

Snower, Dennis J.

**Working Paper**

## Beyond capital and wealth: Challenges of the G20

Economics Discussion Papers, No. 2017-91

**Provided in Cooperation with:**

Kiel Institute for the World Economy – Leibniz Center for Research on Global Economic Challenges

*Suggested Citation:* Snower, Dennis J. (2017) : Beyond capital and wealth: Challenges of the G20, Economics Discussion Papers, No. 2017-91, Kiel Institute for the World Economy (IfW), Kiel

This Version is available at:

<https://hdl.handle.net/10419/171211>

**Standard-Nutzungsbedingungen:**

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

**Terms of use:**

*Documents in EconStor may be saved and copied for your personal and scholarly purposes.*

*You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.*

*If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.*



<http://creativecommons.org/licenses/by/4.0/>

## Beyond capital and wealth: challenges of the G20

*Dennis J. Snower*

### Abstract

The world is economically integrated, but socially fragmented. Thus economic progress can become decoupled from social progress. The G20 has traditionally focused on economic policy issues – economic growth and financial stability. This is appropriate as long as social progress is closely tied to economic progress, for then the achievement of material prosperity will promote human flourishing. But when economic and social progress becomes decoupled – as we commonly observe through growing income disparities, growing disempowerment and disintegrating social affiliations – then an exclusive preoccupation with economic policy issues is unlikely to quell the widespread public discontent. On this account, it is appropriate for the G20 objectives to be broadened to include resilient, inclusive and sustainable prosperity. These objectives must be attained with regard to more than material needs; they must also address the human needs for empowerment and solidarity. This wider conception of human needs calls for a new worldview to underlie G20 policymaking, one that generates social acceptance for multilateral cooperation in tackling multilateral problems, while allowing different countries to nourish different national, cultural and religious identities.

(Submitted as [Global Solutions Paper](#))

**JEL** F5 H7

**Keywords** G20; governance; international cooperation; empowerment and solidarity

### Authors

*Dennis J. Snower*, ✉ Kiel Institute for the World Economy, Germany,  
[dennis.snower@ifw-kiel.de](mailto:dennis.snower@ifw-kiel.de)

**Citation** Dennis J. Snower (2017). Beyond capital and wealth: challenges of the G20. Economics Discussion Papers, No 2017-91, Kiel Institute for the World Economy.  
<http://www.economics-ejournal.org/economics/discussionpapers/2017-91>

We live in an economically integrated, but socially fragmented world. The forces of globalization have made the citizens of most nations economically interdependent, while national boundaries keep them socially disconnected. Under these circumstances, economic progress can easily become decoupled from social progress. That is the fundamental challenge of our age.<sup>1</sup>

It is a puzzling age. On the one hand, most people around the world are far more prosperous, healthier, better fed, less threatened by violence and live longer than ever before. On the other hand, in both developed and developing countries populism and nationalism, religious and ethnic conflicts are on the rise. Globalization is under attack; refugees in many parts of the world have increasing difficulty finding safe havens, public trust in politicians, business leaders, media and NGOs is falling across the G20 and beyond.

Why are people so dissatisfied even though average living standards are higher than ever? Why have the rising living standards in developed countries had so little positive influence on self-reported happiness and the incidence of depression and suicide? Why do so many citizens believe that their political leaders are strangely disconnected from their troubles and fears?

It turns out that the answers to these questions all hinge on the relation between social and economic progress. These answers have an important bearing on global governance, the role of the G20 in particular.

## **The legacy of coupling**

We find these questions puzzling because our thinking has been shaped by historic events when social progress flowed from economic progress, so that what is good for the economy is also good for society.

In the West, this was the legacy of World War II. The war had generated a sense of social solidarity; the postwar reconstruction was a massive exercise in empowerment. In short, citizens felt socially embedded and empowered; what they sought, after the privations of war, was peace and material prosperity. Success in achieving peace and prosperity sprung from pursuing free market activities, free trade, within constraints set by their democratically elected governments.

