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Fostering Sustainable Human Development: Managing the Macro-risks of Vulnerability

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ABSTRACT

The purpose of this paper is to trace and characterize the factors that contribute to today's multiplying signs and incidences of vulnerability, and, based on this analysis, to suggest possible corrective policy steps. The findings show that the risks of vulnerability emerging during recent decades tend to be of a systemic or macro nature. Their root cause appears to lie in the persisting gap between the transnational reach that marks more and more policy issues, and the still essentially national focus of public policy-making. The policy recommendations flowing from this analysis include: introducing global issues management into governance systems, nationally and internationally; promoting a notion of mutually respectful and 'smart' sovereignty; and establishing, within the United Nations, a Global Stewardship Council, i.e., a standing high-level body of independent eminent personalities mandated to advise intergovernmental bodies on policy options aimed at fostering global equity and longer term sustainability.

Introduction

Issues of vulnerability have, in recent years, received added political attention, nationally in the North and the South, and internationally. Their greater prominence reflects how growth and development have been increasingly crisis-prone, with one crisis grabbing the political spotlight from the other. According to the *Global Risk Reports* of the World Economic Forum (2012, 2013), the world can ill-afford another major challenge, as policy makers are still struggling to come to grips with global climate change, the effects of the 2008 financial crisis, persisting poverty, migration, cyber-insecurity, and international crime and conflict, to name but a few of the pending issues. Yet further challenges, such as the spectre of natural resource scarcities and rising resistance to antibiotics, are already looming on the political horizon.

The lengthening list of global challenges has not gone unnoticed. In fact, it has unleashed a flurry of efforts aimed at risk management and the strengthening of resilience, including for local communities, vulnerable countries, firms and international supply chains. Innumerable corrective efforts have been taken in most areas of global challenge, such as through the policy responses to global warming, the 2008 financial crisis and the fight against terrorism.

Nevertheless, judging from recent global reports (e.g., IEA 2013; Potsdam Institute of Climate Impact Research and Climate Analytics 2012; United Nations 2013; World Economic Forum 2012, 2013), change is happening too hesitantly, leading the United Nations Secretary-General to warn that "the worst is still to come" (United Nations 2013, p. iii).

So, why do threats of vulnerability linger unresolved? And what could be done to improve the current response patterns?

The present paper will address these questions. Its starting point is the observation that instability and volatility have arisen in a growing number of diverse issue areas, which suggests that they may have common root causes. Moreover, the challenges confronting us are, in large measure, of a global, transnational nature. This means that, in many instances, it is not possible for any one country or nonstate actor, however powerful, to resolve them through unilateral action. It can be conjectured that more recent threats to vulnerability result from a lack of effective international cooperation, that is, weaknesses in how global challenges are being governed. In other words, they are of a systemic or macro-risk nature, linked, as it seems, to the structure and functioning of global governance.

Section I of this paper will test this conjecture by examining what recent literature on specific and cross-cutting global issues reveal about the origins of problems in respective policy areas. The main finding is that today's vulnerability can be traced back to the 'sovereignty paradox': States, notably their governments, hold on to a strict, conventional notion of sovereignty, which makes them shy away from international cooperation in order to protect sovereignty. Yet with global challenges that involve policy interdependence among countries and require cooperation, such behaviour undermines rather than strengthens national policy-making. The harder states try to be sovereign, the more sovereignty they actually lose.

Section II will discuss reform steps that could allow policy makers to break out of this paradox. The main thrust of these reforms is to render international cooperation more compatible with sovereignty in order to strengthen states' willingness to cooperate and craft public policy that catches up with globalization.

If these steps were taken, the resolution of many global challenges might proceed faster, facilitating, in turn, an easing of vulnerability.

Exploring the macro-risks of today's vulnerability

Judging from recent risk analyses, the world at present seems to be entangled in an ever denser web of unresolved global challenges. These include global warming; the need for energy transition while enhancing energy security for all to fight poverty and meet rising energy demands; the looming spectres of land and water scarcity; rising migration and urbanization pressures; new and resurgent diseases; excessive financial volatility; and international crime and violence, including cyber-attacks and privacy infringement. Although already long, this list does not yet include what the *Global Risks*

Report calls the 'X-factors', or risks we have not even begun to think about, such as rogue deployment of geo-engineering or brain-altering technologies (World Economic Forum 2013). Moreover, warning calls are multiplying that some of these challenges are forming risk clusters that, were they to materialize, could result in crises of mega-proportions.

Why do we face such a lengthening list of global challenges? And why now?

TRACING CONTRIBUTING FACTORS: LAYER-ONE MACRO-RISKS OF VULNERABILITY

As discussed in box 1, it is useful to distinguish between micro- and macro-risks of vulnerability, and, within the latter category, among various layers.[1] Macro-risks can originate in different sub-systems, including entities like the international financial architecture or the trade regime. The risks associated with these sub-systems—called here layer-one risks—could, in turn, emanate from further underpinning factors, so-called layer-two, -three to -n risks.

