>2017^b</i>
World	3.2	2.6	2.2	2.6
Developed countries	2.2	2.2	1.7	1.9
Japan	1.2	1.2	1.0	1.2
United States	2.5	2.6	1.6	2.1
United Kingdom	2.5	2.2	1.8	1.5
Euro zone	1.9	2.1	1.7	1.8
Germany	1.3	1.7	1.9	1.9
Developing countries	6.2	3.8	3.6	4.2
Africa	5.7	3.0	1.5	2.7
South Africa	4.4	1.3	0.3	0.5
Latin America and the Caribbean	3.9	–0.3	–0.8	1.2
Brazil	3.7	–3.8	–3.6	0.1
Asia	7.3	5.2	5.1	5.2
China	10.9	6.9	6.7	6.7
India	7.6	7.2	7.0	6.7
Transition economies	7.1	–2.2	0.4	1.8
Russian Federation	6.8	–2.8	–0.2	1.5

Source: UNCTAD secretariat calculations.

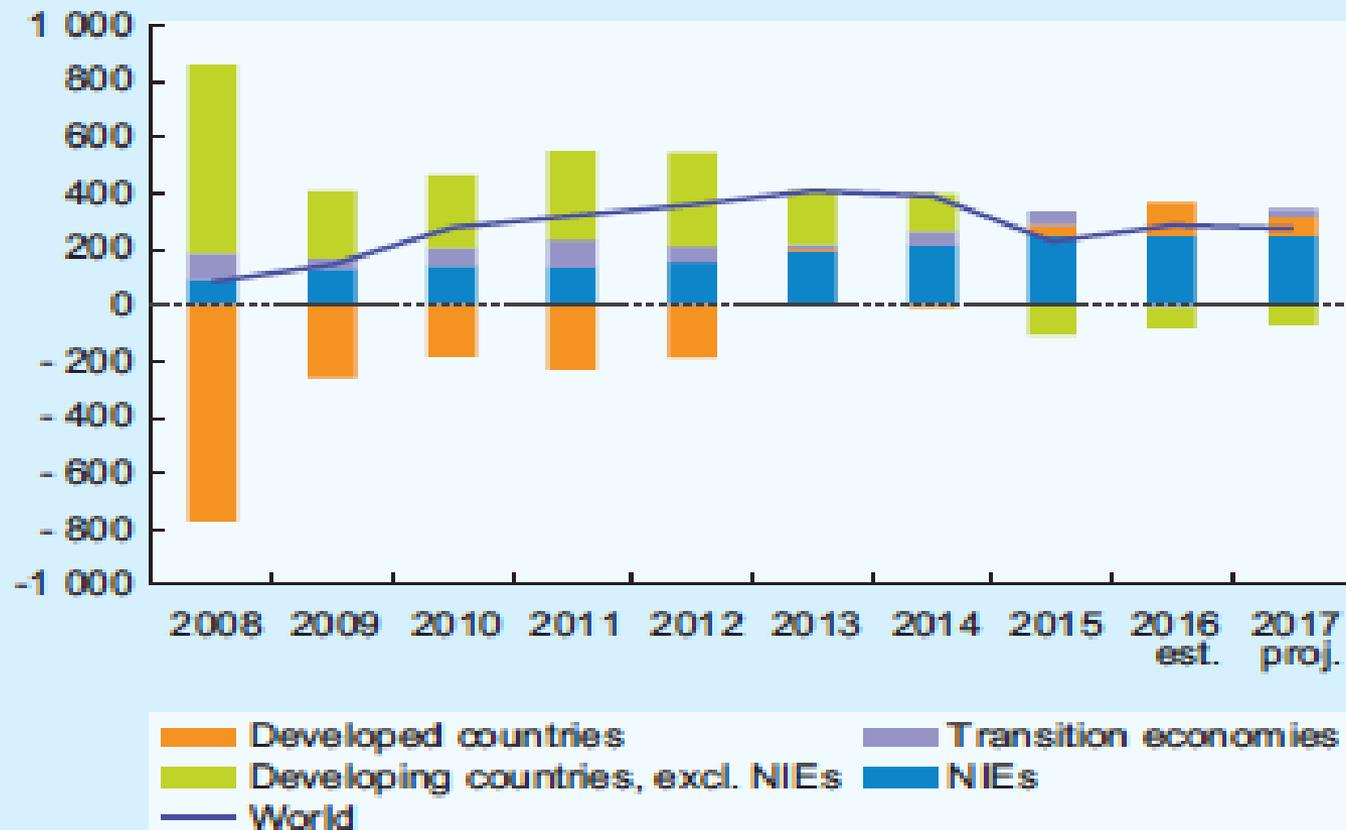
^a Calculations for country aggregates are based on GDP at constant 2005 dollars.

^b Forecasts.

