

# World Economic Forum Summit 2020 and Great Reset

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The World Economic Forum's initiative for "The Great Reset" has set off furious conspiracy theories as well as contemptuous dismissal. The Great Reset, conceptualised by the founder and executive chairman of the WEF, Klaus Schwab, has evolved over the last few years and is based on the assessment that the world economy is in deep trouble.

**In news:** The World Economic Forum Annual Meeting 2020 was held on January 20-24, 2021

**Placing it in syllabus:** Foreign Affairs

**Dimensions:**

- Highlights of the Summit
- Great Reset
- It's components
- Importance
- Hurdles
- India's role

## Content:

### Highlights of the Summit:

- The World Economic Forum's (WEF) 50th Annual Meeting in Davos was focused on stakeholder capitalism with the central theme "Stakeholders for a Cohesive and Sustainable World."
- Professor Klaus Schwab, founder and executive chairman of the WEF and a long-time supporter of stakeholder theory, said, "People are revolting against the economic 'elites' they believe have betrayed them, and our efforts to keep global warming limited to 1.5°C are

falling dangerously short.”

- The WEF updated its “Davos Manifesto,” a set of principles that underpin the event, for the first time in over 40 years.
- It now plainly states at the top, “the purpose of a company is to engage all its stakeholders in shared and sustained value creation”
- It says companies should have zero tolerance for corruption, uphold human rights and pay their fair share of taxes.

WEF and the Big Four accounting companies are also developing a set of universal metrics and disclosures that companies can include in their annual reports to measure their social and environmental performance.

### **World Economic Forum**

- The WEF is based in Cologny, Geneva Canton in Switzerland
- It is an international NGO, founded on 24 January 1971.
- The WEF has stated its mission as “committed to improving the state of the world by engaging business, political, academic, and other leaders of society to shape global, regional, and industry agendas”.
- The WEF hosts an annual meeting at the end of January in Davos, a mountain resort in Graubünden, in the eastern Alps region of Switzerland.
- The meeting brings together some 3,000 business leaders, international political leaders, economists, celebrities and journalists for up to five days to discuss global issues, across 500 sessions.
- Beside meetings, the organization provides a platform for leaders from all stakeholder groups from around the world – business, government and civil society – to collaborate on multiple projects and initiatives.
- It also produces a series of reports and engages its members in sector-specific initiatives.

- The World Economic Forum and its annual meeting in Davos are criticised regarding the public cost of security, the formation of a wealthy global elite without attachment to the broader societies, undemocratic decision processes, gender issues and a lack of financial transparency.

## **The Great Reset:**

- In May 2020, the WEF and the Prince of Wales's Sustainable Markets Initiative launched "The Great Reset" project, a five-point plan concerned with enhancing sustainable economic growth.
- It is the name of the 50th annual meeting of the World Economic Forum (WEF) bringing together high profile business and political leaders.
- The Great Reset, conceptualised by the founder and executive chairman of the WEF, Klaus Schwab, has evolved over the last few years.
- It is based on the assessment that the world economy is in deep trouble.
- It argues that the situation has been made a lot worse by many factors, including the pandemic's devastating effects on global society, the unfolding technological revolution, and the consequences of climate change.
- Schwab demands that the world must act jointly and swiftly to revamp all aspects of our societies and economies, from education to social contracts and working conditions.
- Every country, from the United States to China, must participate, and every industry, from oil and gas to tech, must be transformed.
- In short, we need a 'Great Reset' of capitalism.

## **Components of Great Reset:**

According to WEF, The Great Reset agenda would have three main

components:

### **1. Steering the market toward fairer outcomes:**

- To this end, governments should improve coordination (for example, in tax, regulatory, and fiscal policy), upgrade trade arrangements, and create the conditions for a “stakeholder economy.”
- At a time of diminishing tax bases and soaring public debt, governments have a powerful incentive to pursue such action.
- Governments should implement long-overdue reforms that promote more equitable outcomes.
- Depending on the country, these may include changes to wealth taxes, the withdrawal of fossil-fuel subsidies, and new rules governing intellectual property, trade, and competition.