This sub-section starts the search for the macro-risks of vulnerability by exploring factors that contribute to direct external threats (e.g., storms, droughts or excessive financial volatility) that afflict agents, be they private households, firms, local communities or countries.

A review of recent global risk analyses and issue-specific studies reveals that underpinning the various direct threats of vulnerability are a number of contributing factors linked not just to one threat but to several. They include the following.

Overuse of the global natural commons. This manifests in several ways, including, for example, deforestation, land degradation, loss of biodiversity, emerging water scarcity and the overload of the atmosphere with emissions of greenhouse gases. In light of the water-food-energy-climate 'nexus' (World Economic Forum 2011), excessive greenhouse gas emissions and global warming are also being seen as potential sources of new conflicts and security risks, especially in developing countries, given their relatively low capacity to cope with disasters and adapt to changing climatic conditions (Guillaumont and Simonet 2011, IPCC 2012, Panetta 2012).

[1] In line with the IPCC (2012, p.5), vulnerability is defined here as the propensity or disposition of agents or systems to be adversely affected by external effects; and resilience is defined as the ability of agents and systems to anticipate, absorb, accommodate or recover from hazardous external effects in an effective and timely manner.

Box 1: Categorizing the risks of vulnerability

For a full, policy-oriented understanding of the risks of vulnerability, it is useful to distinguish the following types.

Micro-risks are linked to particular characteristics that individual agents possess, be they persons, private households, firms, local communities or countries. Examples include ill health or young and old age that may limit a person's coping capacity, notably her/his ability to cope with devastating events such as war and conflict, or severe storms and floods; weak management of a firm; or a country's being landlocked and underdeveloped.

*Macro-risk*s emanate from the structure and functioning of the socio-economic, cultural or political systems that form the human-made environment in which individual agents function. Depending on the scope of the system, such as whether it is local, national, regional or global, these risks may haphazardly affect all or anyone within their respective reach.

The existence of risks makes itself felt through external effects like excessive financial volatility that results from lax regulation of national and/or international markets, or the emergence of severe weather events that have their origin in global warming, a trend that, in turn, could be due to slow progress in limiting the emission of greenhouse gases. The last element could be linked to failed international negotiations and, as the discussion in this paper will show, hesitance on the part of governments to engage in effective international cooperation.

Thus, in order to devise effective and efficient strategies for the reduction of vulnerability, it is important to explore the full chain of risks, layer by layer, down to the root causes.

While correcting the effects of micro-risks calls for interventions that are targeted to individual—vulnerable—agents, macro-risks call for a two-pronged approach: as an immediate measure, the strengthening of the resilience of all who could potentially come into harm's way; and in order to better manage, control or eliminate a particular macro-risk, adjustments in the structure and functioning of the concerned system, starting from the root cause to the top risk layer.

Reducing vulnerability, thus, might be a complex task. But it will pay to undertake it, because risks may turn into costly crises, perhaps even, as in the case of global warming, into a catastrophe with irreversible consequences.

Political short-termism. Besides contributing to the overuse of the global natural commons, this is a factor in intergenerational equity problems such as high indebtedness and resultant underinvestment that gives preference to current generations at the expense of future ones (Oxford Martin Commission 2013). Another expression of short-termism is the limited attention being paid—despite the impressive rise of the global South—to such issues as the future global division of production and work, and its implications for sustainable economic growth and human development in different parts of the world (see, for example, Bourguignon 2013). The worldwide phenomenon of ageing populations is another issue that deserves higher political attention.

Inefficient management of knowledge and technology. This results from the fact that the present regime of intellectual property rights tends to favour innovators and their right to protect their intellectual property over the widest possible dissemination and use of available knowledge and technology (Kennedy and Stiglitz 2013). As a result, poorer countries and people may not be able to afford medical and pharmaceutical products, so that disease burdens remain high, holding back economic growth and human development (Odagiri et al. 2012, Pollock 2006). For similar reasons, the current intellectual property rights regime could prove to be double edged for transitioning towards a green, low-carbon economy (Abdel-Latif 2012): It may facilitate technological innovation but constrain its dissemination. Non-availability and non-affordability of knowledge and technology are often further exacerbated by a lack of national and international public policy incentives aimed at encouraging pro-poor research and development (Hogerzeil et al. 2013, Kiddell-Monroe et al. 2013).

Technological advances outpacing regulatory activity. This manifests in a range of problems such as the lack of food safety or mal- and overuse of medicines like antibiotics, causing antimicrobial resistance (WHO 2012); rapid financial innovation leading to novel ways of tax avoidance and illicit trade (see, for example, World Customs Organization 2013); and the challenge of balancing privacy and security in the digital age (Schmidt and Cohen 2013, Thierer 2013).