The underlying worldview favored the postwar “liberal world order,” in which sovereign nations engaged in multilateral agreements, with the help of postwar institutions such as the United Nations, the International Monetary Fund, the World Bank and the International Bank for Reconstruction and Development. In the prosperous times that followed, governments offered their citizens increasing material security through steady expansions of public health,

---

<sup>1</sup> This theme is explored insightfully in C. Kelly and B. Sheppard, “Realigning Business, Economies and Society,” G20 Insights, Overarching Visions ([http://www.g20-insights.org/policy\\_briefs/realigning-business-economies-society/](http://www.g20-insights.org/policy_briefs/realigning-business-economies-society/)).

public education, welfare and other social services. The tax-and-transfer system became more redistributive.

After the collapse of the Soviet Union, this liberal world order was extended to the ex-communist countries. Managed free markets and liberal democracy briefly came to be considered global normative ideals. Though this view of liberal democracy was soon to be challenged by Russia, China and others, managed free markets remained the avenue to greater material prosperity. This economic strand of the liberal worldview remains prevalent throughout the world.

It is hard to overestimate the importance of these events – the end of World War II and the end of communism – in shaping the liberal worldview. This worldview rested on a few fundamental assumptions: The individual is the basic unit decision making. If left to their own devices, individuals make decisions that make them as well off as possible. Thus the freedom to choose is the individual's most basic freedom. Social welfare is simply the sum of the welfares of all individuals in a society. Free-market economies are self-regulating systems that lead to efficient market outcomes, which no one can be made better off without making others worse off.

Inequitable distributions of income can be corrected by redistribution policies, but only at the expense of efficiency. Liberal democracies enable voters to choose governments that provide the appropriate collective goods and undertake the appropriate redistribution.

This liberal worldview implied the clear division of responsibilities among members of society: Consumers maximize their material wellbeing, businesses maximize their profits, governments make the rules that provide basic public services and permit free markets to coordinate economic activities, and supranational institutions permit mutually beneficial negotiations among national governments pursuing their own ends. Under this division of responsibilities, it was claimed free trade and free capital flows would, as if by an Invisible Hand, make everyone as well off as possible.

Under these assumptions, it is easy to understand how economic progress came to be considered the driver of social progress. National economic performance is generally measured largely by gross national product (GDP) and national wealth. Business performance is measured by shareholder value. The resources that generate this wealth were conceived as “capital.” Machines and factories are “physical capital;” people's skills are “human capital;” the stock of financial instruments is “financial capital;” natural resources are “natural capital;” and social attitudes such as trust, which promote human cooperation, are “social capital.” Capital is the input that produces material wealth. Wealth is what makes people happy.

Then economic growth – rising material wealth – raises social welfare. The more widely the wealth is distributed, the more people become happier. When citizens are dissatisfied, their governments can come to rescue through wealth-creating policies.

## **Blindsided through decoupling**

Gradually, however – a starting in the 1980s and accelerating after the financial crisis of 2008 – social progress in the West became progressively decoupled from economic progress. This should not have been surprising. The solidarity from wartime efforts and the empowerment from postwar reconstruction faded with the passage of time. The need for economic security was increasingly addressed through rising government involvement in education, health, welfare and social security provision. Education and health services also promoted skill acquisition, leading to better, high-paid jobs.

But while citizens' desire for improved and more secure living standards was being addressed, their needs for solidarity and empowerment were gradually being neglected. The processes of globalization and technological advance – through out-sourcing, off-shoring and automation – disrupted long-standing workplace relationships as well as the associated social communities. The traditional nuclear families gave way to more flexible, often more short-lived arrangements. The social media restructured social networks, away from durable geographic affiliations towards transient electronic contacts among likeminded individuals. As Western consumerism penetrated progressively more countries and absorbed progressively more attentional space (through ubiquitous advertising and entertainment), long-standing cultural ties were undermined. Around the world, a disaffected class of young people was emerging, its members cut adrift from their religious, ethnic and national roots, increasingly addicted to consumerism, subjectively disenfranchised by blind global forces, and increasingly devoid of intrinsically meaningful pursuits. This development contributed to the proliferation of narcissistic gratification on the one hand and to a combination of nationalism and religious extremism on the other.

