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Human rights and fiscal policy: a necessary link

By Grazielle David, Pedro Rossi, Sergio Chaparro[1]

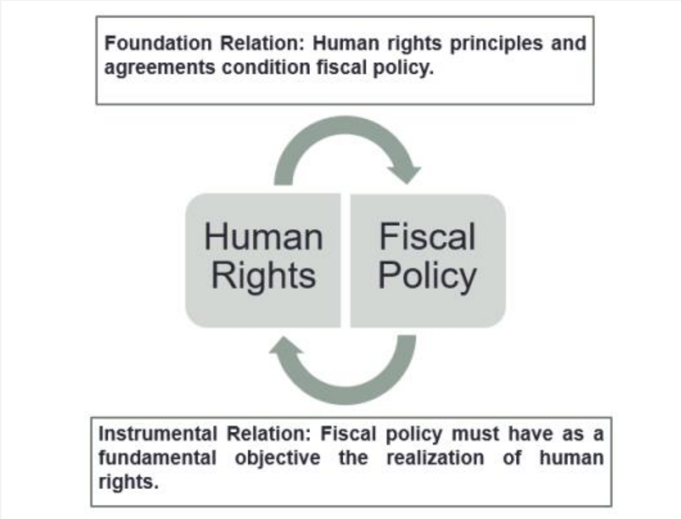
Human rights and the economy are intrinsically linked issues. There is an important economic dimension to human rights in terms of the resources needed to guarantee rights and how they can be socially allocated for this purpose. On the other hand, human rights are, or should be, an important normative parameter for the organization of activities and the economic system itself. However, the fiscal implications of human rights obligations are not fully systematized and are not regularly considered. This "disconnection" has many negative consequences, which are aggravated in contexts of instability or economic crisis and in the face of fiscal austerity measures.

The evident analytical, academic and political detachment of the two fields may explain the incomprehension and indifference of many professionals in both areas and also in a scarce bibliography that articulates these themes. Neoclassical economics[2] uses a positive approach to seek efficiency in allocating resources regardless of whether they are unequally distributed, whereas human rights follow normative standards that seek universal rights which demand equity in access. Although neoclassical economics admits that, once efficiency is achieved, equity considerations on the allocation of resources are important, they are deemed as a secondary criterion involving value judgements, and sometimes at odds with efficiency. Economics' positive approach is not supposed to involve value judgments, unlike the normative approach that stipulates a priori that a part of the economy must be organized in order to allocate resources to guarantee human rights (Branco, 2009).

However, looking at fiscal policy objectives of promoting macroeconomic stabilization, improving resource allocation and addressing distributional differences (Musgrave and Musgrave, 1980), we identify that the relationship between fiscal policy and human rights is not only viable, but essential. Neoclassical commitment to utilitarian welfarism excludes the possibility of incorporating rights as intrinsic values in its approach to fiscal policy, to the extent that the judgment of the relative goodness of alternative states of affairs must be based exclusively on aggregate individual utilities (Sen, 1979). It is true, that neoclassical economists might, in some cases, favor rights aligned fiscal policies, as with provision of education to those who could not afford it resulting in a more productive workforce. However, in those cases investment in rights are justified for efficiency reasons but not for a recognition of rights as intrinsic values.

There are two key essential relations between fiscal policy and human rights, according to the **Foundation Relation** (human rights - fiscal policy), human rights principles should be used as a binding framework for designing, implementing, monitoring and assessing fiscal policy. The hierarchy that must exist between human rights and fiscal policy is the hierarchy between objective and instrument, between purpose and means. Therefore, fiscal policy needs to be adapted to human rights imperatives, not the other way around.

Figure 1: Relationship between fiscal policy and human rights



Elaboration: authors, inspired by Chaparro (2014) and Principles and Guidelines (2020)

Like all public policies, fiscal policy is subject to the principles and obligations from international human rights law. Far from establishing specific fiscal policies, human rights obligations and treaties set certain limits on States' discretion when formulating such policies (IACHR, 2017). These obligations compound a series of parameters and guidelines which are applicable to fiscal policy, including the following: protection of minimum core content, use of maximum available resources for the progressive realization of rights; prohibition of retrogression on the achieved levels of rights enjoyment; non-discrimination; transparency, social participation and accountability (CESR et.al., 2015; David, 2018).

At the national level, this connection has to do with the relationship between constitutional law and tax and budgetary institutions. Budgets, for example, must be seen as an instrument for the realization of rights and not as one to undermine or put a cap on them

(Corti, 2011). In addition, the budget as a space of conflict between multiple social interests, is also susceptible of being challenged in the courts in order to do a constitutional review of decisions taken by executive and legislative branches. On the revenue side, regressive tax systems have been challenged in the courts in some jurisdictions; and on the expenditure side, courts have also reviewed allocative choices from a constitutional standpoint (Chaparro, 2014).

According to the **Instrumental Relation** (fiscal policy - human rights), fiscal policy is a key tool for rights fulfillment and its classic functions should be reinterpreted with a view to achieving the full realization of human rights. Regarding the distributive function of fiscal policy, for example, taxes should be levied according to a taxpayer's ability to pay. The tax system should contribute to reduced inequalities while mobilizing adequate resources to respond to social needs. Public spending, on the other hand, can provide basic means for a decent life for all. Regarding the allocative function, choices about where to allocate public resources impact on the guarantee of rights. Hence, fiscal policy should create adequate incentives and provide public services to secure rights. Regarding the stabilizing function, fiscal policy can ease cycles and prevent crises that negatively impact on the enjoyment of human rights.

An economic crisis tends to undermine several rights, especially when austerity measures are adopted. Amidst an economic crisis, for example, governments should consider spend more - not less - on the right to health, since in these periods people resort more to public health systems due to the reduced capacity to pay for private health insurance and to increasing health demands as a consequence of economic strain (Guidolin, 2019; Vieira, 2016). As the former Independent Expert on Debt and Human Rights, Juan Pablo Bohoslavsky, pointed out in the UN's Guiding Principles on Economic Reforms endorsed by the UN Human Rights Council: "[...] it is precisely during these periods [of economic and financial crisis] that the population - in particular one who is devoid of rights, lives in poverty or is at high risk of falling into poverty - feels the greatest need for the State to commit to its obligation to respect, protect and fulfill human rights" (UN, 2018, p. 5).