Inadequate global market regulations. These lead to crucial problems of excessive financial volatility, as witnessed in the 2008 meltdown (Eichengreen 2008, Shiller 2008, United States General Accountability Office 2013), or price spikes in commodity markets that may add to problems of hunger and starvation (von Braun and Tadesse 2012, Hoekman and Martin 2012). Inadequate global market regulation also impedes the universalization of labour rights, opening the door to disasters like the 2013 building collapse in Bangladesh that killed more than 1,000 textile workers (Alam and Hossain 2013). With the rise in population numbers and economic growth, lack of regulations has led to land-use patterns, including the emergence of mega-cities and the establishment of industrial estates in coastal zones, that have caused natural disaster costs to surge (Guha-Sapir et al. 2013, MunichRe 2013).[2]

Rising global political tensions. These stem, in part, from the widening inequity between the rich and poor in both industrial and developing countries (Galbraith 2012, OECD 2011b, Stiglitz 2012), a trend that has given rise to new forms of opposition and protests like the Arab, Russian and Brazilian springs, the Occupy Wall Street movement, and demonstrations in Europe against the high costs of the euro crisis being passed on to the general public in countries like Greece, Ireland, Portugal and Spain (Mason 2013). While these protests often take place locally and nationally, they

[2] Some risk and vulnerability analyses also attribute the rise in the frequency and severity of disasters to deeper economic integration. Yet while this clearly spreads and magnifies existing risks, it does not necessarily cause them. In many instances, perceived threats may be more the outcome of inadequate market regulation or another contributing factor than a result of connectivity per se.

are directed against a common experience: the dominance of markets and inequity. In other words, they reflect an opposition to the current paradigm of globalized growth and its origin, the West, a fact that may explain the return of religion as a factor of national and international conflicts (Karakoç and Başkan 2012).

In essence, the factors contributing to vulnerability that are identified above are all different expressions of one and the same underlying factor: weak public policy-making. This comprises insufficient management of cross-border and intergenerational externalities, and a tendency to resolve problems like emerging natural resource scarcity through rivalry among states rather than effective international cooperation likely to generate positive returns for all tomorrow.

Assuming that governments are key actors in promoting 'good' public policy, the forgoing findings thus suggest that government failure in the presence of global, transnational challenges is an important layer-one macro-risk of today's vulnerability. But why does this type of government failure occur? To which layer-two macro-risks could it be adduced?

SEARCHING FOR ROOT CAUSES: LAYER-TWO MACRO-RISKS OF VULNERABILITY

At this point in the analysis, it is important to recall that many if not most global challenges possess the properties of a global public good.[3] In line with standard economic theory, one would expect markets to fail in efficiently providing these. The reason is that the goods' properties are public, i.e. there for all to consume. But how can we explain the evident failure of states in this context—in other words, through the lack of international cooperation required for the full, efficient and effective provisioning of most global public goods?

An important reason for states' reluctance to cooperate on these goods appears to be due to what has been termed the 'sovereignty paradox'. According to Kaul (2013), this arises when, in policy areas that involve interdependence, states shy away from international cooperation, hoping to safeguard their policy-making sovereignty, but achieving just the opposite result: a further erosion of their national policy-making capacity. This occurs as non-cooperation leaves problems unaddressed, and exposes nations to further, perhaps increasingly severe risks, and deepening, multidimensional vulnerability.

This behaviour of states is evident from the fact that, while the existence of global challenges is being recognized, and a myriad of policy responses are underway, these measures have, so far,

[3] The interested reader may turn to annex A for a more detailed discussion of the concepts of public goods and global public goods.

primarily followed a two-pronged approach aimed at: first, encouraging, or leaving it altogether to markets to generate new types of private goods designed to help achieve desired global goals like 'green growth' or 'pro-poor' agricultural and health products and services; and second, supporting non-binding multilateral agreements or voluntary international action, as well as domestic interventions, notably in areas in which global and national priorities overlap (see, for more detailed empirical evidence, Kaul 2013).

For the most part, corrective steps to date have stayed within the conventional governance moulds. They fit with the Westphalian state model and its basic principle of the sovereignty of national policy-making. Yet this principle has, in effect, come under pressure. While its weakening is not a necessary and unavoidable accompaniment of globalization, it has been happening. One reason for this is today's greater mobility of capital, which has tilted the state/market balance in favour of the latter. By implication, states have less control over markets and less control over the shaping of the governance system. Market actors may, for example, threaten exit from a country if its government considers a policy measure that they dislike, such as an increase in tax rates to raise public revenue and lessen state dependence on financial markets.

Another factor that prompts states to hold on to whatever sovereignty they have left resides in the current global power shifts (UNDP 2013). These have unsettled the earlier division of the world into 'policy setters' and 'policy takers', a fact that, at least for now, appears to weaken governments' willingness to engage in effective international cooperation in the North and the South. While the North fears a loss of its global rule-setting powers, the countries of the South feel that the existing pattern of decision-making does not yet fully reflect their newly won positions as major economic and political powers. The result is a retreat from multilateralism and a more fractured system of global governance.

