Implementing the SDGs

On the relationship between sustainable development and the global commons

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FIELDS OF TRANSFORMATION

The relationship between society and the economy undergoes reassessment at times of crisis. This is shown above all by the major crises or transformations of capitalist development in which the business models and modes of regulation characteristic of a certain period of development began to disintegrate. The future course of the digital transformation and the challenges of coping with environmental change will force such a reassessment – but under conditions of extreme social inequality. Enormous technological leaps, a reorganization of economic power and momentous changes in the relationship between employees and companies will lead to a fundamental transformation of the mode of production.

However, we will not be able to meet these challenges by persisting with the existing economic policy in many countries based on the simple credo "private before state." The hallmarks of this economy are short-termism and an evaluation of companies geared exclusively to profit, coupled with exaggerated expectations concerning returns on investment. It is nourished by a "rationality myth," the myth that markets and market decisions are fundamentally rational. What Randy Martin calls the "financialization of daily life" has reached a point where many private and municipal decisions concerning issues such as housing, social protection and the energy supply are now massively influenced by the financial markets. This is a model in which the public interest is adapted to the needs of the markets instead of the economy being geared to the public interest. It gives rise to extreme inequality, which in turn carves social relations of power and opportunity in stone, undermines democracy and political stability and exacerbates alienation within society. Moreover, it is a model in which the accumulation of economic power goes hand in hand with political influence – over legislative processes, new trade agreements and social and environmental standards.

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A GLOBAL WAVE OF PROTESTS CALLING FOR CHANGE (AGAIN)

Today a wide range of protest movements have emerged around the globe. Despite the major differences in how these struggles play out at the local level, among their common themes are rising inequality, extreme poverty, austerity packages, the corruption of the powerful and the ecological emergency. These protests have also clearly taken their inspiration from each other. Clear signs of contestation and conflict can be seen in cities throughout the world where the increasing commodification of public space is threatening basic living conditions and the well-being of poorer communities in particular.

The widely discussed crisis of democracy is often rooted in this withdrawal of democracy from its role in shaping the economy. This is also shown by the numerous waves of protest across the globe in recent years. In many countries, and especially in large cities, "service delivery protests" are the order of the day in struggles over affordable housing, transport, energy and food and against the commodification of public space. Although the specific triggers of these protests differ widely, the protesters' demands mostly concern economic justice, "real democracy" and rights. They combine criticism of the erosion of the elementary foundations of everyday social life and of the uncoupling of the economy from the needs of large sectors of the population with criticism of increasingly authoritarian styles of government. The authoritarian practices in question range from corrupt modernization regimes, to austerity policies apparently without alternative, to crisis management in Europe that is largely free from democratic control.

A good seismograph for an existing or impending crisis of capitalism is when it embraces its opponents. Recent examples include the announcement by this year's World Economic Forum that it will develop a manifesto that rewrites the goals of business and government action, and the public statement by leading American CEOs that the shareholder value approach is no longer working. The old questions about the relationship between capitalism and democracy and who the economy is supposed to serve are back on the agenda.

PUBLIC INFRASTRUCTURE INVESTMENTS

Many of these disputes turn on how to organize the "fundamental economy" – for example, energy systems, social protection, medical care, transport and nursing, but also banking, the internet and food – to ensure that everyone can enjoy a secure and civil life. We all participate in this "invisible economy" every day. And it is precisely this public daily economy that has come under pressure in recent decades as a result of privatizations and the large wealth funds in search of constantly new, high-yield investment opportunities. In many countries, it has been largely dismantled or converted into a profit-oriented, and hence often exclusive, service economy.

In order to reduce inequality, specifically also in times of change, and to "re-embed" important sectors of the economy in society (Polanyi), we need a range of new approaches to the public good on different levels. Today numerous local attempts to protect communities or promote natural or social public goods (often born out of protests) are already operating under the banners of the "commons" or "solidarity-based economies." These include such diverse approaches as workers' and producers' cooperatives, energy cooperatives and credit unions, relief funds and participatory households. Even in the US, some ten million people are employed in companies that are wholly or partly employee-owned – three million more than the number of members of private-sector unions. Granted, we should not paint these developments in an overly romantic light. Many initiatives are born out of sheer necessity due to the failure of the market and the state, so that people are driven by social pressure to develop their own solidarity-based solutions and build a new social infrastructure. They are attempts at self-organization by groups who otherwise cannot find any protection or use in the market economy structures, such as the countless informal workers, Indigenous populations and other, often marginalized groups. These initiatives remain precarious and are at risk of being co-opted by market interests if they are successful.