Still, from a human rights standpoint, the stabilizing function of fiscal policy can also be understood in terms of providing social stability. Governments can do so by seeking full employment and by financing strong social protection schemes that provide people social protection floors regardless of cycles and crises. Investments on the right to work and the right to social protection should be prioritized as part of the stabilizing function of fiscal policy.

How much the State collects, the choices of public resource allocation and the execution of the public budget impact on the fulfillment of rights. In order to take human rights seriously with regard to fiscal policy, it is necessary to consider resource constraints, but it is also important to challenge unjustifiable governmental excuses for not complying with their obligations to mobilize the maximum resources available for the progressive realization of rights (Chaparro, 2014).

It is true that, given a fixed amount of public resources, trade-offs will arise: money invested in the fulfillment of some rights might not be available for investing in others (Stephen Holmes y Cass Sustein, 1999). However, on the one hand, the limits for public spending are often artificially defined. As shown by the Covid-19 crisis, governments can mobilize resources from different sources to address pressing social needs. Both, in times of abundance and constraints, there are options for expanding fiscal space without harming economic growth that are often dismissed because of the prevailing dogma of austerity (Ortiz & Cummins 2019). On the other hand, the distributive conflict around the budget is often hidden: trade-offs are not only between key rights investments but also between these investments and unnecessary expenditures, such as inefficient tax benefits (indirect public expenditure) granted to corporations and high-income people. In Brazil, for example, there are no limits for deductions for health expenses from the personal income tax, while resources for public health have been progressively reduced (Ocké-Reis, 2018).

Beyond the legal recognition of rights in the letter of the law, it is in resource mobilization and allocation where States' priorities are truly shown. Fiscal policy is as important as legal recognition or adjudication for the fulfillment of human rights (Chaparro, 2014). Constitutional commitments with human rights should be reflected in sufficient and fair tax systems and budgets. When a government decides not to implement what was legally and democratically decided, by not doing budget execution, it undermines the legitimacy of public policy implementation that is essential for the realization of rights (David and Cunha, 2013).

In addition to the theoretical task of clarifying the links between fiscal policy and human rights, there are action-oriented efforts to strengthen these links in practice. The Initiative for Human Rights Principles in

Fiscal Policy (comprised of seven civil society organizations in Latin America) seeks to develop and promote a compendium of Principles and Guidelines that synthesize human rights standards applicable to fiscal policy by governments and financial institutions (Principios y Directrices, 2020). The compendium translates the general human rights principles into more concrete guidelines for policy makers and technicians.

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2. According to the Colander et. al (2006) definition of 'neoclassical economics' as the most recently dominant school of thought.

Mitja Stefancic interviews Guy Standing

Interview with Guy Standing by Mitja Stefancic

Guy Standing is a Professorial Research Associate at SOAS, University of London, and a founder and co-president of the Basic Income Earth Network (BIEN), an NGO promoting basic income as a right. His latest book titled *Battling Eight Giants: Basic Income Now* has been published just a few months ago.

In this piece he answers five questions posed by Mitja Stefancic.

Q. 1 How does your new book "Battling Eight Giants" (2020) upgrade what you proposed in your previous books?

The book came out in March 2020, and was an outcome of my previous work. Underlying the set of books is the view that rentier capitalism, globalisation, the electronics revolution and the growth of the precariat had generated eight major threats to a Good Society and these had made the economic system increasingly fragile, in which, unless a new income distribution system is forged with a basic income system as its anchor, any economic downturn would be catastrophic.

The book draws on the imagery of William Beveridge in his epoch-defining report of 1942, which ushered in the post-war welfare state capitalism, in which he stated that it was 'a time for revolutions, not for patching' and that the challenge was to slay Five Giants – Disease, Ignorance, Idleness, Squalor and Want. I believe there are Eight modern Giants – Inequality, Insecurity, Debt, Stress, Precarity, Robots, Extinction and Populism. They are all interlinked. In the case of automation, if the socio-economic structure were different it could be positive, but so far it has been disruptive and fostered worse rentier capitalism.

I believe that a basic income is justified for ethical reasons – common justice, freedom and basic security – and elaborated on that in my main book on *Basic Income* (2017). However, in the end game of rentier capitalism, in which the commons have been plundered and universalism in the social protection system has been jettisoned, it has become an economic imperative. This is now being shown in the emerging pandemic slump.

Q. 2 In your new book you suggest that today in some of the richest countries in the world, more than 50 % of households in poverty have people in jobs, and inequality appears to be the highest it has been for 100 years.

These are very predictable outcomes from a global economic system that began with the ascendancy of the ideologues of the Mont Pelerin Society in the late 1970s and early 1980s, as adapted by their political practitioners led by Ronald Reagan and Margaret Thatcher. Financial market liberalisation enabled finance to reshape itself and convert the global economy into rentier capitalism, in which more and more of the income flowed to the owners of property or assets – physical, financial and intellectual property.

The outcomes include the well-known trend, globally and within individual economies, for a declining share of income going to those who perform labour. This has been accompanied by the emergence of a new class structure superimposed on some old structures in some developing countries. The new mass class is the precariat. Too many casual commentators have claimed that this is about people having insecure jobs and dismissed it on the grounds that insecure jobs have always existed. I cannot believe they have read the books, since I state as clearly as possible that the precariat is not defined that way. It and the other class groups are defined by a combination of distinctive relations of production, relations of distribution and relations to the state. In the second book, I focus on the third dimension, and offer a Precariat Charter for turning those in the precariat from denizens into citizens (Standing, 2014).

The key point about modern inequality is that it reflects the rising power of rent extraction. This has been reflected by the fact that wealth has risen relative to income, and wealth inequality is much greater than income inequality. Classes can, in part, be defined by the structure of what I have called social income. The top three class groups – the plutocracy, elite and salariat – obtain a large proportion of their income in the form of various forms of rent, whereas the precariat is exploited through rental mechanisms as well as in the labour market.

