

## Policy Brief #1

# Recommendations on Macroeconomic Issues

for the UN General Assembly Open Working Group on Sustainable Development Goals (OWG on SDGs)

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The recommendations on macro-economic issues presented here have been compiled from two civil society consultations conducted by UN-NGLS in 2013: a teleconference-based consultation that resulted in the report [Advancing Regional Recommendations on the Post-2015 Agenda](#), and an [online consultation](#) on four post-2015 reports to the Secretary-General. A list of organizations that participated in these consultations is available [here](#). This brief also draws on [recommendations by the Women's Major Group](#) on sustained and inclusive economic growth and macroeconomic policy questions for the OWG on SDGs, and a draft statement of the civil society "Finance and Trade Issues Cluster" addressed to the OWG on SDGs.

Rising inequalities, mass unemployment, a financialized economy increasingly disconnected from real economic needs and prone to volatility and repeated crises, as well as warnings that ecosystems are approaching tipping points, compel urgent and fundamental restructuring of economies worldwide. This cannot amount to proceeding with "business as usual" in a more eco-friendly way. The post-2015 discussions should be a space to rethink the prevailing economic development paradigm, and to move beyond blanket prescriptions, such as the tendency towards indiscriminate promotion of financial and trade liberalization, deregulation and privatization, export- and foreign investment-led growth, and a reduced role of the State.

In many developing countries, high growth rates fuelled by the recent commodity boom have not translated into substantial creation of decent jobs and expansion of social services. Where "rents" from extractive industries and primary commodity exports did lead to substantial redistributive policies (as in parts of Latin America), these sectors often inflicted severe environmental and social harm, including extensive human rights violations. Growth is a highly misleading proxy for job creation and should not be an aim in itself; the objective should be the realization of all human rights and all aspects of human wellbeing, within ecological limits.

The private sector cannot be expected to play the primary role in managing the major structural shifts required to realize development goals equitably and sustainably. Democratically defined public policies must steer public and private initiatives to meet sustainable development objectives.

A truly transformative post-2015 development agenda must promote the diversification of national economies towards more self-reliant, resilient, employment-intensive forms of production and consumption, and away from natural resource-intensive means. Rising income inequalities have major macroeconomic implications; they were one of the underlying causes of domestic and global imbalances that led to the 2008 financial crisis. Equality should become a macroeconomic priority, involving significant redistributive and inclusive policies, such as universal access to essential public services, universal social protection, progressive tax policy and wealth redistribution, and a reversal of the widespread pattern of stagnating or declining wages and incomes for the vast majority of the world's population.

A wealth of experiences and approaches (ranging from human rights based approach to economic policy, feminist economics, [buen vivir-inspired policies](#) to [social and solidarity economy](#) enabling frameworks) in all regions of the world successfully align economic activities with the imperatives of decent employment and environmental regeneration. However, many obstacles and systemic risks inherent to the current international trade, investment and financial architecture stand in the way of implementing this transformative agenda. These obstacles and risks – which notably reduce the room for maneuver (policy space) to implement sustainable development policies and leave open the likelihood of new economic crises – must be overcome as soon as possible to attain current development goals, as well as to achieve a transformative development agenda beyond 2015. In addition, the paradox of the UN’s endeavour to build a new global development agenda amidst the [widespread practice of austerity](#) around the world must be addressed. A large part of this challenge involves bringing systemic corrections to the asymmetric adjustments between trade surplus and deficit countries to ensure that adjustments are equitably shared and non-recessionary for the deficit countries.

Detailed recommendations are presented below, organized according to the following six objectives:

1. Align macroeconomic and related policies with economic, social and cultural rights obligations;
2. Make decent work and social protection for all a macroeconomic priority;
3. Reduce inequalities and promote redistributive measures;
4. Reform the international tax architecture;
5. Reform the international financial architecture; and
6. Reform the trade and investment architecture.

## **1. Align Macroeconomic and Related Policies with Economic, Social and Cultural Rights Obligations**

- a) In accordance with the International Covenant on Economic, Social and Cultural Rights, ensure that fundamental human rights principles, including the principles relating to progressive realization of such rights (without regression) within maximum available resources, guide macroeconomic policy choices and serve as the basis for their evaluation.
- b) Ensure that macroeconomic, financial and trade policies with international ramifications, as well as policies promoted by international trade and financial institutions, are compatible with the extraterritorial obligations of States in the area of economic, social and cultural rights. These include the “obligation to avoid causing harm,” as specified in the [Maastricht Principles](#) on these aspects of international law.

## **2. Make Decent Work and Social Protection for All a Macroeconomic Priority**

- a) Agree to a new goal on full and decent employment and livelihoods, incorporating the four pillars of the [Decent Work Agenda](#) of the International Labour Organization (ILO), and ensure that fiscal, monetary, and sectoral policies prioritize this objective.
- b) Fully implement the ILO’s [core labour standards](#); reject policies that present the deregulation of labour standards as a necessity to maintain “competitiveness.”
- c) Ensure more equitable income distribution, through reversing the long-term decline in the share of labour in income, addressing gender disparity in wages, and by adopting or increasing minimum wage policies and caps on very high incomes.
- d) Agree to a standalone goal on universal social protection in the post-2015 agenda, emphasizing the need to introduce social protection floors, particularly in countries where social security is minimal,

with the aim of securing universal access to social services, including care services, and basic income security for all, based on [ILO Recommendation 202](#).