At the same time, the rapid restructurings of global value chains – the relocation of segments of production processes around the world, to wherever per unit costs happened to be lowest at the moment – led to a spreading sense of economic disempowerment. The allocation of work around the global became dramatically more flexible, as costs of transporting information fell; but the flexibility of most people's skills did not rise in tandem. Recent advances in digital technologies are enabling machines to take over progressively larger swathes of routine work, but education and training systems have hardly responded. Thus most people have few opportunities to acquire new forms of creativity and social competences that they need to combine with technical skills, in order to remain employable. The resulting "polarization of work" – a hollowing out of the middle segment of the income distribution – is accompanied by a polarization of economic empowerment. As machines take over more cognitively predictable work, this sense of disempowerment is felt by skilled "knowledge workers" higher up the skill distribution. And as machines improve their sensory-motor abilities (sensing their environments and responding accordingly), the sense of disempowerment among the low-skilled workers intensifies.

In the presence of this flexible dispersion of production activities across countries and the free movement of financial capital, governments became increasingly ill-equipped to provide the economic and social security that citizens had come to expect. However, most politicians continued to make their usual promises of material prosperity and security. The widening gap

between political promises and their fulfillment led to rising citizen distrust of their governments, alongside a growing sense of political disempowerment.<sup>2</sup>

The recent symptoms of the decoupling of social from economic progress could be found in the many telltale signs noted in the introduction: public discontent with globalization (even among those whose living standards were thereby improved), unwillingness to accept refugees (even when these refugees were expected to generate more net gains for their hosts), rising nationalism, as well as growing ethnic and religious conflicts. The Brexit vote, often motivated by the wish “to take back control” (even if the decision led to economic losses) and the public resonance with Trump’s “American first” call (even among those whose jobs were not off-shored), as well as the protests regularly surrounding the G20 summits, were further evidence of decoupling.

Many politicians – still wedded to the liberal worldview – were blindsided by these developments. They interpreted them solely as grievance against rising inequality. They were confirmed in this narrow perspective by much of the economics profession, which remained focused exclusively on people’s material needs. The only issues relevant for economic policy, according to this view, were “the size and distribution of the economic pie.” Free-market activities, in the absence of externalities, led to economic efficiency – that is, the maximal size of the economic pie – but this pie might be inequitably distributed. Governments could redistribute this pie, but generally at the cost of economic efficiency. This was the well-known “equity-efficiency tradeoff.” In this intellectual context, it was not surprising that economists overwhelmingly interpreted the growing social discord in the West as the outcome of rising inequality. Thomas Piketty’s book, *Capital in the Twenty-First Century*, which focused on inequality of wealth and income in Europe and the United States since the 18<sup>th</sup> century, became an acclaimed international bestseller. Many other books in the same vein followed.

There can be no doubt that rising inequality played a significant role in creating the growing dissatisfaction in the Western middle classes. Median household incomes in many countries had stagnated while aggregate income continues to grow. But this was far from the whole story.

After all, human wellbeing springs from many sources that are unrelated, or at best tangentially related, to economic success: a sense of personal and social achievement; engagement with the world around us through intrinsically meaningful activities that develop our capacities; tolerance and respect for oneself and others; a sense of social belonging; and the opportunity to promote the happiness and relieve the suffering of others. In time when social prosperity is coupled to economic prosperity, economic success promotes the achievement of these other sources of wellbeing. But once decoupling occurs, it is possible for people living in material affluence (by historical standards) to be justifiably miserable. After all, man does not live by bread alone.

---

<sup>2</sup> Some driving forces behind past, present, and expected future decouplings of social and economic progress are surveyed in the Vision Brief: Dennis Snower, “The Dangerous Decoupling,” G20 Insights, Overarching Visions ([http://www.g20-insights.org/policy\\_briefs/the-dangerous-decoupling/](http://www.g20-insights.org/policy_briefs/the-dangerous-decoupling/)).

