

A stylized world map composed of a grid of dots in various shades of gray, with several dots highlighted in red. The map is centered behind the title text.

Reframing Globalization Toward Better Social Outcomes

Global Leadership for Greater Social Cohesion and Sustainability

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- Reframing globalization is necessary to directly address the political backlash and public concerns about economic insecurity and market outcomes benefiting the few rather than the many. It means recasting the political discourse to language which directly addresses *domestic* conditions, is *people*-centered and mobilizes societies toward better *futures*.
- First, G20 leaders need to reframe globalization from coordination of economic policy to *norm setting for domestic policies* and stimulating new social contracts and partnerships to generate better social outcomes.
- Second, G20 leaders need to move beyond their focus on labor and the work place to a *vision of people as citizens*, members and leaders of communities and members and leaders of families. The crises of today affect the whole person and their social relationships.
- Third, G20 leaders need to lift the sights of the world toward the future, engaging societies in *envisioning the world they want* rather than the conditions they currently endure, using the Agenda 2030 and the Sustainable Development Goals as a framework for mobilizing national efforts to achieve sustainability.

We are living at a profound political moment. On June 24, 2016 the UK referendum on Brexit shocked the world. The U.S. and French elections reveal the degree to which the public is angry, eager to reject traditional political parties and leaders, overthrow the post-war international order, and undermine the European Union and other international commitments.

The fundamental issue is growing distrust of existing institutions, political establishments, and global elites. In the eyes of publics, the global economy seems to benefit the few rather than the many, worsening poverty in developing countries, inequality in all countries, and the lack of legitimacy of leadership. This is the new global context in which the Hamburg G20 Summit will take place in July.

Introduction and Overview: The New Global Context

This new conjuncture is driven by the failure of the market economy to deliver social outcomes that are politically sustainable.

Whereas the immediate political drama today is in the West, the hard truth is that most economies in the developing world have experienced this failure for decades. The crisis we face is economic, social, and political; it is domestic *and* global; and it is overlaid by urgent environmental challenges which are also holistic in their impact. As a result, this is indeed a unique conjuncture of forces, a powerful vortex spiraling out of control and affecting everyone everywhere. As if this was not enough, we live in a time of polarized politics in which violence and terrorism are responses to the new global context, and fear is now a major element of public and private life.

This political moment poses challenges to political leaders and policy makers and to professional paradigms for economic policy and governance, business and labor, and financial institutions and markets. Conventional wisdom is under scrutiny. An argument could be made for avoiding a debate about values. In the end, though, this confluence of crises forces us to face the fact that values are indeed at stake. To turn a blind eye to that fact would keep us from seeing the whole picture.

There are huge policy challenges about *what to do*. But there are also immense political challenges in *how to address publics* in ways that resonate with their basic concerns.

We, particularly in the West, need to realize that the dominant values of the international order in the 20th century derived primarily from western countries. They were directly related to principles for constituting governments, establishing market economies, dealing with conventional military threats, and creating an international institutional order based on power. Individual liberty, freedom of religious belief, private property rights, competition, sovereignty, and national interest were the principal values of the 20th century. These western-based values are contentious in non-western countries, where they are no longer considered to be universal values but western prescriptive biases.

Now that the cultural diversity of the world is internalized in the national life of most western countries, we need to re-examine these values for *domestic* reasons, not just for better international relations. We must re-examine the tensions between self-interest and compassion, between privacy and public responsibility, between self and society, between individualism and belonging, and between identifying with people who are similar to us and knowing that we are enriched by knowing people who are different from us. The debate about the capacity of the global economy to deliver social outcomes that are politically sustainable requires us to re-articulate values in ways that promote fairness, equal access, respect, responsibility, trust, and security in direct response to public concerns.

Germany hosts the 12th G20 Summit since 2008 in Hamburg on July 7th and 8th. German national elections are on September 24th. The quintessential conjuncture of the domestic and the global is being played out in this critical period. Germany has identified the public backlash against globalization as a core issue for this G20 Summit.