- e) Support the scaling-up of the [social and solidarity economy \(SSE\)](#), which represents myriad initiatives around the world by enterprises, cooperatives, organizations and community groups that undertake economic activities which create decent jobs and simultaneously seek to meet social and/or environmental objectives, following shared principles such as cooperation, democratic economic management and local ownership and reinvestments. Create a conducive environment for SSE by crafting appropriate legislative and legal frameworks, providing low-cost, long-term finance, and funding for development assistance in this field.
- f) In line with recommendations by the UN Special Rapporteur on extreme poverty, States must recognize unpaid care work – currently predominantly undertaken by women – as a social and collective responsibility; promote redistribution of care responsibilities among diverse families, the State and the market; and ensure necessary support, including for quality public services such as child care and health care, and infrastructure provision including water and energy.

### **3. Reduce Inequalities and Promote Redistributive Measures**

- a) Adopt a standalone goal on reducing inequalities; include inequality reduction targets in all other goals.
- b) Implement progressive taxation measures on wealthier companies and individuals, and reverse regressive tax measures, such as high value-added taxes (VATs), especially on essential products; ensure that progressive tax reform takes into consideration the impact of tax codes on human rights, especially of the more vulnerable groups.
- c) Phase out subsidies that support unsustainable production and consumption patterns and redirect these significant resources to fund sustainable development, while ensuring that poorer income groups are not negatively affected by these measures.
- d) Adopt targets to shift government resources away from military spending and towards social spending.
- e) Promote universal access to social services as well as redistributive policies such as cash transfers, while refraining from imposing socially-oriented conditionalities, such as those which could require travel to distant health clinics and schools, which negatively impacts women undertaking unpaid care work.
- f) Adopt goals and targets to frame these redistributive policies and combat excessive concentrations of wealth and land ownership, such as a universal objective on “maximum limits on wealth per person or enterprise”: for example, less than x% of the persons or enterprises cannot own more than y% of GDP.

### **4. Reform the International Tax Architecture**

- a) Implement financial transactions taxes regionally and at the global level.
- b) Agree internationally to automatic exchange of information of bank holdings, country-by-country reporting of transnational corporations (TNCs), and the closing of tax havens, as indispensable measures to prevent tax avoidances and enable progressive redistributive taxes. Upgrade the UN Committee of Experts on International Cooperation in Tax Matters to an intergovernmental body.
- c) Adopt regional and global agreements to reverse the “race to the bottom” in national tax concessions to foreign corporations, which may extend to prevent other perverse incentives, such as weakening labour and environmental standards to attract foreign investments.

### **5. Reform the International Financial Architecture**

- a) Improve financial regulation, including through the use of capital controls, and reverse the financialization of the economy in a manner that would allow for a sustained shift of resources from

the financial economy back to the real economy, prioritizing employment-intensive, low-carbon and low-resource intensive production.

- b) Prioritize support to micro-, medium, community-based, and cooperative enterprises, where the overwhelming majority of jobs around the world are created, notably through measures such as national and international guarantee funds, grants, and highly concessional long-term loans.
- c) Rein in the power of “too big to fail” institutions through enforceable national and international regulations that would sanction them as “too big to allow,” and implement a range of measures to prevent the socialization of the costs of corporate wrongdoing.
- d) Regulate food and commodities markets to curb price volatility, while rendering illegal those high-yielding financial instruments that lack any social purpose.
- e) Address the problem of unsustainable debt, including by: i) reviewing onerous debts and cancelling those deemed illegitimate; ii) prioritizing resources for meeting development goals and human rights obligations over debt repayments, especially in least developed countries; iii) establishing an independent and fair debt arbitration court that can provide a single statutory framework for debt crisis resolution by ensuring that both creditors and debtors cooperate to restructure sovereign debt, while taking into account the debtor country’s unique economic conditions; (iv) preventing human rights violations during a debt crisis by declaring a debt standstill and pursuing counter-cyclical fiscal and monetary policies (with international assistance if needed) rather than austerity measures.
- f) Reform and democratize international financial institutions to ensure that they: i) give much greater voice to developing countries, particularly Least Developed Countries; ii) genuinely respond to national and regional circumstances and priorities; iii) catalyze productive investments, including in clean production systems; and iv) abide by the international human rights obligations of States.
- g) Limit exchange rate volatility, notably by developing and implementing an effective regulatory system for countries and blocks of countries that issue reserve currencies, and transitioning from overdependence on the US dollar in international transactions towards a supranational reserve currency – with revamped Special Drawing Rights as a proxy leading towards such currency.
- h) Promote [new financial and monetary architectures](#) at the regional level, by: i) establishing regional monetary funds that would pool foreign currency reserves to combat speculative attacks and to compensate for economic asymmetries within the region; ii) extending intra-regional trade through regional complementary currencies; and iii) establishing or consolidating regional development banks that finance transformative objectives in alignment with the realization of economic, social and cultural rights and environmental regeneration.

## 6. Reform the Trade and Investment Architecture

- a) Review international trade and investment agreements, which restrict the ability of governments to regulate foreign investments in the public interest, impose barriers to technology transfer, prevent fair taxation, and include other measures not consistent with the objectives of sustainable development.
- b) Address the problem of excessive concentration of corporate power, such as global cartels that stifle innovation and crowd out alternative initiatives, notably by developing international anti-trust laws and institutions, and reinstating the equivalent of the former UN Centre on Transnational Corporations – an independent entity to monitor TNCs and help ensure that States respect their commitments to regulate them.
- c) Ensure that the trade architecture provides the flexibility for developing countries to adopt trade, public procurement and other policies to protect and promote the livelihoods of small producers, achieve food security, access to affordable medicines and technology, and foster nascent domestic industries, including by giving [Special and Differential Treatment \(SDT\)](#) serious weight, operationalization, and legal status for developing countries in the next phase of negotiations at the World Trade Organization (WTO).