

Intelligence MEMOS



From: Jonathan Fried
To: Friends and followers of the Ostry Lecture
Date: November 15, 2018
Re: **ANCHORING SUSTAINABLE GROWTH IN DISRUPTIVE TIMES**

These are indeed unsettling times. Although some would simplify the situation as increasing polarization between globalists and nationalists, the disruption we are witnessing has many facets.

In political discourse and elections in many countries, progressives debate conservatives, with more extreme views expressed in each camp. In many societies, there is continuing tension between workers, whose wages have largely stagnated over this decade of growth until recently, and corporations, whose profits and executive compensation has grown.

These times are also disruptive thanks to the acceleration of the pace of change in technology, from automation to artificial intelligence, which is challenging how we approach both education and employment.

And these times are disrupted by extreme weather events, a reminder that we are yet to effectively marry a growing economy with environmental stewardship.

The result is a sense of uncertainty, or fear that no one is in charge, in public discourse. In 1863, Nikolai Chernyshevsky asked “What is to be Done” in a seminal novel that embodied a social commentary on inequality and the need for reform that many said planted the seeds of Marxism, and of Lenin’s 1901 political pamphlet of the same name. The same question is being asked today.

Quality growth, anchored in accountability and equitable distribution, is at the heart of the answer.

Here are some key threads that in my view can be properly woven and intertwined into a rope to anchor sustainable growth.

1) A suite of economic policies:

It remains clear that sound macroeconomic policies remain at the core of creating and maintaining conditions for equitable growth. Sound fiscal policy means responsible expenditure and debt management combined with sufficient tax revenues on a broad enough base to invest in the economy and in people. In a world of varying systems of exchange rates it also means responsible monetary policy. But structural policies encompassing regulation of the economy more generally, including of such key sectors as energy, transport, and communications, and transparent, non-corrupt regulatory frameworks, are also key to building and maintaining an enabling environment for growth. In sum, a suite of quality economic policies is job one.

2) Sustainability, in all its dimensions

“Sustainable growth” is the desirable outcome. The Sustainable Development Goals underscore the importance and richness of this term. By “sustainable” economic growth, I mean not only growth that can be maintained over the medium term in economic terms, but also growth that is pursued in a manner that is compatible with preserving our environment and building social cohesion and equality, both within Canada and with other countries. This means investment in human capital: education, skills, and adjustment policies, and in energy transitions to a greener economy.

3) Better, more responsive governance internationally

Many of the challenges go beyond our borders. This in turn argues for equally coherent institutional coordination and governance internationally. I hasten to note that while multilateral action can and should respond to global problems, bilateral and regional/plurilateral approaches can be effective depending on the subject.

Many of the issues I have flagged require more analysis, where the public policy community can provide thought leadership. Here are a few challenges where governments would benefit greatly from work by the academic community and the private sector. We need to better understand the economic impact of value chains and potential disruptions. Secondly and more profoundly, the economic literature to date on the relationship between openness and inequality is less than conclusive, and thus would benefit from further work.

Thirdly, while the need to support health, education and even good governance institution-building in developing countries is also urgent, scholarship is limited on the best way to spend development assistance: where should the next aid dollar go?

I have sought to convey that there is much to be done, both in terms of proper tending to home territory with sound policies and accountability, and in working internationally in a community of interest where needed.

In sum, I offer for sustainable growth a recipe requiring both domestic and international action, and of partnership between public, public policy and private sectors to work together to pursue it.

(This Memo is drawn from the 2018 Sylvia Ostry lecture at the C.D. Howe Institute. For a full copy of the text, click [here](#).)

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