Austerity: The new normal

Degree of austerity	Government spending (G), Pre-2007 trend less actual spending, 2011-2016	Countries
No austerity	$G \leq 0$	Brazil, China, Germany, India, South Africa
Limited austerity	$0 < G \leq 0.5$	Austria, France, Poland, United States
Medium austerity	$0.5 < G \leq 1$	Argentina, Bulgaria, Netherlands
Significant austerity	$1 < G \leq 2$	Czechia, Italy, Portugal, Spain, United Kingdom
Severe austerity	$2 < G$	Greece, Hungary

Developed countries no longer provide net demand stimulus to global economy (Current account balances, \$ bn)

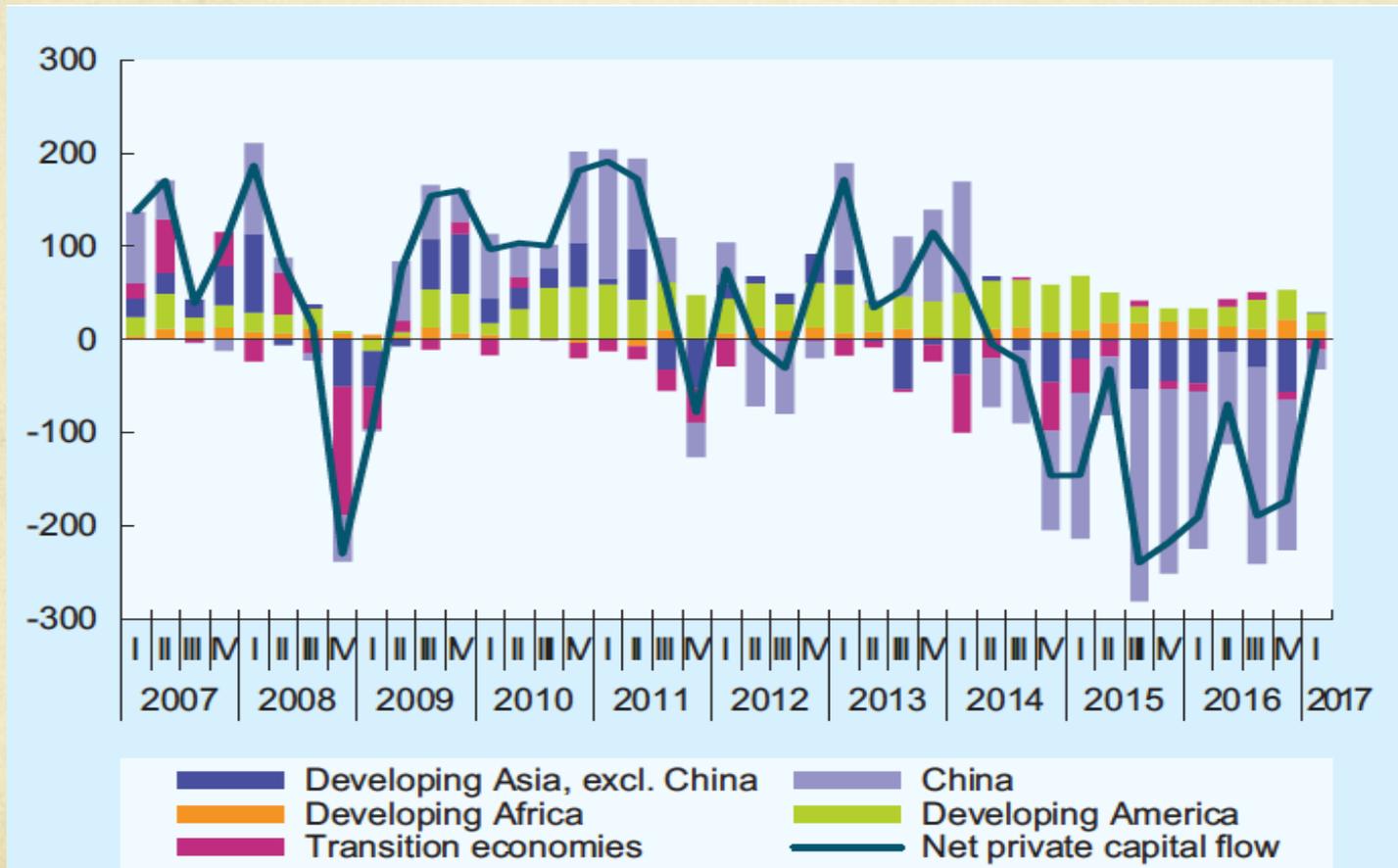


Commodity prices once again showing signs of weakness after a brief recovery

(Index of commodity prices, 2002=100)