It falls to Germany in this critical moment to define a new nexus between the primacy of domestic political urgencies and global forces and to articulate a new political discourse that responds directly to the current political context.

1. Reframing Globalization: From External Macroeconomic Coordination to Concerted Domestic Norm Setting in Global Leadership and Summitry

Brexit and the Trump election in the United States reveal an underlying political backlash against globalization among workers, citizens, and families around the world. Managing the domestic impacts of globalization now becomes the central political priority for *national* leaders and governments. Recent elections in key countries, results of referendums, and right-wing populism raise serious challenges to the future of multilateralism. These domestic political events along with recent geopolitical shifts mean the traditional focus of global summits on coordination and cooperation among major countries in their *external* policies is out of sync with the times.

A major responsibility of global leadership and the central focus of global summitry is to adjust the political discourse to the new global context in order to directly address domestic concerns. To do this it is necessary to *reframe globalization*.

Managing the domestic impacts of globalization is the new global imperative.

In the Bretton Woods era, the focus of international coordination was on managing international trade, exchange rates, capital flows, and cross-border FDI. That focus has since been transformed by the new global context in which technology, communications, climate change, and immigration have immense domestic social impacts. These domestic impacts must now be managed, not just left to market forces that lead to disequalizing social outcomes.

This reframing of globalization raises new imperatives for global leaders. In July, G20 leaders must demonstrate in Hamburg that they can act together to support each other's *domestic* efforts to manage the »spill-in« *effects of global forces on internal conditions which vitally determine their peoples' lives and livelihoods*.

This is fundamentally different from managing the *international* »spill-over« *effects of misaligned economic policies traditionally addressed by global governance and international institutions. Today's challenges result from the interpenetration of each other's domestic domains*

by each other's internal forces. They are, in a way, both »spill-over« *effects and »spill-in« effects combined. But, they are not the result of external forces per se or countries' international policies.*

This is the fundamental difference that requires a »reframing« of the nature of global leadership and global summitry. It necessitates a shift in the focus of G20 leaders from international coordination of *external* policies to global consultation and concertation of *norm-setting* for *domestic* challenges and opportunities.

Consultation and concertation are also fundamentally different from coordination. Coordination implies agreement among major economies on policy alignment consistent with achieving a desired common goal. Consultation and concertation on domestic policies require:

- examining best practice experiences;
- adapting innovations by others to one's own internal context;
- being sensitive to distinctive institutional, cultural, and political circumstances in individual countries; and
- focusing on people-centered social outcomes that are decidedly better than past practice.

Rather than seeking agreement on common policy positions, which can result in »one size fits all« or forced alignments which generate better *global* outcomes, this new effort seeks to recognize diversity in domestic conditions and move governments toward better social outcomes through similar but differentiated policy approaches which generate maximum social benefits *internally*.

The new focus of global leadership is less on standard macroeconomic policy instruments and more on

- institutional and governance innovations,
- social entrepreneurship,
- new social partnerships,
- communications,
- networking,
- knowledge,
- experimentation,
- behaviors,
- incentives,
- creativity, and
- invention.

The potential »global good« comes from greater *social cohesion* within major economies, which *stabilizes the pillars of the global economy* in the face of profound political challenges by creating greater legitimacy for governments and greater confidence in the ability of the market economy to deliver for people.

Some might argue that this new focus for global leadership is inappropriate to the international character of summitry and risks imposing solutions on unreceptive publics. This argument ignores the global risks of eroding political support for established institutions, governments, and the market economy, and the expertise, experience, and knowledge already accumulated to deal with social issues.

Economics has failed to engage a broader public in its internal policy debates, disconnecting itself from public discourse and people's concerns. The failure of G20 summits to date is their excessive focus on economics, generating policy jargon and technical solutions when *the public is looking for leadership, for vision, and for ideas about the future they want rather than the present conditions they endure*. The backlash against globalization is the result of these failures.