In part, of course, the fractured nature of global governance is also an expression of the facts that it is becoming more open and participatory, and that a search is on for new and innovative forms of international cooperation. [4]

Nevertheless, the 'sovereignty paradox' has led to a widening governance gap, with public policy-making remaining essentially national at a time of deepening policy interdependence, and a growing number of global public goods calling for often swift and decisive reform steps on the part of states.

Box 2: Defining the global public domain

According to Drache (2001), the term 'public domain' is defined as the ensemble of things we have or experience in common. These can include tangible products like land or street signs, services like information made available to all, and conditions like peace and security, financial stability or climate change.

Public goods are the main things in the public domain, which has a reach depending on the span of the goods' costs and benefits. Global public goods are in a global public domain. As the provision of public goods, including global public goods, can change over time, the utility of the public domain in supporting economic growth and human development can also vary.

Goods may be neglected, or, as in the case of impure public goods like the natural global commons, they may become overused. If well stocked, the public domain can serve as an important facilitator of growth and development. If composed of underprovided goods, it may pose threats and undermine growth and development.

Throughout history, tension has existed between various political forces striving for making things more or less public or private. Today, there are also struggles over the global public domain, and how deep it should reach into and overlay the national and regional public domains. In today's multiactor world, the public domain has become less coterminous with the economic activity of the state in the public sector.

Although the global public domain concerns all, no one is yet in charge of it, acting as a trustee to alert us if gross imbalances arise between the public and the private, or the national, regional and global. Establishing, as proposed in this paper, a UN Global Stewardship Council, composed of independent, eminent personalities, could perhaps fill this policy-making void.

Source: This box draws on Arthurs 2001, Dulong de Rosnay and De Martin 2012, Drache 2001, Pollock 2006 and Stone 2008.

[4] See, on the fractured nature of global governance in finance, energy, health and the environment, respectively, Elson 2012, Dubash and Florini 2011, Kickbusch and Gleicher 2012, and Biermann et al. 2009; and on the innovative and experimental dimensions of the current multiplication of new, additional international mechanisms of cooperation, Kaul and Conceição 2006, and Kaul 2013.

The national character of policy-making is especially evident from the fact that there is not yet much awareness and recognition of the fact that globalization has led to the emergence of two new public policy spaces.

The global issue policy space is formed by the ensemble of policy interventions that, as shown in annex figure A.1, contribute to the typically multilevel, multisector and multiactor provision of global public goods. At present, states holding on to the strict, conventional notion of sovereignty and its corollary, a strong foreign and domestic divide, tend, in many cases, to disrupt this provision.

The global public domain comprises the relationships—synergy and conflicts—among various global public goods (box 2). The promotion of human rights, for example, would perhaps often be conducive to poverty reduction and other aspects of human development, whereas the underprovision of the global public goods of 'international financial stability' or 'climate change mitigation' are likely to have the opposite effect. At present, there is no body mandated to keep an eye on the public domain in order to ensure coherence among the global public goods, and a structure and functioning of the domain that generates net benefits for all—the global public. The global public domain today is an 'orphaned' policy space.[5]

THE SYSTEMIC SOURCE OF TODAY'S VULNERABILITY: A LACK OF INCENTIVES FOR STATES TO ENGAGE IN INTERNATIONAL COOPERATION

The forgoing analysis suggests that vulnerability today is, in part, perhaps even primarily, an outcome of the present systems of governance, nationally and internationally. To the extent that it is of a systemic, as opposed to an idiosyncratic, nature, its roots reach down to the core of the present world order: the repartition of the world into individual sovereign nation states, which has been here identified as the most basic layer-two macro-risk of vulnerability.

Reinforced by the greater global mobility of market actors, and due to the relatively limited role accorded to states since the 1980s with the shift in policy orientation towards economic liberalization and privatization, governments' reluctance to cooperate has not only engendered national and international imbalances, but also increasingly upset the relations between, for example, public and private, the longer and the shorter term, and rich and poor.

[5] In fact, it is still quite rare to find scholars discussing issues pertaining to the structure and functioning of the public domain. A rare exception is Drache (2001). It is even rarer to encounter a discussion on the global public domain. If being employed, the term 'global public domain' tends to refer to the fact that decision-making on global issues now is increasingly a multiactor process (see, for example, Ruggie 2004 and Stone 2008). This paper uses the term to refer to the 'things', i.e., the global public goods, contained in the global public domain.

Without effective management and resolution of macro-risks, fighting just against the direct threats of vulnerability will, most probably, prove to be an uphill, inefficient and ineffective battle, and will not lead to sustainable poverty reduction and human development.

