

Speech by President Michael D. Higgins

“Confronting Planetary Emergencies” OECD Conference

(Event details [here](#))

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A chairde, dear friends,

I am very happy to be with you today, albeit from a distance, to address this OECD conference which focuses on the important topic of developing and advancing new approaches to contemporary economic challenges. May I thank Ángel Gurría, Secretary-General of the OECD, and William Hynes, the head of the New Approaches to Economic Challenges Unit in the OECD for the invitation to address you.

It is not an overstatement to say that this conference has the potential to offer real, transformative and even emancipatory solutions to so many of the economic and indeed social problems we face today, through your examination of alternatives that present a radical departure from existing insufficient, deficient and failed models of political economy.

This requires a cognitive openness, a deep comprehension of the multiple, interlinked crises we face, and in particular it requires us to grasp the idea that the ecological crisis in which we now find ourselves – an existential crisis – interacts, and is currently interacting, with a range of other crises, including those of an economic, social, democratic and indeed cultural nature.

Such is the scale of the challenge facing us that the mere placing of a lens on the narrow, the disconnected, existing failed paradigms, or the tweaking of the edges of existing models is not sufficient to address the economic, societal and environmental transformations that are needed. Radical new alternatives are now required.

Thankfully, and in contrast to some previous periods of systemic transformation, we now have enlightened, theoretically and empirically robust scholarly material from which we can develop our new systemic approaches to provide the resilience that is now needed. This is good, new, morally engaged work that has the capacity to offer an alternative model of economy, one that is compatible with planetary constraints and is socially just.

Impact of the Pandemic

COVID-19 has magnified the shortcomings of our failed paradigm of economy with all its imbalances, inequities and injustices. The pandemic has demonstrated a renewed demand from the citizenries of the OECD, indeed the citizens of the globe, for a new economic order. This is evident through the response to COVID-19, the burden of which fell to the State, and proved, if proof were ever required, that the State has the ability to play a leading, transformative role in crisis management and response; that the public sector has the capacity and expertise to deliver quality universal services to its citizens and do so effectively and fairly; that government can act decisively when the will is there.

Yet the crisis has also shown us how so many of our citizens and their families are only ever one wage payment away from hardship; how the self-employed or workers in the so-called ‘gig’ economy lack security and are often impeded from access to basic employment rights; how private tenants in under-regulated housing markets are at the mercy of their landlords, how many designated ‘key workers’, those providing essential services, are shamefully undervalued and underpaid.

Moving Away from GDP Growth

I believe the OECD’s Advisory Group on a New Growth Narrative is correct in its core assertion that we must now look beyond growth as a core metric of economic success. The fixation of some economists on exponential and unsustainable growth in Gross Domestic Product is now seen for what it is: an overly narrow, near-obsessive preoccupation with ensuring that the determinants of economic growth – consumption, investment, government expenditure and the balance of trade – are all calibrated so that economic growth is maximised at whatever cost to social cohesion and without any due regard to inequality or adverse ecological impacts. The consequences of such assumptions being accepted uncritically are now with us and well known.

But it is not just new critical thinking in political economy that is required. The confluence of crises we now face necessitates us to consider profound institutional innovations in order to further human development and ensure sustainability.

For example, recent research by University College Cork correctly argues that many of the fundamental social institutions upon which societies have relied for decades for stability and direction – politics, economics, technology, religion, and higher education – are currently failing. Therefore, re-imagining these social institutions in ways that will allow them to fulfil their basic ethical and effectiveness functions is essential if challenges ranging from climate change to biodiversity loss, democratic crises, the loss of social cohesion, and the rise of inequality are to be addressed meaningfully and comprehensively.

Post-2008 Recovery Slow, Unequal

These challenges would be considerable in any circumstances. However, coming as they do as the world is enveloped in a public health pandemic, the likes of which have not been seen for a century, and following a period in which most OECD economies have performed substantially less well than in the past following the 2008 financial crisis, all underscores the scale and magnitude of our challenge.

Of course, we know only too well that the financial crisis of just over a decade ago exposed serious flaws, not just in financial regulation, but in the credit-based form of growth which preceded it, and provoked the crisis the effects of which are continuing to play out.

For most OECD countries, the recovery after the recession was among the slowest on record. Fragile economic growth had been restored in the last few years, dependent on ultra-low interest rates and hugely expanded central bank balance sheets, but the world is now headed for a deep and possibly protracted recession owing to COVID-19, with the worst impacts likely to be felt by the poorest and most vulnerable.