And the backlash is global, not confined to Europe and North America. To the global public *the global economy appears to benefit the few rather than the many*. Global leaders from G20 countries are an essential locus for asserting public responsibility for improving global outcomes. If G20 leaders fail to demonstrate in Hamburg in July that they grasp the global reach of public discontent, that they understand people's disappointment in their personal economic prospects, that they hear the voices of anger, and that they have a shared vision on how to move forward toward better futures, it will be a disastrous failure of political leadership.

Reframing globalization as managing the future toward better social outcomes by concerted action on domestic policy frontiers, leaving the macroeconomic coordination to G20 finance ministers where it belongs, would project global leadership in a fresh, innovative, forward looking, and people-sensitive way which resonates with and responds to the public angst in this new global context.

2. Toward a New Discourse for G20 Leaders in Hamburg: Labor to the Fore

A key indicator of the source of public angst is the trend in *labor's share* of GDP in recent decades. The data highlight two particularly relevant facts: labor incomes as a share of national incomes have declined over the last twenty years; and labor productivity has increased faster than returns to labor (wages). These data hold for advanced economies, emerging market economies, and developing countries. These are global trends.

This means that whereas technological change has increased the productivity of labor, labor has not received the incremental benefits of its own productivity improvement. It also means that returns on capital have outpaced returns to labor. Income distribution within countries has become worse, not better, as global growth has evolved.

These trends violate basic principles of fairness. They drive the political backlash against market outcomes. They put labor issues at the center of national priorities and of the G20 agenda.

These patterns are not just a rich versus poor issue; they reveal pressure on middle income earners in all countries and middle class employees in advanced economies. The malaise of marginalization has spread beyond the poor to the middle registers of the income distribution.

To make matters worse, the likely future trends are more threatening than past patterns. The potential social impact of artificial intelligence and digitalization threatens not just blue collar workers but white collar labor as well. Whereas technological change during the industrial revolution consisted of replacing workers by expensive capital-intensive machinery that took time to build, software innovations are cheap and can be implemented rapidly and widely.

Two strategic approaches to labor challenges are being developed in preparation for the German G20 Summit in Hamburg in July. One is workforce skill development and training; the other is a comprehensive, whole-of-government strategy for managing the impact of digitalization and artificial intelligence on labor.

For each of these approaches to be successful, social engagement in strategy development is essential. *Busi-*

ness has a stake in increasing returns to labor both to reward their own workforce and to retain them and to increase the social mobility of workers in the interests of greater social cohesion and political stability. *Labor has a stake* in business growth as a stable source of income and economic security. *Society has a stake* in fair social outcomes for labor which benefit the economy and social harmony. And *governments* everywhere now know that their managing social and economic outcomes alone is not enough; social engagement is an essential ingredient for sustainable governance.

Business, labor, government, and stakeholder partnership arrangements to forge innovative relationships and improved social outcomes are a new way of generating societal agreement for better futures.

G20 leaders should use the Hamburg Summit to *develop a variety of strategic approaches to instrumentalize and incentivize significantly greater private investment by firms in developing skills and increasing wages to reward great labor productivity*. These actions could create momentum for change in labor absorption and labor retention in economic sectors in which technological change is a big driver.

The specific incentives and instruments deployed in national settings might differ, but the common norm that would help mobilize implementation would be a commitment by G20 leaders to forge the social partnerships appropriate to each country. These new partnerships could generate momentum for accelerated private investment in upgrading workforce skills and technical training. In addition, they could also press firms to adjust labor incomes to reflect the incremental value added by higher skill levels. Increases in wages to reflect increases in value added by greater skills would contribute to greater fairness, higher social mobility, and greater social cohesion as well as create loyalty and commitment to the firm on the part of labor. Therefore, it is in business's interest to both train labor and reward it for the resulting increase in labor productivity.

To specifically address the emergence of still greater labor dislocation through digitalization and artificial intelligence, even broader and more comprehensive private and public sector approaches and more agile and inclusive social partnerships are needed. These challenges can best be addressed by a set of fast moving public-

private multi-disciplinary teams drawn from government, business, and labor. These teams should adopt best practices from industry and use an *iterative collaborative approach* to create comprehensive and consistent policy and regulatory frameworks, model their economic and social effects, and test them in pilots.