Is the world caught in a global prisoners' dilemma, where all states focus on their goals, but hesitate to embrace international cooperation that leads to more balanced growth and development, and a more adequate provisioning of global public goods? The next section answers "no, not necessarily." Reform measures could be implemented without much further delay.

Policy options for international cooperation more compatible with national sovereignty

In light of the multilayered set of factors causing vulnerability that were identified above, it is useful to begin removing factors from the bottom up. Accordingly, the following discussion will focus on three possible reform steps pertaining to the layer-two macro-risks: 1) the forging of consensus on a notion of 'smart' and mutually respectful sovereignty to facilitate states' escape from the 'sovereignty paradox'; 2) the creation of a Global Stewardship Council under the umbrella of the United Nations to enhance management of the global public domain; and 3) the introduction of global issues management into national and international governance systems to bridge the foreign and domestic divide, and facilitate a more concerted and integrated provisioning of global public goods.

ESCAPING FROM THE 'SOVEREIGNTY PARADOX': FORGING GLOBAL CONSENSUS ON A NOTION OF 'SMART' AND MUTUALLY RESPECTFUL SOVEREIGNTY

Given that one of the root causes of today's structural vulnerability is the 'sovereignty paradox', it can be conjectured that persuading policy makers and their constituencies to break out of this situation requires defining a rationale for global public policy that is compatible with sovereignty.[6] This entails two main steps.

First, it must be established that in policy areas, especially those involving interdependence challenges, it is rational and feasible for states to engage in effective—and to that end, fair—international cooperation. This could be done, for example, by undertaking more studies on the economics and politics of particular global issues, such as the Stern Review (Stern 2007), and complementing them with region- and country-specific analyses. Such studies could be useful in demonstrating, in a disaggregated way, the costs and benefits of resolving global challenges in a

[6] This section draws on Kaul 2013.

timely and decisive manner, as opposed to letting them linger and become exacerbated. From such cost/benefit analyses undertaken to date, it appears that, in many cases, swift and resolute action would often be cheaper than a delayed response.

Second, based on such evidence, it would be useful to forge global consensus on a notion of mutually respectful sovereignty. This notion would combine the pursuit of national interests with respect for the sovereignty of other states, and, therefore, would entail respect for planetary boundaries and other global systemic balances (De Brabandere 2012, Ţuţuiana 2013). Such a consensus might go a long way in reassuring countries that other nations will bring similar strategies with a positive orientation to the negotiating table (see box 3).

Box 3: 'Smart' and mutually respectful sovereignty: a collective approach to safeguarding national policy-making capacity

International cooperation is often seen as undermining states' policy-making sovereignty. No doubt, it often does, and therefore, governments tend to shy away from global, concerted policy responses, even on transnational challenges that no single nation can effectively and efficiently address alone. In the absence of such a cooperative approach, global challenges linger unresolved, potentially making everyone worse off.

Thus, while confronting global challenges that entail policy interdependence, it would be in the enlightened self-interest of all concerned states to offer to cooperate, and to do so on fair and mutually beneficial terms. This requires mutual confidence and trust, and, therefore, a shared commitment among states to act responsibly, towards their own countries by protecting them against possible negative spillovers from abroad, and towards other nations, because non-cooperation could undermine their welfare and well-being.

In other words, exercising smart, respectful sovereignty means pursuing one's own national interests in a way that respects the sovereignty of other nations, as well as global balances and planetary boundaries.

Just as states' commitment to collective security strengthens the inviolability of national territorial borders, their commitment to policy-making sovereignty practised in a mutually respectful, responsible manner could potentially be the best way of securing national policy-making in areas of policy interdependence.

Source: Based on Kaul 2013.

If framed in this manner, sovereignty would allow policy makers to engage in global public policy-making without being concerned about betraying—or being perceived as betraying—national interests. It would then be clear that sovereignty, as such, is not the question. On the contrary, strategies of exercising sovereignty would be adjusted to current policy-making realities, notably the challenge of interdependence, in order to safeguard national sovereignty.

In other words, a rationale for global public policy that is compatible with sovereignty—addressing global public goods and providing oversight of the global public domain—would state that mutually beneficial international cooperation is the preferred strategy for responding to interdependence challenges, because, first, it fosters effectiveness and maintains national policy-making capacity, and second, it shows respect for the national concerns of others, and reinforces the norm of mutually respectful sovereignty. This norm, if widely adopted, would protect countries against negative spillovers from abroad.

It seems unlikely, however, that studies and research demonstrating the benefits of international cooperation would jolt states out of their 'sovereignty paradox'. What is perhaps needed in addition to this is either a major, catastrophic event—a scenario that ought to be avoided—or strong public pressure, notably at the national level, as it is here where politicians have to stand for election. Citizens have to become more informed about global interdependence and demand of politicians more willingness to cooperate. The social media revolution and the globalization of supply chains could play an important role in fostering such citizen awareness and empowerment (see Birdsall 2013).

