Development, Climate and Economic Policy: The Need for Narrative Shift

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Development, particularly in developing countries, in the current context requires thinking about how multiple global crises are interlinked, their impact on development prospects, and the narrative framing needed to generate positive and progressive systemic policy change.

The rapidity of climate change and its associated impacts with the consequent need for urgent action, the accelerating pace of biodiversity loss, the deepest global economic recession in decades, even more in developing countries, due to the lingering effects of the 2008 global financial crisis, the devastating economic and social impact of the Covid-19 pandemic, and increasing debt burdens among developing countries, as well as the rapidity of technological changes underlying the production and consumption of goods and services, pose deeply structural and systemic challenges to developing countries and

their development prospects.

Addressing these multiple challenges requires a much more integrated and systemic approach to policymaking and implementation, and perhaps another way of thinking about the roles of the various productive sectors in the economy vis-à-vis each other – i.e. government, the private sector, citizens and their organizations – and how their actions interrelate with the natural world. It will also require re-examining and challenging the assumptions that underlie the concepts and theories that have been used in the past few decades to advance globalization and economic financialization, and which has led to greater and more unsustainable levels of production and consumption of natural resources, inequalities and ecological stress. Considerations of equity, sustainability, and feasibility (in terms of appropriateness to local conditions) need to be carefully taken into account.

Economics and development in the current context

Today's climate change is driven by the continued emission of greenhouse gases (GHGs) into the atmosphere due primarily to human activities that release stored carbon into the atmosphere (e.g. by burning the fossil fuels oil, coal, or gas for energy, clearing forests to convert them to agricultural land or cattle farms).

Free market-oriented thinkers have long argued that establishing perfectly competitive free markets results in development gains as specialized economic productivity increases to reflect comparative advantages among the trading partners. This idea gained traction since the 1980s as the basis for neoliberal free market-oriented public economic policy in many countries. But this economic model of competitive markets, based on theoretical assumptions about how economic actors act, is systemically flawed and has income inequality and climate change as its consequence. In fact, climate change has been called "the greatest market failure the world has seen."

Linear policy responses to each consequence of neoliberal economic policy, if undertaken separately without reference to their interlinkages, would see governments for example adopt, as a response to climate change, a decree for

the rapid phase out of fossil fuel use or to stop deforestation. A linear policy response to income inequality would see it as the result of not being competitive in the global marketplace and hence having to push for more domestic and international policies and arrangements to lower trade barriers across the board, in the hope and expectation that doing so will increase economic activity among domestic industries, lower the cost of imported products (to the benefit of consumers), and ultimately provide development benefits to the country. However, such policies must be implemented in the real world. Development requires having a more contextualized policy approach that considers technological, economic, political, and social feasibility, whilst at the same time avoiding and mitigating any unintended adverse economic and social consequences of policies.

The Covid-19 pandemic has laid bare and, in many cases, exacerbated long-standing structural economic and multilateral policy challenges that are largely characteristic of developing countries, and which make it difficult for most developing countries to climb up the development ladder. These include: a reliance on only a few economic sectors that are highly vulnerable to the adverse effects of climate change, the impacts of response measures (such as agriculture and fishing, other natural resource extraction activities including fossil fuel extraction/production and export, low-end manufacturing, and informal subsistence-level or small-scale economic activities), and other external economic shocks; domestic income distributions with high levels of inequality; domestic trade and investment policy frameworks that were liberalized in the 1980s and 1990s at the height of structural adjustment programmes, resulting in the loss of domestic industries unable to compete with foreign firms; relatively low levels of public infrastructure needed to support domestic production and growth; difficulties in raising domestic revenue and in restraining capital outflows (including through repatriation of corporate profits and speculative capital and illicit financial flows); significant levels of unemployment and underemployment due to insufficient economic activities; increasing population growth; and brain drain in the case of migrant-sending countries and absorption issues in the case of migrant-receiving countries.

These challenges form the context within which developing country

governments develop and implement economic policy, including both climate change and trade policies. Pre-pandemic business as usual policy approaches will increasingly be difficult to sustain as the impacts of these challenges intensify and have synergistic effects with each other. The response measures put in place by governments to the Covid-19 pandemic, and the rapid changes in societal and individual behavior these resulted in, show that rapid policy and behavioral changes can be undertaken given sufficient stimulus and motivation. The fiscal stimulus packages put in place by many governments to cushion their economies from the adverse impacts of pandemic response measures show that financing can be made available when needed. What remains to be seen is whether these will only be temporary until vaccines are developed or become permanent. Indeed, in a number of countries, some sectors of society are pushing for a return to the pre-pandemic normality and business as usual.