This is what politicians missed, namely, that public discontent was also arising not just from inequality but, profoundly and independently, from a sense of disempowerment and social estrangement. Neither phenomenon is closely related to inequality or other measures of economic performance.

Disempowerment and estrangement, as distinguished from inequality, can help us understand the widespread popular appeal of the resurgent nationalisms and populisms. When significant segments of Western voters feel that they are losing control over their lives, they will respond with enthusiasm to politicians who promise to “take back control” and “make America great again.” Those who are worried by the disintegration of their traditional communities and workplaces will feel attracted to a political program that promises to “bring our jobs back home,” “keep immigrants out” and restrict access “extreme vetting” of refugees from Muslim countries. The existence of inequality with or across Western countries cannot account for the popularity of these policies. After all, these policies don’t provide hope of reducing these inequalities, but they do promise to reduce disempowerment and estrangement.

Disempowerment – a sense that one’s own exertions are not sufficient to ensure one’s prosperity, security and fulfillment; a sense of being unable to control one’s fate and the concomitant absence of a stake in the economic system – arises not merely from relatively low income and wealth, but from a belief, objective or subjective, that one is at the mercy of forces beyond one’s control. Redistribution of income and wealth can reduce inequality, but it may exacerbate disempowerment if it reduces incentives to find jobs and acquire skills. That is the problem inherent in passive labor market policies, such as unemployment benefits. It is also the problem with guaranteed basic income, which may provide some economic security, but does not address the problems of disempowerment and estrangement. People living in countries with dispersed income distributions may nevertheless feel empowered, provided that social mobility is sufficiently high.

Estrangement – a sense that the communities from which one gains one’s identity are falling apart – is not merely a matter of inequality either. People who are estranged from their peers – in their workplace, neighborhood, or country – do not automatically become socially integrated through a rise in their incomes. Estrangement is a fundamentally social, not economic, problem. The estranged are all those people who fear that the social fabric of their communities is being undermined through a variety of dislocations: job dislocations associated with global supply chain adjustments, migrants who feel ostracized in their host countries, host citizens who feel alienated from and threatened by migrants, and cultural and religious groups who feel that their identities are called into question through changes in their social environment.

Nor are disempowerment and estrangement merely about deficient income mobility. Income mobility is about the chances that the poor become rich and vice versa. By contrast, disempowerment and estrangement reflect a declining stake in the economic system and in society. This stake cannot necessarily be restored through improved income prospects. There have been many societies around the world with little economic and social mobility, but nevertheless a strong sense of common destiny. Mobility can be improved through social services and reverse discrimination, but these are no guarantee for a common stake in the social and economic systems.

Disempowerment and estrangement are often interrelated. Disempowerment includes a loss of the sense of achievement, lack of access to meaningful activities and frequently disrespect for oneself, often closely related to intolerance and disrespect for others. A loss of social achievement is not only disempowering, but is also socially estranging.

The common perception, in developed and developing countries, that politicians are disconnected from the concerns of their voters has a grain of truth. Most politicians have been focused on economic policies that address economic performance, while the voters are suffering from social ills that economic performance alone cannot overcome. The decoupling of economic and social progress may also help explain why so many people in both developed and developing countries are engaged in the intense pursuit of material things, even though this does not lead to major, enduring improvement in their life satisfaction and leaves depression, burnout, and suicide rates largely unaffected. Like their political leaders, the public is also focused on economic performance, largely unaware of its neglected social needs.

The decoupling of social and economic progress has important implications for global governance. Let us explore what it means for the appropriate goals of the G20.

