



WELLBEING ECONOMY ALLIANCE

WEAll Ideas: Little Summaries of Big Issues

‘7 Ideas for the G7’

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Foreword

During the 2019 summer – a time when Europe’s weather reached unprecedentedly hot temperatures – the heads of state of the economies that comprise the Group of 7 (the ‘G7’) will gather in France. Together, they represent well-over half the world’s economic wealth. What they decide to do, their understanding of the purpose of their respective economies, and their agendas for economic policy making, has potential to sway economic agendas for years to come.

The group first came together in the 1970s out of fear for the collapse of the oil industry.

Today, some forty-five meetings since they first met, the world is facing environmental and social collapse.

Trust in government and institutions is collapsing.

In G7 countries, parents are fearing for their children as their belief the next generation will have as good or better lives than they did is also collapsing.

The gathering in Biarritz needs to step up to these challenges. Participants from G7 countries need to return to their capitals with no doubt in their minds that the economic system which has come to dominate – one contingent on economic growth and which externalises so many impacts on people and planet – is out-dated.

They need to recognise that only by re-purposing the economy so it better aligns with what people and planet need will the progress that humanity has achieved be protected and shared.

The G7 will meet at an interesting and challenging time: unprecedented citizen awareness of the risk of climate change, technologies enabling communication across boundaries like never before, and where there is, officially at least, broad-based agreement on the need for a new mode of development as evident in the Sustainable Development Goals.

The agenda set by the French Presidency as hosts of the G7 meeting is inequality. This focus encompasses attention to health for all, gender equality, biodiversity loss, and extending voice and input to interests beyond the G7 countries. This bodes well for a conversation attentive to the challenges facing the world, but it also bodes well for a conversation poised to make the most of where we find ourselves today.

The Wellbeing Economy Alliance offers these *7 Ideas for the G7* in the spirit of bold hope.

Bold in the sense that the time for tweaking the current economic system is over and has long been inadequate.

Hopeful in the sense that when people come together to focus on collective challenges and shared ambitions substantial shifts can be brought about. That is, after all, the *raison d’être* of WEAll.

These ideas were developed through collaboration with the WEAll research cluster drawing on their diverse experiences and expertise. They speak to the gathering’s focus on inequality. They are intended to raise the gaze of G7 participants to the new paradigm our economies require if communities around the world today and future generations are to look back at the 2019 G7 meetings as the moment when leaders of the world’s most wealthy economies embarked on the change of course so urgently needed.

Dr Katherine Trebeck, WEAll Knowledge and Policy Lead

7 Ideas for the G7

Changing our notion of progress

We sit at a moment of unprecedented crisis, as inequality between and amongst countries grows¹, breeding social and political unrest. For many of the G7 countries, affluence is not breeding happy and healthy societies but rather lonely² and anxious ones. Concurrently, the rapid rate of biodiversity loss and climate change threaten our very existence.³

For too long, we have maintained a dogmatic faith that if we reformed our economies to maximize growth, universal prosperity would automatically follow. It is time to take a step back and really evaluate *what* we are trying to achieve, and then build economies that can actually deliver those achievements.

It is time to redefine our notion of progress.

a) Adopt alternative progress indicators to GDP

The global obsession with Gross Domestic Product as a progress indicator has resulted in widespread confusion between means and ends. GDP growth is now pursued by all major economies as a measure of national success – as an end in itself – let alone the supposed means to make lives better for their citizens. The G7 itself exemplifies how GDP determines geopolitical power and influence on the global stage. This flies in the face of growing evidence that the costs of such a growth model often outweigh the benefits. In many instances, GDP growth is now accompanied with declining employment, rising poverty and devastating environmental impacts. WEAll urgently calls upon the G7 to **abandon the objective of GDP growth and focus on developing economic policies to achieve *real* objectives that matter most to citizens**, such as improving quality of life, reducing inequality, generating meaningful jobs and restoring our natural environment. G7 member states should plan for a post-growth future where human and ecological wellbeing are prioritized over GDP – where economies do not depend on growth to meet the needs of their citizens.

b) Reform international economic organizations to promote wellbeing economies

Perhaps no one has suffered more deeply from our dubious notion of progress than the global south. For decades, international economic organizations including IMF, WB and the WTO have “encouraged” countries

¹ Nicola Phillips, Power and inequality in the global political economy, *International Affairs*, Volume 93, Issue 2, 1 March 2017, Pages 429–444

² For more information on the “loneliness epidemic” being witnessed in countries such as the US and UK and its devastating impact on health see for example, : Holt-Lunstad, J. (2017). The potential public health relevance of social isolation and loneliness: Prevalence, epidemiology, and risk factors. *Public Policy & Aging Report*, 27(4), 127-130.

