

WORLD ECONOMIC FORUM

COMMITTED TO IMPROVING THE STATE OF THE WORLD



LEKHA CHAKRABORTY

Associate professor at NIPFP and research associate at the Levy Economics Institute of Bard College, New York. lekhachakraborty@gmail.com



● QUALITATIVE EASING AT DAVOS

Battling a retreat from globalisation

What we need is a social equivalent of quantitative easing—a qualitative easing towards the Leave No One Behind 2030 agenda—by focusing on the ‘quality’ of economic growth

UNDER THE THEME ‘Creating a Shared Future in a Fractured World’, 2,500 leaders from businesses, governments, civil society, arts, academia and media assembled in Davos last week to push a collective agenda towards ‘inclusive’ economic growth in a world of strained social contracts.

I can see an ‘extreme concern’ about the recent trends of retreat from globalisation, among global leaders, at the 48th Meeting of World Economic Forum in Davos.

Indian PM Narendra Modi made a robust defence of globalisation in Davos and warned against the dangers of protectionism, with US President Donald Trump’s America First policy. The WEF survey of 1,293 CEOs in 85 countries between August and November 2017 showed they prefer India as their fifth most important foreign market destination, next to the US, China, Germany and the UK. Amitabh Kant, the CEO of NITI Aayog, also highlighted that India has become one of the largest recipients of FDI. However, India

largely remained stoic in Davos about these achievements in foreign investment realms, to position ‘attractiveness of India’ amidst much more worrying issues like widening of geopolitical fissures.

A decade after the global financial crisis, what we need is a social equivalent of quantitative easing—a qualitative easing towards Leave No One Behind (LNOB) 2030 agenda—by focusing on the ‘quality’ of economic growth. Opening remarks from Prof Klaus Schwab set this tone of deliberations in Davos. We have managed global financial crisis and returned to a formidable economic growth path. However, we are still stuck in a ‘social crisis’ with new and divisive narratives.

Modi highlighted that climate change, terrorism and backlash against globalisation are three most significant challenges to civilisation. To execute qualitative easing, the WEF Global Risks Perception Survey (GRPS) flagged climate change—Paris Agreement—as the top priority, where extreme weather, biodiversity loss and ecosystem collapse, major natural and man-made environmental disasters, and failure to mitigate and adapt to climate change were ranked high in terms of likelihood and impacts. The WEF analysis also showed linkages between environmental risks and involuntary migration, and notable was the economic cost attached to natural disasters and coastal storms that devastate infrastructure—over 75% of the 31 million people displaced during 2016 were forced from their homes as a result of weather-related events.

Yet another significant suggestion for qualitative easing, by Canadian Prime Minister Justin Trudeau, was about gender equality. He highlighted “it’s time to put women first; talking about hiring, promoting and retaining more women, not because it’s the right thing to do, or the nice thing to do, but because it’s the smart thing to do.” He argued that much of the economic growth experienced in Canada

over the past decades was because of women joining the workforce, and said there is still so much room for improvement, and “enormous benefit to be had.”

At Davos, the global context was much beyond just a relic of Cold War. There was a global convergence in goals ‘beyond GDP’ paradigm, through advancing multilateral processes and accelerating attempts in strengthening global governance mechanisms to tackle geopolitical fissures.

To provide an analytical backup to this agenda, WEF launched the Inclusive Development Index (IDI), which contributed an alternative metric to GDP of national economic performance. What it tried to measure is how greener, more equitable, more diverse the nations are in an intergenerational paradigm. This is to showcase a powerful and positive narrative about the potential of public policies, acknowledging the constraints that economic growth *per se* cannot translate into these dimensions.

Davos deliberations rightly articulated that the Fourth Industrial Revolution must unfold with ‘humanity’ at its centre, not technology. IDI measures three dimensions—growth and development, inclusion, and intergenerational equity. It is interesting to note that indicators like public debt as a percent of GDP, dependency ratio, carbon intensity of GDP and adjusted net savings are used by WEF to measure intergenerational equity and sustainability. One can always debate about the indicators they have used, and the methodological issues in constructing this index. However, it is a thorough attempt—beyond a GDP measure—to capture inclusiveness in growth with intergenerational dynastic resources.

We need to learn to treat an index just as an index, with no political economy conundrums. The sole purpose is to highlight the potential of public policies in minimising gaps between ‘aspirations’ and ‘actions’ towards LNOB, which otherwise we try to under-emphasise.

The underemphasis of the scope of macroeconomic policy coherence is the key reason for many governments’ failures in recent decades to effectively respond to widening global inequalities. This point was well flagged in Davos. “What gets measured gets managed” has become the norm, and from that perspective the constructions of such indices attain significance, just to unveil statistical invisibility. Norway tops the scale in IDI with a score of 6.08 on 0-7 scale. Though India has a low score of 3.09 in 2018, it is commendable to note the upward trend of this index by 2.29% over five years. The WEF analysis also highlighted that inclusive economic progress is closely correlated with higher levels of ‘interpersonal trust’. The countries where WEF survey respondents agreed that ‘most people can be trusted’ have also performed well on IDI. This empirical evidence emphasises the relevance of human-centric policy coherence, to improve the cohesiveness of an increasingly fractured world. And that exactly is the message from Davos.