Once the political will to engage in more effective international cooperation is generated, the United Nations, the body that has granted countries their recognition as sovereign states, would also perhaps be the most obvious choice as a forum for countries to commit themselves to the notion of a smarter, respectful and, thereby, also more globally responsible sovereignty.

If such a notion were to find traction and support, and states could trust each other and feel confident enough to try and abide by this norm, everyone would witness their sovereignty being strengthened. Moreover, under today's conditions of economic openness such a conceptualization of sovereignty would conform to the UN Charter and its principle of non-interference to a greater degree than the current policy of lax externality management, in practice. In fact, 'smart' and mutually respectful sovereignty could be seen as one of the key missing global public goods at present, and, hence, as a core ingredient of a more secure, yet dynamic and prosperous future world.

Yet for consensus to emerge on such a norm, international policy-making would need to become more open and participatory. The 'three P's' of global public policy-making would need to be properly matched: publicness of consumption, publicness of decision-making, and publicness—in other words, fairness—in the distribution of benefits and costs.

ASSIGNING RESPONSIBILITY FOR KEEPING AN EYE ON THE GLOBAL PUBLIC DOMAIN: CREATING A UN GLOBAL STEWARDSHIP COUNCIL

When national policy makers or diplomats appear at the international level for multilateral negotiations, they are quasi 'private' actors. For the most part, they tend to represent and pursue national interests, which, from a global perspective, constitute particular interests that may or may not overlap with global concerns and priorities.

Therefore, little, if anything, would perhaps be gained towards enhancing management of the global public domain by creating yet another new multilateral body, however high level. This lesson can be drawn from the experience of the Group of 20 leaders meetings to date. What might better serve the promotion of a more coherent, fairer global public domain would, perhaps, be the creation of a Global Stewardship Council under the umbrella of the United Nations.

Such a council could be a standing body of eminent personalities, wise men and women, appointed in their individual capacities. They could be mandated to support the international community in creating and maintaining a global public domain that serves all people, in both current and future generations, in furthering their welfare and well-being, while ensuring respect for state sovereignty and the longer-term carrying capacity of the globe.

The council's role would be to scan global trends to assess whether or not the world is 'in balance', issues that require attention are getting resolved, and emerging concerns move, as speedily as possible, to policy agendas.[7]

Considering that various global risks are beginning to cluster, and that in a number of issue areas, including climate change, we are rapidly approaching critical limits, while concurrently undermining communities' capacities to withstand disaster, the creation of a Global Stewardship Council would be urgent.

By establishing it, UN Member States and the public at large would recognize that besides national jurisdictions, global policy spaces now exist. Given the *res communis* nature of these spaces,

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[7] Several studies have called for a revitalization of the currently defunct UN Trusteeship Council as a body to assist in the governance of the global natural commons. For an overview of these proposals, see, for example, Biermann (2012), who proposes the establishment of a Trusteeship Council for Areas beyond National Jurisdiction. The difference between the earlier proposals and the one set forth here is that: (1) the present proposal focuses not only on the natural commons but on global public goods more broadly and the global public domain as a whole; and (2) it suggests an independent, advisory body, not an intergovernmental entity. On the concept of public trust that underlies all the proposals, see also Turnipseed et al. 2012.

it would only be appropriate for the Global Stewardship Council not to be another intergovernmental body. By being comprised of independent personalities, its advice would be guided not by particular interests, but by what is good for the global public—all people, countries, regions and the globe as a whole.

The only power that the members of the Stewardship Council would have is the legitimacy and trust that the world's public would bestow on it based on its vision and foresight, as well as the neutrality and do-ability of its advice.

BRIDGING THE FOREIGN AND DOMESTIC DIVIDE: INTRODUCING GLOBAL ISSUES MANAGEMENT

Today, many issues are dealt with in a separate and disconnected way, with technical, social, economic, environmental, financial, national, regional and global aspects evaluated in isolation. Rarely are all of these brought together for a holistic view of related challenges.

There is a tendency to treat private goods with much more respect than public goods. As far as the former are concerned, we have invented the institution of the firm: an organizational structure that pulls together the building blocks and requisite financing, enabling the desired product—for example, a pencil, show or car—to emerge (see Williamson 1985).

In the case of public goods—global public goods being no exception—we often just express concern about their underprovisioning. In cases where national or business incentives are strong enough to create a provision network, for example, the network of international civil aviation, the good may actually be adequately provided. But, in other cases, where such incentives do not exist, the process of addressing concerns related to provisioning of a good may stop at the level of rhetoric, or remain spotty and incomplete, as discussed above.

The primary reason for this is that, in most instances, nobody is mandated to manage, oversee, and facilitate the typically multifaceted and complex provision process. This, in turn, is due to the organizational design of governance systems, which are mainly structured along geographic and sectoral lines. As such, they are unable to deal with the complexity of global challenges. While many transnational sectoral and actor networks have emerged, the conventional foreign and domestic divide remains a major friction point in the provisioning of global public goods (see annex figure A.1).

