Putting People First: Beyond COVID-19

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Abstract

> *"The political problem of mankind is to combine three thing: Economic Efficiency, Social Justice and Individual Liberty".*
> John Maynard Keynes

The global pandemic is bringing all the issues that torment the modern world to boiling-point: inequality, job scarcity, ecological transformation, mass migration, artificial intelligence and the uncontrolled development of public goods and culture[5]*. This paper advances the simple idea that all policies must be driven by the notion of 'putting people first'. And, who benefits and who loses from state actions has to become an essential part of societal dialogue and policy-making.*

The emergency of COVID-19 has forced the state into a commanding economic position.

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5 Adapted from Laura Penacchi, Social Europe, 19th April 2021.

This presents an opportunity to recast economic and social policy in a form suitable for our times, specifically to reinstate the state's duty to protect the health, security, and well-being of its citizens and enhance their capabilities and human agency.

The paper advances the notion that markets are a social construct and that their efficacy and social value depend in large part on the purposes of the states themselves. The purposes of the state cannot be outsourced to the market.

Since the 1980s the language of economics has been that of neoclassical economics, with neoliberalism as its political expression. Neoclassical macroeconomics limited the role of the state to the 'fight against inflation', which was delegated to autonomous central banks. By means of this 'newspeak' the Keynesian system was deprived of virtue and neoliberalism came to stand for rigour and even morality. But a policy regime based on the assumption of automatic tendencies towards full employment and cyclical stability is unable to prescribe for a world normally marked by the absence of both. To do that, we need an updated macroeconomic framework indebted, but not confined, to Keynes.

Neoclassical microeconomics validated the market-determined allocation of capital and distribution of income. This ignored the truth that markets are necessarily embedded in a system of political economy, whose aims are broader than those of market efficiency. Exclusive attention to market efficiency omits the requirements of morality and justice that bind society: the equal right of all citizens to health, education, decent jobs, political voice, personal and economic security; an approach to well-being rooted in human development and in Amartya Sen's notion of capability.

Economic and social policy post-COVID-19 must, therefore, be a mix of recovery and reform. Unlike in the past these cannot be separated, since recovery must be directed to securing the sustainability of the recovered economy, including social sustainability. So, the state's role has to be transformative.

It is now widely recognised that recovery requires a 'stimulus' and that the stimulus will need to be primarily fiscal and not monetary. In principle, the balancing of the economy should be a fiscal responsibility, with monetary policy as a constraint on fiscal excess. Success in meeting this challenge will determine the survival of the European single currency.

One important fiscal idea is to make the state 'employer of the last resort' via a decent public job guarantee. This would create a more powerful automatic stabiliser *than unemployment insurance as well as keeping a vital link between the worker and work.*

Transformative policy will need to address itself to the task of ensuring economic and social sustainability. It must ensure that market activity does not result in a depletion of precious natural and human resources and the social systems of trust and cooperation on which the well-being of people depend.

Three main lessons or conclusions arise from the COVID-19 experience:

1. The State matters an obvious but necessary restatement. Much can be achieved by defining clearly the purposes of the state and by taking on a 'whole of policy-making' approach that eliminates institutional lines separating macro policies from micro level action and structural reform.

2. Reform and protect. The imperative has to be to build on and reform, rather than strip down and fragment, the social relations of employment, to maintain social cohesion and stability at a macro level and to promote a fairer and more equal society. Employers have to play their part in 'putting people first' by providing decent jobs, contributing to the costs of social protection and providing opportunities for training and progression.

3. Influence technological change. There is much worry that the pace and direction of technological change may result in large swaths of society losing their livelihoods, their sense of meaning, and their freedom from control and surveillance. Putting people first means reclaiming technology for human flourishing.

Keywords: Role of the state, newspeak, dominance of fiscal policy in the policy mix, social protection.

1. What's in a word?

The re-emergence of the state has not been as a result of conviction, but of necessity. The established theory of economic policy under 'normal' conditions has not changed. Words define concepts. Using the wrong word deprives us of a concept that may capture well one's thoughts and experiences. Concepts in turn drive policy. The wrong concept can have a profoundly negative impact on the lives of people[6].