These two proposals — scaled-up private investment in work force skill development as a means of increasing returns to labor and a comprehensive, fast paced, iterative, and integrated social partnership approach to address potential labor market disruptions caused by technological innovations—*illustrate* the depth and breadth of effort required to generate better social outcomes for workers in the global economy. These proposals could stimulate stakeholders in all countries to improve their design, strengthen their effectiveness, and multiply their impact so as to generate significant increases in returns to labor and realize greater economic security for workers.

However, these two proposals simply signal the kinds of efforts that need to be undertaken across a broad spectrum of policy areas and public domains to improve social outcomes from domestic and global efforts. They are necessary but are not sufficient in themselves to achieve the scale of results required.

To convey and embody greater sensitivity to the economic insecurity and sense of being left behind felt by the many, leaders need to articulate a framework for addressing the public that goes beyond policies for labor and the workforce and *connects to individuals as citizens of their countries, members of their communities, heads of their families, and stakeholders in the health of their societies*. Leaders need to provide an overall sense of the linkages between work and life, between the treatment of workers in the workplace and their roles in society.

Business depends on the stability of societies and social cohesion of polities for an economic climate that is conducive to business growth. Corrective actions to generate broad social outcomes that are conducive to creating healthy societies are as much in the interest of businesses in long-term strategic terms as are policies which are conducive to creating healthy economies in the narrow sense. It is the role of political leadership to inculcate the language, norms, culture, and climate for nourishing greater inclusion, respect, trust, and security

and thereby strengthen the fabric of society so that it works for the benefit of all people, not just individuals in their role as workers.

Better policies for workers are necessary; the pillars of labor's negotiating position, including strengthening labor rights, collective bargaining, and free association, continue to be important. However, a broader discourse embracing the whole person is essential to provide a meaningful focus on the societal dimensions of multiple roles people play and the full consequences of economic stress on the social fabric. This makes clear the cost to all of neglecting the distressed, and conversely, the benefits to all of actions which strengthen the underserved and poorly rewarded segments of society. To achieve this, the world needs a broader framework, one which embraces the full range of societal prerequisites for sustainable economic, social, environmental, and political outcomes.

3. Global Goals, Actions and Outcomes: Sustainability as the Meta-Challenge for the Future

The political sustainability of the global market economy will now be judged on its capacity to generate better social conditions. In broad terms, this means that the world is facing a *crisis of systemic sustainability* in which current economic, social, environmental, and political policies, practices, and systems are not delivering sustainable results. A crisis of systemic sustainability requires systemic responses. The systemically important countries (SICs) in the G20, that is the world's largest economies, are by definition crucial to a systemic global response.

Agenda 2030 and the Sustainable Development Goals (SDGs) for 2030, along with the Paris Framework Agreement on Climate Change, can be thought of as universal, comprehensive, integrated »norms« that are highly relevant to developing strategic approaches for the future and responding to public discontent in *all* countries. People often think of global goals only as development goals for developing countries. The SDGs, unlike the Millennium Development Goals (MDGs) and the International Development Goals (IDGs) before them, are universal goals. That means they also apply to advanced countries and emerging market economies.

People also often think of global goals as being »top down« targets driven by »global elites« who are disconnected from their publics. The truth is that in the three sets of global goals worked on so far, the development of the social norms embodied in them and the goals themselves resulted from immense efforts of global consultation in which representatives from *national* societies contributed the lion's share of the effort necessary to launch each set of goals. But the more important truth is that these sets of goals and the SDGs in particular are *indicative* goals created to guide, not determine; to mobilize, not impose; and to engage societies in their own debates about their own futures rather than provide a »one-size-fits-all« straight jacket.

If the current political crisis had occurred at a moment in which efforts had not already been made to develop a global consensus on sustainability or to put in place a global guidance mechanism like the G20, or to establish a system of international institutions to carry out the will of the global community across a range of sectors, the world would be in a *political void*. There would be no global strategic framework for generating better social and environmental outcomes, no global leadership forum of systemically important countries to guide the global economy, and no set of international institutions to address global challenges.