## **What are the appropriate goals of the G20?**

The G20 has been constructed to be flexible in its responses to global problems: unlike other international organizations, its mandate is not rigidly defined; it lacks a secretariat with rigid departments; its member states are sufficiently small in number to make collective leadership possible, while being sufficiently influential to cover two-thirds of the world's population and 80 percent of its trade; the G20 provides face-to-face contact among national leaders, in order to promote trust for collective action in response to problems as they arise; the issues on the agenda can be addressed through ministers' meetings and expert groups, constituted flexibly; it gives voice to a variety of non-state actors through its Engagement Groups (B20, L20, T20, and so on). In these respects, the G20 is unlike any other organization of global governance. It can set its own agenda. The G20 Presidency rotates from one country to another annually and each Presidency sets its own priorities.<sup>3</sup> In short, the G20 is flexible enough in its agenda, large enough in terms of economic clout, small enough for effective decision-making, strong enough in terms of professional expertise in order to choose its goal freely. Given its characteristics above, the legitimacy of the G20 ultimately depends on its ability to promote global social welfare. As long as economic and social progress is closely coupled, it is appropriate for the G20 to focus primarily on economic issues. But once decoupling has occurred, it becomes necessary for the G20 to devote itself also to other aspects of social wellbeing.

A simple way of understanding the evolution of the G20 agenda is to view it as a response to successive challenges. In the aftermath of the crisis of 2008, the G20 focused on economic

---

<sup>3</sup> See A. Narlikar, „Can the G20 Save Globalization?“ G20 Insights, Overarching Visions ([http://www.g20-insights.org/policy\\_briefs/can-g20-save-globalisation/](http://www.g20-insights.org/policy_briefs/can-g20-save-globalisation/)).



growth and stability – the traditional economic issues, covering aggregate material “prosperity” (P for short). In response to problems of inequality – including diverse forms of inequality of opportunity – it became clear that the G20 could no longer afford to focus merely on aggregate economic outcomes, but also needed to give attention to the distribution of incomes. Thus the G20 agenda broadened to become “inclusive prosperity” (IP).

In response to diverse environmental threats, the G20 could no longer afford to focus just on current inclusive prosperity, but also had to take account of how our economic activities are affecting our natural capital and thereby the ecological sustainability of our economic plans. Thus the G20 agenda broadened further to become inclusive, sustainable prosperity (ISP).

Under the current German G20 Presidency, it became clear that the G20 needs to interpret sustainability more broadly – to involve fiscal, monetary, social sustainability as well – and needs move away from simple crisis management towards creating resilience of the world economy to economic, political, social and environmental shocks. Accordingly, the G20 agenda broadened even further to become “resilient, inclusive, sustainable prosperity” (RISP). These aspects are all included in Germany’s G20 priorities, “building resilience, improving sustainability and assuming responsibility.”

The broadening G20 policy agenda may be seen as an implicit acknowledgement that economic progress is no longer closely linked to social progress. The 2030 Agenda and its Sustainable Development Goals is a first step towards designing policies that address more than the purely material needs. To make further headway, policy makers will need to address this broader spectrum of human needs systematically and explicitly.

## **What human needs should be addressed?**

Though universal human needs have been classified in a variety of ways, the analysis above suggests that the following trilogy of needs may be particularly appropriate in addressing the problems of deficient growth and inequality, disempowerment and estrangement. This classification may be summarized by the acronym “WES”:

- W stands for material “wealth,” satisfying people’s material needs. This covers the traditional realm of goods and services, the traditional focus of economic policy making. It centers on GDP-related measures, as well as security from adverse shocks to income, health, and employment, addressed by traditional social and welfare services.
- E is for “empowerment,” which includes the satisfaction of people’s need for achievement. This may involve mastery of the environment, personal growth, attaining personal goals and creativity.
- S is for “solidarity,” covering the needs of humans as social creatures. In terms of motivation psychology, it covers both care (compassionate concern, altruism) and affiliation. In terms of social psychology, sociology and anthropology, it covers identity formation, the establishment of social norms and values, and the development of common narratives that promote an understanding of the social environment, motivate social action, and make social assignments.

With regard to global problems – involving global externalities (such as financial market reform or greenhouse gas abatement), global social dysfunctions calling for new global norms (such as fighting corruption and creating transparency) and global inequities (such as transnational income inequalities – this trilogy of human needs must become associated with a corresponding trilogy of G20 objectives. The current G20 preoccupation with wealth-oriented policies, must become extended to empowerment- and solidarity-oriented policies as well.

“Empowerment” involves giving people the motivation, capacities, resources and opportunities to develop their strengths in ways that are meaningful to them and their communities. It gives people control over their lives and contributes to their self-actualization, making them more responsible and accountable for their actions.