The SARS-CoV-2 has exposed the fragility of the conceptual underpinnings of policy. In the same breath we seem to have gone from the 'absolute necessity' of budgetary discipline to the 'absolute necessity' of deficits. And, there is still a lingering desire to think of the 'COVID-19 crisis' as transitory, to be followed by a return to 'normality', as was the case after the financial crisis of 2008-2009.

Economics is illustrative of the pitfalls of language. The terms we use – Keynesian, neoclassical, new classical, new Keynesian – by flattening time, obscures the chronology of theoretical contributions. We are led to suppose that a 'primitive' Keynesian school was succeeded by the 'superior' new classical or neoclassical school, whereas in fact, today's new classical economics is a reversion to primitive pre-Keynesian economics, decked out with a mathematical apparatus designed to give it authority.

Of all the schools, only the Keynesian and Marxian schools attempt to provide a theoretical explanation of unemployment. Today's new classical or neoclassical orthodoxy denies its existence or makes it the consequence of 'frictions' that prevent the market from functioning freely. Thus it remains in the pre-Keynesian period, even if its form has reached a high technical level. From this chronological perspective, Keynesian theory remains post-neoclassical.

The word Keynesian has taken on a pejorative connotation. Gregory Mankiw, President of the US Council of Economic Advisors from 2003 to 2005, highlighted the tension between the Scientist and the Engineer, arguing that the Engineer – that is Keynesianism – remained dominant in the direction of US economic policy. But despite that, it is increasingly clear that it is the

6 Jean-Paul Fitoussi: *Comme on nous parle: L'emprise de la novlangue sur nos sociétés*, LLL, 2020.

Scientist who has won the intellectual battle, that is, the new classical school whose founding father, Robert Lucas, famously stated "people will no longer take Keynesian theory seriously in the future". The New Keynesians have responded to the challenge by using the very language of the new classical school. The result is a watered-down version of neoclassical theory, one that accepts neoclassical 'science' but leaves a narrow policy space for Keynesian 'engineering'.

In Europe, the scientist has won both battles – intellectual and policy. Words like full employment, fiscal stimulus, industrial policy, public investment, have been replaced with terms like competitiveness, structural reform, fiscal compact, and public debt. There is a close correspondence between the precepts of the new classical school, and European institutions, and European policies in particular.

It is therefore with an impoverished language, stripped of its diversity, that we describe the Anglo-American/European universe. But as the American experience teaches us, this language does not solve any relevant problem and that is why perversely it is well suited to Europe in particular where rules freeze the handling of economic policy instruments, and prevent their proper application.

This new language tries to influence us in two ways: first, to convince us that everything has been done to solve the haunting problems we face: unemployment, precariousness, inequalities.

By dint of repeating this, it appears that nothing more can be done about them.

The second direction is more concrete and refers to the efficacy of policy measures. The newly empowered language of neoclassical economics takes on, even promotes, 'structural reform' of pensions, unemployment compensation, and labour law in order to maximise efficiency, competitiveness, and save money, indifferent to the social cost of such policies.

Consider the curious term "the end of work". On the one hand, it reflects the ancestral fear of technical progress robbing workers of their employment and remuneration. But it could just as well herald an economy of abundance, and, as Keynes said the end of the 'economic' problem. Which of the two hypotheses prevails depends entirely on policy.

The idea that technology is necessarily detrimental to work is invalidated by past technological revolutions. What is called the Fourth (or digital) Industrial Revolution discloses two possibilities: either the increase in productivity resulting from digitalisation makes it possible to increase remuneration and reduce working time, or the increase in productivity is captured by a tiny minority of people, which means that the end of work happens as well, but only represents a Pyrrhic victory. Who will in fact buy the products if most individuals have no incomes? There is indeed some confusion between technology and distribution: if an increase in productivity happens in a world of moderate inequality it can lead to an increase in well-being. If it happens in a highly unequal world, it may lead to a catastrophe – the bigger the degree of inequality, the deeper its catastrophic consequences.

Globalisation has also entered the 'newspeak' dictionary. Globalisation is 'good' because it widens the market and allows us to take advantage of new opportunities. At the same time it causes disruptions and losses, against which nation-states exist to protect their citizens. What is curious is that Europe seems to prefer to disarm itself. It does not want to be a federation, let alone a power. Defining itself as a federation of nation-states increases the ambiguity of its identity, which reduces its weight in the concert of nations. Depriving itself of many of the instruments of power – fiscal policy, exchange rate policy, industrial policy – it cannot devise a strategy to deal with globalisation, which is fast becoming its soft underbelly.

