Mark Florman – August 2017

Twelve Platform Policies for Global Equilibrium

The tide of global fortune is shifting at an unprecedented pace. Fuelled by the rapid dispersal of technology and newly educated workforces, the economies of developing nations are growing at remarkable rates. China is expected to overtake the USA as the world's largest economy in around 2027, while India's population is forecast to grow to 1.7bn by 2050, creating the world's largest workforce. These statistics reflect the fast-changing global hierarchy of economic and geopolitical power.

In broad terms: the Old World (North America, Europe Japan, Australia) – partially sclerotic, stagnating, ageing and indebted – is in relative decline, and the New World (all other countries) – developing, dynamic, youthful and entrepreneurial – is in an ascendency, but with great challenges.

Together with these dramatic socio-economic shifts, we must face the ticking time bombs of ageing populations and dwindling global resources. These challenges are no longer abstract, but tangible and imminent.

To thrive in this new world dramatic change is needed to the way in which we think about ourselves and the forces that will shape our futures. We need to place ourselves within a global context – yet this will take vision and leadership.

Ageing poses a serious problem for both developed and developing nation. In Germany the dependency ratio will rise to 1 retired person to every 2 working age persons by 2050, up from 1 in every 3.5 at present; meanwhile the UN has recommended that Japan either accepts 40m immigrants or raises the retirement age to 77; and between 1991 and 2011, China's over-65 population doubled and its under-14's population dropped by 50%.

In terms of productivity, the Old World looks like a cruise ship head on – with growing numbers enjoying the luxuries of the upper decks, with fewer and fewer people available to support them from below.

In short, such inter-generational forces mean the status quo is unsustainable, with no quick fix on the horizon. Global leaders may dismiss these concerns by citing the continued growth of the world's working age population - but these new workers will be in the New World, not the Old.

Such discrepancies between the supply and demand of labour are present in markets more widely. We cannot expect the world's shrinking supplies to support the growing burden of our ageing and expanding populations. Alongside the continuing depletion of our energy resources, the global demand for food is estimated to increase 70% by 2050; accessible fresh water will be scarce in half of the world's nations by 2030.

We in the "developed" world have a strong social framework that continues to offer an example of human progress to much of the "developing" world; but we are shackled by excessive welfare dependency, public and personal debt, and heavy-handed regulation - sapping us of our innovation and agility, and dragging us down. We have much to learn from our New World counterparts about rekindling our entrepreneurialism and productivity to ensure our continued global relevance.

In stark contrast, the developing nations are rushing upwards on a phenomenal wave of ambition and education – but some are without foundation: they lack the social institutions and infrastructure to sustainably secure their future growth and ensure the creation of more stable societies. They could use some of the lessons of the Old World to foster an environment in which thriving business creates the conditions for social good, and by so doing, carry every member of their nation up with them – not just those who wield power.

Between both, a new balance now needs to be sought out and struck. Equilibrium is the state of balance between opposing forces; and for the first time, there is a chance to achieve true balance by drawing on the lessons of the Old World and for the Old to learn again from the New. Harnessing these lessons will require new leadership governed, on both sides, by realism, reason and respect, and minds open to how the world is changing. We need to look beyond our own nation state to understand globalization, not to run away from it, and how it will effect us in the next generation.

Taking a fresh look at where we stand is an ongoing task for every nation. Business, the driver of all wealth and prosperity, is good for society and even better when it takes ownership of its social impact. Proper regulation is the way to ensure that businesses provide a sustainable benefit to wider society, answering to empowered consumers who increasingly demand ethical business practices. In the 21st century, this responsibility must be enshrined in the ideals and structures of capitalism in order for the benefits of business and entrepreneurship to be recognised and felt by all members of society.

The following recommendations are underpinned by these ideals, and set out measures that the Old and New Worlds can take to replicate the best practices of the other; ensuring the developing world will promote social progress, the developed world will regain its economic competitiveness – and both can move forward to combat the pressing global challenges we face, before the tides turn against us all.

Mark Florman. Published 2014 – updated 2017.

6 Recommendations for the Old World

1. Work & Welfare*: Empower job seekers*

High levels of welfare dependency harm economic productivity. In 1948, the UK's welfare state was 4% of GDP; today, it is over 13%. Welfare dependency can be lowered by establishing an enterprise economy focused on continuous job creation, in which jobseekers are supported, and work is financially rewarding. We must ensure that people entering work are always financially better off. Jobseekers must be clear on their responsibilities to seek work, and those who need it should have access to effective support to overcome barriers to finding work.