³ Spratt and Dunlop warn that if continue on we will be living in an environmental apocalypse by 2050. Spratt, D., & Dunlop, I. (2019). Existential climate-related security risk: A scenario approach. *Australia: National Centre for Climate Restoration*.

to adopt neoliberal and austerity policies⁴ with the promise that they too could achieve G7 economic status. The issue of course, is that the assumption that economic growth equates to development does not hold up (as seen by the many countries trapped in resource-based and jobless growth trajectories⁵). It is time to officially abandon the “one-size-fits-all” economic policy prescriptions and provide space for self-determined development trajectories.

WEAll calls on the G7 to **promote reform of the international economic organizations to encourage locally-oriented and context-appropriate economic development practices**. At this critical juncture in economic history, we must recognize that a rich suite of ideas that are better aligned with what people and planet need can be found in the so-called “less developed” world, where communities are able to achieve much higher levels of wellbeing with significantly less consumption and environmental impact.⁶ We must abandon the idea that development or progress is a one way street and create space for experimentation to identify systems of production and provision that can bring wellbeing to all.

Changing our global production systems

The rapid globalization of production and technology has brought unprecedented wealth but also new challenges. The world is now bound together through this tremendous economic machine and if we hope to a build more just and sustainable world, we must confront the new power and production dynamics strategically, together. Our current global production system is concentrating wealth into fewer and fewer hands⁷, undermining democracy and threatening our planet.

Economies are not simply systems of production and consumption, they are also systems of power: its creation and its exertion. As multinational corporations accumulate more and more wealth, their power and influence has also grown to levels that is politically unsustainable and ethically unacceptable. The G7 still has the capacity to reign in these global giants. We must no longer be concerned purely with what is being produced, but also once again consider *how* things are produced in order to build a more inclusive and sustainable economic system.

c) *Binding code of conduct for MNCs*

For too long, the global economy has allowed multinational corporations to accumulate unprecedented wealth and power. This has led to a “race to the bottom” among countries to adopt the lowest environmental, labour and tax

⁴ For more the neoliberal policy prescriptions promoted through the Structural Adjustment programs of the IMF and World Bank, See, for example: Lall, Sanjaya (1995). "Structural adjustment and African industry". *World Development*. 23 (12): 2019–2031

⁵ Khan, A. R. (2007). *Asian experience on growth, employment and poverty*. Geneva: UNDP and ILO

⁶ See, for example, Fioramonti, L. (2017). *The World After GDP: Economics, Politics and International Relations in the Post-Growth Era*. Cambridge: Polity Books.

⁷ Piketty, T. (2014). *Capital in the Twentieth Century*.

standards to attract or appease these global giants.⁸ At this critical juncture in history, the world desperately needs more progressive legislation in order to build more just and sustainable economies. However, the capacities of countries to implement such legislation is consistently undermined by legislation such as the Investor State Dispute Settlement (ISDS) agreement that allows MNCs to sue governments for any laws that would infringe on their expected earnings.⁹ We call upon the G7 to support the working UN resolution (proposed by Ecuador and South Africa) on a **Binding Code of Conduct for MNCs**.¹⁰ If anyone can afford to be held to higher environmental, tax and labour standards it is MNCs. A binding code of conduct would not only create greater space for upholding democratic governance of economies, but also ensure more ethical production practices worldwide. If we have allowed for the development of a global legal system that allows corporations to sue governments, there is no reason why we should not have an arbitration system where people can sue corporations for unethical behaviour.

d) *Global Competition Regulation*

As already mentioned, the world is seeing production increasingly consolidated into the hands of fewer and fewer multinational corporations. Most industries are dominated by fewer than a handful of corporations. For example, MNCs now account for 80% of global trade each year, which means they control, every year, approximately 16 trillion dollars of production and trade around the world.¹¹ The current level of conglomeration in our global economy is a severe threat to our economies, our societies and our environment.

