

NOTES FOR ECLAC PRESENTATION

James Heintz – September 26th

More so than other recent global crises, the Covid-19 pandemic demonstrates that our globalized, market-based economies critically depend on a foundation of non-market goods, services and productive activities that interact with capitalist institutions in complex ways. Specifically, the sudden increase in the demand for unpaid care associated with the Covid-19 response – care for children, the sick, and the elderly – has enormous ramifications for how the crisis, and a post-crisis recovery, will play out.

I am defining a crisis as a disruption to social or natural systems that threatens their sustainability and compromises the provision of economic, social, and ecological goods and services on which human societies depend. The Covid-19 pandemic demonstrates how the interaction of market economies and non-market processes can simultaneously trigger a global economic crisis and a crisis in the social organization of care.

Leaving the health of an economy up to markets alone has never been sufficient. Markets cannot coordinate all aspects of our economies, even when backed by government regulations and bailouts. Non-market processes are critical. Non-market goods and services include environmental goods, care for others and ecosystem services. Markets play a role within the care economy and environmental systems – both natural resources and care services can be bought and sold. However, markets alone are unable to fully coordinate the needed supply of these goods and services.

The macroeconomic consequences of the pandemic have been profound. Covid-19 hit when market economies were already plagued by rising economic inequality, austerity measures adopted after the 2008 financial collapse, and the further narrowing of policy space for many countries. The pandemic led to mass lay-offs with job losses being particularly acute in service sectors. Global supply chains have been disrupted and fragmented. Workers operating in the informal economy have been locked out of their livelihood activities and seen drastic

reductions in earnings. Poverty and economic vulnerabilities have grown dramatically.

But the economic crisis was not limited to paid employment, money income and the market economy. There is, of course, the direct human cost of Covid. In addition, Covid-19 has drawn attention to the care economy. The very work that had been routinely devalued and inadequately supported by governments, suddenly become recognized as essential.

Mainstream macroeconomic analysis has always been deficient on these fronts. At the most basic level, the value of unpaid caring labor is not included in macroeconomic variables and changes to non-market processes go unrecognized – until its too late. The time and money spent raising children not only support current consumption within families, they also represent investments in the next generation. Just like non-market production, raising the next generation and developing human capacities are not recognized as investments in macroeconomic policy formulation. Because of this, social services with long-run impacts, such as education, can become easy targets of austerity policies. Yet non-market processes and core social services play a critical role in supplying one of the most essential factors of production to market economies – the human resources on which we all depend.

The interdependencies between the market and non-market spheres of our economies require us to rethink the boundaries of macroeconomic policies and crisis management. Attempting to address crises in the market and non-market spheres in isolation from one another will prove ineffective. For instance, simply propping up the market economy, through expansionary fiscal policy, huge liquidity injections to save financial markets, and a system of corporate bailouts, will do little to stave off the looming disaster of climate change or to meet growing demand for care. Instead, we need an economic framework that shifts the focus from production to provisioning, towards investments in human beings and sustainable practices.

The intimate connection between market and non-market spheres has profound implications for how we think about our economic futures. Unpaid care work is not the only non-market pillar on which the global economic system rests. Climate change and environmental degradation foreshadow future economic

crises. The reproduction of people and maintenance of the natural environment, although distinct, share much in common: they largely take place outside of markets, they produce public goods whose benefits extend beyond individuals and across generations and they are essential for the functioning and sustainability of market economies.