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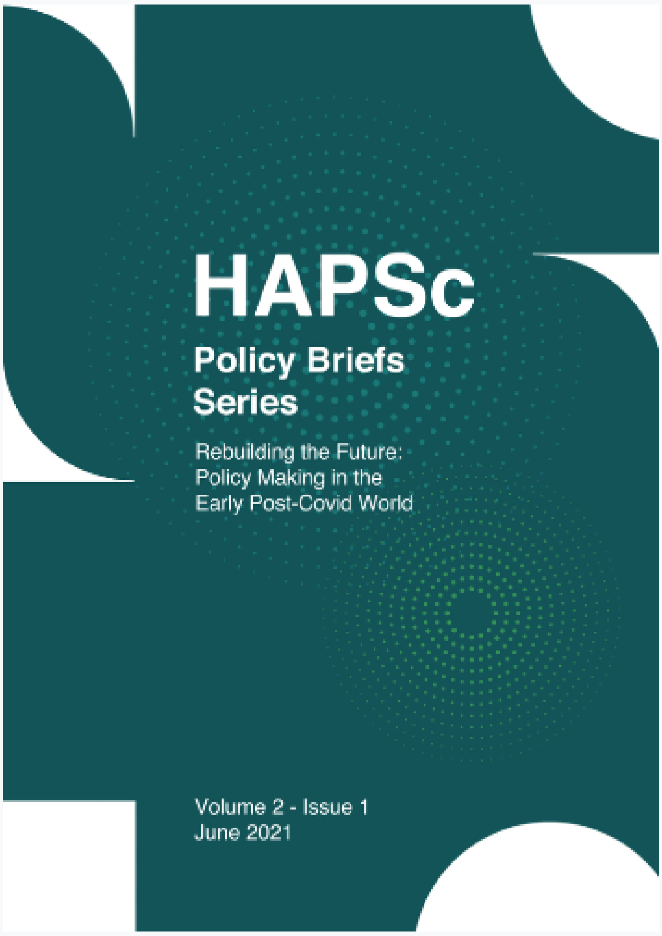

Realigninng Economic Governance with Full Employment

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Realigninng Economic Governance with Full Employment[1]

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Abstract

Full employment remains an economic mirage and an elusive destination for most countries. The ascendance of the new global economy of the 21st century has revealed the economic governance fault lines and the need to redirect the scope and substance of economic policy. This has been accentuated by the cataclysmic trifecta of the first three decades of the 21st century. Human capital has emerged as the driver for the new economy in the creation of the wealth of nations. In effect, the paradigm for the creation of economic growth has shifted from the resources under our feet to the brain power between our ears. This policy brief concludes by proposing a new institution of economic governance whose overarching mandate is to achieve full employment.

Keywords: Economic governance; new global economy; human capital; full employment.

Introduction

The ascendance of the new global economy of the 21st century has precipitated transformational change on the economic, social, and political landscape and redefined the role and scope of labour in the economy. The new economy has elevated the role of human capital to a new iconic pedestal in the creation of the wealth of nations. In effect, the new economy has shifted the emphasis for the wealth of nations from the resources under our feet to the resources between our ears. In consequence, the strategic deployment of human capital in a country's economic capacity is the modern trajectory towards attaining economic growth and prosperity.

The first three decades of the 21st century have recorded a cataclysmic trifecta. Starting with the global financial crisis of 2008 which adversely affected our financial institutions. This was followed by the protracted Great Recession which triggered unprecedented levels of unemployment. In the third decade, COVID-19 created a tsunami of economic devastation that brought national economies to their knees. All of this has spotlighted the need for an incisive re-evaluation of the efficacy of our contemporary labour policies.

New Global Economy

The new global economy of the 21st century has transformed the economic, social, and political landscape in a profound and indelible manner. The new economy has become a catalyst for

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geopolitical reconfiguration, economic integration, trade liberalization, technological advancement, financial interconnectedness, and reconstructing the role of labour. The new economy is composed of a trilogy of interactive forces that include globalization, trade liberalization and the information technology and communications revolution. Globalization has melted national borders and redefined economic outreach. Free trade has enhanced global economic integration and extended the economic architecture. The IT Revolution has given birth to computer capacity and electronic networks. All three pillars of the new economy are driven by a virtually borderless world with a tremendous capacity for electronic connectivity (Passaris, 2020).