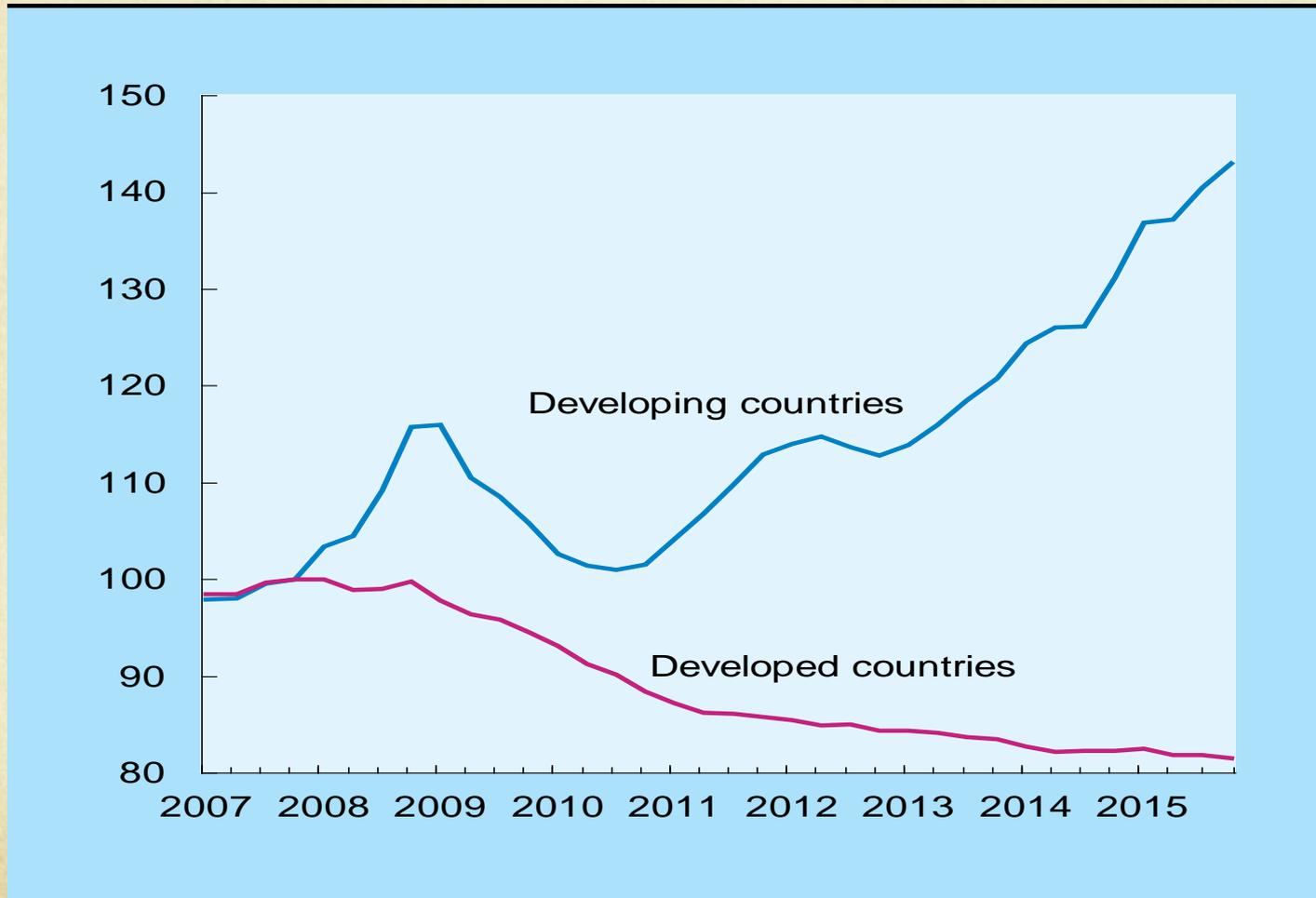


Capital inflows to developing countries still negative

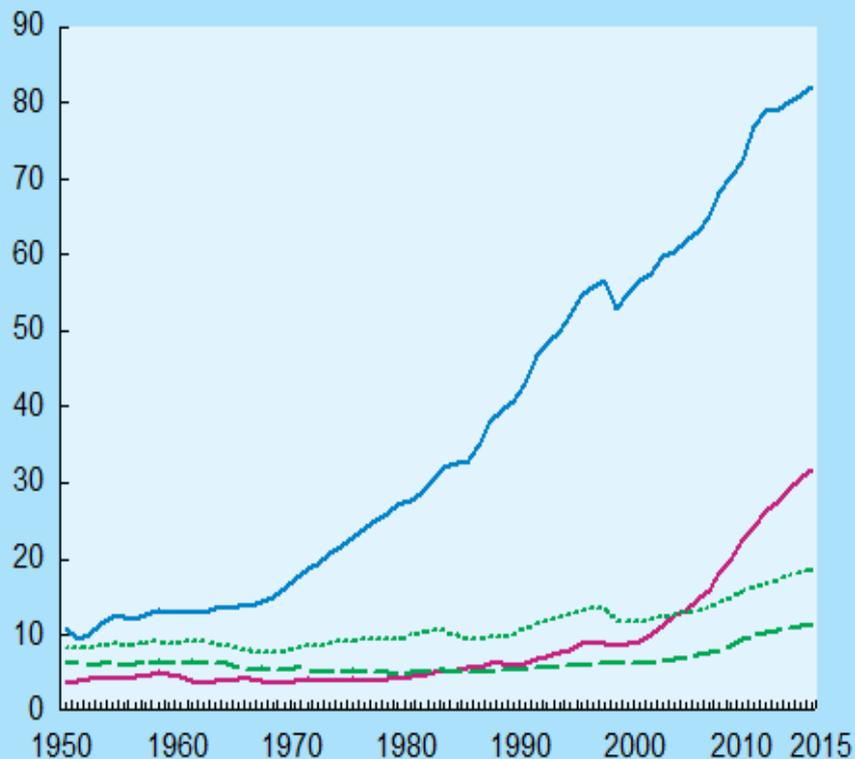


Developing countries' recovery built on debt:

