



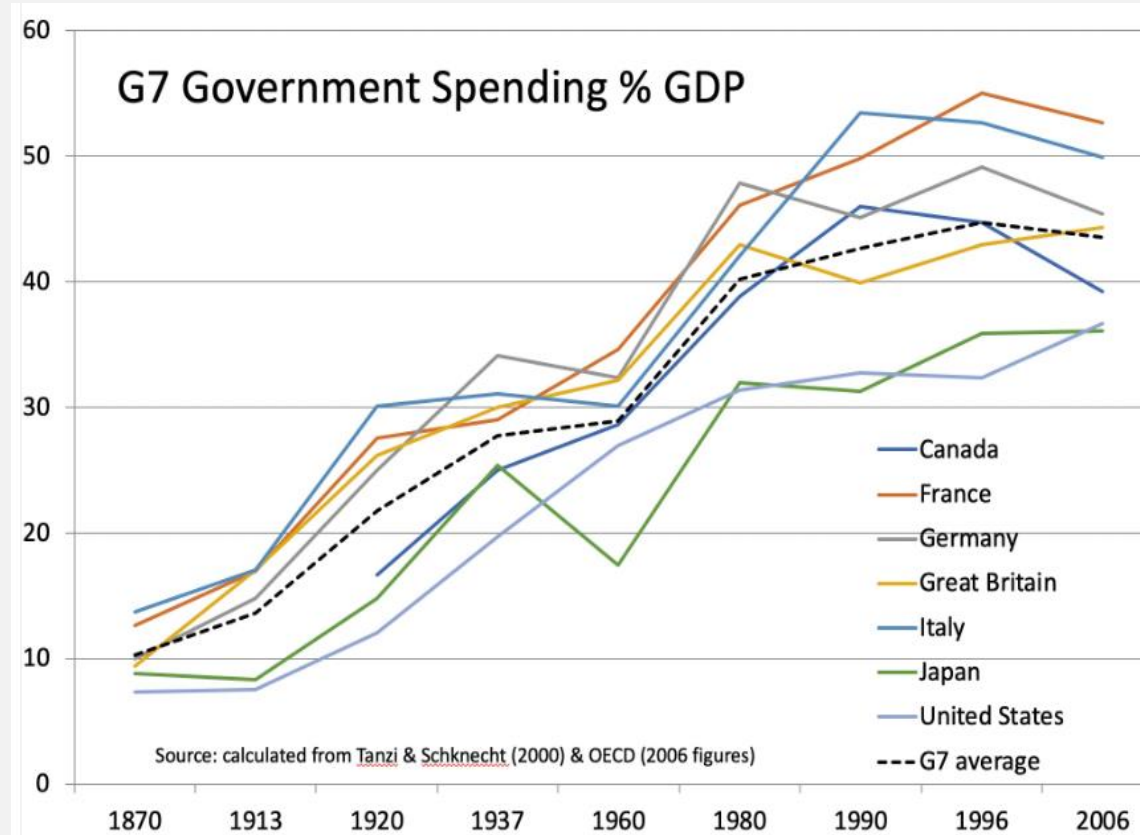
# **WILL CLIMATE CHANGE AND COVID-19 CHANGE THE RELATIONSHIP BETWEEN MARKET AND GOVERNMENT?**

Jonathan Pincus  
Autumn 2022

*Introduction to Public Policy*  
*FSPPM*

# CHANGING ROLE OF GOVERNMENT

- Sharp rise of government as share of GDP from 19<sup>th</sup> century to about 1990
- Rise of the “welfare” and “warfare” state
- Rise of social spending: education, health, pensions, housing, social assistance.
- Trend breaks around 1990, the second globalization
- More complex economies and societies; decline of traditional community



# GOVERNMENT AND THE WELL-BEING

- Well-being as protection → from external threats, disasters
- Well-being as “welfare” → the market voluntarily arrives at an efficient allocation of goods and services to maximize well-being
- Well-being as income → the main job of the government is to increase Gross Domestic Product
- Well-being as social justice →
  - John Rawls: Society should choose the outcome that improves the well-being of its worst- off member
  - Amartya Sen: Well-being as the ability to realize one’s human potential
- Well-being as a fair process, not a fair outcome → Robert Nozick
  - Well-being demands the least possible state intervention
  - State action still needed to create and enforce fair rules
  - Equal treatment under the law (no aristocracy or Untouchables)





# IMPACT OF COVID-19 ON THE ROLE OF GOVERNMENT

- Governments took on extraordinary powers, to limit mobility, enforce social distancing, suspend business activities, carry out mandatory diagnostic tests and track citizens' movements and contacts.
- Many of these activities and powers will disappear when the pandemic is over.
- Covid-19 changed the way we think about and deploy digital government. But this may also lead to a shift in the balance between privacy concerns and responsiveness
- Crisis management and early response capacity is now seen as a necessity.
- Countries that rely primarily on private health providers performed less well than countries with universal health provision.
- Disinformation emerged as a major problem during the pandemic. Government's capacity to get its message across will become more important.



