

Governments must 'change the way the economy works' after COVID-19, says new report

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Credit: Organization for Economic Co-operation and Development

Governments must change the way the economy works in the wake of the COVID-19 pandemic, according to a new report commissioned by the Organization for Economic Co-operation and Development (OECD).

"[Beyond Growth: Towards a New Economic Approach](#)" was written by Michael Jacobs, Professorial Fellow at SPERI, on behalf of an international Advisory Group including Bank of England Chief Economist Andy Haldane, Professor Mariana Mazzucato and Lord Robert Skidelsky. It was commissioned by the OECD's Secretary-General Angel Gurría, as part of the OECD's New Approaches to Economic Challenges Initiative. The report warns that the dominant patterns of [economic growth](#) in OECD countries have generated "significant harms" over recent decades—including rising [inequality](#) and catastrophic environmental degradation.

It calls for a [paradigm shift](#) in the way developed countries approach [economic policy](#)—so that instead of focusing on [gross domestic product](#) (GDP), they prioritize environmental sustainability, improving well-being, reducing inequality and strengthening economic resilience.

The report calls for these goals to be built into the structures of the economy from the outset, rather than hoped for as a by-product, or added after the event. It argues that this will require a new role for the state, with governments becoming more entrepreneurial, seeking to shape markets and steer the process of economic change, not simply correcting market failures. This "new kind of social contract" would transform the relationship between the state, business, civil society and citizens.

The experts argue that, until the 1980s, economic growth led to rising household incomes, employment and living standards, and falling poverty and inequality. However, recent patterns of growth have caused serious social and environmental harms.

Professor Michael Jacobs, Professorial Fellow at SPERI, said, "The COVID-19 crisis needs to lead to a major reset in economic policy. Before the crisis Western economies were already experiencing financial instability, environmental breakdown and rising inequality, so a return to the status quo would be disastrous.

"Just as in the 1940s and 1980s major economic crises led to paradigm shifts in economic thinking and policy, so today we need to rethink how we define and measure economic success. As governments spend unprecedented sums to rebuild their economies after the pandemic, they must look beyond growth alone to prioritize the needs of people and planet."

The report calls on governments to prioritize cutting [greenhouse gas emissions](#) and protecting ecosystems, improving people's quality of life, reducing income and wealth inequality, and boosting the economy's ability to withstand financial, environmental and other shocks. It argues that politicians must make clear to the media and the public that they want their success to be measured against these goals, rather than by economic growth alone.

Provided by University of Sheffield

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