After the crisis of sovereign debt in 2008-2009 the 'migraines' of orthodox economists were budget deficits and public debt. Now they have to admit that both were not as important as previously thought, and that even more, their enlargement might be good policy. But a kind of conditioned reflex renews them: "how are we going to repay the pileup of COVID-19 debt?" they ask? Yet the two situations are radically different. In 2008-2009 the constraints on spending were self-imposed (at the expense of society). Today, in the age of COVID-19, the elites have little choice, since 'virtuous frugality' has become politically unacceptable.

The crisis calls governments to order by reminding them that their primary mission is to protect their populations – to put people first – not to unravel the systems of social protection. They can no longer pursue the race for competitiveness by bidding against economic security. Still, they itch for action and reputation by pursuing reforms in labour law, health insurance, unemployment insurance, and pension systems under the umbrella of 'structural reform'.

Policies such as deficit spending that are now being taken up as a matter of necessity are precisely those that were earlier dismissed as irrational. Wasn't the dominance of austerity policies part of the logic of competitiveness, designed to weaken monopoly power in labour markets? This logic of the market is belied by historical experience. From 1945 to the end of the 1970s, growth and inflation kept the public debt under control, in spite of the oil shocks. In France, President Giscard D'Estaing's seven-year term of office ended in 1981 with balanced public finances. The UK, which at the end of the WWII had a debt of more than 200% of GDP, found itself at the end of the seventies with a debt of about 40%. Even Italy in this period had a low public debt. In addition, more generous systems of social protection and a strengthening of the bargaining power of workers (the opposite of what is happening today) had favourable consequences for economic growth. The problem public debt only emerged with the restrictive policies and the conservative revolution of Thatcher and Reagan, aimed at defeating inflation and reining in the state.

The stubbornness of governments did the rest: the fight against inflation had to be continued at all times, whatever the rate of unemployment and in spite of high interest rates. To build a good public debt, you only need three ingredients: a sluggish economy, low inflation and abnormally high interest rates. This is why the soaring public debt coincided everywhere in the world not with Keynesian policies but with their abandonment, and why a system designed to secure monetary stability led to the greatest financial instability that the world has known since the 1930s.

By means of the 'newspeak' the Keynesian system was deprived of virtue, and neoliberalism came to stand for rigour and morality. Policies seeking to advance well-being were said to be inherently ineffective. Today, as is only right, there is much renewed reflection given the COVID-19 crisis, but whether tomorrow there will a stronger fight for social progress depends on the language used to understand what has happened and is happening. What follows is a policy discussion conducted in an updated language much indebted to Keynes but rooted in a human development framework.

2. Rethinking the basics and addressing structural deficits

Today, neoliberalism appears to be in retreat, given the scale of the COVID-19 crisis, with much interest in broadening the scope of state action to improve the lives of people. Even the US Federal Reserve in its conduct of monetary policy is being asked to address long-standing deficits of income and market access for minorities and the poor.

But progress is neither automatic nor inevitable. It is the product of enhanced capabilities of individuals coming together in a functioning society. With the right policies and institutional and societal support much can be achieved. In trying to understand where we are currently and where we need to go, we have to re-examine the essential building blocks of our analysis: markets, the role of government, and the intent of policies.

Markets. Markets are an essential safeguard of liberty and variety. But their efficacy has always depended on the purposes of the state. Karl Polanyi in his classic book[7] traced the dynamics between markets and state in 17th and 19th century Europe. The arc from belief in free markets to a regulated market system arose as a reaction to rising poverty, unemployment and insecurity. Today, COVID-19 presents a similar challenge in redefining the relationship between states and markets.

Markets of course have never existed in a vacuum of institutions, and institutions have never existed without the support of a state. To take just one example, trade cannot be sustained without contracts and trust. This implies a network of legal arrangements (including constitutional) and the taxes to finance it, but also a network of trust that gives assurance that promises will be honoured. Equally a market system cannot generate sufficient social consent if it is routinely associated with heavy unemployment and rising inequality of wealth and income.

