New Approaches to Economic Challenges and the Sustainable Development Goals: The way forward

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While global integration has been an engine of growth since the emergence of capitalism, the financial and economic crisis highlighted that the current level of interconnectedness between countries and its impact, positive or negative, was poorly understood. This increased complexity has exposed the limitations of prevailing analytical tools, policy frameworks, and governance arrangements. It has also underlined the fact that global challenges can only be addressed through collective co-ordination and action.

The 2030 Agenda for Sustainable Development with the Sustainable Development Goals (SDGs) at its core are based on this new understanding. The goals are universal – applicable to all countries with targets adapted to national circumstances and context. The agenda acknowledges that new approaches are needed to tackle an integrated set of challenges. The SDGs are also transformative – they contribute to systemic change and help anticipate future global threats.

The OECD is actively responding to the agenda with better policies for better lives – drawing on the cumulative experience of member and partner countries and capitalising on its value-added. The New Approaches to Economic Challenges (NAEC) Initiative is helping the OECD to prepare for the SDGs – through developing integrated analysis and policy advice for tackling an ambitious set of interlinked goals, as well as the forward-looking transformational agenda. As Doug Frantz has argued, the SDGs and NAEC are like Romeo and Juliet – they are meant for each other.

An Integrated Policy Agenda

The Millennium Development Goals (MDGs) focused mainly on social objectives. Less systematic emphasis was placed on economic growth and jobs as well as environmental sustainability and climate change. A key lesson of the MDGs is that sustained change cannot be achieved through one-dimensional or single sector goals. The SDGs with their much broader coverage require multidimensional policy responses which involves identifying trade-offs, complementarities and unintended consequences of policy choices. This is the only way to improve policy advice for dealing in a more realistic and effective
manner with global challenges. It privileges collaboration and coherence in addressing interlinked problems by removing the compartmentalised approach that has too often limited the effectiveness of policies. It also requires a more sophisticated policy design in which systemic spillovers can be beneficial as well as damaging.

Consideration of these trade-offs should at the first instance be undertaken at the national level. This is where policy makers can optimise among trade-offs between economic, social and environmental goals. Making policy choices on the basis of their inter-relationships requires systemic and long-term thinking, strategic foresight and strategic governance. Realising this vision has proved elusive but gradually the relevant policy signposts have been put in place. Through the NAEC, analytical frameworks have been broadened to assess better the nexus between economic growth and inequality on the one hand (inclusive growth), and between environment and growth on the other (green growth). Less progress has been made on the social-ecology nexus. Further work is needed to better examine the distributional, employment and skills implications of the transition to environmentally sustainable growth. Eloi Laurent has argued at a NAEC seminar that environmental challenges are in fact social problems that arise largely because of income and power inequalities (Laurent, 2016).

**Transformational approaches**

With NAEC the OECD is also considering how to cope with the complexity of the world economy replete with numerous interconnections between states, and networks of firms through global and regional value chains. We are increasingly considering the global economy as a complex system. We are measuring the trade and investment linkages between economies – rich and poor – through the Trade in Value Added (TiVA) database. And we are examining how international regulatory co-operation also in tax matters can help ensure a level playing field between jurisdictions.

The policy agenda to meet the SDGs must be transformational to shape a future of intensifying environmental pressures,
(e.g. climate change and resource depletion); technological progress and digitalisation as well as rising inequalities.

With NAEC, we are preparing for the future, or possible futures. This requires our Committees and Directorates to keep asking hard questions and challenging assumptions about our understanding of the economy while constantly reviewing our analytical approaches. To ensure that the global goals are reached, we must collectively do the same. We must change our mindsets, approaches and ultimately our economies.