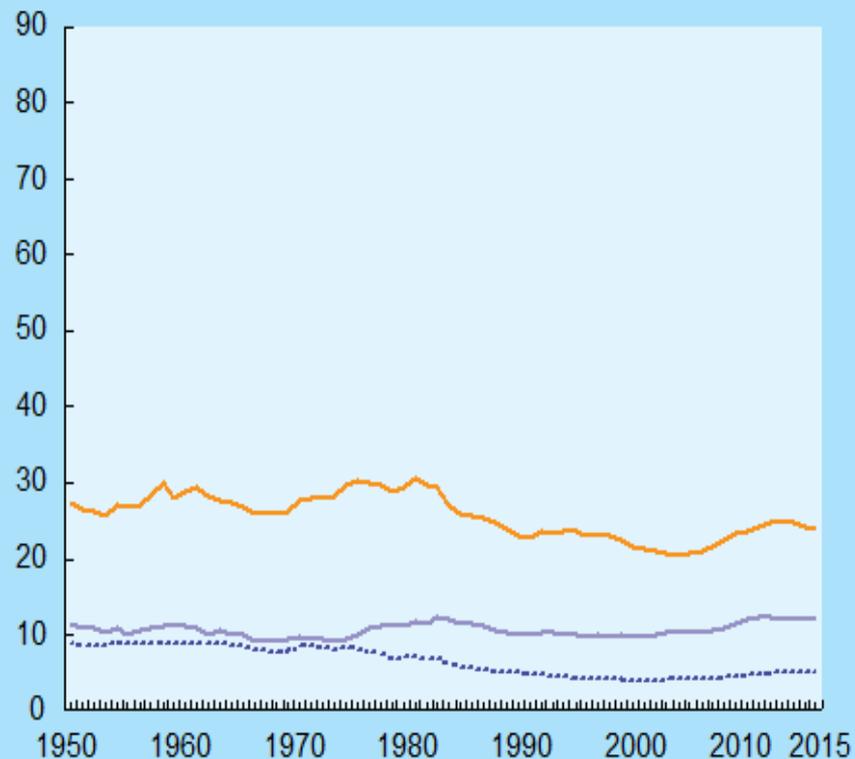
Index of debt service to income ratios of private sector, 2007=100



Only East Asia has moved towards closing the absolute income gap with advanced economies



— China
— First-tier NIEs
..... South-East Asia
- - - South Asia



— Latin America and the Caribbean
— North Africa
..... Sub-Saharan Africa

Ratio of GDP per capita of selected countries and country groups to GDP per capita of the US, 1950–2015

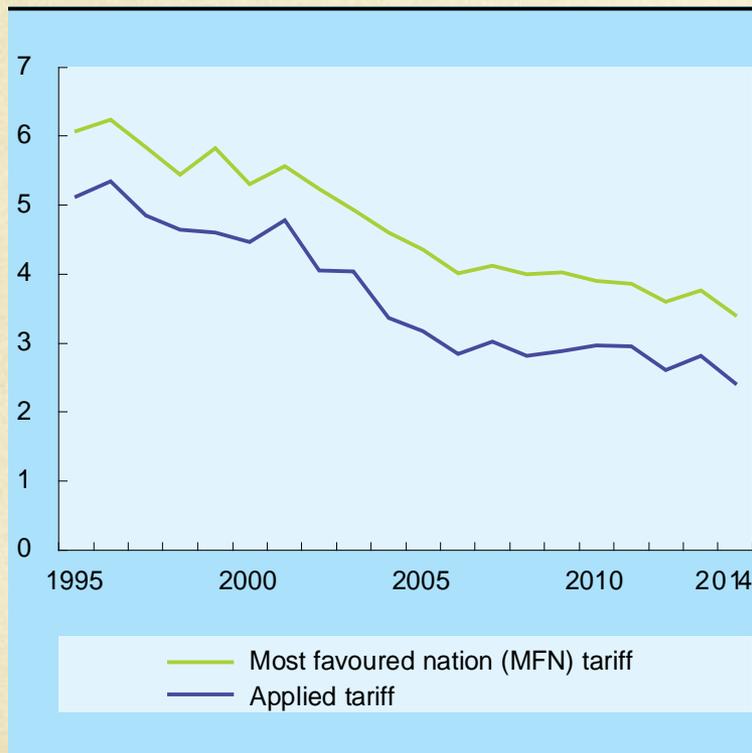
Manufacturing matters

- **Catching up:**
- strong (East Asia) and weak (SE Asia)
- **Stalled**
- (North Africa, Mexico, India)
- **Premature deindustrialisation** (Latin America; South Africa)