The State. Putting people first should be obvious for a government. After all, improving the lives of people is its main responsibility. This should be reflected in the objectives of all policies, not only the economic one. It implies first and foremost that equal attention should be given to all citizens. The UN's Sustainable Development Goals represent a transformational agenda,

7 Karl Polyani, *The Great Transformation*, 1944.

seeking to promote a more just world. Policy frameworks and markets in turn have to be revamped to deliver on that transformational intent.

Principles are important. The basic idea of human development is about promoting equal life chances for all, based on the Kantian principle that all people are of equal value, as also enshrined in the UN Charter. It is based on the universalism of life claims. And it promotes the notion that humans need to be empowered to live lives they value[8].

The Developmental Perspective requires us to take a further step. John Rawls's influential work on justice[9] sought to develop principles for a just society and to address the problems associated with redistributive justice. While taking issue with the Rawlsian search for the ideal, Amartya Sen[10] proposes a focus on the actual behaviour of people and the need to remedy the injustices that are 'here and now'[11].

This suggests a second principle to guide state policy in which social context matters. It posits that equal consideration for all (the 'ideal state') may well demand unequal treatment in favour of the poor and the disadvantaged – to enable the most excluded to exercise their human agency more equally (the 'here and now').

Both economic and social policies influence people's life chances and capabilities. Pursuing the broader goal of equity and justice also reinforces social competences and deepens social cohesion.

Since all policies are a means to an end, their justification should lie in their influence on the lives of people. Considerations of equity have to become embedded in the debate about policy. Who gains and who loses when policies are designed or implemented has to become part of the national conversation.

These broader concerns seem to have been forgotten since the end of the 1970s when the conservative revolution took place. Without being fully aware of it, there was a shift from a frame of reference for economic and social policy that favoured final objectives to one in which only intermediate objectives seemed to matter. In other words, there was a shift from political economy to a "technocratic" economy. Commitment to full employment was

8 2014 Human Development Report.

9 John Rawls, *A Theory of Justice*, 1971, and *Justice as Fairness: Political not Metaphysical*, 1985.

10 Amartya Sen, *The Idea of Justice*, 2009.

11 Khalid Malik, *SDGs and Justice*, Background Paper for the HLPF, 2019.

replaced by obsession with balancing the budget; obsession with efficiency replaced the conversation about ends and values; people came to be regarded as parts of machines that had to run without 'frictions'.

The primary aim of government (and society more generally) therefore is to raise the level of well-being of the population: as listed in the 17 SDGs of the UN, or on specific determinants of well-being such as Health, Education, Decent Jobs, Voice, Social Connections, Environmental conditions, Personal security, Economic security, and Material Conditions (Income and Wealth). COVID-19 serves as an illustration of the importance of these determinants. Had the objectives of policies been addressed to these determinants, a lot of human, social, economic suffering would have been avoided.

Some of these capabilities (Sen, HDRs) may be quite elementary such as being adequately nourished, while others may be more complex such as having the literacy required to participate actively in political life[12]. All are essential for a person who wants to choose the life she/he would like to live.

The challenge of globalisation. Globalisation is the process of integrating markets in goods, capital, labour, and information across national frontiers. A globally integrated market economy is the ultimate goal of neoliberalism. It is thus a direct challenge to any attempt by the state to regulate and limit markets. At the same time it is an important cause of economic insecurity, precariousness, and the rise in inequality.

Neoliberal globalisation[13] is very different from the 'internationalism' which emerged after World War II. This contained a clear realisation of the mission of the state, to contain the adverse effects of internationalisation: to protect the population through a robust Welfare State, and domestic full employment policy. In addition, national states created, in the Bretton Woods system, the international institutions to foster economic development and to prevent 'beggar my neighbour' policies like currency and tariff wars.

Economic integration brings openness. Openness triggers volatility. Volatility fuels insecurity. Insecurity requires protection. The central problem of globalisation, now and then, is thus how the demand for protection against economic, social and environmental insecurity can be met within an international framework.

12 J.E. Stiglitz, A. Sen and J.-P. Fitoussi, *Mismeasuring Our Lives: Why GDP Doesn't Add Up*, 2010.
13 Jean-Paul Fitoussi, *Globalization and the twin protections*, Working Paper OFCE, 2007.