Developing this theme further led to what I have felt is the final piece in the conceptual puzzle. Historically, the commons have provided 'the poor's overcoat', lessening social income inequality. But in the era of rentier capitalism, accelerated in the austerity phase, there has been a plunder of the commons, via enclosure, privatisation, neglect, financialisation and neo-colonialisation (Standing, 2019). This has substantially increased social income inequality, to the detriment of the precariat.

Q. 3 There seems to be a large trade-off between healthy life (e.g. less stress, less working hours etc.) and the right to an employment enabling citizens a decent life (economic wealth). Do you have any viable solution to solve such trade-off?

I think the notion of a 'right to employment' is nonsensical. In a market economy, it may be necessary for a lot of people to be in jobs. But being in a job for the vast majority of people is being in a position of subordination, which is why labour law, unlike other branches of law, presumes a master-servant relationship.

By contrast, I can conceive of a 'right to work', which leads back to my advocacy of basic income. Automation does not necessarily mean accepting what you seem to mean by 'precarity'. It could be liberating us from so-called 'proper jobs'. Then more people could devote more time to work, not labour, including care work and ecological work, on preserving life and nature, rather than on resource-depleting labour.

Q. 4 You suggest that *Basic Income* could be a viable solution for the future. How could you convince wealthy and powerful lobbies in the so-called 'advanced societies' to take on your message and agree with it?

Well, as it happens, the corporate elite are in a confused state on this, as is the political libertarian right. As a green-left political economist, I have been mildly amused to be invited to speak on basic income, as well as on rentier capitalism and the precariat, in Davos for three years in a row, and have been invited to do so in Silicon Valley corporate events and in Singularity University.

Basically, there are three conflicting rationales the elites take. Some ideological libertarians, such as the folk at the Cato Institute and the still-going-strong Mont Pelerin Society and the Bilderberg Group, tend to favour a basic income as the next-best to their desire for a minimalist state. I think they are in a bunker, and after this pandemic their intellectual stock will have junk status. But we should not mind having their support, since I am confident that we can defeat their other arguments. We need a strong social state.

My friends on the left who cite the fact that some libertarians support basic income as 'proof' that it must be bad should stop worrying on that score. Adolf Hitler believed in a nationalised health service and had two copies of Beveridge's report in his bunker, heavily marked with approving notes. Does that mean we should be opposed to the NHS or welfare states? Moreover, I believe strongly that people who have basic income security become more confident and energised about fighting for other rights.

The second reason for the corporate elite to be coming round in favour is that what they want is a stable sustainable economic system in which corporations can make predictable profits. They believe, as did Milton Friedman, that people with basic security are more rational and make better economic decisions. That is probably right. Related to that, the plutocracy and elite worry that they have been winning too much, and that the pitchforks might be coming in their direction. They may be right there too.

The third reason, and I have shared platforms with leading names on the forefront of AI saying this, is that many believe the robots and automation are going to create a 'jobless' future. I do not believe that scenario; it is the reincarnation of the 'lump of labour fallacy'. But I do believe that this technological revolution is unique in being disruptive – contributing to insecurity and stress – and generating much greater inequality.

Q. 5 Do you think that the crisis resulting from the Covid-19 pandemic may become a stimulus to create such a Basic Income and search for a more sustainable future?

As I have argued in several papers, the pandemic was the trigger to an economic crisis waiting to happen, as I tried to show in my book, *The Corruption of Capitalism* (2017). Without a doubt it is making the global economic slump potentially the worst in history. But we are experiencing a transformative crisis, analogous to the crisis point in Karl Polanyi's *The Great Transformation*, when the short-term outcome could go either way, towards authoritarian neo-fascism or a progressive Global Transformation. If we could somehow avoid the mistakes of the post-2008 strategy, which merely created the conditions for an even worse crisis, we could revive our societies. I believe a basic income system is no longer just ethically desirable, it is that and an economic imperative. As argued in *Battling Eight Giants*, it is the ecological threat, extinction, that will be the tipping point to bring many more of us to support an income distribution system anchored in a basic income.

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Pandemic Musings

By Peter Radford

I have been digging around a fair bit lately trying to understand the role of economics in the extent of the inequality being laid bare by the pandemic — more on that later. A few interesting nuggets worthy of a quick note popped out along the way.

Thomas Phillipon opens chapter one of his recent book this way:

"The big debates in economics are about growth and inequality. As economists, we seek to understand how and why countries grow and how they divide income among their citizens. In other words, we are concerned with two fundamental issues. The first is how to make the pie as large as possible. The second is how to divide the pie."

Presumably his approach ignores the ugly dismissal of inequality by the likes of Lucas who said it was of no enduring interest. Or words to that effect. Distribution is one thing. Inequality is another. Sliding back and forth between the two words elides the moral centerpiece of the discussion: what level of inequality is acceptable? Economics, once it adopted the marginal method, has avoided such a discussion and has, instead, hidden behind the "it's the way the world works" argument. In other words it took an ideological stance under the guise of scientific discovery. Even today we can easily find economists blithely arguing that people get paid equivalent to their contribution. As if calculating said contribution is that simple. As if that's the only factor in determining pay. As if … well you get the picture.

Economists are fond of playing neat tricks like this.

They stumble on something pretty useful, marginalism being one example, they elevate it to become a universal truth impervious to attack, and then they assume they know something about the world that others just don't "get".

They also, conveniently, sanitize their subject from the rather nasty need to ponder or take into account factors like power relations. Not that they ignore such things entirely. Look hard enough and you can find dark references to horrible things like monopoly and monopsony tucked safely away in marginal notes. We are assured in those notes that these murky issues ought not divert us from applauding the truths of "free" markets. That the real world is more characterized by the exceptions economists shove into those margin notes than by the pristine centerpiece of their thought is left for the assiduous reader to divine.

Which is why most people come away from a study of elementary economics with a thoroughly distorted view of economic "truths". When the average student takes a single economics class, the odds are that they emerge thinking that free markets are wonderful and that government intervention stinks. After all, that's the ideological thrust inherent in most economics and the way it's most often taught.