“Care” is one of the richest and most enduring sources of human happiness: the capacity to promote the happiness and relieve the suffering of others, the opportunity to use one’s greatest abilities in the service of others. “Affiliation” satisfies the need for social belonging. It involves the capacity to create and sustain affiliative relationships, covering cooperative contributions to one’s workplace, neighborhood, nation, or other social groups. In the process we create trust and trustworthiness. Affiliation also enables us to develop self-acceptance and tolerance of others, self-respect and respect for others.

“Identities” are our conceptions of who we are and who we want to be. “Social norms” are the rules of behavior that are considered acceptable in social groups. “Moral values” are ideals or principles that provide the basis for distinguishing right from wrong. “Narratives” are sequences of causally linked events, unfolding through time, used as templates for interpreting our ongoing experiences.

W, E and S are indeed three separate, universal sources of human well-being, associated with distinct policy objectives. No one of these sources is reducible to the other two. Empowerment and solidarity are certainly not reducible to wealth and thus cannot be effectively addressed through the traditional wealth-oriented policies.

The way to deal with disempowerment is through empowerment-oriented policies (E-policies), not merely through wealth-oriented policies (W-policies). These include vocational training, employment subsidies, lifelong learning, political communication of promising social and economic plans to their citizens, and the building of communities that value the contributions of their citizens. Active labor market policies are particularly useful in this regard, but it is important for policy makers to remain aware of the massive job dislocations that the new digital age is expected to generate. As machines take over more and more cognitive work, active labor market policies that promote traditional skills are likely to become progressively ineffective. What is required is a redirection of education and training towards social skills, in combination with the traditional cognitive ones. The workers of the future will require not “activation” of existing skills, but “transformation” of their abilities. “Transformative labor market policies” are a better name for the employment policies that the future calls for.

Estrangement is to be tackled through solidarity-oriented policies (S-policies). These are the policies that have largely been left to the whims and vagaries of politics, social activism and advertising – the primary shapers of social identities. Estrangement arises from a lack of

perspective-taking. When populist politicians create strong dividing lines between social groups in their countries, then members of different groups become less willing and able to take each other's perspectives into account. As they develop distinct destinies, they come to care less for one another, have less mutual respect, and ultimately less tolerance for one another. Atrocities become possible when there is no interchangeability of perspectives. To kill, soldiers are taught to dehumanize their enemies, enabling them to disconnect from their enemies' perspectives. A similar disconnection took place between Serbs and Croats when Yugoslavia dissolved, between Hutus and Tutsis during the Rwandan genocide, between the Nazis and the Jews, and so on.

S-policies are ones that promote perspective-taking. The process of globalization and ICT advance has brought about unprecedented contact among disparate social groups. Without policies that promote perspective-taking, the citizens of the world cannot develop the good will necessary to support the global problem-solving initiatives that are required to deal with our truly global problems, such as financial crises and climate change.

WES policies are an issue for the G20 for the simple reason that a healthy global economy requires global coordination that cannot arise unless people's basic needs for material prosperity (wealth) and achievement (empowerment) are met and unless they exercise perspective-taking on both the local and global levels (solidarity). It is for this reason that the G20 will need to extend its focus from primarily W-oriented policies to embrace E- and S- policies as well.

Nowadays there is a widespread sense of disempowerment and a fear that local communities are being undermined, as globalization leads to outsourcing and offshoring of jobs and as the new information and communication technologies redefine our social groups. In various parts of the world, the space for civil society in daily life has shrunk and active civic engagement has been in decline, leading to reduced trust and falling person-to-person social intercourse. Under these conditions, it is vitally important to place much greater emphasis on E- and S-policies, discussed at the G20 level.

In an economically integrated world, where global value chains link the production, employment and consumption activities in different parts of the world, policy coordination aimed at WES becomes more useful than the traditional W-oriented policies. Even when the G20 is concerned with economic activities such as trade and financial flows, it is worthwhile to evaluate these activities not just in terms of the aggregate prosperity they generate, but also in terms of what they do to empowerment and solidarity.