	Share of MVA			Share of Man N		
	1980	2000	2014	1980	2000	2014
Developed	17.0	16.5	14.6	23.9	16.9	12.8
N Africa	15.7	19.1	17.3	13.8	14.0	11.9
SSA	13.8	11.9	9.4	7.2	8.3	8.4
LAC	18.6	17.4	13.7	15.4	13.2	11.5
East Asia	28.3	31.2	29.3	22.5	20.9	21.5
SE Asia	21.1	26.8	22.5	14.4	16.3	14.0
India	14.2	18.4	20.3	9.1	11.4	11.6

Free trade and global labour supply

Average global tariffs,
1995-2014 (per cent)



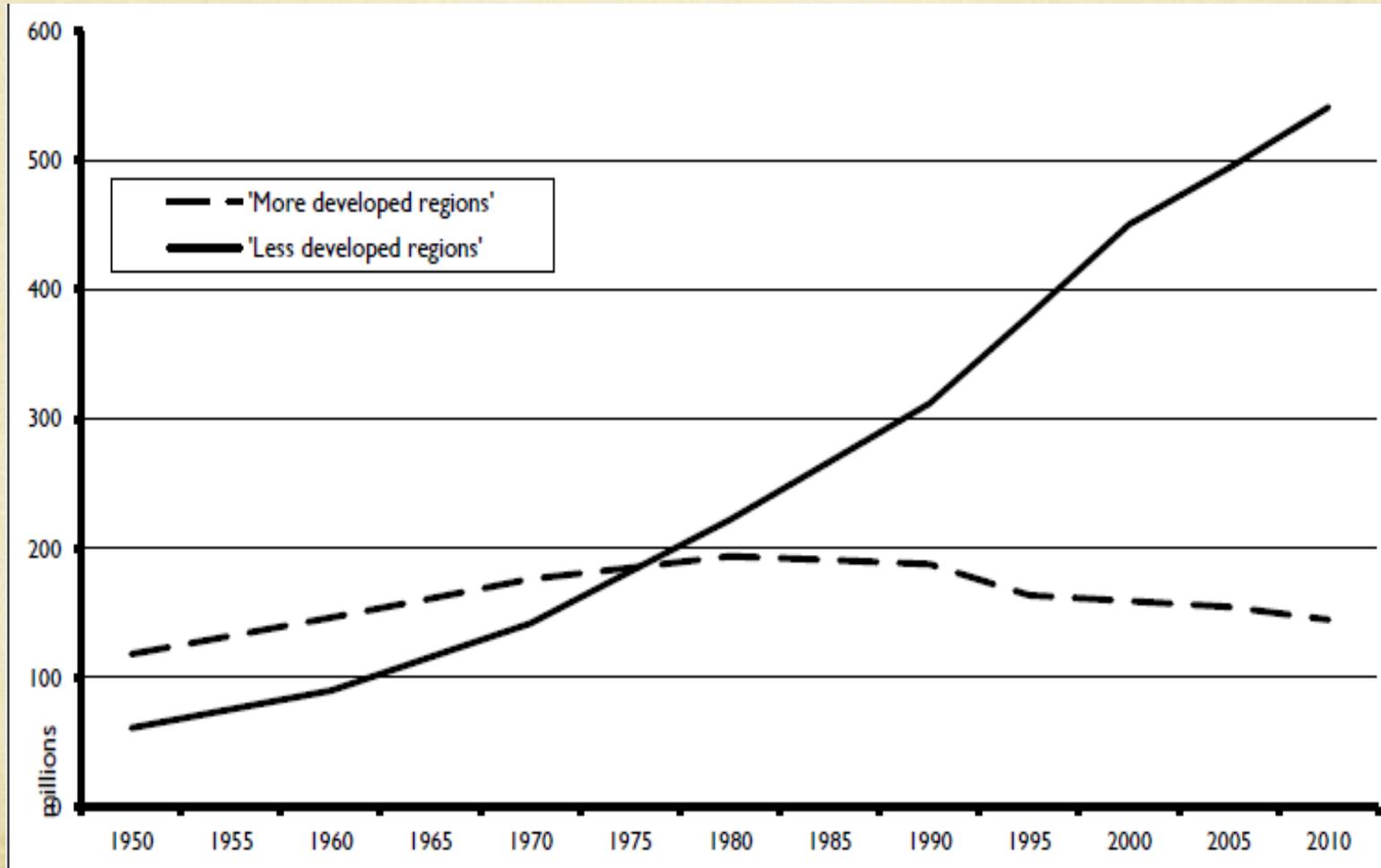
Global wage share, 1995-2014
(per cent of global income)



Developing countries' trade in manufactures



Global industrial workforce



Do robots and automation threaten industrialisation?

- Robots are getting smarter, more dextrous and cheaper, threatening large-scale job displacement and wage erosion.
- But the use of industrial robots remains low and concentrated in a few developed countries and relatively well-paying manufacturing sectors (e.g. automobiles and electronics).
- But what is technically feasible to automate through robots is not necessarily also economically profitable.
- So alarmist accounts of world without work are overdone.
- They also ignore other sources of employment generation that are the result of policy actions – most of all the care economy that has huge employment generating potential.