If Philippon is correct and growth and inequality are the two big issues, why don't the elementary books focus on them more? Why do we waste precious time in setting up the perfect and decidedly unreal model of market workings first? Why not relegate that silliness to the appendix where it belongs? Wouldn't it be more productive for the average student to engage in discussion of the real world rather than in the fantasy of perfect markets etc?

Anyway, Phillipon has written a good book. He helps the interested reader learn precisely why economics has contributed to the growth of inequality. He doesn't say it quite that way, of course, but by describing the drift away from "free" markets — the subtitle of his book is "How America Gave Up on Free Markets" — he implies that there were, or are such, things and that much of the present awfulness is due to the aforementioned drift. Economic theory gave vital intellectual heft to the drift away from freedom. All in the name of freedom, of course.

Another book I have been tackling is "Unequal Gains" by Lindert and Williamson. This is also an excellent read. Some of you might be surprised to find this as one of their findings:

*"**There is no fundamental law driving the** **history of income inequality.** Inequality movements are driven not by any fundamental law of capitalist development but instead by episodic shifts in six basic forces: politics, demography, education policy, trade competition, finance, and labor-saving technological change. These forces appear to be exogenous with respect to inequality. If they are indeed exogenous and hard to predict, then four centuries of American inequality can hardly be driven by some capitalist law of motion."*

It has, of course, become axiomatic on the left that capitalism, whatever that is, is to blame for pretty much everything we find horrible. And inequality certainly sits high up that list. The problem, from my point of view, is that this leaves too much unanswered. It leaves very difficult questions on the table. My right wing friends all chatter on about liberty and how the modern existence of that concept set the stage for the fantastic growth in prosperity most nations have experienced at different ages over the past two hundred years or so. "Ideas matter" or "bourgeois values" are rallying cries for the right as they seek to defend capitalism from the onslaught of criticism it well earns.

And I agree to an extent.

Which is why I see the co-evolution of modern democracy as essential to the mitigation of all the manifest errors that excessive liberty [aka capitalism] generates.

I am always drawn back to the work of Balibar in this respect. His notion of "equaliberty" still fascinates me. It is a strikingly simple idea. At the dawn of the modern era, when the word liberty was being tossed about within the elite sector of society that craved more space for itself, it had many meanings. It became refined and narrowed as the elite sought and secured more power and eventually excluded some of its original content. It did not, for instance, extend to equality for minorities or women. And it certainly did not include any notion of self-government for the masses. Battles had to be fought to re-generate the other meanings of liberty that had been cut away as the modern elite entrenched itself.

But they have been fought. What we sometimes forget, and this I think is where economists go wrong, is that those battles must be fought continuously. The context for the emergence of that which we now call economics is the social battleground on top of which relatively free people can execute exchanges without arbitrary occlusion by the state. Ignoring the socio-political implications of growth and distribution undermine the efficacy of the results of study.

Which brings me to my next snippet.

Hayek has always been a source of interest to me. His ideas on knowledge are intriguing. Yet he is a great example of the myopia modern economics developed when it took its ideological turn in the mid twentieth century. Hayek inspired people like Thatcher and Reagan to adopt a severe anti-social political stance because he was unable to distinguish between the "state" as arbitrary autocratic power, and the "state" as modern democratic government. Economists still struggle along those lines.

He said in 1979, and I paraphrase, that the word "social" is a weasel world because nobody knows what it means. Perhaps this is true. But by that standard no one knows what a market is either. Come to think of it, what does the word "free" as in "free markets" mean? Can everyone join in? Are we all free to participate? Or are some people more "free" than others?

Economics has been encumbered by this muddy sort of definition of its terms as long as it has existed. Even the most rigorous axiomatic constructions seem to leave the barn door open to question. Or, rather, they are designed to remove all the awkward bits from the subsequent analysis in order to render an elegant result rather than one that might be a tad opaque, but which might also reflect the complexity of life.

Hayek had a habit of tossing around what appeared to be wonderful insights: his notion that an economy contains too much information to be processed by a central body remains a classic assault on centrally panned economies. But if there is too much information for that, how can we possibly "know" anything about the economy? We cannot, for example, ever "know" whether a market has aggregated all the relevant information. To know that it has, we would need to know the full extent of the information, in which case we would be in a good position to execute a central plan.

But we will let that slide.

Let me end with Paul Romer.

I recently read one of [his blog entries] in which he expressed surprise that economists could be blamed for much of what is wrong in our contemporary economy.

Earth to Paul!

Perhaps nothing more summarizes the state of the discipline than this. The relentless anti-social message inherent in most modern economics is stark. Silly results such as the fact that there is no such thing as involuntary unemployment ought to be sufficient for any reasonable person to conclude that economics is manifestly detached from reality. The reliance on marginal productivity as the sole determinant of wages is another. Or the entire edifice of modern business school thought around shareholder value, which is a simple derivative of right wing economics, and along with its pernicious add-ons like agency theory and "core competency" became the driver of outsourcing, globalization, and the suppression of wages. Romer might shunt that error onto the laps of business school professors, but the intellectual lineage is clear: economics claimed certain truths and consequently spread the contagion into related subjects.

Economists might shun the blame for shareholder value, but the rest of us ought not allow them to. Pull on the thread and you quickly follow the idea back to its ancestral home alongside non-existent involuntary unemployment.

Now I agree whole heartedly with Romer that economics has produced some really socially useful ideas. He references counter-cyclical fiscal and monetary policies as a good example. I agree. But those ideas date back a way. It's the clutter and anti-social ideology that post-dates them that caused the modern antipathy towards economics.

Ultimately economics is a very difficult discipline to imagine ever being wholly socially responsible. It is an ongoing conversation that attracts people who prefer to exclude complexity in order to distill truths about reality. They love the counterintuitive nature of some of its main results. It is excessively mathematical, and so it allows those people to express themselves and elide the full murkiness of reality. It applauds elegance and thinks it encourages efficiency. But it has gone too far away from its origins. It is no longer trying to explain the world. It is trying to explain itself.

Is this the end of globalisation (as we know it)?