It would be desirable to introduce a 'global issues focus' as a new, additional organizational criterion in the existing framework of governance systems, and to appoint, nationally and internationally, global issue managers. They could oversee the coming together of global public goods and nudge all concerned actors—at all levels, and in all sectors, public and private—into action. The managers could also be charged with keeping an eye on the financing of global public goods, and offer periodic reminders to the parties involved that inaction is more expensive than timely corrective actions.

Some tentative beginnings of such global issues management exist. Mention can, for example, be made of the UN Secretary-General's high-level advisers on particular global issues, including the Special Representative for the Implementation of the International Strategy for Disaster Reduction,[8] or the UN Framework Convention on Climate Change Secretariat.[9] Yet for global issues management to work effectively, the role of issue managers in relation to concerned legislative and operational bodies needs to be more precisely clarified. Moreover, 'missing' managers need to be appointed. Overall, their work should be coordinated. If, for example, the managers for global climate and disaster reduction could work in consultation and cooperation with those for renewable energy, water and food security, synergies among these issues could be more fully developed and faster progress achieved in all of them.

MORE INCENTIVES FOR STATES TO COOPERATE

The forgoing reform steps could significantly enhance states' willingness to engage in fair and effective international cooperation. They would gain powers to intervene, individually and collectively, in redressing imbalances that generate some of today's vulnerabilities. Change along these lines might help avoid the costs of future crises.

There might be a real chance for the world to escape from the current 'bad' policy equilibrium—and relatively soon. More effective multilateral cooperation aimed at controlling the layer-two macro-risks would reduce the layer-one risks, which, in turn, would limit the severity and maybe also the number of vulnerability threats.

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[8] The list of the Secretary-General's high-level advisers on global issues can be found online at: www.un.org/sg/srsg/other.shmtl/.

[9] For the mandate of the UN Framework Convention on Climate Change Secretariat, see: https://unfccc.int/secretriat/.

Conclusion

This paper has explored the reasons for the growing signs of, and concerns about, vulnerability. Its focus has been on the systemic or macro-risks of vulnerability.

The discussion in section I identified a main risk factor as the tendency of states to hold on to a strict conventional notion of sovereignty, even in policy fields where effective international cooperation would be the better way to tackle global challenges. They assume they are protecting their sovereignty, but in fact lose it each time that non-cooperation prevents the resolution of transnational problems.

Accordingly, section II has offered reform steps that appear desirable and feasible. They are likely to foster globalization more compatible with sovereignty, and strengthen states' willingness to be more forthcoming in terms of fair and effective international cooperation.

Clearly, fostering sustainable human development will be an uphill battle, if not a futile effort, as long as the macro-risks of vulnerability go unchecked. The focus here on macro-risks is not to suggest that micro-risks of vulnerability—or risks peculiar to particular population groups or countries—matter less. Rather, the main message is that we need to focus on both micro-risks and macro-risks, strengthened resilience, and reforms making it possible to have both globalization and sovereignty.

Progress along these lines appears to be feasible. Much is already happening with respect to the strengthening of resilience. Councils with a composition and mandate resembling the Global Stewardship Council proposed here have emerged in several countries. Examples include: the World Future Council; Finland's Committee for the Future; Foresight in the United Kingdom; and the commissions or commissioners for sustainable development in Brazil, Canada, Chile, Germany, Hong Kong and New Zealand. Mention can also be made of the constitutional references to future generations in Albania, Belgium, Bhutan, Bolivia, Burundi, Cuba, Ecuador, France, Germany, Kenya, Poland, South Africa and Sweden (Oxford Martin Commission 2013, pp. 46-47; United Nations 2013, pp. 9-13).

Evidently, reality is already moving towards greater balance and sustainability. The changes proposed here could be further steps along the path of tackling global challenges more effectively, and preventing vulnerability and human deprivation. Despite all the crises today, we possess enormous strengths to create a better future for all.

Annex A: Introducing public goods and global public goods

Standard economic theory distinguishes between two main categories of goods: private goods and public goods. *Private goods* can be parcelled out and made excludable, so that clear property rights can be attached to them. An example is a bicycle or car. *Public goods*, by contrast, are non-excludable, meaning that everyone shares their effects (benefits or costs). Examples are peace and security or climate stability.

If a good is to be purely public, it must be both 'non-excludable' and 'non-rival' in consumption—in other words, an additional consumer of the good does not reduce its availability for others. Examples are peace and security. If a good has only one of these characteristics, it is impurely public. The atmosphere, for example, is non-excludable, but rival in consumption, because pollution can change its gas composition and contribute to global warming. Patented pharmaceutical knowledge illustrates a non-rival good, whose use has, at least for a limited period of time, been made excludable. It falls in the category of an impure public good as well.