2. Rules & Regulations*: Reduce business regulation*

A huge number of jobs are created by SMEs. The Old World needs to recognise this once again. We need to de-regulate business and employment in order to empower people and improve productivity. For example, the Working Time Directive is the single most expensive piece of EU-driven legislation, reportedly costing the UK £2.6bn every year in lost productivity. An example of de-regulation that has freed many small businesses of unnecessary burdens is the 2013 reforms of the UK Health & Safety Executive's enforcement code. These reforms re-focused health and safety inspections on high-risk businesses rather than continuing a blanket approach. We must challenge and measure the impact of each new business regulation on job creation.

3. Education & Skills*: Education & Skills*

The UK's education system is simply not engaging enough students. The challenge now is to deepen the process of learning, engaging parents and communities. It is widely acknowledged that the best way out of poverty and welfare dependency is through employment and work. An education that improves the employability of the UK's school-leavers can reduce the welfarerelated tax burden, improve social mobility, and maintain the Old World's economic competitiveness. Education must equip our young for work by dramatically re-tooling for the needs of the 21st century. We need to build knowledge of business and entrepreneurship, and take pride in apprenticeships.

4. Migration & People*: Skilled immigration*

Globalisation has many benefits (contrary to popular belief), but one of the most important is the positive impact of the free exchange of skills between nations. Immigration policy for every nation should be based on a principle of positive economic utility according to the specific needs of each country. The Old World needs youth and entrepreneurial spark; the New World needs expertise in governance and social infrastructure. Immigration policy should encourage mutual strength, not the sapping of the resources of one nation in the interests of another. In the EU, however, economic utility does not play a role in immigration policy, which is geographically biased towards internal EU movement, and where little or no restrictions are placed on the movement of people. Skilled workers from non-EU countries face far higher entry requirements than their EU counterparts. Immigration policy needs to overcome this bias and apply an economic utility principle to all immigration.

5. Financial Guidance*: Reduce debt*

National and personal debt needs to be reduced; pay-day lending must be regulated; financial guidance and literacy needs to be improved (for both governments and individuals). Servicing our debt burden (and taken as a "tax") the available amount to invest into business or to spend as disposable income decreases, harming economic growth. This is in stark contrast to many of the developing nations who have very little debt, affording them an economic advantage.

Personal debt entrenches and perpetuates existing poverty and places great demands on personal finances. In the UK, 55% of low-middle income households have no personal savings, and 30% of these households spend more than a quarter of their income on debt repayments. In the UK in 2013, someone was declared bankrupt every five minutes, and the burden of support often falls on the state. To reduce personal debt, consumers of financial services must be empowered by education and the appropriate regulation.

6. Trade & Globalisation*: New global partners*

Many Old World countries, and now the UK in particular, need to develop trade links throughout the world, especially with the developing nations whose emerging populations will become voracious consumers. The UK's relationship with the EU has prevented us from making bilateral trade agreements. Instead, this has been the sole responsibility of the EU and the UK can only influence other nations to support UK industry. This is important, but more could be achieved if individual EU members could negotiate trade deals independently. The EU also needs to complete the single market to be truly effective. Completing the single market in services could result in raising EU GDP by 14% over ten years.

Furthermore, the work of international development and aid, and the development of international markets and trade needs to be co-ordinated to produce a more coherent approach. An example of this in the UK would be to align UK foreign, trade and aid policy in order to give UK industry a clear direction and global focus on certain export markets.

6 Recommendations for the New World

1. Institutions*: Build institutions to protect business & citizens*

Economic growth in the developing world has the potential to change many lives for the better. However, while corruption remains a major issue, economic growth will not always lead to social development. India (the world's largest democracy) and Russia rank 94th and 127th respectively of 177 countries in *Transparency International's* corruption perceptions index. Such levels of corruption undermine the stability that business needs to drive social progress.

The promotion of the rule of law, and the establishment of proper legal institutions, provides the skeleton framework for the building of a nation. Both individuals and businesses need to know that they will be treated equally under the law, that there are no inconsistencies in the law's application and that no amount of power can defend someone if they break the law. The promotion of the rule of law is the surest way to bring stability to business, society and politics. Human rights protections, the building of legal systems and freedom of speech and of the press will similarly act as catalysts to long-term stability and economic success.