A reflection of the COVID-19 Pandemic Crisis and its effects on Developing Countries

By Karim Errouaki

1. Introduction

The health, economic, social and political crisis created by the COVID-19 pandemic will reconfigure the geopolitics of international relations and globalization. We are only at the beginning of this crisis, particularly on the economic and social fronts. Many sectors, such as tourism, transportation and entertainment, will only recover over a very long time; many jobs will be destroyed. In contrast, other sectors are insufficiently developed and cruelly lacking in production. Therefore, we must act now to give the economy a new direction and to harness new engines of development.

French Economist Patrick Artus (2020) argued that the current pandemic and its consequences could precipitate a slowdown in ''Globalization'' or even result in a process of ''Deglobalization''. We can expect to see an acceleration in the structural changes that we have already been seeing in the process of globalization. Indeed, COVID-19 and the way of addressing it is slowing physical globalization down. At the same time, it is also promoting an important digital, online form of globalization.

UN SG António Guterres (UN Economic Commission for Africa Report, 2020, p.iv**)** wrote:

This is not a financial crisis. This is a human crisis. This is not a question of just bringing liquidity to the financial systems, which, of course, is necessary. We need to support directly those that lose their jobs, those that lose their salaries, the small companies that cannot operate anymore, all those that are the fabrics of our societies, and we need to make sure that we keep thousands afloat, we keep small companies afloat, we keep all societies afloat.

Former Director General of UNESCO Professor Federico Mayor Zaragoza (2020a) argued that:

In the face of the current outbreak of coronavirus –COVID-19– we cannot further tolerate an economy based on speculation, relocation of production and war. We must replace it by an economy based on knowledge and the promotion of a global sustainable development, allowing a dignified life for everyone and no longer excluding 80% of mankind, as it is currently the case.

The public understanding of Coronavirus can be categorized into three main discourses: one is scientific, the second is interpretive of certain incidents and the third is related to the effects on the global economy. World opinion in the era of internet and social medias has consumed a variety of virus misinformation and disinformation and internalized deep fear and anxiety. Indeed, there have been allegations about the existence of 'secret labs', 'government plots', and implicit 'manipulation' of the virus in the U.S.-China geo-economic competition. The overall panic has helped sell alarmist information. So far, two dominant narratives have circulated the globe: China 'manufactured' the virus, and the United States 'started' the outbreak deliberately.

Harvard distinguished Professor Joseph Nye (2020) observed that:

Global threats such as COVID-19 and climate change, however, do not discriminate by nationality. In a globalized world, most people belong to a number of overlapping imagined communities – local, regional, national, ethnic, religious, professional – and leaders do not have to appeal to the narrowest identities in order to mobilize support or solidarity.

The coronavirus crisis is primarily a public health issue, demanding containment policies that inevitably lead to shocks to economic activity. A major reason for containment is the widespread perception that, given the dynamics of infection—and corresponding numbers of people in need of clinical care—local clinical care capacities risk being swamped, with higher death tolls, in a 'do-nothing' scenario. Therefore, policies to flatten the pandemic curve and gain time – such as "social distancing" and "stay-at-home" recommendations or orders – become vital, regardless of whether they reduce the absolute number of infected cases.

The UN Report (2020, p. 1) observed that:

We are facing a global health crisis unlike any in the 75-year history of the United Nations — one that is killing people, spreading human suffering, and upending people's lives. But this is much more than a health crisis. It is a human crisis. The coronavirus disease (COVID-19) is attacking societies at their core. The IMF has just reassessed *the prospect for growth for 2020 and 2021, declaring that we have entered a recession – as bad as or worse than in 2009. The IMF projects recovery in 2021 only if the world succeeds in containing the virus and take the necessary economic measures.*

The UN report is an alarming call to take immediate action to provide urgent support to developing countries with weaker health systems. It also addresses the need for an immediate health response to suppress transmission of the virus to end the pandemic and to tackle the many social and economic dimensions of this crisis. It is, above all, a call to focus on people – women, youth, low-wage workers, small and medium enterprises, the informal sector and on vulnerable groups who are already at risk.

The crisis has hit at a time in which part of the international community is questioning the pillars of the world order put in place after the Second World War, especially multilateral governance. All this means that a health crisis that is undeniably global in nature is occurring in a context in which national identities are being reasserted. While it is still too early to predict the macroeconomic impact, some analysts argue that the economic, political and social consequences will be more devastating and deeper than those of the 2008 crisis (Artus, 2020; Chomsky, 2020a, 2020b; Krugman, 2020; Mayor, 2020; Nye, 2020; Prodi, 2020c, Strauss-Khan, 2020; Stiglitz, 2020). One of the greatest impacts of the outbreak of COVID-19 has been on the crude oil market, as two-thirds of oil is used for transport. The large production cut by OPEC and other oil producers failed to lift prices in April. The combination of external shocks – financial, remittances, tourism, and commodity prices –and domestic hardships to flatten coronavirus curves of infection and recession has configured what one may call a 'perfect storm'.

We are already seeing some of the consequences of the crisis, such as interruptions in production, consumption and trade. It is also possible to anticipate some of the effects from the dramatic reduction in the international flows of people. Multilateral organizations, the media and research institutes are trying to identify and study many of these short-, medium- and long-term effects.

The paper presents an examination of the current Covid-19 crisis and analyses the potential impact on the globalization process and the global economy. Afterward, we assess the impact of Covid-19 on the African economy. The paper ends with a conclusion and key policy recommendations.

2. Understanding the Complexity of the Covid-19

2.1 Background

The COVID-19 crisis has become more predictable in a sense. Mayor (2020b) noted that what was widely viewed as a 'Chinese problem,' and then an 'Italian problem' has become an 'everybody problem'. China has been able to contain and the same seems true for South Korea. Former President of the European Commission Professor Romano Prodi (2020a) observed that Italy was unlucky to be the first country to be infected in Europe. However, he argued that:

As soon as the real dimensions were understood, we reacted swiftly. But think how difficult it is to take the decision to change life of millions of people. Some countries might believe that the problem would have been confined to Italy. But soon all got the same measures. Spain, France and the UK.