As Thomas Piketty – whom I’m delighted to hear is giving a keynote address at the conference – has shown so comprehensively, inequalities have risen in most countries over recent decades, particularly between the incomes of the top one percent of the population and those of the rest of society. Wealth inequality, in particular, has grown, in large part due to the appreciation in the value of assets, itself a cause of financial volatility. In many countries, most acutely in southern Europe, unemployment remains high, particularly for young people. Most developed economies have seen an increase in under-employment and insecure and precarious work of different kinds, from self-employment and part-time work to very short-term contracts.

Global Poverty, Hunger Rising

It is perhaps not surprising, but depressing nonetheless, to note that, according to most analyses, global poverty rates are increasing significantly as a direct result of the COVID-19 pandemic and as the global economy falls into recession.

The ongoing crisis will likely erase most of the limited progress made recently in the area of poverty and hunger reduction. The World Bank estimates that 40 million to 60 million people will fall into extreme poverty (that is to say, as measured by the metric of under \$1.90/day) in 2020, compared to 2019, as a direct result of COVID-19, depending on assumptions on the magnitude of the economic shock. The global extreme poverty rate could rise by 0.3 to 0.7 percentage points, to around 9 percent in 2020. Furthermore, the percentage of people living on less than \$5.50 a day could rise by 0.4 to 1.9 percentage points, to 42 percent or higher, an increase of around 70 million to 180 million people.

Access to schools, healthcare, electricity, safe water, and other critical services remains elusive for many people globally, often determined by socio-economic status, gender, ethnicity, and geography. For those who have been able to move out of poverty, progress is often temporary. The cyclical nature of escape and re-entry to poverty, under-examined in the literature, reflects the gap between a narrow economics and social science evidence on the life cycle.

Economic shocks, food insecurity, conflict and climate change threaten to rob citizens, again and again, of their temporary hard-won gains and force them back into poverty.

Democratic Crisis

With these negative trends, which damage social cohesion and erode trust, it is hardly surprising that we now have a democratic crisis that is borne as a social consequence of such pernicious development. With many directly experiencing the consequences which followed from the financial crisis of 2008-9, ongoing erosion of labour rights and accompanying global pressures, alongside other more directly political causes, popular discontent with politicians and the political system has risen in many countries.

Trust in established institutions, in experts and in governments generally has declined. Politicians, the commentariat and, most importantly, citizens are correctly challenging the *status quo* model of political economy, a model that has been with us for four decades now.

As the OECD ‘Beyond Growth’ Report of the Secretary-General’s Advisory Group noted,

“Societies which once experienced high levels of social cohesion are now more fragmented, prone to cultural as well as economic divisions. In many countries large numbers of people report feelings of economic and political disempowerment – a sense that society has become less fair, with a widening gap between the lives of the richest and the majority, and that in a more globalised world national societies have somehow ‘lost control’ of their own destinies.”

We are witnessing, therefore, a destructive trend in lost social cohesion, for example in the European Union and its manifestation on the European streets, but now extended to every continent, the adjustment of the basic needs of the people, not only the poorest any longer, to the metrics of a global, financialised economy. In many countries, there is a widespread sense of social and economic conflict and crisis. It is clear that a direct consequence is the rise of ‘populist’ parties of various kinds gaining ground across Europe and elsewhere, with some entering government and promoting fear, division and using a public rhetoric that facilitates hatred.

Erosion of Social Protection

Accepting that there never was evidence of the markets’ capacity to address such challenges, we must acknowledge that there have been multiple government-led policy failures. Current labour market policies have not been able to sustain demand for lower skilled jobs in the face of ongoing automation and globalisation developments, neither have they managed to counter the growing divide between those in secure jobs and the growing number forced into precarious ones in the so-called ‘gig economy’.

Furthermore, redistributive welfare policies have seen their effectiveness reduced in many countries – in some cases because of a shift away from universalist approaches towards targeted approaches, in other examples because of the use of activist measures that had adverse unintended consequences. Such redistributive policies are no longer sufficient to offset rising income and wealth inequalities. Environmental policy, too, has failed to prevent catastrophic risk, and the limits of fiscal and other economic instruments in tackling climate change and environmental degradation have been shown all too clearly as we stand on the edge of an ecological precipice.

