

#### ECONOMIC STEWARDSHIP FOR TRANSFORMATION AND SHARED PROSPERITY.

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12<sup>th</sup> February 2020.

Uphold public interest





### "ECONOMIC STEWARDSHIP FOR TRANSFORMATION AND SHARED PROSPERITY".

Presentation agenda



- 1. Economic Stewardship.
- 2. Why the Government intervenes in the Economy.

3. Shared Prosperity

# 1. ECONOMIC STEWARDSHIP.



"Over the last two centuries market-based economies have played a key role in transforming the quality of life for billions of people. But the problems of these economies, even at the best of times, are well-rehearsed - in particular, the persistence of poverty and inequality with their associated ill-health and squandering of human potential; environmental damage; and the suffering caused by unemployment and economic recessions."

### Economic Stewardship Cont.....





### Economic Stewardship Cont....



The question that now needs extensive debate could be framed as: What is the appropriate legal and regulatory framework within which markets should operate?'

Economic Stewardship Cont.....



The purpose of stewardship is to ensure the efficient and sustainable use of the natural world; and to provide social justice by ensuring that everybody benefits, equally and fairly, from the wealth of the natural world. i.e

# Economic Stewardship Cont...



- how to eradicate absolute poverty, reduce inequalities and social exclusion and achieve distributive justice.
- the problem of sovereign debt and how to cut the budget deficit
- how a market economy could create more wealth.
- the welfare state, pension provision and the perverse impact of the tax-benefit system on employment.
- sustainability, and how economic instruments that protect the environment could be made fairer and so more politically acceptable.
- self-financing transport infrastructure.
- land reforms.

# 2. WHY THE GOVERNMENT INTERVENES IN THE ECONOMY.





Why the Government intervenes in the Economy Cont.....



- 1. A framework for Rules and Regulations.
- 2. Market Failure.
- 3. Re-distribution of Income and Wealth.
- 4. Economic Stabilisation.
- 5. Maintaining Competition.

### A framework for Rules and Regulations.









#### What is Market Failure?

Market failure is when the price mechanism leads to an inefficient allocation of resources and a deadweight loss of economic welfare



Negative externalities



Positive externalities



Public goods



Merit goods



De-merit goods



Information failures



Monopolies



Immobility of factor inputs

## Re-distribution of Income and Wealth.





### Economic Stabilisation.





### Maintaining Competition.





#### **Maintaining competition**



# 3. SHARED PROSPERITY



- The shared prosperity goal captures two key elements, economic growth and equity, and it will seek to foster income growth among the bottom 40 percent of a country's population.
- Without sustained economic growth, poor people are unlikely to increase their living standards.
- But growth is not enough by itself; improvement in the Shared Prosperity Indicator requires growth to be inclusive of the less well- off.

# Why are we focusing on shared prosperity at this time?



- Economic growth is sometimes accompanied by greater inequality and social exclusion.
- Our focus on shared prosperity reflects the fact that many countries are seeking rapid and sustained increases in living standards for all of their citizens, not just the privileged few.
- While ending extreme poverty by 2030 is a clear target and priority, the mission is not just about the poorest developing countries but about poor people wherever they are.

Does the shared prosperity goal imply reducing inequality by redistributing wealth?



- No. We need to focus first on growing, as fast as possible, the welfare of the less well off. But we're not suggesting that countries redistribute an economic pie of a certain size, or to take from the rich and give to the poor.
- If a country can grow the size of its pie, while at the same time share it in ways that boost the income of the bottom 40 percent of its population, then it is moving toward shared prosperity. So the goal combines the notions of rising prosperity and equity.

Does the shared prosperity goal imply reducing inequality by redistributing wealth? Cont...



No country has transitioned from middle to high-income status with high levels of inequality. A persistent rise in inequality (or being stuck at high levels of inequality) will ultimately limit income growth of the less well-off and, eventually, limit economic growth itself.

# What will it take for a country to achieve shared prosperity?



- First, prosperity can be broad-based if growth generates jobs and economic opportunities for all segments of the population. The private sector is typically the main engine job creation, but the government plays a critical role by implementing policies and regulations that promote a favorable environment to maintain high investment rates, and by investing in labor skills needed to build a modern and dynamic workforce.
- 2) Second, there is a need for a healthy and stable "social contract" in every country that commits to investments that improve and equalize opportunities for all citizens. i.e.

# What will it take for a country to achieve shared prosperity? Cont..



- a) For children and youth, this would mean providing universal access to early childhood development, health, nutrition, education and basic infrastructure.
- b) For women in many societies, it would mean dismantling barriers to their participation in economic, social, and political life.
- c) A social contract would also commit to investments in safety nets that protect the poor and vulnerable against deprivation and shocks.
- And it should offer mechanisms that support the government's commitments – most importantly, a tax system that creates incentives for economic growth and fairness.