We learned this lesson before, that we could not allow single corporations to control the majority of production without dire consequences. This was what led to the historic creation of competition legislation. However, these regulations remain at the national level and clearly are not cutting-it, as we are seeing continuous mergers and acquisitions worldwide, that in 2015 reached, a volume of 4.6 trillion dollars,¹ which is approximately the GDP of Japan or Germany.¹² MNCs now control too much of our global production and exchange and WEALL calls upon the G7 to initiate the **creation a global competition regulation** that would ensure that no single corporation could control more than a small percentage of global production and exchange.

⁸ One clear example of this is the global proliferation of Special Economic Zones that are exempt from national regulations in order to attract MNC's: See UNCTAD report for example: https://unctad.org/en/PublicationChapters/WIR2019_CH4.pdf

⁹ For more information see, for example, Pulitzer Prize Winner Journalist, Chris Hamby on the ISDS: Hamby, C. (2016). The court that rules the world. *BuzzFeed. Online*, Aug, 28, 2016.

¹⁰ For more information on the UN resolution that would create a legally binding instrument to regulate, according to international human rights law, the activities of transnational corporations see: UN Document A/HRC/26/L.22/Rev. 1 (24 June 2014).

¹¹ UNCTAD. *World investment report 2013. Global Value Chains: Investment and Trade for Development*. New York: United Nations, 2013.

¹² Das, Satyajit. "A record year for corporate mergers and acquisitions is nothing to celebrate." *The Independent*. February 23, 2016. Accessed January 28, 2018.

Changing the distribution of wealth

For most of history, wealth was generated through the production and exchange of real things and a social compact emerged that governments would re-distribute some of the wealth back to society for the betterment of all. The engines of growth have now shifted, with more and more wealth being generated by technology¹³ (e.g. information) and financial markets¹⁴ that transverse the world, beyond the redistributive mechanisms of the state. In order to combat widening inequality and devastating environmental degradation, we need new mechanisms to generate funds that can be used to combat the global challenges of our time. The following proposals would help to generate billions (and potentially trillions) of dollars that could be used to combat climate change and achieve the Sustainable Development Goals (SDGs).¹⁵

e) Citizens wealth funds

The rise of new technologies and what is often called the Fourth Industrial Revolution has created a lot of new wealth, much of it reliant on the work of governments in terms of the funding for education, theoretical research and much applied research. At the same time, as this wealth is created for those benefiting from the new technologies, addressing the substantial global problems will require major new expenditures. We have to find a way of matching the two. One mechanism to do this is via sovereign wealth funds. There are many already in existence that show a way to ensure collective benefit from the wealth generation – with the Norwegian sovereign wealth fund probably being the best example. Citizen Wealth Funds at country level could fund universal basic income schemes, universal basic services and infrastructure. A *global* Citizen Fund could address climate change and other environmental issues that impact across national boundaries. Both of these could be funded by one of several options: for example, states could take a small equity stake in all new companies; there could be a modest annual tax on all companies or a windfall tax on technological breakthroughs; there could be more taxing of exploitation of natural resources or wealth. WEAll calls on the G7 to **recognize that technological development must benefit society as a whole and not just the select few and this requires a strategic tax and redistribution system.**

f) Ban off-shore bank account funds

Due to lack of global economic coordination and oversight, it is now estimated that *at least* 10% of the world's GDP is held in offshore bank

¹³ An important milestone of this shift in the global economy was in 2016 when the 5 most valuable companies (by market capitalization) all became technology companies (e.g. Apple, Alphabet, Microsoft, Amazon and Facebook). For more information see:

¹⁴ Epstein, G. A. (Ed.). (2005). *Financialization and the world economy*. Edward Elgar Publishing