Multiple Crises

Thus, we have reached a point of multiple crises – democratic, economic, social, and ecological, interacting with each other – that demand radical new beginnings. Years of eroding welfare States in many societies have had to give way, under pressure from the pandemic crisis, to significant welfare actions as emergency measures. These reflect the impact decades of unfettered neoliberalism have had on whole sectors of society and economy, left without protection as to basic necessities of life, security and the ability to participate.

It is depressing that, after centuries of economic thought and scholarship, we have become trapped in a political economy model of booms and busts, a model that is so socially damaging and iniquitous, a model with tenuous legitimacy in terms of accountability, a model that now is posing a threat to democracy itself. Within the public discourse itself, with significant and admirable exceptions, there is an absence of critical public engagement within

a media structure whose ownership and control is hostile to such, or which is obsessed with dredging in the sea of social media.

New Paradigm Needed

However, I wish to offer today a positive contribution to the debate, and I must seek to avoid the temptation to fall into any Adornoesque sense of despondency. While coming in late, it is heartening to see the legitimacy of neoliberal market fundamentalism – that is, faith in the efficiency of markets, in the superiority of markets over government intervention, in the ability of markets to self-correct, and in the market’s ability to deliver political freedom – now being challenged by even those international organisations in whom trust was placed by nations for the achievement of communal welfare. Such organisations – the OECD is at the vanguard perhaps – are now seeking a new approach.

As I said earlier, there is now a widespread, recovered recognition not only of the State’s positive role in managing such crises but of how it can play a decisive, transformative role in our lives for the better. The erosion of the State’s role, the weakening of its institutions and the undermining of its significance for over four decades has left us with a less just and more precarious society and economy.

How regrettable it is that it has taken a pandemic in which millions of lives have been lost across the world to establish, or rekindle, widespread appreciation of work in the public sphere, of the public sector and the importance in the economy of the public good – and, in terms of our shared future, the State’s benign and transformative capacity.

Many concerned citizens had hoped, even mistakenly believed, that progressive political-economy paradigms would flow from the 2008 financial crash. This did not occur in any comprehensive manner or with any sincerity. Yes, some economists now consider human bias, politics and institutional realism when crafting their models, but linearity and baseline reversion to equilibrium is generally assumed, while efficiency is championed over resiliency.

Eco-Social Model

New ideas are, thus, now required and, even more, their communication to citizens – ideas based on equality, universal public services, equity of access, sufficiency, sustainability. New ideas are fortunately available in the form of an alternative paradigm of social economy within ecological responsibility, but they must find their way on to the public street.

Thankfully, we now have a richer discourse than perhaps we did a decade ago at the last point of crisis, owing to scholars such as Ian Gough, Mariana Mazzucato, Sylvia Walby, Kate Raworth and so many others who advance ecologically sustainable and socially progressive alternatives, that is to say, in support of an eco-social paradigm, an alternative to our destructive, failed paradigm.

This suggests the real, emancipatory potential for a new, recovered political economy, and I have called for some years now on third-level institutions, both in Ireland and abroad, to ensure it is taught and, thus, for it to be available to inform policy. I believe that failure to facilitate a pluralism of approaches is a deprivation of students’ rights.

Consideration of a new ecological-social paradigm, based on economic heterodoxy, recognises the importance of resiliency, the limits of the world's natural resources, as well as the role that unrestrained greed has played in creating the climate crisis.

Mazzucato and others, who have provided insightful contributions to *Social Europe* during the pandemic's unfolding, have recently proposed that any firm-level financial assistance provided to recapitalise major companies in the wake of COVID-19 should be conditional on a 'greening' agenda for its receipt. Such a suggestion is a useful contribution as we forge ahead with an eco-social paradigm which now represents our best hope for a sustainable future.

Out of respect for those who have suffered greatly, those who have lost their lives and indeed the bereaved families, we must not drift into some notion that we can recover what we had previously as a sufficient resolution—that we should regard it as sufficient response to what now we face, that we merely revert to the insecurity of where we were before, through mere adjustment of fiscal- and monetary-policy parameters. That would be so wholly insufficient to the task now at hand. A brighter horizon must be put forward which offers opportunity and hope, that carries an intellectual energy informed by a shared moral purpose born out of our interlocking contemporary crises.

Need to Provide Social Safety Nets

The Coronavirus pandemic provides us with an opportunity to do things better. This crisis will pass, but there will be other viruses and other crises. We cannot let ourselves be left in the same vulnerable position again, in which decades of neoliberal policy has produced threadbare social protection systems while pursuing an individualist, wealth creation agenda. We have, yet again, learned lessons in relation to healthcare and equity, in relation to what is essential in terms of income and the necessities of life.