Indeed, as Prodi puts it, the virus spreads and as it does the epicenter of the pandemic shifts toward Europe, then the US and now to Africa. The European Union is not yet equal to these new challenges. And it is normal: health is not a Community policy as defined by Member States; and the Union's budget is limited to one percent of GDP. And yet, with these meagre resources, and though taken by surprise, the current leaders of the Union, in particular the Commission and the Central Bank, are performing miracles. National governments are also doing a lot, in a more fragmented manner. Prodi (2020b) argued that the European Union is "confronted with an existential crisis" with "unhappiness among populations and distrust of politicians." Furthermore, Prodi (2020c) argued that:

The EU will end badly if European countries do not face the pandemic together.

……

Europe is divided and has trouble making decisions is not a new problem. All the European institutions have seen their role reduced in recent years while that of the countries has increased. The only strong body is precisely the one that is not democratic, the European Central Bank.

When we created the euro, it was very clear that the single currency could not exist without Eurobonds. The economic problem requires quick action. It is essential that aid reaches companies as soon as possible. It is better to go into debt now than to do it later, when it may be too late.

The financial crisis of 2008 revealed the considerable fragility of the monetary union. The Covid-19 pandemic highlighted the need for designing a new European debt instrument that would guarantee coordinated and transparent fiscal strategies and would then make the common monetary policy once more fully effective. The creation of the Eurobond will obviously not be free of difficulty. The risks likely to surface at the time of its introduction are numerous. The federalists have rightly come up with an old idea, Eurobonds, which would enable the European Union to support Member States that have difficulty obtaining low-interest financing. This proposal has led to, once again, deep division between the countries of the South (this time, France rightly lined up beside them), and the others, not at all determined to finance the less prosperous states. Among the most vehement, we find the Germans and the Dutch; either because they do not want to give their populist oppositions an opening; or because populist parties are already members of the ruling coalition. If the EU countries do not step up together now, then the situation will only get worse with serious and costly human and political consequences.

2.2 Why is there a Coronavirus Crisis?

COVID-19 is proving to be a grave threat to humanity. But this is not a one-off, there will be future crises, and we can be better prepared to mitigate them. In reality few governments were fully prepared or willing to take strong action early.

MIT distinguished Professor Noam Chomsky (2020a) argued that:

> *It is a colossal market failure. It goes right back to the essence of markets exacerbated by the savage neoliberal intensification of deep social-economic problems.*

Chomsky (2020b) tackles the questions of what lessons we can learn from this pandemic and how society may organize moving forward. He argued that:

> *the coronavirus disease (COVID-19) caught the world unprepared, and the economic, social and political consequences of the pandemic are expected to be dramatic, in spite of recent pledges by leaders of the Group of 20 (G20) major economies to inject $5 trillion into the global economy in order to spur economic recovery.*
>
> *Pandemics have been predicted by scientists for a long time, particularly since the 2003 SARS pandemic, which was caused by a coronavirus similar to COVID-19. They also predict that there will be further and probably worse pandemics. If we hope to prevent the next ones, we should therefore ask how this happened, and change what went wrong. The lessons arise at many levels, from the roots of the catastrophe to issues specific to particular countries.*

Furthermore, Chomsky (2020a) pointed out that:

> *The Obama administration had recognized the potential problem. It ordered high-quality low-cost ventilators from a small company that was then bought by a large corporation, Covidien, which shelved the project, apparently because the products might compete with its own high-cost ventilators. It then informed the government that it wanted to cancel the contract because it was not profitable enough.*

So far normal capitalist logic. But as Nell (1984) argued three decades ago, at that point the neoliberal pathology delivered another hammer blow. The government could have stepped in, but that's barred by the reigning doctrine pronounced by Ronald Reagan: Government is the problem, not the solution. So nothing could be done. We should pause for a moment to reconsider within Nell (1984)'s framework the meaning of the formula. In practice, it means that government is not the solution when the welfare of the population is at stake, but it very definitely is the solution for the problems of private wealth and corporate power. Nell (1984) argued that the record is ample under Reagan and since, and there should be no need to review it. The mantra "Government bad" is similar to the vaunted "free market" — easily skewed to accommodate exorbitant claims of capital.

3. Deconstructing Globalization

French economist Jacques Attali (1998) draws a distinction between the French words "globalization" and "mundialization". The first was made possible thanks to technology, and the second was made possible by the market. As a result all major issues will tend to become international and interdependent.

Nell, Errouaki and Mayor (2020) consider 'globalization' to have both senses. Usually the term 'globalization' refers to the opening and deregulating of economic activities – the removal of tariff barriers to trade, of restrictions on investment and capital flows. New technologies can also make communication and transportation faster and cheaper. Economic instability can develop, calling for controls and regulation and leading to political changes. With the rise of the Internet and the development of faster communication, there has also been a globalizing of culture – including the emergence of something like a world youth culture. And, of course, the issue of cultural imperialism has been raised.

In recent years Globalization has been widely considered a new development; but it is not. It has not only happened before, taking place on a grand scale prior to World War I, but it has, in fact, always been a feature of capitalist development, even if not appearing in such a dramatic guise. Essentially Globalization is nothing more or less than capitalist development, taking place on a world scale, in much the same way that it happens on the national or local scene. Globalization is capitalist development and capitalist development is ''Transformational Growth'', to use Nell's concept, in this case, on the world scale. Just as we must control and direct capitalist development on the national or local scene, so must we act when it appears on the global stage.

4. Economic Deglobalization

Prodi (2020b) argued that the spectre of ''De-Globalisation" and a trade war between the United States and China are just two of the key challenges for 2019 and beyond. He notes that:

Our social models are under pressure - with a huge and as yet unsatisfied requirement to modernize and adapt to the needs of all our citizens, and the opportunities presented by a digitally-transformed world.

There is a clear and urgent need for the Europeans to create a genuine social Europe.

Artus (2020) argued that the coronavirus and the way of thinking about and controlling it, is bringing the world to a standstill with tremendous risks. It is not that coronavirus has put in train a process of Deglobalisation. This originated earlier, in the reactions to the 2008 crisis and what came in its wake. The widespread contagion from COVID-19, largely because of human hyper-interconnection, is dramatically accelerating the process. Combating the virus involves keeping people apart, the opposite of what we have experienced in recent decades and previously. Borders are staging a comeback, even in the EU.