Each aspect of the current G20 agenda – “resilient, inclusive, sustainable prosperity” (RISP) – must be pursued through WES-oriented policies. Resilience must be achieved not just by ensuring the people's material wealth recovers readily from economic and other shocks (the traditional W-oriented policy perspective), but also by ensuring that people become readily empowered and socially affiliated in the aftermath of such shocks (the new ES-oriented perspective). Inclusiveness must not be restricted only to ensuring that people have opportunities to earn decent incomes regardless of race, gender, religion, and so on; it must also ensure that people of all stripes have adequate opportunities for empowerment and solidarity. We must vouchsafe the sustainability not just of our wealth-generating activities, but also of our endeavors to empower ourselves and maintain our social embeddedness.

Implementing WES-oriented policies will require a revolution in our conception of structural policies, for the purposes of both national policy and international policy coordination. These policies cover labor market performance, education and training, regulation, market openness and much more. Although descriptions this revolution would require a voluminous literature, let the following example suffice. Consider a WES-oriented approach to active labor market policies (ALMPs) that, according to the OECD, involve the following features: “ensuring that people have the motivation and incentives to seek employment, increasing their employability and helping them to find suitable employment, expanding employment opportunities for jobseekers and people outside the labor force, and managing the implementation of activation policy through efficient labor market institutions.”<sup>4</sup> In the presence of the new digital technologies, which are poised to take over much of the routine work in the future, it is clear that this conception of ALMPs is inadequate. What will be required is not merely incentivizing of employment and expanding employment opportunities. This will generate income, but it will not necessarily generate empowerment and solidarity. Given that the new digital age will favor the exercise of creativity and social skills, combined with technical skills, at the workplace, it will be necessary to reassess labor market policies in terms of the degree to which they empower people to become creative and express their solidarity in the workplace. An analogous reassessment will need to be made of education and training programs. Given that the new digital age appears to be favoring the ability to learn new skills, to perform a portfolio of jobs, to mix formal and informal jobs, to attract temporary and part-time jobs, to be entrepreneurial, to work flexibly in teams, and to find new forms of work-life balance, it will be necessary to restructure the welfare state. The required revolution in our social insurance systems will necessitate the transition from the current “welfare state” (offering economic security) to an “empowering state” that focuses on giving people the skills to lead meaningful lives through a achievement at the workplace and affiliation to their communities.

Needless to say, WES-oriented policies will inevitably differ across different nations and cultures, since different social contexts generate different needs for empowerment, care and affiliation, as well as different ways of satisfying these needs. Thus sensitivity to WES-oriented policies across the G20 cannot be expected to lead to a consonance of policy approaches. In order to achieve such consonance, the G20 requires an overarching vision – a global worldview – that will enable G20 countries and others to cooperate in tackling inherently global problems, while remaining distinctive and free to following their diverse social objectives.

What are the prerequisites for such an overarching vision?

## **An overarching vision for the G20**

The overarching vision for the G20 needs to look beyond capital and wealth. Wealth is not the only objective of human activities. Empowerment and solidarity are equally important goals. And capital – produced, human, financial, natural and social – is not the only instrument

---

<sup>4</sup>OECD, Active Labour Market Policies: Connecting People with Jobs (<http://www.oecd.org/employment/activation.htm>).

whereby human objectives can be achieved. A much broader range of human capacities, not translatable into monetary terms, is required to establish a fulfilling relationship between people and their environment. This realization must become part of the overarching vision for the G20.

Our individual economic activities and public policies make sense only in the context of an underlying worldview. The prevailing liberal, free-market worldview – favoring material wealth accumulation as the focus of individual economic activities and wealth-oriented public policies – is currently under attack in both developed and developing countries. Its underlying assumptions are all being called into question in the rising tide of the social discontent that fuels today's nationalisms, populisms and various forms of cultural and religious extremism. The individual is no longer viewed as the only fundamental unit of society; the disorientation and anger from the dismantling of communities tells us that there is more. People have a right to more than wealth, security and freedom. Free-market economies, supported by free trade and free capital movement, do not necessarily form a harmonious, self-regulating system. Liberal democracy has not brought us “the end of history.”