On the most basic level, we should recover and strengthen instincts which we may have suppressed, which the lure of individualism and the bombarding, unremitting and insatiable noise of consumerism may have driven out, displacing a sense of the collective, of shared solidarity—allowing the State's value and contribution to be derided and disregarded, so that a narrow agenda of accumulation could be pursued.

The Coronavirus pandemic has highlighted the unequivocal case for a new eco-social political economy—of having universal basic services that will protect us in the future, as Anna Coote and Andrew Percy have suggested, and of enabling people to have a sufficiency of what they need, as Ian Gough has contended.

I suggest that all of the prevailing ruling concepts in our present economic discourse – flexibility, globalisation, productivity, innovation, social protection, decent work, indeed economic growth itself – are capable of being re-defined, sometimes radically, within an active State context, given a shared moral resonance, made useful within the context of the new ecological-social paradigm.

Just Transition

Transformative actions are required. The recently published analysis by Ireland's National Economic and Social Council (NESc) of the 'just transition' is a key contribution, offering a

useful intellectual framework for the wider challenge we face as we attempt to forge a new path to an enlightened political economy, founded on ecology, social cohesion and equality. That report recommends a “purposeful, participative and multi-faceted approach to governance; appropriate social protection for those at risk from transition impacts; supportive arrangements and sectoral measures, and inclusive place-based development and investment”.

I support NESC’s call for the establishment of a social dialogue and deliberative process, which should be framed in the wider context of discussions as to how we embed the just economy and society now so urgently needed and desired by the citizenry.

Successful crisis management is no guarantee of durable reform. We therefore need to embed the hard-earned wisdom from this crisis into strong scholarly work, policy and institutional frameworks—this is the great challenge from a political-economy perspective. It will require, as NESC identifies, determined action by all governments, setting out priority actions, the sequence of interventions and timeframes for implementation, as well as consideration of what resources are needed.

Global Solidarity

We also need, as is now urgent and as Oxfam’s recent report shows, global solidarity if we are to avoid healthcare collapse and increases in hunger and famine in many developing countries, including in sub-Saharan Africa. We require enhanced attempts at the global level to build a new international architecture, to reverse the policy of fragmentation and institutional damage that has in recent years affected the United Nations and other multilateral organisations.

Understandably, much current economic commentary focuses on the cost of the pandemic, but we must also reflect on the systemic weaknesses it has exposed in how we organise our society and economy. How can we address these frailties? How can we do things better to realise the paradigm shift that is urgently required?

In Conclusion: Our Shared Challenge

Our challenge is therefore to draw on the lessons of solidarity and ingenuity as COVID-19 confronts 21st-century society and its world economy with a new kind of emergency hazard—galvanising that sentiment across the citizenries of the globe which recognises the inherent flaws of our current model, and embracing a new paradigm founded on universalism, sustainability and equality.

What is a further, real basis for hope is that, within such a framework, it is possible to respond concurrently to the pandemic, climate change, the impact of digitalisation, inequality and what I refer to as ‘the unaccountable’ which threatens democracy itself. The ‘unaccountable’ – speculative flows of insatiable capital, a global, unregulated, financialised version of economy – represents the greatest threat to democracy, the greatest source of an inevitable conflict, and the greatest obstacle to us achieving an end to global poverty or achieving sustainability.

The institutional reforms that are required, including those to which I spoke earlier, to reverse the undermining, fragmentation and weakening of the multilateral organisations, are reforms

that surely the OECD can spearhead, and I am so happy that a new, different growth narrative is now being pursued by your organisation which is so well-placed to play a transformative role in the new economic approach now so urgently needed, an approach that must embrace variety and complexity, that does not shirk from thinking long and deep.

We may be some way from achieving this necessary paradigm shift which represents our best hope for a sustainable, inclusive future on the planet, but we must dare to pursue it, and have the courage of continuing to play our part as advocates for a paradigm shift, such as that to which I have spoken in my address; a paradigm that places an entrepreneurial State at the centre of social and economic objectives; a paradigm that has the capacity to gain mainstream acceptance, including on the basis of peer-reviewed empirical scholarship; a paradigm that is fundamentally our only hope as a global people of avoiding ecological and social catastrophe, while being an important gesture towards intergenerational solidarity.

It is no longer sufficient to describe, however brilliantly, systemic failure. We must have the courage to speak out and work for the alternatives.

Go raibh míle maith agaibh go léir.