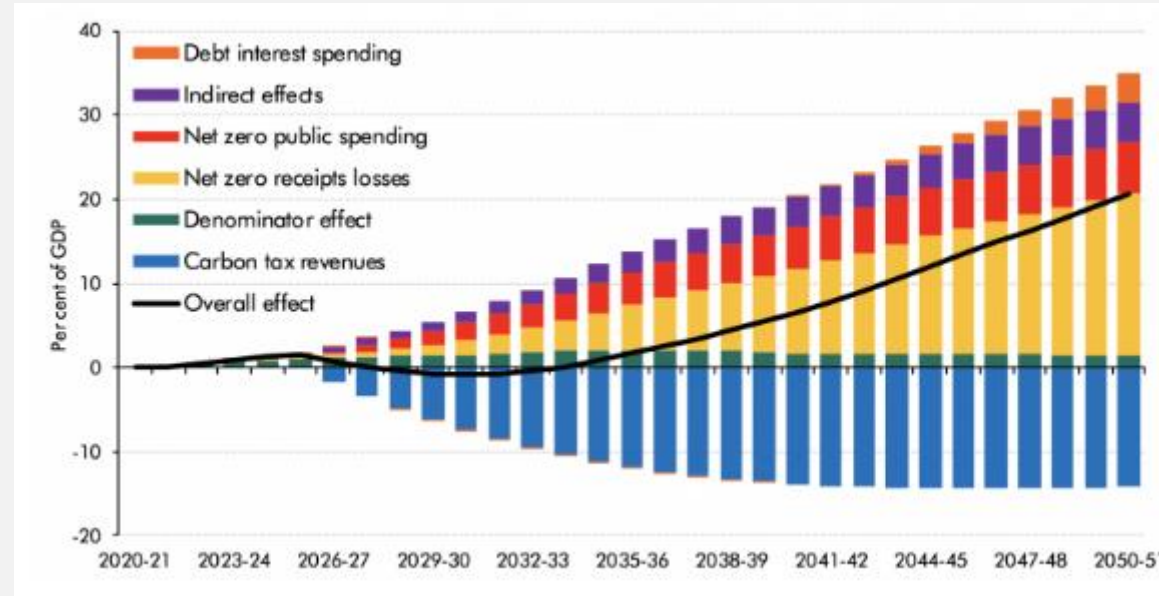
# IMPACT OF CLIMATE CHANGE ON THE ROLE OF GOVERNMENT

- The world has woken up the dangers of failing to limit global warming to 1.5 degrees in the form of extreme weather and sea level rise.
- Climate change is a global crisis on the scale of the Great Depression and World War II.
- Mitigation and adaptation will require mobilization of trillions of USD in investment, in renewable energy, construction, trade, transportation, manufacturing, agriculture, forestry and fisheries
- Behaviors and habits of citizens will have to change, requiring a combination of incentives and government directives.
- The business environment will change: some industries will disappear (capital destruction), new ones will arise; government will use a combination of incentives and direct intervention in markets.



# UNITED KINGDOM: DEBT IMPACT

- Carbon taxes to raise revenue and discourage use of fossil fuels, but these will peak and then decline
- Net zero will also destroy other sources of revenue (oil and coal royalties)



Center for Economic Policy Research

- Pressure on public investment, but public debt higher if no action is taken
- Need to structure incentives to increase private investment in renewable energy and transformation of industry, agriculture, construction, transport.
- Distributional concerns (the poor should not pay for climate change)

# CHANGING ROLE OF GOVERNMENT

How will the role of government change over the coming decades?

- What are the factors (climate, disasters, globalization) that will affect the role of government
- What are some of the factors that affect how specific countries (like Vietnam) change?
- What are the implications for the relationship between markets and governments?