The need for an integrated approach

At current rates of anthropogenic GHG emissions, the remaining emissions budget commensurate to the 1.5C and 2C temperature goals under the Paris Agreement will be exceeded between 2025-2030. Climate change impacts such as extreme weather events, long-term regional climatic shifts, sea level rise, desertification, and ecosystems loss will pose significant constraints to meeting sustainable development and poverty eradication in many developing countries. Achieving the global climate change goals under the UNFCCC and its Paris Agreement needs a rapid and deep transition away from fossil fuel dependence and towards clean energy, including through large-scale economic diversification and just transition policies, initiatives and actions by all countries. It requires shifting away from the business as usual global economic policies and systems that have fostered global development inequality and increased the global production and consumption of natural resources to levels beyond the planet's ecological limits.

Accelerating such a rapid transition away from fossil fuels as part of the urgent climate change response measures that need to be undertaken within the next five years requires that governments and the broader society fully understand the necessity, scale, speed and practical means by which such transition can be made and in a manner that will also address their longer-term sustainable

development objectives, including the need to ensure equitable energy access for a growing population and for domestic economic growth.

In this context, the lessons from those governments and societies that have been effective in responding to the pandemic can be applied to other crises of global proportions, particularly where solutions can be shaped by policies. This implies in turn an acceptance and recognition of the key role of the State, through policymaking and implementation, in shaping and channeling economic behaviour towards socially and ecologically desirable public goods and sustainable development. This approach requires putting together economic (trade, financial, investment, debt, tax, etc.), environmental, social, demographic, and other policies that operate in an integrated, coherent and strategic manner. It entails a much greater degree of political organization and of policy design and implementation that is science-based and sensitive and appropriate to local circumstances. A clear focus on delivering equitable development and sustainability outcomes would enable community acceptance, also ensuring long-term political legitimacy and consent-based compliance.

It will also require a greater level of international cooperation and coordination, including putting together multilateral arrangements, ensuring equitable burden-sharing that reflects historical and current responsibilities (arising, for example, from imperial and colonial exploitation) and capabilities, the provision of financial and technological support to developing countries and peoples that need such support, and ensuring that climate change economic response measures do not adversely affect developing countries.

What needs to be done to address global systemic issues such as global economic inequality and climate change is to undertake systemic policy changes to address structural flaws in the global economic architecture. The positive thing is that change can be undertaken, as policies are products of human institutions. Effecting such systemic, integrated, coherent and sustainable policy transformations requires a change in the narrative framing. This is because the current framing remains very much that of the free market, neoliberal economic approach, which is appealing to many policymakers because of its narrative simplicity and linear reductionism.

There have been initiatives since the mid-2000s that have attempted to respond to increasing calls for environmental sustainability and income equity. For example whilst not new, the idea of "greening" the economy – e.g. to make national economies "green" through better environmental protection and lower GHG emissions has risen in prominence in response to the increasing recognition and impacts of the climate change crisis. For example, leading up to the 2012 Rio+20 UN Conference on Sustainable Development, the incorporation of "green economy" concepts was a highly controversial issue between the developed and the developing countries which was only resolved through a compromise in which the concept was referred to in the outcome document in a non-prescriptive way.

Since 2015, after the launch of the UN's Agenda 2030 and the adoption of the UN Framework Convention on Climate Change's (UNFCCC) Paris Agreement, this idea of a "green" economic framework has found expression in various policy initiatives and pronouncements at the national, regional and global levels. These include, for example, the European Union's "Green Deal" and recent proposals with respect to a "Green New Deal" in the US.

How economies can be made "green" is very complex, and any use of the terms "green economy" or "green deal" will be varied and context-specific. In the current international arena, key parts of that context would include each country's national circumstances, international policy guidance frameworks such as Agenda 2030 and the Sustainable Development Goals (SDGs), and agreed treaty frameworks relating to global public environmental goods such as the UNFCCC and its Paris Agreement. This shows that there is no single approach towards how countries can "green" their economies or make these more environmentally sustainable. Furthermore, these initiatives do not fundamentally address the underlying systemic flaws of both the theory and the policy practice.

A New Narrative

To effect narrative change, a new story has to be told – one that would reflect "a shared interpretation of how the world works". Narratives are particularly important in making and influencing policy. Progressive narratives that are evocative of justice and equity and which can take-over the narrative evocative

of capitalist economic “freedom” (“free market”, “free trade”) need to be developed and employed to shape policy change away from the dominant model and fundamentally redefine or reframe the issue.

The challenge is creating coherent and integrated narrative frameworks that can embody a progressive thought architecture fitting the complexity of the current context, yet sufficiently evocative and attractive to trigger and push forward the systemic and integrated policy changes needed to address complex real world global problems with community-oriented, justice-based and equitable solutions. The narrative should reflect the interests and needs of ordinary people and their local communities into policy-relevant and non-abstract language to shift public policy and generate supportive governmental action. Narrative catchwords that can capture the public and policymaker imagination and which can be made appropriate to various national or community circumstances are needed.

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