There is a need to disentangle rhetoric from reality, and recognise from the outset that the phenomenon of globalisation is happening in a world populated by nation-states. The COVID-19 pandemic dramatically brought out the central purpose of the nation state as protection of its population. More than ever the nation-states of the world are alive and well: the hyper power of the United-States, the super power of Europe, Russia, and China.

The rhetoric of globalisation clashes with the reality that power and protection are putting strict limits on the interplay of free markets. For example, the selling of a nuclear plant by a country to another (in a context where such a trade is allowed) depends much more on the interplay of power than on economic considerations. The same can be said about the trade in energy, airplanes, vaccines and the like. Trade between countries often obeys geopolitical considerations rather than just economic ones. There are political externalities to economic trade. Most of the time, trade between countries stems at the boundary between economics and diplomacy. However obvious this assessment is, it is necessary to belabour the point to shake the certainties of the free market believers. Here again, as the COVID-19 crisis highlights, globalisation has reduced the sovereignty of many states, so confident in international trade that they had left to other countries to produce goods strategic to their own survival, medicine among others.

Because of this new consciousness, governments now understand that they should control the markets rather than be controlled by them. Markets are a social construct. ‘We the peoples’ are the ones who shape them with rules and regulations and determine their scope. Their ultimate outcomes are a function of our design. Markets are a means not an end.

This implies that governments also have the mission to promote the production of strategic goods and services at home. And this is happening. In several countries, ‘outmoded’ Institutions and ideas are being rejuvenated, as in France where a Planning Bureau was re-created in September 2020. What other governments are saying is similar in substance:

> *“The government will have to protect workers, all workers, but it would be a mistake to protect all economic activities indifferently; some will have to change, even radically, and the choice of which activities to protect and which to accompany in the change is the difficult task that economic policy will have to face in the coming months”.*
> Mario Draghi, 17th February 2021.

3. Towards a framework for economic and social policy

The sluggish and increasingly uneven economic performance of the neoliberal era challenges the orthodox dictionary. COVID-19 has gone further and laid bare the structural deficits of the existing system.

Traditionally policy challenges are divided into short-term and long-term. The short-term challenge is to macro-policy, the long-term to meso and micro-policy. We can stick with this division, provided we remember that the way we handle short-run cyclical disturbances is bound to shape the long-run trajectory of the overall economy. But we need to go further.

It is generally accepted that our economies require a 'stimulus' after the profound shock of COVID-19. President Biden has given the lead here with a stimulus package of $1.9 trillion, amounting to about 10% of US GDP[14]. This is grounded on the recognition that market-based economies lack an automatic recovery mechanism strong enough to bring them back to full employment. The consensus of forecasts is that in the post-COVID period the UK and European economies will, in the absence of stimulus measures, be up to 10% smaller than they were in 2019, with a corresponding rise in unemployment. There is a debate about how much 'spare capacity' this actually represents, because of hysteresis and scarring effects. Existing capacity has been destroyed, not just shut down, so new capacity will have to be created.

It is further right to state that recovery policy will have to address itself to issues of supply and not just demand, *i.e.* that the Keynesian remedy of digging up holes and filling them up again is inadequate. That approach whilst useful does not create the desirable long-term improvement in people's life chances. True enough, any direct boost to demand, by increasing national income, is also an indirect boost to supply. However, there is a danger that any serious lag in the supply response will cause inflation. So for this reason an investment policy must pay attention to questions of quality and not just quantity. This directs attention to the nature of the supply required by economies of the future.

The big current debate in macro-policy is between the respective parts to be played by fiscal and monetary expansion. The orthodox view has long

14 The first part of the stimulus provided under the Trump administration amounted to 3 trillion dollars.

been that any ‘heavy lifting’ an economy requires should be done by monetary policy. This goes back to Friedman’s restatement of the QTM, which posits a direct link between money and nominal income. The effects of quantitative easing (QE) will be divided between prices and output. In one theory of the transmission, a boost to (say) asset prices is expected to spill over into the real economy via wealth and/or confidence effects.

However, experience of 2008-2009 shows that monetary policy is much the weaker of the two recovery instruments. The best that QE did – and this is a considerable plus – was to prevent the banking crisis from sliding over into another Great Depression. But it provided only a marginal stimulus for recovery. The reason lay in low profit expectations by investors and the quantity of defaulted loans in banking balance sheets. So there is now almost a consensus that fiscal expansion is the more effective of the two instruments in present circumstances. It guards against ‘hoarding’ of new money, and it is more effective in directing money to the real economy.