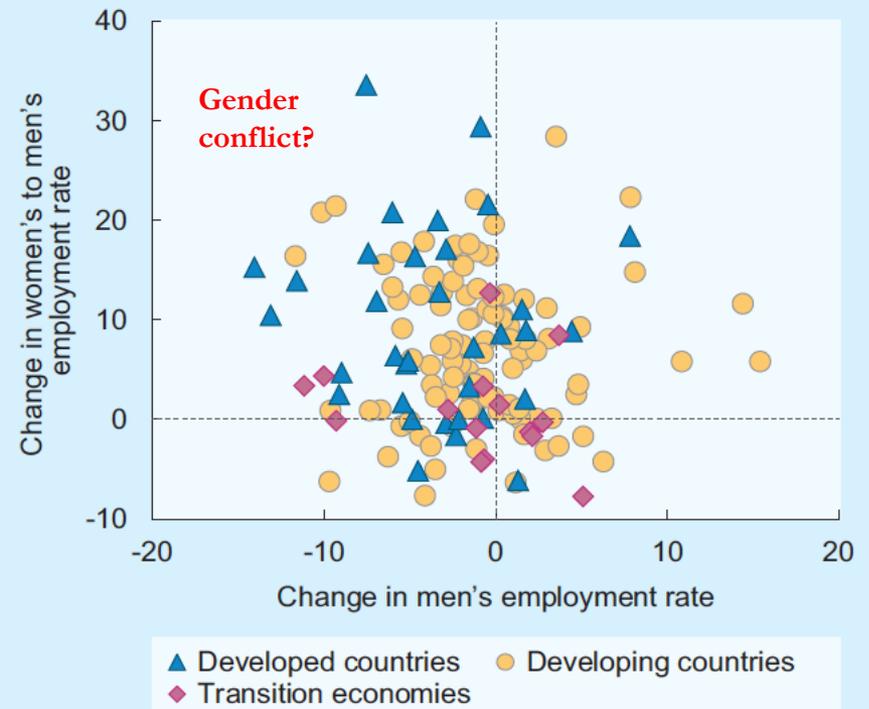
So why not more convergence?

- Increasing concentration of global production and distribution networks
- Global Value Chains and the “race to the bottom” in particular stages of production and assembly – women often worst affected.
- Intellectual Property Rights and the monopolies over knowledge that create high profits in the pre-production stage (design etc.) and post-production stage (branding and marketing, etc.) and reduce incomes in the production stage.
- Macroeconomic policies that reduce domestic demand (fiscal austerity) or generate growth based on unsustainable credit bubbles (monetary/financial policies)
- Less ability/willingness to tax the rich.
- Lack of focus on good quality employment creation or social protection or deliver of basic needs

Including women, excluding men?

- Context
 - Boom and bust cycles
 - Austerity
 - Mobile capital
- Consequence
 - Limited availability of good jobs relative to labour supply
- Conflict?
 - Women's employment rates rising in most countries
 - Men's employment rates declining

Changes in women's-to-men's employment rates versus men's employment rates, 1991-2014 (percentage points)