The new global economy is driven by technological change and financial liberalization. The free flow of capital, labour, goods and services within free trade regions, the development of new financial instruments and institutions, and the instantaneous access to information and communication through new digital networks, have created a fully integrated global economic ecosystem of tremendous scope and opportunity. Furthermore, the new economy is built on a culture of innovation and global outreach. Indeed, the signature mark of the new global economy is new ideas, new technologies and new initiatives.

Economic Governance

Economic governance can take different forms and structures. My operational definition of economic governance is the multi-dimensional aspects of direction and policy that impact on the economy including the machinery and institutional architecture for the delivery of economic governance initiatives. Good economic governance is not a static concept. In this regard Dixit points out "that different governance institutions are optimal for different societies, for different kinds of economic activity, and at different times. Changes in underlying technologies of production, exchange and communication modify the relative merits of different methods of governance" (Dixit, 2008: 673).

A modern template for economic governance requires an innovative blueprint and a contemporary strategy that is congruent with the structural changes that were precipitated by the new global economy of the 21st century. The reimagining process should result in the restructuring of existing institutions through renewal and institutional innovation or precipitate designing brand new economic institutions in response to the structural changes that were triggered by the new global economy.

The pursuit of good economic governance in the 21st century requires a new vision and a modern mandate. I propose four principles to guide the process of redesigning economic governance in the form of the 4E’s of modern economic governance. This checklist of modern economic governance axioms includes efficient, effective, endurable, and empowering. Efficient refers to the expenditure constraints for implementing economic governance and the pursuit of a cost-effective formula. Effective refers to the efficacy of economic governance institutions, the machinery of economic governance and economic policy to achieve the desired outcomes. Endurable refers to the resilience of economic governance institutions to withstand external economic shocks and deter digital vulnerability. Empowering economic governance is the measure of building bridges and forming partnerships for the purpose of achieving the economic goals and aspirations of civil society.

An integral part of economic governance is the efficacy of economic policy. The redesign of economic governance should consider the complementarity between the architecture of economic governance and the formulation and implementation of economic policy. Public policy can no longer be segmented, compartmentalized, and developed in silos. Indeed, the modem context requires elevating the mission of public policy to a completely different formulaic structure that embraces a multidimensional context for designing public policy, as well as a more holistic and comprehensive direction. In consequence, the contemporary economic governance landscape requires building bridges between economic policy, social policy, and environmental policy.

The contemporary institutional landscape for economic governance was designed for the old economy of the 20th century and is no longer potent in meeting the challenges and opportunities of the new economy of the 21st century. The modern institutional architecture of economic governance should have a pronounced global mindset. Global economic interdependence is a fact of life in the 21st century and our institutions of economic governance need to adapt and evolve to embrace it rather than ignore its existence. At the end of the day, the internationalization of the governance architecture, its accompanying machinery of governance and the scope and substance of its public policies is a prerequisite for modernizing the mission and mandate of governance.

Human Capital

The ascendance of the new global economy of the 21st century has spotlighted the central role of human capital in empowering economic growth and development. Human capital has become a transformational agent for the creation of the wealth of nations. The structural changes on the economic landscape precipitated by the new global economy have elevated the requirements for formal education and introduced new competencies and proficiencies as well as a modern list of skills. The contemporary composition of human capital has become more complex and has morphed into an essential and strategic tool in contributing to the wealth of nations.

The new global economy of the 21st century has transformed the desired educational outcomes and required skill set from the foundational 3R's of reading, writing and arithmetic to a more complex and integrated skill set and competencies. The modern array of desired educational outcomes include literacy, numeracy, scientific literacy, IT literacy, financial literacy, cultural and civic literacy, creativity, critical thinking, problem solving, communication and collaboration (World Economic Forum, 2020).

In effect, the conventional human capital assets commonly referred to as the 3R's are being augmented with new human capital assets such as technological literacy, new technological competencies, a global mindset, cross cultural appreciation, and effective communication skills. The modern workplace requires labour to demonstrate the capacity to think critically, communicate clearly, and solve complex problems expeditiously. A global mindset has emerged as the sine qua non for the modern workplace. This entails the importance of acquiring competency in several languages, cultural sensitivity, and a comfort level with working in a multicultural workspace. All of this in recognition of the global linkages and interconnectedness that are the signature mark of the new economy of the 21st century.

Unemployment Dilemma

It is becoming abundantly clear that the contemporary structure of economic governance is ineffective in redressing the persistent problem of unemployment. The global financial crisis of 2008, the protracted Great Recession that followed, and COVID-19 have exposed the lack of efficacy in the economic governance architecture and the fault lines in economic policy.

