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A multicoloured New Deal

With extreme poverty rising and climate breakdown accelerating, we need to mobilise for a green, purple and red New Deal

The Covid-19 pandemic has triggered an unprecedented economic crisis, deeper and wider than any since the Great Depression. After months of turmoil, there is still no certainty as to how severe, widespread and prolonged the damage will be.

What we do know is terrifying. Globally, extreme poverty is rapidly increasing, owing to the destruction of livelihoods and incomes, many of which will never be regained. Hunger is becoming more widespread and health conditions are worsening even beyond the spread of the coronavirus. Income and asset inequalities have reached new highs in many countries, and gender and other group disparities are worsening. Political power imbalances are increasing as governments seize the opportunity to pursue greater centralisation, control and suppression of dissent.

This massive global crisis is playing out against the backdrop of climate change, which demands an equally bold and comprehensive response. The time has passed for 'business as usual,' or for tinkering with existing structures in the hope that a relief measure here or a tax cut there will spur a sustainable recovery. Unfortunately, the emergency measures implemented by most governments this year have been of this weak variety, especially in developing countries, where the current fiscal responses are even more limited than they were after the 2008 financial crisis. Short of ambition, these policies are doomed to fail.

Instead of waiting for that failure and its devastating consequences for people and the planet, we need to mobilise public opinion for more decisive, extensive and immediate action. A global New Deal is clearly in order. Drawing on the storied US experience of the 1930s, it would be driven by significantly increased public expenditure and a far more systematic approach to redistribution and the regulation of capital and other markets.

Green, blue and purple

But, rather than being just 'green,' as many envision, a new New Deal must be multicoloured. It would still include green elements, of course. A significant share of public spending and a major part of the necessary regulatory changes must be oriented toward recognising, respecting and preserving the environment. We urgently need to reduce greenhouse-gas emissions and invest more in climate adaptation and resilience, while changing patterns of production and consumption accordingly.

And yet the recovery also must be 'blue,' in recognition of the enormous and growing concerns about water – a critical resource that is routinely mistreated and taken for granted. No recovery will be sustainable unless it includes strong provisions to preserve our oceans, rivers, lakes and seas, while ensuring equitable access to clean water for all people.

We will need a more robust international framework to control financial and capital flows, as well as revised rules for trade, cross-border investment and intellectual-property rights.

Furthermore, a multicoloured New Deal will have to be 'purple,' giving long overdue attention to the care economy and supporting massive investments to fund enhanced and improved care activities. The pandemic has highlighted our systematic neglect of this sector, exposing the horrifying effects of decades of underfunding. Fixing the problem starts with recognising different forms of (paid, underpaid and unpaid) care work, compensating care workers appropriately and ensuring safe and dignified occupational conditions. It also requires reducing and redistributing unpaid care work between households, and within households across genders. And it calls for measures to give care workers a more powerful voice.

Demographic, social, and health trends all point to higher future demand for skilled care services, especially for the elderly, the young, those with disabilities and those made vulnerable in other ways. Moreover, by supporting the expansion of these services, policymakers can also address emerging concerns about new labour-replacing technologies, especially in routine tasks. Because care work is inherently relational and depends on a certain degree of flexibility, machines cannot easily perform it (nor can it be offshored). Ultimately, the care economy – along with an expansion of creative and knowledge industries – can serve as a major source of future employment in a more sustainable economy.

Red and global

Finally, a multicoloured New Deal must be 'red,' embracing measures to reduce inequalities in assets, income, access to nutritious food, essential public services and employment opportunities. These disparities must be addressed across multiple dimensions, from gender, location, and age to race, ethnicity and caste.

Tackling inequality requires careful regulation of markets – particularly those for capital, financial services, labour and land. It also requires more active redistribution, with new public spending financed by taxing the rich. Given the extreme inequalities in asset ownership, even a narrowly targeted wealth tax could bring in much-needed public revenues. Similarly, a system of unitary taxation with common minimum rates across countries would help to address the problem of tax competition by countries and tax avoidance by multinational corporations.

All of this requires international cooperation, because a multicoloured New Deal necessarily must be global in scope. We will need a more robust international framework to control financial and capital flows, as well as revised rules for trade, cross-border investment and intellectual-property rights. And a global approach is the best way to prevent market concentration and rent seeking, and to encourage the creation of high-quality employment.

This may seem like an impossible agenda. But it is worth remembering that the constraints are mainly political, reflecting massive corporate lobbying power and capital's cosy ties with the state. These constraints are binding only because citizens do not apply sufficient pressure on their leaders to force a change. The world's governments have come together in the past to confront seemingly impossible challenges. If humanity is to survive at all on a warming planet, we must come together again with even greater ambition.

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