



ANNUAL MEETINGS

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Social Contract in Times of Crises



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Corporate Services and Facilities



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TUESDAY, October 11, 2022

3:30PM - 4:30PM, IMF HQ1 Atrium (HQ1-1-700)

Social Contract in Times of Crises

Sponsored by the IMF's Fiscal Affairs Department and African Department

Recent global economic challenges have exposed gaps in systems that allow households cope with shocks, which could widen inequalities, and in some regions, have stalled economic transformation and raised social tensions, jeopardized decades of hard-won progress in reducing poverty and gender disparities, and make reaching the SDGs challenging. In this seminar, panelists will describe measures to strengthen economic and social systems to boost resilience in the face of shocks. Key issues under discussion revolve around: What is the impact of recent and current crises on labor markets? What weaknesses have these crises revealed in terms of social protection, in particular social safety nets? What policy responses are needed to strengthen resilience of national systems to future shocks and minimize their adverse short-term and long-term impact for the next generation?



Amaglobeli, David, and Nicolo Bird. 2022.

[“Policies to Address the Refugee Crisis in Europe Related to Russia’s Invasion of Ukraine.” IMF Notes No. 2022/003, International Monetary Fund, Washington, DC.](#)

Refugees from Ukraine face multiple vulnerabilities, with many requiring humanitarian assistance to meet basic needs. In response to Russia’s invasion of Ukraine, host countries in Europe and beyond have adopted measures to support refugees, including residency rights, free movement across countries, access to labor markets and integration policies, health and education services, housing options, banking services, and social protection systems. Drawing on previous IMF work on the economic challenges of refugees, this note provides an overview of policy responses needed to provide effective support to refugees fleeing Ukraine.

Cerra, Valerie, Barry Eichengreen, Asmaa El-Ganainy, and Martin Schindler. 2022.

[How to Achieve Inclusive Growth. Oxford: Oxford University Press, 20 January 2022, online edition.](#)

Rising inequality and widespread poverty, social unrest and polarization, gender and ethnic disparities, declining social mobility, economic fragility, unbalanced growth due to technology and globalization, and existential danger from climate change are urgent global concerns of our day. These issues are intertwined. They therefore require a holistic framework to examine their interplay and bring the various strands together. This book brings together leading academic economists and experts from several international institutions to explain the sources and scale of these challenges. The book summarizes a wide array of empirical evidence and country experiences, lays out practical policy solutions, and devises a comprehensive and unified plan of action for combatting these economic and social disparities.

Duval, Romain, Ippei Shibata, Yi Ji, Carlo Pizzinelli, Marina M. Tavares, Longji Li, Myrto Oikonomou, and Alessandra Sozzi. 2022.

[“Labor Market Tightness in Advanced Economies.” Staff Discussion Notes No. 2022/001, International Monetary Fund, Washington, DC.](#)

This note sheds light on three contributing factors, namely barriers to returning to work, changing worker preferences away from certain types of jobs, and sectoral and occupational job mismatch. The note also assesses the impact of labor market tightness on wage

growth, showing that it has been large for low-pay jobs but milder overall. Bringing disadvantaged groups of workers into the labor force, including by controlling the pandemic itself, would ease labor market pressures while amplifying the recovery and making it more inclusive.

Dzigbede, Komla, Sarah Beth Gehl, and Katherine Willoughby. 2020.

[“Disaster Resiliency of U.S. Local Governments: Insights to Strengthen Local Response and Recovery from the COVID -19 Pandemic.” *Public Administration Review* 80 \(4\): 634-643.](#)

This research presents implications of the global pandemic for local government resiliency in the United States. The authors explore insights from local government officials and managers on the front lines of response and recovery efforts to the biological natural disaster. Findings from the latest nationwide survey of U.S. local governments regarding their preparedness for weather-related natural disasters also inform responses to the current crisis.

Ferrer, José, and Alexei Kireyev. 2022.

[“Policy Space Index: Short-Term Response to a Catastrophic Event.” Working Paper No. 2022/123, International Monetary Fund, Washington, DC.](#)

The final policy space index is derived as a composite of the three nominal policy space indicators, each adjusted for five institutional features. This index is different from the approach to measure fiscal space at the IMF and requires more work before it can be used operationally. The proposed index allows measuring the overall policy space in each country directly in percent of GDP. By way of illustration, the paper applies the index to the Covid-19 crisis.

Hatayama, Maho, Yiruo Li, and Theresa Osborne. 2021.

[“Understanding and Predicting Job Losses Due to Covid-19: Empirical Evidence from Middle Income Countries.” Jobs Working Paper No. 65, World Bank, Washington, DC.](#)

This paper utilizes firm survey data to understand which formal private sector jobs are most at risk from covid-19 or similar future crises, based on empirical evidence from two middle-income economies. In particular, it estimates the importance for formal private sector job losses of various covid-19 pandemic-related labor market shocks and mitigating factors,

such as the closure of non-essential industries, workers' ability to perform their jobs from home, infection risks to workers, customers' infection risk, global demand shocks, input supply constraints, employers' financial constraints, and government support, in determining the level and distribution of job losses.

International Monetary Fund. 2022.

[“Café Economics – a Looming Food Crisis.” *Finance & Development* 59 \(3\): 52-53.](#)

Because of high natural gas prices rising food prices could make the difference between life or death for millions of people around the world. Organizations such as the United Nations Food and Agriculture Organization (FAO) are closely tracking the effects of price hikes on global food security. In an interview with F&D's Bruce Edwards, Maximo Torero Cullen, FAO's chief economist, says wheat and fertilizer supply shortages have driven up prices and increased food import bills for the most vulnerable countries by more than \$25 billion, putting 1.7 billion people at risk of going hungry.