The political crisis and systemic challenges we face are daunting. But the world does have these important *assets* it can use to build a better future based on social pluralism, economic inclusion, and responsive governance.

The values we need to encourage this global effort toward more sustainable futures are different from those that formed the foundation of the post-world war II international order. The values that are suggested by the new nexus of 21st century forces are more neutral than the 20th century set. Global cultural diversity gives rise to *respect for cultural difference* as an important value to undergird 21st century global efforts. Systemic threats instill a need for the acceptance of *public responsibility* as a required response at all levels of society. There is no *deus ex machina* or automatic mechanism that can come to grips with humanity's future, its common destiny.

To exercise public responsibility, effective decision making processes and functioning institutions are necessary to provide *mediation mechanisms and behaviors* for

reaching closure. The clear imperative for achieving sustainability in its multiple dimensions as envisioned in the seventeen SDGs and Agenda 2030 underscores the primary need to secure *fairness* by ensuring that all have access to basic services. The new multipolar world order puts a premium on building *strategic trust* among key players in the new geopolitical order. And the primacy of sustainability makes *personal security* a priority for everyone everywhere.

These values derive from the 21st century nexus of cultural diversity, leadership, vision, governance, responsibility, respect, access, fairness, trust, security, multipolarity, and sustainability, rather than from western values alone. G20 leaders in Hamburg should be encouraged to affirm these new values, to connect with the pain felt by their publics, and to strengthen the global agreements, mechanisms, and institutions already in place, so that the world can move forward together toward better futures.

Lifting societies' sights to focus on the opportunities for changing longer term trajectories toward better outcomes in the future, instead of only focusing on short-term economic policies for incremental growth, is one of the great benefits of the SDGs and Agenda 2030. Developing countries have a stake in the SDGs as universal goals for better domestic outcomes in systemically important countries, which will not only improve global impacts on their own economies but also *strengthen the political credibility for reframing globalization as managing the future for better social outcomes for everyone everywhere*.

Conclusions: G20 Actions to Spark New Forces for Social Change

G20 leaders can use their increased focus on concertation among themselves to develop *stronger social norms that compel action* to generate greater economic returns to labor, increase labor's value to business, and achieve greater social mobility and cohesion. G20 heads of state and government can use their concerted domestic leadership to:

- mobilize *new coalitions for action* for enhanced labor, social, and environmental sustainability;
- generate momentum for significant increases in investment in the young and the workforce; and

- create wide social networks that facilitate a variety of systemic innovations to cushion the coming shocks of the digital economy.

These new initiatives could be used to jump start still greater national efforts. The range of issues embodied in the SDGs provide an extremely timely and useful framework for broadening and deepening societal efforts to create new trajectories for greater social cohesion and sustainability in all countries. *Broadening the political discourse* to embrace individuals in their multiple roles as citizens, members of communities, heads of families, and leaders in society as well as workers affected by developments in the workplace can help frame the public conversation in ways that can improve the impact of social outcomes.

G20 leaders can explicitly highlight the fact that by virtue of their wide footprints *global businesses have been able to end run global regulatory rules, global labor norms, and global tax standards*. By taking the example of progress on global taxation rules and *focusing on concertation and even coordination of domestic regulations, norms, and standards*, G20 leaders can *compel global businesses to comply with global rules for the benefit of the many rather than the few*.

These G20 actions can foster new initiatives and encourage stronger efforts to deliver better social outcomes. Never waste a crisis by failing to get results! For their own political survival, G20 leaders need to seize this moment to exercise new leadership by addressing public concerns about being excluded and robbed of identity and security. To restore credibility in the global market economy and trust in responsive governance and to achieve systemic sustainability in the face of public doubt and anger will require *making the most of the current political crisis to achieve enduring results*.

The German Hamburg G20 Summit in July could be pivotal in forging innovative social and institutional processes that generate better social outcomes for the many, in enabling national political leaders to connect with their publics, and increasing efforts to improve people's economic security and societies' social cohesion.



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