In this context, it is now timely for governments to adopt once again full employment as a key objective of the state. And perhaps go even further by becoming ‘employer of the last resort’, offering a public sector decent job guarantee to any person of working age willing to work but unable to secure a job in the private sector. A buffer stock of decent public sector jobs which waxes and wanes with the business cycle would be a much more powerful economic stabiliser than the complex and increasingly punitive system of unemployment benefits, while its automatic character would guard against the dangers of a ‘political business cycle’. Having a job is critical to individual self-esteem. It reinforces family cohesion and enhances social solidarity.

Against this acceptance of a loosening of fiscal chains, the old language deplores the lack of any apparent limit to government spending (this is why the ECB was forbidden to finance the debt of member governments). If there is no limit to central bank financing of government spending (monetising the debt), the Central Bank, it is claimed, simply becomes an agent of the Treasury. In the UK, since March 2020, the expansion of the QE programme has exactly tracked the increase in the budget deficit. Can the idea of Central Bank independence survive the perception that the main aim of monetary policy is to enable the government to finance its deficit? Modern Monetary Theory argues that the only constraint on government spending is inflation, but this begs the question why the government should treat inflation as a constraint, in view of its beneficial effects in stimulating activity by, among other things, reducing the real cost of borrowing.

This critique of pure ‘fiscalism’ has led the argument for retaining central bank independence to set interest rates as a curb on excessive government spending. This recognises, though, that the government should be fiscally active rather than passive.

The question of new rules to secure necessary coordination of fiscal and monetary policy remains under discussion, even after old reminiscences like Ricardian equivalence have started to yield to the brute facts of persisting under-utilisation of capacity punctuated by recurrent financial crises.

Cutting across these questions is the realisation that any COVID-19 recovery policy should be directed to securing the sustainability of the economy and not just its cyclical stability. This concern is in the light of the two long-term challenges of automation and climate change.

The first challenge may be put thus. Offsetting the policy of job recovery will be the growth of ‘technological unemployment’, as automation routinises an ever-increasing number of jobs and professions and platform work further fragments many of the remaining jobs. Such an outcome cannot be addressed by counter-cyclical policy alone. It requires interventions at the micro-level.

One can think of three kinds of intervention, separately or together. The first would be to slow down automation to enable full employment at present or reduced hours of work to continue into the medium future. A second would be to impose statutory limits on hours worked per week (as happened in France‘s ‘*Reduction du temps de travail*’, 1980). Here the benefit would be also to facilitate moves towards greater gender equality through more equal sharing of both paid and unpaid work. The third intervention would be to boost training and ‘upskilling’ programmes to enable re-employment of displaced workers (though that may not necessarily minimise job losses).

We should not reject the first intervention entirely: at the very least it draws attention to differences between ‘good’ and ‘bad’ technology and between means and ends. However, the main medium term challenge will be to ensure that fruits of productivity gains do not accrue wholly to the owners of capital. So, redistribution emerges as a key issue in dealing with technological unemployment. This is only likely to be effective if the current wave of technology does not undermine the system of secure employment with guaranteed hours and income. One can then think of different kinds of redistributionary policy – wealth tax, profit tax, progressive income tax.

In this context schemes of universal basic income (UBI) come into play. They can be thought of as a national dividend, which grows with the productivity growth of the economy. A problem with UBI is its start-up cost, since it is by definition untargeted, and the danger that it may replace other necessary social support programmes like health insurance or unemployment benefits, as well as facilitating and promoting precarious forms of employment, particularly if paid at a relatively low level. The benefits and costs of universal basic income need to be carefully assessed and trialed.

Climate change raises a somewhat different problem of sustainability. The challenge it poses is to ensure a zero-carbon emissions economy. This is separate from both cyclical stability and productivity growth. The need is to ensure a reorientation of the economy to the kind of output which safeguards not future jobs or incomes but future resources. How far can the required rebalancing of economic life be left to market forces (consumer demand) or 'nudged' by tax incentives? To what extent does it require direct government investment in the 'green economy' via institutions like Green Investment Banks – the last of which also raises the issue of public debt sustainability? Such questions should be at the forefront of any re-thinking of the role of the state.