International Monetary Fund. 2022.

[“Fiscal Institutions and the Pandemic.” *Finance & Development* 59 \(1\): 22-24.](#)

Fiscal responses to the pandemic had positive effects on stock markets, currencies, industrial production, employment, confidence, and sovereign risk premiums in the countries that implemented them (Deb and others 2021). There is also evidence that the effects were greater in advanced economies and in those with lower public debt. Most countries that had fiscal space or sovereign wealth funds were able to use these to deal with the economic and social effects of the pandemic. In contrast, the poorest countries in Africa, the Americas, and Asia had limited leeway to respond, bolstering spending or forgoing revenue by less than 2.5 percent of GDP.

International Monetary Fund. 2022.

[“IMF Engagement on Social Safety Net Issues in Surveillance and Program Work.” *Technical Notes and Manuals No. 2022/007, International Monetary Fund, Washington, DC.*](#)

The International Monetary Fund's engagement on social safety net (SSN) issues is likely to expand as member countries respond to growing challenges in the economic and fiscal landscape. SSNs play a crucial

role in protecting households from poverty, promoting inclusive growth, and maintaining social stability. This technical note discusses (1) the different channels through which SSN spending may become macro-critical, (2) how to assess the importance of these channels, and (3) the types of policy responses that are appropriate and the trade-offs involved in choosing among them. To facilitate a more comprehensive assessment of SSN spending, the paper also examines the complementary role of labor market programs (for example, unemployment benefits and active labor market programs). The paper emphasizes the importance of early engagement and coordination with development partners with expertise on social safety nets and with different stakeholders when formulating policy advice.

International Monetary Fund. 2022.

[“Taxing for a New Social Contract.” *Finance & Development* 59 \(1\): 70.](#)

We cannot afford to rethink fiscal policy only in the context of the pandemic. The climate and biodiversity crises are upon us too, and both are ultimately crises of social justice.

Immediate responses to the pandemic showed the great power of states to act for the public good. But many states appeared indifferent to the brutal inequalities observed, both within and between countries. The dramatic shift necessary to respond to these crises calls for nothing less than the renewal of the social contract. That means putting the “four Rs of tax” at the heart of our analysis and policy, to fix our broken tax rules and rebuild the accountability of governments.

International Monetary Fund. 2021.

[“A Fair Shot.” *Fiscal Monitor April 2021: 27-44.*](#)

This report overviews countries fiscal actions in response to COVID-19 and discusses how governments policies should adapt to get ahead of the pandemic and set the stage for a greener, fairer, and more durable recovery. Global vaccination should be scaled up as it can save lives and will eventually pay for itself with stronger employment and economic activity. Until the pandemic is brought under control globally, fiscal policies must remain flexible and supportive, while keeping debt at a manageable level over the long term. Governments also need to adopt comprehensive policies, embedded in medium-term frameworks, to tackle inequalities—especially in access to basic public

services—that were exacerbated by the COVID-19 pandemic and may cause income gaps to persist.

Moffitt, Robert A., and James P. Ziliak. 2020.

[“COVID-19 and the US Safety Net.” *Fiscal Studies* 41 \(3\): 515–48.](#)

We examine trends in employment, earnings and incomes over the last two decades in the United States, and how the safety net has responded to changing fortunes, including the shutdown of the economy in response to the COVID-19 pandemic.

Papageorgiou, Chris, Mariya Brussevich, and Shihui Liu. 2022.

[“Income Convergence or Divergence in the Aftermath of the COVID-19 Shock?” *Working Paper No. 2022/121, International Monetary Fund, Washington, DC.*](#)

The paper extends the work of Deaton (2021) by exploring the period of post-crisis recovery in 2021–2024. The paper documents per-capita income divergence during the period of post-shock recovery, with countries at the bottom of the income distribution falling significantly behind. Findings suggest that higher COVID-19 vaccination rates and targeted virus containment measures are associated with faster recovery in per-capita incomes in the medium term. Evidence on the effectiveness of economic support policies for reducing cross-country income inequality, including fiscal and monetary policies, is mixed especially in the case of developing countries.

Shanmugaratnam, Tharman. 2022.

[“Confronting a Perfect Long Storm.” *Finance & Development* 59 \(2\): 4–9.](#)

The pandemic, war in Ukraine, the threat to food security, and the resurgence of global poverty. Heatwaves, droughts, and other extreme weather events. These are not random shocks. Nor are they a perfect storm in the conventional sense, a one-off conjuncture of bad events. We face instead a confluence of lasting structural insecurities—geopolitical, economic, and existential—each reinforcing the other. We have entered a perfect long storm.

Shafik, Minouche. 2021.

[What We Owe Each Other: a New Social Contract. London: Vintage.](#)

What does society owe each of us? And what do we owe in return? Our answer to these inescapable questions - known as the social contract - shapes our politics, economic systems and every stage of life, from raising children and going to school to finding work and growing old. Yet today, many believe that this contract is not working for them.

Economist Minouche Shafik examines societies across the world and demonstrates that the urgent challenges of technology, demography and climate require a major shift in priorities. This vision-changing book shows us the way to a new model that provides mutual security and opportunity - a social contract fit for the twenty-first century.

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