Noam Chomsky (2020b) wrote:

There are all sorts of associations among people — and conflicts of interest among them — that do not coincide with colors on maps. The sordid spectacle of states competing when cooperation is needed to combat a global crisis highlights the need to dismantle profit-based globalization and to construct true internationalism, if we hope to avoid extinction. The crisis is offering many opportunities to liberate ourselves from ideological chains, to envision a very different world, and to move on to create it.

The coronavirus is likely to change the highly fragile international economy that has been constructed in recent years, profit-driven and dismissive of externalized costs such as the huge destruction of the environment caused by transactions within complex supply chains, not to speak of the destruction of lives and communities. It's likely that all of this will be reshaped, but again we should ask, and answer, the question of whose will be the guiding hands.

Covid-19 has submitted the global economy to a Great Lockdown, as the IMF called it. In a short time, country after country has suffered outbreaks, with each facing a three-fold shock: epidemiologic, economic, and financial. In addition to dealing with their own local coronavirus outbreaks, emerging market and developing countries have faced additional shocks from abroad. Analysts agree that the crisis we are facing will have a major economic impact on all dimensions of international exchange (OECD, 2020a, 2020b) and that both its duration and the different responses will affect the rhythm and nature of globalization in different ways (IMF, 2020).

In the energy and commodities markets, the drop in oil prices and the conflict between Russia and Saudi Arabia have dragged down the prices of other primary goods. Also production and investment are highly transnational, with fragmented manufacturing processes distributed across global production chains. The crisis has highlighted the risk of geographic dependence on China, which could either result in strategies to diversify the location of suppliers, without negatively impacting aggregate trade, or trigger a wave of delocalization, with the associated drop in trade volumes.

Nell, Errouaki and Mayor (2020) argued that Deglobalization is conceptually set in contrast to the process of globalization. They argued that the incapacity of globalization to find solutions to some vital issues of the global economy (such as poverty, unemployment, decline and destructuring of entire economic sectors etc.), has created a profound degradation of several historically constituted economic and social structures, which, until then, seemed to be unwavering. Accordingly, economists swiftly proceeded to the definition and implementation of a new term which, for lack of other notions, was termed "Deglobalization".

Similar to globalization, a set of indices can be taken into account in order to reveal the facets of the phenomenon of ''Deglobalization''. Artus (2020) argued that the process of ''Deglobalization'' can be best highlighted by watching at least three main economic flows, namely: i) Dynamics of imports and exports of goods and services at a global or regional level, as an expression of international commerce. ii) Dynamics of expats' money remittances. iii) Inflows and outflows brought by foreign direct and portfolio investments. These three macroeconomic components do not give a clear enough picture of the globalization process. The analysis must rest on additional information, such as of changes in technology transfer, evolution of tariffs and non-tariff barriers to trade, restrictions imposed by some states on the free movement of labour, elaboration of administrative acts meant to encourage the purchase and consumption of local goods, subsidies offered to protect the agricultural sector etc.. Many of these leverages are activated especially during periods of economic crisis. Furthermore, Nell, Errouaki and Mayor (2020) argued that conclusive evidence follows from the reaction of highly developed countries (Japan, USA, Germany, France, UK, etc.) to the negative effects of the 2008 economic-financial crisis. These have contributed in different ways to some pullback from the process of globalization. It would be wrong to attribute these changes only to economic crises. Other events, such as natural and economic disasters, major armed conflicts, coronavirus, etc., can also contribute to this development.

5. What are the consequences for Developing Countries?

The Coronavirus has brought a perfect storm to developing countries. Africa is particularly susceptible because 56 per cent of the urban population is concentrated in overcrowded and poorly serviced slum dwellings (excluding North Africa) and only 34 per cent of the households have access to basic hand washing facilities. In all, 71 per cent of Africa's workforce is informally employed, and most of those cannot work from home. Close to 40 per cent of children under 5 years of age in Africa are undernourished. Stiglitz (2020) argued that:

> *The impact of COVID-19 on developing and emerging economies has only begun to reveal itself. There are good reasons to believe that these countries will [be] ravaged far more by the pandemic than the advanced economies have been. After all, people in lower-income countries tend to live in closer proximity to one another. A higher share of the population suffers from pre-existing health problems that render them more vulnerable to the disease. And these countries' health systems are even less prepared to manage an epidemic than those of the advanced economies (which have hardly functioned smoothly).*

Many African countries have taken bold quarantine and lockdown measures to control the spread of COVID-19 although this has come at a cost such as the collapse of health systems and a painful economic crisis or recession.

The African Union Report (2020, p. 6) noted that:

> *The crisis caused by the coronavirus pandemic is plunging the world economy to depths unknown since the Second World War, adding to the woes of an economy that was already struggling to recover from the pre-2008 crisis. Beyond its impact on human health (materialized by morbidity and mortality), COVID-19 is disrupting an interconnected world economy through global value chains, which account for nearly half of global trade, abrupt falls in commodity prices, fiscal revenues, foreign exchange receipts, foreign financial flows, travel restrictions, declining of tourism and hotels, frozen labor market, etc.*

Developing countries have an urgent need for international support. Their ability to fund expansionary stimulus is already limited, and has been further limited in recent days by currency instability. Debt relief for many countries is required in order to create domestic fiscal space. It is also important to think about how to mobilize large injections of concessional finance – not only from multilateral development banks but also from private lenders such as pension funds. Furthermore, they must commit to do their utmost to protect the labour force, including workers who depend entirely on daily earnings and those in the informal sector, and support their employment and income. This must be the goal of all coordinated fiscal and monetary actions.

Several countries and economic regions have taken economic and financial measures to contain the Covid-19 pandemic while also providing financial support to their economic activities. The Bretton Woods institutions have put in place fast-disbursing emergency credit and financing facilities to support their Member States. The IMF stands ready to mobilize $1 trillion lending capacity to help its members. These instruments could provide in the order of $50 billion to emerging and developing economies. Up to $10 billion could be made available to low-income members through concessional financing facilities at zero interest rates. A coordinated and bold response by African authorities is also badly needed. Firstly, it is urgent to provide public funds to improve the capacity of health systems in African countries. Secondly, it is important to help individuals, entrepreneurs and corporations by providing financial support. Thirdly, it is crucial to preserve employment through incentives to employers. Last but not least, the Central Banks in African countries should play a leading role by providing liquidity and credit support as well as asset purchase programs to prevent credit and liquidity crunch in domestic financial markets.