In short, the state has a deep responsibility to advance people's interests and to ensure that rights and capabilities of both the present and future generations are taken into account in defining and implementing policy. For that to occur, the state's purpose has to be seen as a transformational one, promoting justice and removing barriers that hold back human agency.

4. The State's Investment Function

Keynesian stabilisation policy was concerned with the quantity of investment; microeconomic interventions are concerned with the allocation of investment between different uses. Why should not this be left to the financial system in line with investor choice? There is a growing consumer led demand for 'ethical' investment.

However, offsetting this movement from below is the degenerated and predatory character of the financial system. Much of it is socially useless and worse – a Ricardian rent extractor rather than a sustainable wealth enabler. The question then is by what mix of regulation, direction, and prohibition can finance be reattached to the general welfare? Does the political will exist in the EU or (now) the UK for anything beyond cosmetic tinkering?

This takes us back to fiscal policy. The case for the primacy of fiscal policy is not just that it is a more powerful macroeconomic stabiliser than monetary policy, but that government is the only entity apart from the financial system capable of allocating capital. If we are not willing to allow investment in technology and infrastructure to be shaped by a purely financial logic, the role of what Mariana Mazzucato calls 'mission-oriented' public investment becomes inescapable[15]. The last stand of neo-liberal orthodoxy is to assert the superior efficiency of private investment, especially as compared to public investment. The logic is impeccable, but it has lost contact with the reality and the necessities of our time.

15 Mariana Mazzucato, *Mission Economy: A Moonshot Guide to Changing Capitalism*, 2021.

5. Rethinking Social Protection and Innovation

The COVID-19 pandemic has coincided with a period of intense debate about the future of work and employment that has been fuelled by a new wave of technological innovation, presaging the demise of employment of the quantity and form to which the developed world has been accustomed. The pandemic has, however, revealed the very high risks presented by such radical changes and has added to the urgency to strengthen systems of social protection.

To deliver on the larger purpose of improved lives and overall well being, governments have to take on a transformative role, that puts people first, women as well as men, and addresses the structural impediments to minorities, the poor and the disadvantaged, from exercising their agency fully. A 'whole of policy-making' approach necessarily reduces the institutional lines separating macro policies from micro-level actions and structural change.

Going forward, a holistic policy approach should be governed by four guiding ideas.

A. The State matters

It is imperative to reverse the creeping privatisation of public services in the name of 'efficiency' and 'saving money'. Examples abound of 'outsourcing' public services, mainly to the detriment of their users, ranging from the well documented failures of state run prison systems in the US to the recent costly and ultimately ineffective UK COVID-19 tracing programmes which Britain's Public Health Executive sub-contracted to private entities. The focus on efficiency and the mythical belief in the efficacy of the private sector has eroded common sense approaches to the provision of social services leading to a severe underfunding of state institutions.

B. Improving the Social Relations of Production

As the pandemic hit all forms of employment, the need to maintain the linkages between employers and their workforces and to maintain wage income became apparent to most governments in developed countries.

The pandemic could be considered an experiment in the kinds of dramatic changes to employment predicted in the future of work debates but, which when contemplated as a mass change, forced governments to recognise the unsustainability of a dislocated and fragmented employment system in which citizens have no security of income or employment. Moreover, employers have showed more loyalty to their workforces than might be expected under predictions of the inexorable rise of transactional, platform-based work. Even in the United States where there was no job retention or short time work scheme, most of those made unemployed returned to work with their previous employer and most furloughed workers in the UK have been taken back into employment with their current employer.

This suggests the need to maintain and strengthen secure employment relationships. To address the growing fragmentation and insecurity of employment a dual approach is needed that universalises social protections (for example basic incomes for children and citizens pensions), while also extending the umbrella of the standard employment relationship to incorporate more flexible forms of working and more flexible careers. This also requires removing incentives to employers to create precarious jobs – by raising minimum legal standards (for example living wages and guaranteed hours) and taxing employers at the same rate for all forms of work, both direct employment and fees to freelances or to outsourcing companies.

C. State obligations and sharing of responsibilities

While the essential obligation to look after its citizens lies with the state, there is need for clearer thinking about how to ensure that employers share the burden.

If citizens are to retain some stability and security in their lives there is a need for employers to share the responsibilities and costs of maintaining citizens and the workforce in periods when working is not possible due to sickness, maternity, unemployment or old age.

