

What Leaders Can Say and Do: A V20 Gathering in Washington

“The G20 will launch a discussion under the German Presidency in 2017 on the *opportunities and risks of globalization*”, states the German G20 “Priorities” document.

The main political conversation among G20 leaders in Hamburg will likely occur on these opportunities and risks as relating to “the fears of possible burdens on individual sectors, population groups and regions” (“Priorities”) which have fueled the political and public backlash against globalization. Vision by G20 leaders is needed to address these public anxieties and concerns.

The VISION20 brainstorming session at Brookings on February 27th will explore themes which would have the greatest promise for G20 leaders, in the hope of deepening an understanding of the concrete issues. The Conference will examine issues that could have practical impacts on political and economic outcomes and which could yield for G20 Leaders the most propitious forms of political messaging with their publics.

We propose three themes for discussion by G20 leaders which are centrally related to the current failure of the global economy to generate the kinds of productivity growth, jobs and incomes, which are politically sustainable.

Globalization has evolved to a critical turning point.

New approaches and efforts are required by G20 countries in a *common effort* to create greater *trust* in governments, *confidence* in markets and *faith* in national and international institutions:

- (i) to strengthen societies and the work force for *resilience* to disruptions and shocks from digitalization and technology generally, as well as trade, finance, and migration;
- (ii) to strengthen relationships between governments, the private sector, and civil society based on stronger mutual *responsibility*; and
- (iii) to forge national visions for achieving *sustainability* over the foreseeable future which serve as useful frameworks for mobilizing the massive amounts of private and public

investment in infrastructure required for global growth, job creation and carbon-lowering energy mixes.

I. **RESILIENCE:** *Developing Ways to Strengthen the Role of Labor in the Global Economy*

The political backlash against globalization is fueled by economic anxieties. The public concern over job insecurity requires *continuing investment in labor* force participation in 21st century economies driven by knowledge, technology and connectivity.

Investments in education, technical training, skill-upgrading and lifetime learning are crucial for workers everywhere. Education and health care are critical supports to the labor force. Business has a stake in these investments.

Continuing commitments to expanding global trade, digitization and technological change are vital to the future of all our nations and of the international community.

But it is now clear for all to see, that *managing the impact of disruptive displacement* by trade and by technology on workers, social groups and communities is essential for the political sustainability of global growth.

The discussion of this theme will focus on the “real” economy---investment, trade, technology, growth and jobs---and would generate concrete proposals for strengthening the role of labor in the global economy.

An example of such a proposal would be to put forward tax credits for business investments in skill training and labor upgrading by firms looking to their future needs for enhanced technical capabilities, increased wage incomes and greater worker retention. This proposal could create significant incentives for firms to accelerate their investment in worker training sufficiently to break the bottleneck of scarcity of trained workers; generate better labor mobility; and create a more competitive workforce.

II. **RESPONSIBILITY:** *Developing Elements for Joint Government-Business-Society Mutual Responsibilities for Better Outcomes in a Globalized Economy*

Governments and business each have roles and responsibilities for investing in innovation and digitalization and enhancing skills and technical capacities of the workforce in order to insure productivity growth, job retention and mobility. These provide people with greater economic security, the prospect of increasing real incomes, and skill capacities to adjust to shifts in employment opportunities.

The current conjuncture in the evolution of the global economy requires *mutual responsibilities* from all major economic actors.

***Governments have a responsibility to forge complementary incentives for business conducive to *market dynamism* at the same time as providing sufficient oversight and surveillance of business and financial markets to assure that the *public interest in financial stability and fairness* is fully served.

***Private sector actors have a responsibility to the societies in which they do business to strengthen long term *social progress* in incomes, wealth, pensions and job security which constitute the social foundations for their business success.

***Governments and the business community each have roles and responsibilities for investing in new technologies and innovation that are required for moving to a lower-carbon energy mix and creating sustainable development. A recent example is the creation by governments of Mission Innovation to accelerate research in clean technology, and the creation by venture capitalists led by Bill Gates of the Breakthrough Energy Coalition to fund the commercialization of the most promising clean energy innovations.

***Civil society represents the workers, the consumers, and the tax payers.

This theme focuses on exploring various “frameworks” that might recast Business-Government-Society relations in ways that would stimulate greater growth and innovation and generate better outcomes, that is more jobs, better jobs, “decent work”, social protection floors, more stable incomes, and other “public goods” with high social benefits for those “left out” or “left behind”.

An example would be new public-private sector governance models to anticipate the very significant labor force disruption that will occur due to digitalization. These will require faster cycles for assessment and response through a more integrated government and private sector responses to these emerging phenomena, including major investments in retraining and transition programs for affected groups.

III. **SUSTAINABILITY: Prioritize the Expansion of Investment in Infrastructure for Greater Sustainability of Global Growth, Job Creation, Lower Carbon Emissions**

Economic sustainability today no longer means a steady growth trajectory; it also requires an economic system which can deliver *outcomes which are politically sustainable*.

Environmental threats to the globe’s oceans, forests, deserts and atmosphere constitute risks to *environmental sustainability*. There is also a feedback loop affecting society (e.g., human health, livelihoods) and the economy, which relies on inputs (natural resources) and healthy workers.

All countries are facing some combined set of economic, financial, social, political and environmental threats to sustainability.

Achieving sustainability within G20 countries and globally requires a massive mobilization of private and public financing for investment in infrastructure to realize economic and environmental outcomes. Investment in infrastructure will stimulate additional growth and job creation in the short- and medium-term and become sources of supply-side growth over the longer term. Debt for investment in infrastructure is often different from debt to finance public or private consumption.

Visible global leadership is needed to shape the incentives, mechanisms, coordination processes and institutional reforms necessary to mobilize the trillions needed for sustainable, low or no carbon infrastructure investment.

Further work needs to be done on; ***developing *sustainability criteria* for calculating rates of return which include longer term social and environmental benefits, ***on combining sources of finance with institutional support to reduce risk, ***to *bundle investment opportunities* across related activities to streamline operations and spread risk in a portfolio approach, ***to *replicate best practice to facilitate scaling up*, and ***to coordinate among the multilateral development banks and between them and private investment sources such as pension funds, equity finance, venture capital *to pool expertise and risk* to move “from billions to trillions” to meet the financial requirements for infrastructure and energy over the next two decades.