The African Union Report (2020, p.12) pointed out that:

> *The Covid-19 crisis is affecting the entire world economy and that of Africa. Some key sectors of the African economy are already experiencing a slowdown as a result of the pandemic. Tourism, air transport, and the oil sector are visibly impacted. However, invisible impacts of Covid-19 are expected in 2020 regardless of the duration of the pandemic. To assess, scenarios have been constructed on the basis of assumptions which takes account of economic, demographic and social constraints.*

The pandemic curve generates a recession curve that also needs to be flattened. Former MD of the IMF

Dominique Strauss-Khan (2020) argued that the new coronavirus pandemic has led to negative shocks to the economy in both demand and supply,. While this would have occurred in a do-nothing scenario, the impact tends to be exacerbated by social distancing policies. Notwithstanding its shorter duration, the disruptive nature of the economic lockdown may leave 'scars', impeding a return to the point the economy was at prior to the shock. Solvent but suddenly illiquid firms go bankrupt, unemployment rises rapidly, demand and revenues for small businesses rapidly vanish. In Europe, Spain lost 900,000 jobs.

Nell, Errouaki and Mayor (2020) emphasize the extraordinary role of the ''State'' as a catastrophe insurer. The ''State'' should provide fiscal support—additional resources for healthcare systems, income transfers to crisis-affected people, tax relief—and credit available at favorable conditions to vulnerable firms. These measures, with rising public debt as the form of finance, are designed to minimize the disruptive consequences of the temporary but deep sudden stop of the economy.

Strauss-Khan (2020) argues that flattening both the coronavirus infection and the recession curves will be harder in developing economies than in advanced countries. The numbers of clinical-care beds per capita are lower. It is harder to implement social distancing policies given the shares of population living in slums. The informal labour market is more significant, making it difficult to extend social protection policies such as unemployment insurance or income transfers. Fiscal space to counter the virus and the economic lockdown is smaller, particularly in the case of highly indebted developing countries. In addition, developing countries have been experiencing major shocks from overseas.

Mayor (2020a) argued that the COVID-19 crisis is likely to have a profound and negative effect on sustainable development efforts. A prolonged global economic slowdown will adversely impact the implementation of the 2030 Agenda for Sustainable Development and the Paris Agreement on Climate Change.

The health and economic aspects of the coronavirus pandemic triggered shocks to financial markets in advanced countries. The prospects of deteriorating earnings and heightened uncertainty have led to a broad portfolio switch from risky assets to the safe haven of U.S. short-term Treasuries. The search for safety has led to capital outflows from developing economies and depreciation of their currencies. According to the Institute of International Finance (IIF), foreign investors took close to US$100 billion out of emerging markets in March 2020, the largest capital outflow ever recorded. Furthermore, commodity prices, tourism, and remittances have collapsed. According to the World Bank, the global economic lockdown is expected to lead to a 20% decline in remittance flows to low- and middle-income nations. Last year, remittances amounted to about 8.9% of GDP in poorer countries. Furthermore, international tourism receipts are also falling. According to World Bank data, low- and middle-income countries recorded over US$420 billion of international tourism receipts as exports last year.

Because of the halt in economic activities, most commodity prices have fallen and substantially lower prices are expected through 2020.. Commodity-dependent emerging market and developing economies will be among the most vulnerable to the economic impacts of the pandemic. The combination of external – financial, remittances, tourism, and commodity prices – shocks and domestic hardships to flatten coronavirus curves of infection and recession has configured what one may call a 'perfect storm' falling on the developing world, brought by COVID-19.

6. Conclusion

The coronavirus pandemic is bringing with it the prospect of severe financial and economic crises. With fears of a harsh credit crisis and a major collapse in economic activity, the spreading of the pandemic crashed financial markets all over the world.

At the geopolitical level, this crisis cries out for leadership, solidarity, transparency, trust and cooperation (Nye, 2020). This is no time for self-interest, recrimination, censorship, obfuscation or politicization. The tone set by leaders at the national and local level matters. While temporary border closures, travel bans or limits on the sale of critical supplies may be warranted in the short-term, such national-level measures must not impede a global coming together and global solution for all. (Mayor, 2020a)

We can only beat this virus through coming together as one. Developing countries must act to protect their people, and demand action from rich nations to support them. Rich country governments, led by the G20, must massively upscale their help–. Stigltiz (2020) notes that if the international community wants to avoid a wave of defaults, it must start developing a rescue plan immediately. Nell, Errouaki and Mayor (2020) argue that in the long run the international community must lay out a Marshall Economic Plan For Africa that meets the true economic and social challenges of the African continent.

What are some of the lessons that can be learned? The paper argues that public health and welfare systems are crucial alternatives to the market and universal public health is a key element of an egalitarian policy. Let's leave the last word to former Director General of UNESCO Federico Mayor Zaragoza (2020a):

Health is the most important asset, and both its treatment and prevention aspects should be taken into account, always dealing with it with the highest professional expertise, and leaving aside any other consideration. Because health is a right everyone is entitled to. Great progress has been achieved in medical science, but just a small portion has been shared. The big challenge is being able to share and enlarge knowledge.

…..The time has come –and potential irreversibility makes it even more urgent– to redirect the current gloomy trends of the neoliberal drift, which have led us to ignore the appeals of the scientific community pressing us to take without delay all relevant steps against climate change and the implementation of SDGs (Sustainable Development Goals, 2030 Agenda) agreed by the UN General Assembly in November 2015 "to transform the world".

The world is in urgent need of a common vision and plan of action for leveraging the latest advances in scientific research, emerging technologies and new data sources in the fight against COVID-19. Wisdom today involves promoting the evolution of governance so that revolution is no longer seen as the sole answer.

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