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Designed and printed in Mexico
Printed by
Excel Impresión Digital S.A. de C.V.
5 de Febrero Street 398, place 1
Obrera Colony, Del. Cuauhtemoc
Mexico, Distrito Federal, zip code 06800
Phones (52 55) 5740 9311
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POLICY MATTERS 18

Special Issue
Macroeconomic Policies, Livelihoods and Sustainability

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FOREWORD

BY AROHA TE PAREAKE MEAD
CHAIR CEESP
This special issue of Policy Matters 18 innovates at several levels. It is the first time we are devoting an entire issue of our flagship Policy Matters journal to the analysis of economic policies and their impact on sustainability. It is also the first time a CEESP publication explores the highly technical topics of macroeconomic policies in their relation to sustainability. In these two respects, the special issue of Policy Matters is a welcome addition to our interdisciplinary work on the economic, social and cultural factors that shape our relation with biodiversity and the natural resource base.

The Commission on Environmental, Economic and Social Policies (CEESP) is inaugurating a new period of productive work organized around the full range of economic policies in order to study their implications for environmental stewardship and for social responsibility. This work is being undertaken by the CEESP Theme on the Environment, Macroeconomics, Trade and Investment (TEMTI). In previous years, the working group that pre-existed TEMTI carried out important analyses on the effects of trade and investment policies, now this analysis has been expanded to the gamut of economic policies to include macroeconomics and, as a result, sector level policies. The studies contained in this special issue of Policy Matters are an important contribution as they inaugurate a key avenue for policy-oriented research.

Everyone knows that macroeconomic policies play a decisive role in our daily lives. But too many people see them as belonging to a mysterious and complex field that complicates or even forbids our having access to the way in which priorities are decided upon. In fact, the whole field of macroeconomics is usually seen as a discipline that only experts in central banks or the treasury department (or professors in academia) are able to understand. In many ways, this explains why the most important decisions in economic policy are left to the experts, while the rest of the population passively acquiesces and submits to these policy priorities. Even parliaments and congresses frequently are unable to monitor and influence these policy decisions.
The crucial point is that the priorities that are chosen within the framework of macroeconomic policies affect in a decisive manner the allocation of resources for social and environmental sustainability. These policies affect interest rates, taxation and income distribution, exchange rates, subsidies and the conditions for access to credit in the banking system. By affecting the production strategies of every agent in the economy, whether a giant corporation or a small-scale agricultural producer, these policies also shape resource management practices and therefore, the relation to the environment and the natural resource base. The studies that are published in this special issue show that in many instances, macroeconomic policies can spell the difference between life and death for peoples’ livelihoods.

In addition, macroeconomic policies influence the allocation of resources for environmental stewardship and sustainability at the economy-wide level. This is evident if we consider that priorities in fiscal policy determine the rate and direction of public expenditures. For example, the public monies that are allocated to health, education, housing, sanitation services and natural protected areas, just to mention a few examples, can be significantly reduced when the ministry of finance decides that fiscal spending needs to be curtailed. Thus, in the realm of fiscal policy the linkages between macroeconomics and sustainability are easy to see.

Yet, in spite of these self-evident facts, very few policy-oriented studies have been carried out on the direct and indirect impacts that macroeconomic policies have on sustainability. TEMTI is making here a very important case for redeploying part of our energy and resources to the analysis of this critical problem area. One could say that its underlying message was that it is high time to recover this ground for policy making and really putting it at the service of social and environmental sustainability.

The world is immersed in a dangerous economic and financial crisis that will have multiple ramifications in
our societies. This global economic and financial crisis is essentially a macroeconomic event of the first order of magnitude. It is not the result of an external shock (i.e., an oil embargo or a war) but rather the consequence of endogenous forces inside the most advanced capitalist economies of the world. It is the consequence of a failed economic model that will not put us in a trajectory of sustainable development. Unfortunately, the policy response to the crisis is now based on the premises of that same failed model. As a result, the crisis will be deeper and last longer, affecting the jobs and livelihoods of millions of people in the world. Yet, for all the evident importance of this, the preparations for next year’s UN Conference on Sustainable Development (Rio+20) are not even considering a meaningful discussion on macroeconomic policies and their relation to long term sustainability. Through the work in TEMTI we hope to send a clear message to the UNCSD that the macroeconomic policies of the failed model that gave us the global crisis are incompatible with an agenda for long-term sustainability.

I wish to acknowledge and thank all the contributors to this edition of Policy Matters, and particularly to the Editor, Dr Alejandro Nadal, Co-Chair of TEMTI. We welcome your feedback on the ideas and analysis expressed in PM18.