Unemployed human resources are the singular most significant loss of economic endeavour and sustainable development for all countries. This takes on added importance in the context of the new global economy where human capital is a country's foundational economic asset. The economic costs of unemployment are numerous and multifaceted. At the micro level, unemployment reflects a loss of individual income and livelihood. At the macro level, unemployment has a deleterious impact on aggregate output, productivity, and national income.

Furthermore, the social costs of unemployment are also significant. They take the form of the loss of self-esteem, and a lack of purpose. All this leading to family break ups, psychological breakdowns, and many types of health consequences. The political costs associated with high rates of unemployment are exclusively borne by the government in power. They contribute to the stigma of economic failure, a tarnished record of economic accomplishment and a failed attempt at re-election.

In redesigning the contemporary economic governance architecture, it is worth noting a historical milepost that was a result of a previous economic crisis. The Great Depression of the 1930's revealed the adverse impact of financial instability. In consequence, it resulted in the creation of a new economic governance institution in the form of the modern central banking system whose mandate was to promote and maintain financial stability. The consequences of the structural changes that accompanied the new global economy and the cataclysmic trifecta of the 21st century should follow suit with the creation of a new economic governance institution whose primary mandate should be to pursue full employment.

New Institution

The pursuit of good economic governance in the 21st century will require the creation of a new institution whose singular mission is to achieve full employment through the efficient deployment of a country's human resources and their effective integration in the new economy. The benefit of a new institution of economic governance that is mandated to achieve full employment is to optimize the contribution of human capital assets in the most effective and efficient manner. All of this for the purpose of maximizing a country's productive capacity and standard of living.

The conceptual framework for this new institution will rely on the template of a central bank. The operational structure of this new economic governance institution should be designed to be non-political, at arm's length of government, devoid of any government interference and embrace a long-term decision-making horizon. An independent agency whose purpose is to ensure that in the pursuit of full employment, politics and policy are kept far apart. This institution should report to the national Parliament and submit an annual report. It will be governed by a board of directors that will include representatives of government, the private sector, academia, policy experts, unions as well as representatives from the social economy.

More specifically, the mission for this institution will involve monitoring the evolution of the employment landscape and serving as a catalyst for developing new economic and labour policies. It should provide periodic assessments of the educational and training priorities of the new economy and recommend remedial action in terms of absorbing the unemployed. It should be tasked with undertaking labour forecasting and human resource planning for the purpose of correcting labour supply shortages and production bottlenecks. It should facilitate the economic integration of immigrants and conduct an ongoing labour market dialogue between the public, private and social sectors. It should encourage periodic curriculum renewal in collaboration with post-secondary institutions, universities, polytechnics, community, and trade colleges. It should monitor the flow of new entrants in the labour force with respect to their levels of education, skills, and competencies. In the final analysis, the overarching mission of this economic governance institution is to ensure the strategic, efficient, and effective deployment of a country's human resources to achieve the maximum economic and social benefits.

The new institution should be visionary and proactive in achieving the optimal utilization of a country's human resources. Furthermore, it should develop a holistic and comprehensive strategy for harnessing the economic empowerment of human capital for the collective good by advancing national economic and social objectives. In this mission, the active engagement of the private, public, voluntary, and social sectors of the modern economy are essential. This new economic governance institution must earn the respect and confidence of the public and be accountable and transparent.

In effect, my proposed new economic governance institution is an imperative machinery of institutional reengineering and a new architectural model that is congruent with the challenges and opportunities of the new global economy of the 21st century. Old economy jobs are becoming obsolete and disappearing while new employment opportunities are emerging that require new skills, more education, and contemporary technical competencies. The creation of a new economic governance institution with a mandate to promote full employment will undoubtedly involve an additional operational cost that will be allocated from the public treasury. However, those costs will be offset by the direct and indirect benefits and revenues that will accrue to the economy, government, and civil society by achieving full employment. It should be emphasized that inaction and the absence of a concerted effort to resolve the problem of chronic unemployment also incurs significant costs.

Conclusion

In the Chinese language, the word for crisis is composed of two characters. One denotes danger and the other denotes change leading to new opportunities. This is the context for my proposed redesign of economic governance in response to the new global economy and the cataclysmic trifecta of the first three decades of the 21st century. This period of profound structural change is a new opportunity and an operational turning point for writing a new chapter on realigning economic governance and full employment.

The new economy has spotlighted the prominent role of human capital. The fuel of the new economy is technology, and its currency is human capital. In consequence, a new institution of economic governance must be added to the governance architecture for the purpose of achieving full employment and optimizing the utilization of a country's human resources.

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