The world is not converging on a single economic and political system and a common set of values, to be addressed through a common set of economic policy prescriptions, such as those of the Washington Consensus. International relations are no longer governed simply by a limited number of international organizations respecting sovereign borders or simply by institutions enforcing common rules to which all national governments are expected to adhere. Counterexamples, such as the World Trade Organization and the International Criminal Court, abound.

In the gradually emerging, new worldview that appears to be emerging in the G20, it is becoming clear that there is no one way of life that is best for all humans. Different people can flourish under different ways of life. Thus we must not aim for a common way of life, but rather for global institutions that enable people with different ways of life not only to coexist, but to cooperate with one another to overcome the global problems that they all share. Cooperation requires not just tolerance, but also mutual respect and often even mutual care. Consequently, this aspiration is neither absolutist (one way of life is best) or relativist (all ways of life are valid). Rather, it involves valuing diversity, but only so long as cooperation across national, cultural and religious boundaries remains possible. Addressing this objective will require new forms of interactions among nations, ones that the G20 will need to promote.

For this purpose, the new worldview will need to promote WES on local, national and global levels. This will be an important advance on the currently dominant worldview that encourages business leaders to focus their strategies on shareholder value and policy makers to concentrate mainly on W-policies. While the current strategies and policies are aimed primarily at Homo Economicus – rational, materialistic, individualistic man – the new generation of policies arising from the new worldview will address a much broader conception of human needs – WES, not merely W – thereby addressing the currently widespread social discontents.

Pursuing this course will create a new conception of the appropriate division of responsibilities between consumers, business and government. Consumers will be concerned not just with maximizing their individual utility, but also with the social and environmental impacts of their decisions. Business leaders will need to focus on more than maximizing short-term profits, but

also strengthen local communities, provide empowering jobs and engage in environmentally sustainable activities. And policy makers will need to supplement their W-policies with E- and S- policies.

This implies a broader worldview, reaching beyond wealth as the goal of economic activities, beyond capital as the source of wellbeing, beyond shareholder value as the objective of business, beyond the equity-efficiency tradeoff as a menu of policy choices, and beyond gratification of individualistic wants towards economic goals that strengthen social goals and towards social goals that strengthen economic ones. This worldview will recognize that thriving economies requires a thriving societies and vice versa. To thrive, economies and societies will require not just material wealth, equitably distributed, but also widespread opportunities for personal achievement and social embeddedness.

In order to deal with global problems, the E- and S-policies will need to extend across national boundaries in those areas where global problems require concerted global policy responses. Only then will the new worldview provide the social foundations for multilateral collaboration in tackling truly global issues – such as openness to trade, acceptance of refugees and migrants, cooperation in managing climate change, cooperation in building a stable international financial system.

These E- and S-policies – involving intercultural exchanges, work exchanges, inclusive international education and training programs, and so on – would enable the G20 countries to create a sufficient sense of global community so as to gain social acceptance for the international cooperation to tackle the global problems that are proliferating in our globalized world. After all, some sense of global community will be necessary to generate political legitimacy for global problem-solving.

Naturally, the creation of this sense of global community does not require people to relinquish their local, national, cultural or religious identities. On the contrary, it is necessary for countries to nourish strong local identities in order for their citizens to feel sufficiently secure to be open to the need for global community-building. Nevertheless, ES-policies are not indiscriminately supportive of all local identities. All the divisive, hate-filled, dehumanizing aspects will need to be discouraged. Such active shaping of identities might be viewed with suspicion, as conflicting with individual liberties. But people around the world are already familiar with the desirability of such social interventions in dealing with all problems requiring national and regional coordination. All that globalization has added to this experience is the proliferation of global problems requiring global coordination.

Please note:

You are most sincerely encouraged to participate in the open assessment of this discussion paper. You can do so by either recommending the paper or by posting your comments.

Please go to:

<http://www.economics-ejournal.org/economics/discussionpapers/2017-91>

The Editor