2. Women & Girls*: Invest in women & girls*

Gender equality is not just a shamefully neglected human right – it is fundamental to a nation's development. Despite constituting over 50% of the world's population, women represent 70% of the world's poor; today, two-thirds are still not taught to read and write. In India, female literacy is below 50%. Steps to improve the gender imbalance have seen limited and sporadic improvements, but there is still a great deal more to be achieved. By empowering women and ensuring their education, a nation not only ensures higher wages for women, lower adolescent pregnancy and lower maternal and infant mortality; it gives a great boost to its talent pool and its economy. Where women's participation in the labor force has grown fastest, economies have experienced the largest reduction in poverty rates. Gender equality can demonstrably promote social development and positively impact all members of society. As a significant aid-giving nation – around £12.5bn. p.a. – the UK should demand tangible investment from New World governments in ensuring equality, and by so doing, harness the true catalytic effect of aid.

3. Education & Skills*: Offer universal education to age 16*

The importance of education is rarely understated and for good reason; education leads to individual and societal enrichment and the development of core skills for the world of work - the surest way out of poverty. Many areas of the developing world need to widen access to education, particularly for woman and girls. For example, 18% of Indian children aged between 6-14 years old do not attend school. Education needs to be open to all, and efforts to extend this must continue. There has been some success; in Africa between 2005 and 2013, over 21m more children (of around 130m children in sub-Saharan Africa) attended primary school, and India is attempting to quadruple its universities by 2020. Where government schools in developing nations continue to be poor, it is increasingly possible to bypass these systems through technological innovation. Khan Academy, Coursera and a growing number of similar models are steadily removing the geographical and economic boundaries of accessible world-class education – and changing the role of the classroom to a place for iterative, rather than primary, learning. At all levels, but particularly for children, the continued widening of educational participation is a vital and continuing task. Governments must continue to prioritise this and embrace affordable and scalable means to do so.

4. Infrastructure*: Invest in artery infrastructure*

Better infrastructure is necessary for dynamic and efficient workforces. The requirements range from access to the Internet and communications (for every 10% of mobile phone penetration a nation receives a 0.7% boost in GDP), to better transport links and public service infrastructure (such as healthcare systems). Developing infrastructure in this way will support workforces in fulfilling their potential, care for those who are unable to work, and provide market access. It is also likely that investing in wireless infrastructure now, rather than struggling to repurpose Old World infrastructure, will give developing nations the capacity to leapfrog developed nations in the future.

Better infrastructure is also an essential element of long-term resource management. The world's demand for resources remains a global issue, but it is likely that this will have the most detrimental effect on the developing world, where rapid population growth will pressurise under-developed supply chains.

5. Property & IP Rights*: Property rights to be enshrined & protected*

The implementation of property rights is a key step towards a prospering economy that benefits all parts of society. In many parts of the developing world there are few property rights, which prevents the accumulation of wealth by individual citizens. Historically, land has been the basis of wealth and this is still true today. The historical norm of few owning much must make way for the opportunity of many to own a little; this is a fundamental step to reduce poverty. Owning a land asset, and being able to trade or improve it to increase its value, is fundamental to improving societal conditions in many parts of the developing world.

Property rights should not be limited to land, but should also encompass intellectual property - for only when an individual can claim ownership of an idea or a product can it be sold to create wealth. In this way intellectual property protections allow individuals to benefit directly from their entrepreneurialism and innovation, and improve their circumstances through trade and business.

6. Trade & Foreign Investment*: Develop trading zones & investment*

The developing world needs to continue to expand its trade reach to encompass not only its geographical neighbours and traditional trading partners but also new markets. Just as the developed world needs a global trade policy, so too does the developing world. To enable this, several steps should be taken. Firstly, regional trade policies should be established, as they allow a nation to specialise in specific sectors. This is roughly analogous to the EU, where Germany generally specialises in automotive manufacturing, France in agriculture and the UK in financial services. With specialisation, an expert reputation can be earned, which can improve business and global trade. Secondly, a venture capital industry should be welcomed. Venture capital is innovation. Capital investment supports SMEs to create more jobs and provides guidance and expertise to the management team. As local venture capital grows, developing nations should use the industry to seek foreign direct investment. Bringing wealth into a nation to build infrastructure and business will speed up development both socially and economically. Encouraging foreign direct investment will also help an emerging nation engage in global trade.