¹⁵ For more information on the UN' Sustainable Development Goals see:
<https://sustainabledevelopment.un.org/sdg2>

accounts.¹⁶ Which means that there is currently at least 8 trillion dollars is being held in off-shore accounts to avoid taxation, with some estimating as much as 32 trillion dollars.¹⁷ It is the ultra-rich (e.g. 0.01%) who utilise these offshore mechanisms, making it a significant factor in the rise of economic inequality we are seeing worldwide. While some regulatory efforts have been made by supranational organisations such as the OECD and the G20 to reduce tax evasion¹⁸, they have not yet been sufficient to reduce this predatory practice. Following the release of the Panama Papers, Nobel Laureate Professor Joseph Stiglitz argued that economic leaders (e.g. the US and EU) have the power and anti-money laundering tools to ensure compliance with global transparency standards.¹⁹ It is an issue of will. Therefore, **WEAll urges an official ban of all off-shore banking and calls upon the G7 to use their collective intelligence to extract all money currently held within these institutions and put that money directly into a climate change or SDG fund.**

g) Financial Transaction Tax (Tobin Tax or 'Robin Hood' tax)

The global economic crisis of 2008/2009 illustrated the devastating costs of our global interconnected. Global financial markets now move at lightning speed, generating immense wealth and at the same time immense universal vulnerabilities. France and Germany (and INGOs such as Oxfam) have been pushing for a global financial transaction tax²⁰, but have not succeeded in gaining substantial traction. WEAll stands in support of this policy agenda that would **tax international financial transactions, particularly speculative currency exchange transactions.** This policy would not only function to reduce financial volatility, but a mere tax of .05% could generate hundreds of billions of dollars²¹ that could be used to combat climate change or be linked to the achievement of the SDGs.

¹⁶ Alstadsæter, A., Johannesen, N., & Zucman, G. (2018). Who owns the wealth in tax havens? Macro evidence and implications for global inequality. *Journal of Public Economics*, 162, 89-100.

¹⁷ Henry, J. S. (2012). The price of offshore revisited. *Tax Justice Network*, 22, 57-168.

¹⁸ Following discussions at the G20 there was an agreement to try and limit the pervasive use of tax-loopholes by multinational corporations to evade taxation. From this agreement, negotiations between 100 jurisdictions concluded in 2016, on a **Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Sharing**. For more information see OECD: <https://www.oecd.org/tax/treaties/multilateral-convention-to-implement-tax-treaty-related-measures-to-prevent-beeps.htm>

¹⁹ Stiglitz, J. E., & Pieth, M. (2016). Overcoming the shadow economy. In *Friedrich Ebert Stiftung International Policy Analysis* (pp. 1-24).

²⁰ In 2011, despite 1000 economists and experts worldwide calling upon the G20 to adopt a global financial tax, the resolution ultimately failed. Reuters (2011) G20 fails to endorse financial transaction tax. <https://www.reuters.com/article/g20-tax/g20-fails-to-endorse-financial-transaction-tax-idUSN1E7A302520111104>

²¹ Stewart, H. (2011). *Robin Hood tax: 1,000 economists urge G20 to accept Tobin tax*. [online] the Guardian. Available at :<https://www.theguardian.com/business/2011/apr/13/robin-hood-tax-economists-letter> [Accessed 10 Aug. 2019].

These bold ideas are fully feasible given the wealth and power of the G7 countries. During World War II, the Army Corp of Engineer's had a motto: "the difficult we do immediately, the impossible will take a little while."

There are moments in history when paradigms shift. We are at this moment and if the G7 promotes these policies, we would be well on our way to achieving the "impossible": a global economic system that ensures the wellbeing of people and the planet.

About the author

Amanda Janoo is an Economic Policy Expert and Advisor to governments and international development organizations. Her work aims to enhance the capacities of governments to craft goal-oriented economic policies for a more just and sustainable world.

Prior to founding Economic Policy Consulting LLC, Amanda worked as a consultant for the UN supporting governments to develop industrial policies for structural transformation. As a Fulbright Scholar, Amanda researched the relationship between international trade and employment generation. She has worked throughout Africa, Asia and Europe supporting greater economic self-determination and empowerment.

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