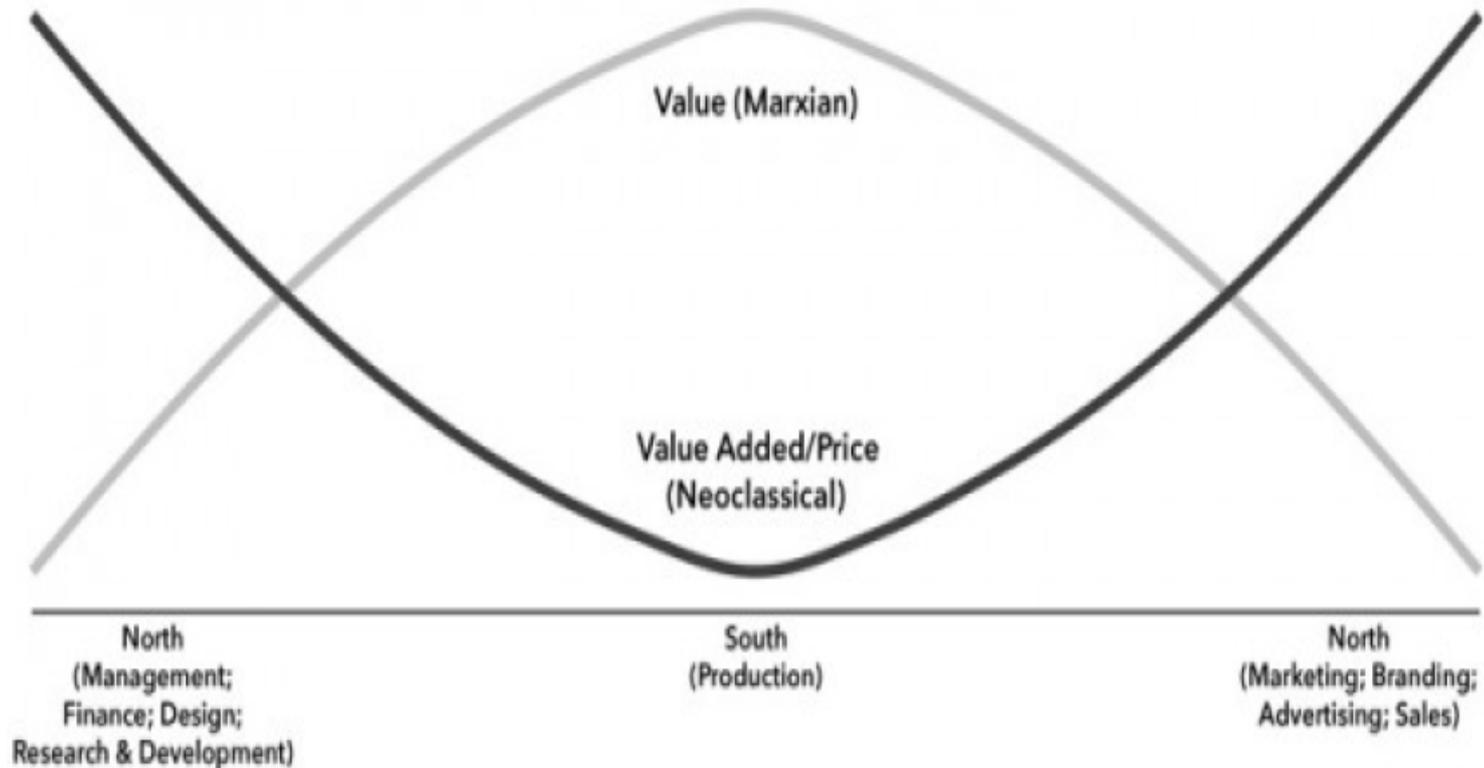


Women's exclusion from "good" jobs

- Hollowing out of traditional factory jobs and manufacturing communities very visible feature of growing inequality in developed countries, and is taking a particularly heavy toll on middle-aged working-class men.
- But the number of industrial sector jobs is also declining in many developing countries that are facing premature deindustrialization and stalled industrialization, and the negative impact is much larger on women's industrial employment than on men's.
- In developing countries, the share of industrial employment in men's total employment declined by an average of 7.5% between 1991 and 2014, compared with a 39% average decline for women.

The “Smiley Curve”

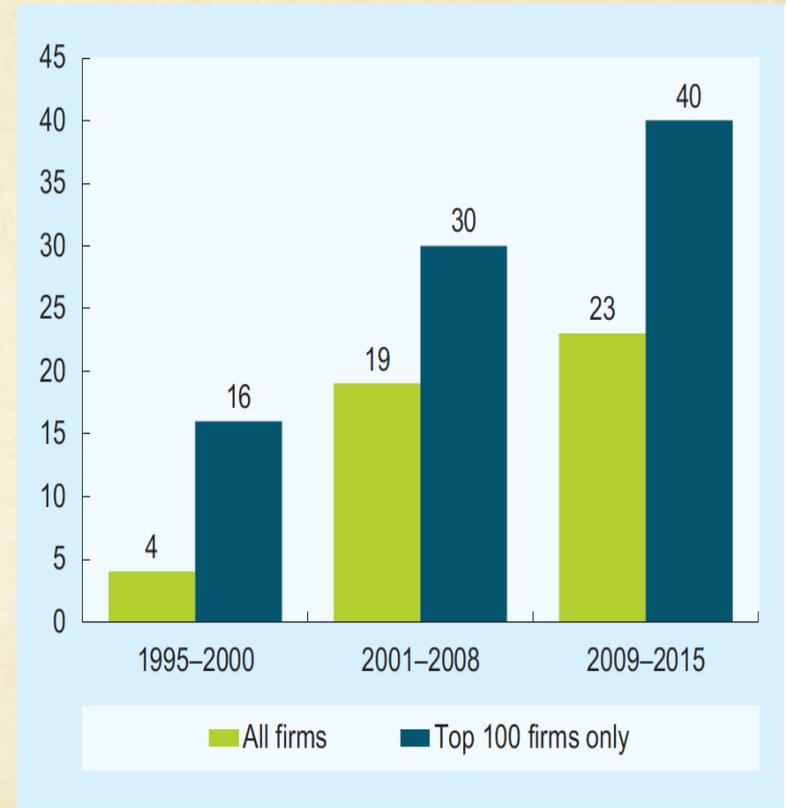
Wages, value, and price formation along the
Global Production Chain