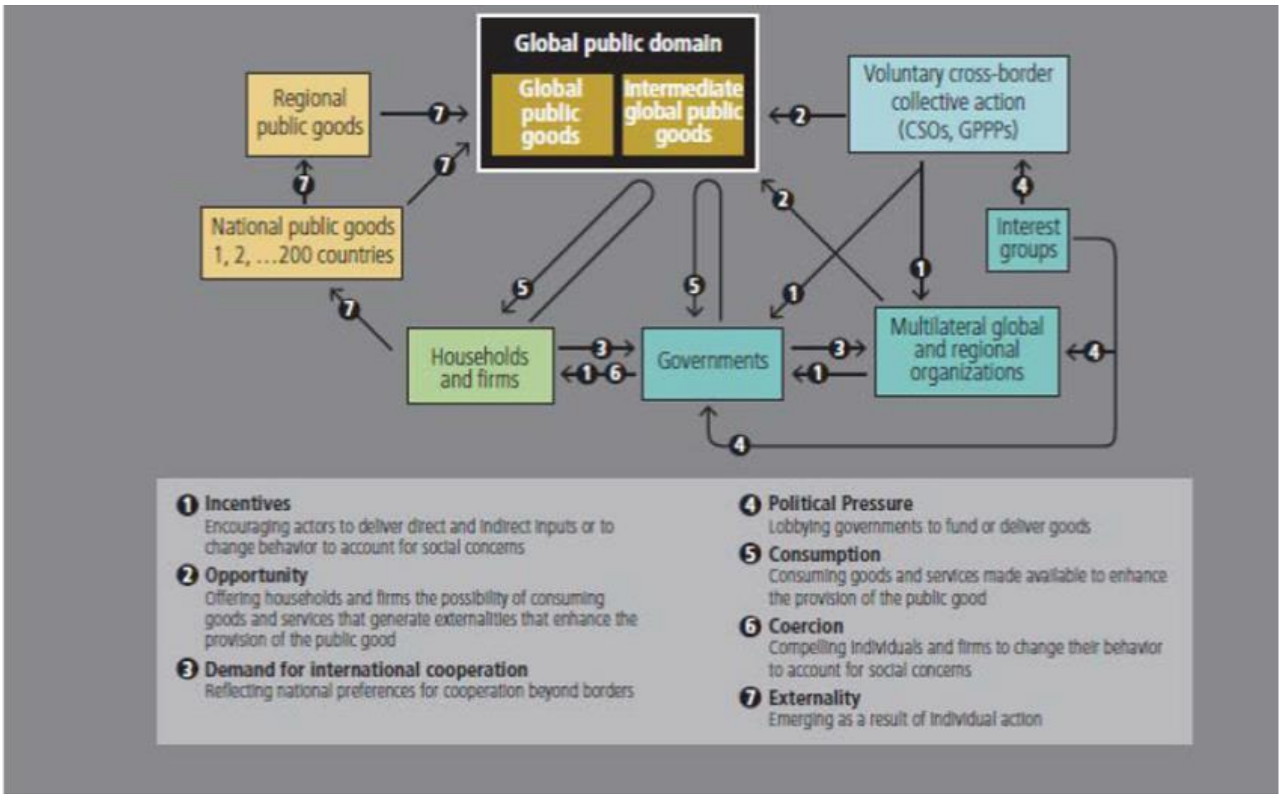
The public effects of a good can be of different geographic reach—local, national, regional or worldwide—and can span one or several generations. *Global public goods* have benefits or costs of nearly universal reach, or potentially can affect anyone, anywhere. Together with regional public goods, they constitute the category of transnational public goods.

The term 'good' is used here as a short form for goods or products as well as services and conditions that exist in the public domain. Moreover, publicness and privateness are often not innate properties of a good, but the result of social or political choice. For example, land can be freely accessible to everyone, or fenced in and made excludable. Globalness is a special form of publicness, and in most cases, results from a policy choice, for example, a decision to promote free trade or financial liberalization.

While some public goods are referred to as 'final goods', others constitute 'intermediate goods', because they serve as inputs into the provision of other public goods. Green technologies, for example, could be inputs for the final good 'climate change mitigation', and international agreements on enhanced national financial regulation could be an input into international financial stability.

Importantly, many public goods, including global public goods, are not only public in consumption, but, as the forgoing examples already indicate, also public in provisioning. This means, in order for the final good to emerge, a complex set of multiactor and multilevel interventions is required, as shown in the figure below. In particular, the global public goods, whose provisioning calls for such a so-called 'summation process', tend to entail policy interdependence among countries. These goods, therefore, call for effective, and, to this end, fair—meaning open and mutually beneficial—international cooperation.

Figure A.1: The provision path of a summation-type global public good



Source: The figure is taken from Kaul and Conceição 2006, p. 14. For further reading, see also Barrett 2007, Kaul et al. 2003 and Sandler 2004.

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