Traditionally the employer contributes through both social contributions and by providing open-ended long duration contracts that minimise moves between employment and unemployment and maintain some stability of income both during periods when workers cannot work due *e.g.* to sickness and in periods when there are minor demand fluctuations. If work is allowed to become more precarious, employers evade more of these costs while at the same time workers' dependency on support from the state increases. The sharing of these costs needs to be maintained by a mixture of methods.

The state needs to take action to block exit routes used by employers to evade responsibilities and to minimise opportunities for voice at work. This means reducing incentives to use outsourcing, casual work, platforms, zero hour contracts and bogus self-employed contracts. The establishment of joint responsibilities between, for example, the client and the outsourcing company, the client and the agency, the client and the platform, all to ensure fair treatment of the workers, including the right contractual status and opportunities for voice and due process within the employment relationship. These initiatives also need to be developed in conjunction with trade union and employee representatives.

There is also the need for employers to help reduce the impact of both COVID-19 and technological change on employment. In the initial recovery period, job sharing could help reduce mental health problems as well as providing a more orderly move towards new careers and restructuring. This is only likely to be achieved through cooperation, with the state providing incentives and support for work sharing and employers facilitating changes to work practices. This could have longer-term benefits as the increasing productivity stemming from technological advance could restart the move towards shorter working hours, a movement that has stalled over recent decades. A move towards a lower standard of full-time hours, more equivalent to 30 hours or a four day maximum working week could also enable a move towards more equal sharing of both paid and unpaid work between men and women. The mass homeworking experiment under COVID-19 has provided the opportunity to normalise flexible working, facilitating a more equal organisation of both work and family life, though there will be a need to guard against the danger of increased employer surveillance of home-based work.

The disruption to employment careers and life chances threatened by both COVID-19 and the application of new technologies also highlights the need for employers and the state to engage cooperatively on major programmes of training and retraining. Action is needed not only to upskill within organisations but also to help those displaced to develop new types of skills and to change careers. This effort needs active involvement of the state, employers and trade unions and employee representatives. The state is needed to fund retraining programmes but employers are needed to provide opportunities to fully develop these skills within a work environment. Trade unions and employee representatives need to be involved to champion the capacities of workers to be retrained and redeployed, to avoid the costly waste of human potential caused by redundancy and long-term unemployment.

D. Influencing technological change

A UK study[16] refers to a potential forty-five percent reduction in middle class professional jobs and a sharp rise in low-end jobs (the precariat) over the next decades. But innovation and technological change processes are embedded in society. They are influenced by incentives and should not be seen as an exogenous variable to which people 'must adjust'. If society adopts a full employment target, then the system is forced to find policy solutions that make that objective possible. Thus instead of taking action to remedy the potential effects of technological change – as outlined above – a better way may be to build in the objective of putting people first into the design and implementation of technology.

The link between technological choices and employment needs further review. Can we influence investment decisions to take into account broader sustainability objectives – both in relation to the planet and sustainable employment/inclusive growth? Some have argued that the most advanced technology available may not be the best way to meet sustainability objectives (even if in theory AI could be repurposed). This then leads us back to the old debates about intermediate technologies, especially in small-scale local production in order to reduce carbon emissions. Further, can more ecologically focussed technologies be developed? This may require combining public commitments to investment with strong market incentives that reward products of such technologies. Putting people first means reclaiming the focus of employment change to provide opportunities for human flourishing.

16 Frey and Osborne, *The Future of Employment*, 2013.

6. Conclusion

We cannot accept the claim of the neoliberal paradigm to be morally neutral, leaving ethics a matter of personal preference. Economists' values are embedded in the models they use, the research topics they select, their choice of relevant variables, and such like. A crisis of values cannot be confronted by the so-called moral neutrality of the market system.

The task facing us is to find the moral and practical equivalents of Roosevelt's New Deal, the Keynesian full employment commitment, the Bretton Woods system, and the postwar welfare state. But, perhaps go beyond that and address long standing deficits in equity, gender and social position.

These are the conditions for any successful and inclusive market system. Their achievement will require a shift of power from finance to production, and of morals from means to ends. And, to go beyond servicing the top tier of society to meeting the needs of people across the board.

The 'bottom line' is an economic and moral system fit for purpose and that which puts people first.