

## Confronting Planetary Emergencies

Dear journalist,

**The OECD's New Approaches to Economic Challenges (NAEC) initiative, through its publications, conferences and debates, has developed into a leading international forum on how to build resilience to systemic shocks, and in particular, respond to the current COVID-19 crisis.**

The recent [NAEC](#) conference on [Confronting Planetary Emergencies](#) looked at the lessons emerging from the crisis. Opening with a forceful plea by Ireland's President, Michael D. **Higgins**, for a radical change in the structure of the economic system, the conference also revealed sharp divisions among economists over the policies needed for a sustainable recovery.

By buying up the huge levels of public debt that have mushroomed in the COVID-19 crisis, central banks such as US Federal Reserve and ECB were contributing to higher asset prices that benefit the wealthy but hurt the poor, according to Thomas **Piketty**, Professor at the Paris School of Economics and author of the bestseller, *Capital in the 21st Century*.

Speaking at the conference, Piketty said the money would be better spent on improving people's lives, by increasing the wages of nurses and teachers, for instance, and by investing in the environment and new technology.

He said current monetary policy was keeping interest rates low, making borrowing easier for some but also contributing to higher inequality.

MIT professor and Nobel joint prize-winner for economics Esther **Duflo** said policies to help us emerge from the crisis would entail substantial public spending. She agreed that it should be used both to invest in infrastructure and in people - by paying good salaries for jobs that are useful for society such as in education, health and care of the elderly.

But for Stanford University professor John **Cochrane**, public institutions should stay out of policy and stick to a narrowly focussed, technocratic role in order to preserve their independence. He criticised what he saw as a failure of public institutions as a whole to maintain bureaucratic competence and to avoid becoming politicised during the COVID-19 crisis.

Duflo criticised the pursuit of GDP growth rather than people's welfare as an economic policy goal. "We need to really take into account the social costs of (such) shocks when designing policies," she said.

But for Cochrane, the pandemic did not 'change everything' nor did it require a radical rethink of economic policies. He pointed to the growth slowdown as the "fundamental thing hurting our economies for decades". "Growth comes from one place," he added, "productivity, led by innovation".



Both he and Harvard professor Kenneth **Rogoff** agreed that the pandemic, as in a war, requires increased state intervention. “This is a time to borrow or print money and spend it, but spend it wisely” said Cochrane.

Both Cochrane and Rogoff expressed confidence in the ability of private sector innovation to find solutions to help end the crisis. Other participants responded by suggesting that most of the innovation in medical research comes from public institutions and that crises were a time for cooperation rather than the competition promoted by Cochrane.

The conference raised issues that are at the heart of the NAEC agenda – how to reconcile new and old ideas to ensure a better functioning ecosystem of state, market and civil society. The OECD’s head of NAEC, William **Hynes**, said: “Many of the issues that have been highlighted by NAEC as a matter of urgency and which were not under discussion, are now on the table.”

Video recordings of all the conference debates are available on the conference [website](#).

By opening debates to experts from a wide range of disciplines, NAEC has become an important forum for ideas on how to build resilience to systemic shocks as matter of urgency, and in particular the current crisis.

Recent NAEC publications include [The Financial Crisis](#), providing analysis and a diverse range of new thinking on making the global financial more secure; and [Beyond Growth: Towards a New Economic Approach](#).

Further information on the NAEC’s work and upcoming events is available [here](#) . Journalists can also contact [William Hynes](#) at NAEC or the OECD’s [Media Office](#).

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