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Nevertheless, they make two points clear: public or cooperative property must be created where markets, competition and private property are failing to fulfill their purpose or to fulfill it adequately; and this requires more joint social-ecological business experiments that supplant market- and profit-oriented structures in those areas in which the benefits for society and the environment outweigh profits. The renaissance of a form of "everyday communism" (Wolfgang Streeck) is occurring above all in municipalities, communities and regions. It requires spaces for municipal decision-making and financial support, for example to establish business cycles between local and regional companies and local public "anchor institutions" (administrations, hospitals, schools). And it must be supported by democratic participatory institutions in the workplace and the local community.

Democratic and inclusive social infrastructures begin in people's immediate vicinity and must also be decided there. However, they require the support of (nation-) state and global action. Societies oriented to the common good need a functioning state – and not, as in recent years, a state that operates only as a crisis manager, stabilizer and protector where the markets have failed or as a paternalistic state. Instead the state must play the role of an "enabler" (Elinor Ostrom) of structures that serve the public interest. It must ensure the right mix of private companies, cooperative approaches and public enterprises, protect spaces of freedom from the pressure to enhance profitability and provide "development tools" (technology, capital and knowledge) for public interest projects.

WE MUST BEWARE OF SDG-WASHING IN FINANCE

The largest "public interest" or transformation project being conducted at present is probably the implementation of the Sustainable Development Goals (SDGs). And here again the question is: Should the process be driven by private capital or by the public good? Should it serve profit or the public interest? Considering the various initiatives that were and are being launched around sustainability – with an SDG Summit in 2019 that adopted a Political Declaration entitled "Gearing up for a decade of action and delivery for sustainable development" – one might think that mobilization for the SDGs has been successful. But the SDGs are chronically underfunded. The recognition that we are behind on SDG finance led the World Bank in 2017 to adopt its strategy for "Maximizing Finance for Development" and to introduce a cascade approach. In the same year, the German government initiated a "Hub for Sustainable Finance (H4SF)," and in 2018 the UNDP launched its initiative "SDG Impact," which advocates investment strategies with positive social and environmental impacts. There are many more such initiatives, but the bottom line is to get "from billions to trillions" (World Bank) by providing private finance with incentives to contribute to achieving the SDGs. However, leveraging the private sector for sustainable development comes with its own challenges – a number of failed public-private partnerships bear witness to this.

Increasingly, SDGs are seen as an investment opportunity, as the next business frontier for start-ups. Yet, there has been little progress toward achieving the SDGs at a time of surges in global liquidity. But as the T20 Task Force on the 2030 Agenda for Sustainable Development wrote in this Journal (Vol. 1 Issue 2), financing the 2030 Agenda must go hand in hand with financial market regulation. Developing green instruments in finance – the whole idea behind sustainable finance – is all well and good. But as long as it is primarily seen as a business opportunity, addressing systemic risks still gets short shrift. Moreover, the responsibility of finance under the sustainable finance umbrella is too often restricted to the goal of going fossil free, that is, to tackling the risks posed by climate change. But it must also consider the social implications of investment (social responsibility). There is a broad consensus that the capital required to meet the SDGs is beyond the scope of public finance. Dialogue on SDG finance – or the lack thereof – usually begins with a statement that public finance alone will be insufficient. Public finance seems to be in crisis because of increasingly stretched public balance sheets. So, if we are to have any chance of meeting the SDG goals, we probably first need to get public finance right.

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CONCLUSION

The SDGs address problems that affect every country. International trade, global knowledge for development, and the provision of environmental protection, health, financial stability and security have "non-excludable" (i.e. shared) benefits. Such global public goods transcend nation-states. But the provision of global public goods and management of cross-border externalities is currently suffering from a severe collective action problem at the global level. Establishing a long-term sustainable and community-based institution, that is, a "commons," recognized by the (regulatory) state appears to be a possible solution. The concept of the commons accords sustainability priority over the rationale of profit maximization. It conceives of the economy instead as part of the broader cultural and social context. It must be re-coupled with human rights and societal values such as dignity, solidarity, social equity, environmental protection, democracy and transparency.

We need public funding and provision of public goods by states. This would already represent a shift away from the current understanding that public funding will be used only where private sector finance cannot be leveraged. In addition, we need supranational mechanisms. Global investment funds seem to acknowledge the global commons and in addition have the potential to "transform private goods (like country data) into public goods accessible to all" (Arian Hatefi: The costs of reaching the health-related SDGs, 2017).

In view of the developments in recent years, there is little to suggest that the impending challenges could be met successfully by even more reliance on the market, even more profit orientation and even more self-interest. Economic policy is always at the same time social policy. We cannot abandon the crucial questions of who pays the price of change, how transitions can be managed fairly, and what contributes to the public good to the free play of the markets. Many difficult issues remain open, such as the relationship between public interest-oriented and private sectors and between entrepreneurial autonomy and social control or the mobilization of public funds. There is no master plan that could lead us infallibly to an economy oriented to the common good. We must instead pursue a wide variety of concepts and approaches, and these certainly include public reflection and a public debate.