The return of rentier capitalism

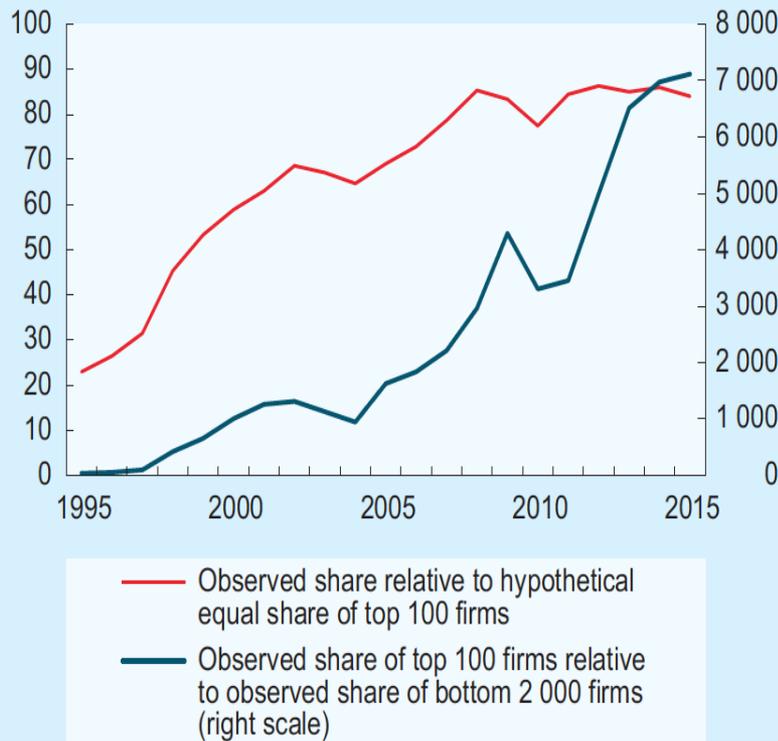
- Unproductive corporate rent-seeking and restrictive business practices have soared over recent years, spreading to non-financial sectors as a 'new normal' of corporate investment strategies and behaviour.
- A growing share of nonfinancial corporate profit is surplus profit associated with growing corporate market and lobbying powers that drive corporate rent-seeking.

- Share of surplus profits in total profits, 1990-2015 (%)

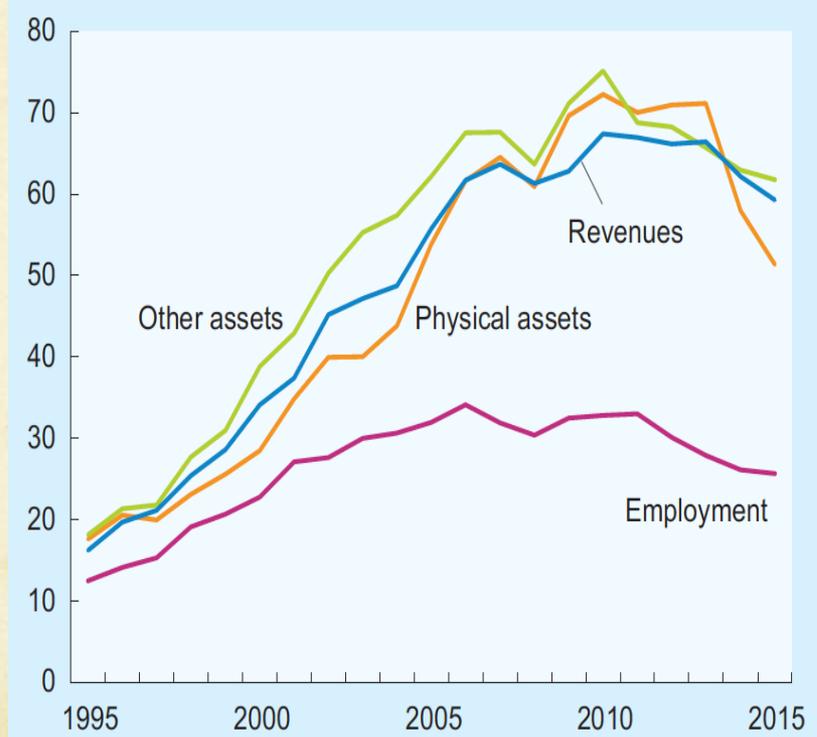


Increasing market concentration is key driver of corporate rentierism

Ratios of market capitalization,
top 100 non-financial firms



Concentration indices,
top 100 non-financial firms



Implications for development strategies

- Export obsession no longer useful; export-led growth reaching limits – focus should be on wage- and employment-led growth
- Investment push critical, and usually requires active state intervention
- Manufacturing still matters - but have to factor in ecological considerations
- Asset and income inequality have to be addressed
- Huge potential for higher taxation
- Regulation of both capital and labour markets
- Control over finance – to prevent crises, reduce vulnerability and direct credit to priority activities
- Social policy as development policy – universal provision of good quality basic goods and services and focus on care work.

A Global New Deal

- Visionary guiding principles from the New Deal, Marshall Plan, and Havana Charter:
 - **Speed, scale and generosity** – slow and incremental changes are less inspiring and transformative.
 - **Voice and counter-balancing power** – one of the most important elements for a developmental State
 - **Cooperation and unity** - blending need for State intervention in domestic and international spheres
- Build on initiatives such as the SDGs and Paris Climate Agreement
- Unlock the creative impulses of markets but control their more destructive tendencies
- Engage States that are also more accountable.
- Coordinate internationally - to support national policy efforts, avoid beggar-thy-neighbour approaches and share benefits of inclusive growth.

Check out UNCTAD's
Trade and Development Report



Thanks for your attention!