

## Notes from working lunch discussion - Oslo Conference 2010

**Table 1: Chair Amar Bhattacharya, G24 Secretariat**

### *Fiscal sustainability*

There was strong consensus at the table that the drift towards fiscal consolidation was worrisome and possibly self-defeating. Consolidation was a medium-term challenge. Some participants in the table discussion argued that unrealistic assumptions about the timing and results of consolidation were imposed upon countries experiencing fiscal distress. Fiscal austerity in large countries that had no pressing debt burden was another serious concern.

It was also observed that in consolidating the public budget too often exclusive emphasis was given to cutting expenditures. Equal attention had to be given to reducing inefficiencies in the public sector and raising revenues. Better targeting of social programmes was important to improve the impact of social policy. Effective progressive taxation was a key means in raising revenues. In many advanced countries, firms had huge profits and vast liquidity: some participants called for stronger taxes to finance redistributive measures and targeted interventions to support employment.

Maintaining the fiscal stimulus could not be enough: the stimulus has to be a bridge to job creation. Most participants agreed that we were dealing with a broad-based employment crisis that went beyond the global economic downturn. In a situation of sluggish growth prospects in the largest economies, where were the jobs to come from? It was critical to confront the lack of confidence that was hampering productive investments, due to both the lack of aggregate demand and the difficult situation of some sectors (eg housing). Real political leadership was called upon to manage deficit spending and launch aggressive investment programmes in infrastructure, jobs-subsidies and other job-creation measures, and possibly a plan for jobs over the medium-term.

A range of measures were mentioned, which had been pragmatically and successfully adopted by some countries - eg tougher stance on financial institutions including government takeover (Sweden and Norway); non conventional interventions by central banks; leveraging pension funds to avoid excessively high CEO compensations and stimulate financial investors to think longer term; industrial policies and sectoral initiatives.

### *International action*

Good efforts at stronger convergence of national policies had been made in the response to the crisis, avoiding protectionism and enhancing global coordination of macroeconomic expansion. The table agreed it was time now for greater international coordination of social efforts, up to forging a new international social contract.

International action was needed in many regards: to avoid tax erosion, to facilitate policies to reduce inequalities, to ensure respect for international labour standards, and to support small countries' investments in large infrastructure and green technologies.

The agreement on global banking rules just announced in Basel was singled out as a very important development, which could be used as a model to be replicated on the issues surrounding employment, labour and migration.

Some argued that an international taxation of financial transactions was feasible and necessary.

Several participants observed that the conference in Oslo was not paying enough attention to the vulnerable and the poorest. The progress made in reducing poverty through i.a. investments in education and cash transfer programmes had to be maintained and strengthened, yet the shrinking of ODA budgets was a main consequence of fiscal austerity.

The growing consensus on the introduction of a social protection floor was welcomed by participants. Still, important items of the international development agenda were not moving ahead, e.g. the green economy and the Doha Round. Addressing the issue of agriculture remained critical in tackling the employment question in developing countries.

#### *ILO-IMF follow-up*

Greater partnership and collaboration between the ILO and the IMF was welcome over the long-term. There were structural issues beyond the crisis, which needed to be addressed in a more coherent manner by the international policy community.

Some participants in the table discussion also called upon the two institutions to start working together at the country level.

The ultimate concern was country ownership and engagement. The table made a recommendation that the issues of employment, growth and social cohesion discussed in Oslo be included in the agenda of the forthcoming G20 meeting in Seoul.