### **2. Ensuring that investments advance shared goals, such as equality and sustainability:**

- The large-scale spending programs that many governments are implementing represent a major opportunity for progress.
- The European Commission, for one, has unveiled plans for a €750 billion (\$826 billion) recovery fund. The US, China, and Japan also have ambitious economic-stimulus plans.
- Rather than using these funds, as well as investments from private entities and pension funds, to fill cracks in the old system, we should use them to create a new one that is more resilient, equitable, and sustainable in the long run.
- This means, for example, building “green” urban infrastructure and creating incentives for industries to improve their track record on environmental, social, and governance (ESG) metrics.

### **3. Harnessing the innovations of the Fourth Industrial Revolution:**

- The innovations of the Fourth Industrial Revolution to support the public good, especially by addressing health and social challenges.
- During the COVID-19 crisis, companies, universities, and others have joined forces to develop diagnostics, therapeutics, and possible vaccines; establish testing centers; create mechanisms for tracing infections; and deliver telemedicine.

Imagine what could be possible if similar concerted efforts were made in every sector.

#### **What is stakeholder capitalism?**

- Stakeholder capitalism is a form of capitalism in which companies seek long-term value creation by taking into account the needs of all their stakeholders, and society at large.
- Among the key stakeholders are customers, suppliers, employees, shareholders and local communities.
- Under this system, a company's purpose is to create long-term value.
- Supporters of stakeholder capitalism believe that serving the interests of all stakeholders, is essential to the long-term success and health of any business.
- They make the case for stakeholder capitalism being a sensible business decision as well as being an ethical choice.
- The stakeholder concept was adopted most prominently in the social democracies of Northern and Western Europe, including Sweden, Denmark, Finland, the Netherlands, Belgium, and Germany.
- Stakeholders has specific objectives that make them distinct organisms, as follows:
  - Governments focus on creating the greatest



and more prosperous future.

The Brookings Institute described their three point plan in response to the COVID-19 crisis –Response, Recovery, and Reset:

- For the near term it involves response; in the medium term this involves rebuilding economic and social activity in a manner that protects public health, promotes societal healing, and preserves the environment.
- The reset is for systems over the long term of establishing a great reset through collective imagination. It would be a new equilibrium among political, economic, social, and environmental systems toward common goals.

## **Hurdles for Great Reset**

### ***Challenges of Reforming Capitalism:***

- The demands for reform of Capitalism are as old as capitalism itself, but dominant capital tends to resist change.
- Capital has shown little concern for the interests of stakeholders and its instinct for profit maximisation has only gotten worse during the pandemic.
- This calls for “stakeholder capitalism” that looks beyond the traditional corporate focus on maximising profit for shareholders.
- However, the Wall Street Journal routinely dismisses stakeholder capitalism as a front for “irresponsible corporatism” that diverts cash flows from productive use of capital that can produce collective good.
- Capitalism is not going to reform itself. Making capital more responsive belongs to the realm of the state. The kind of policy choices that a state makes in mediating between different stakeholders depends, in turn, on the

balance of political forces within societies and between them.

### ***Deepening climate crisis***

- The 2015 Paris accord on mitigating climate change is not enough to resolve the main political challenge on climate change.
- It is about distributing the economic and social costs of moving away from carbon use within and across nations.
- There are many conflicts yet to be resolved. The conflict is about managing the differential social impact within the nation as well as it is about reconciling the divergent carbon policy imperatives among the major economic actors internationally.

### ***Growing difficulty of global cooperation***

- In recent years there has been a growing difficulty of global cooperation
- The era of great power harmony that accompanied the liberalisation of the global economy at the turn of the 1990s has yielded place to intense political, economic and technological contestation among nations (eg. US-China trade war)
- The world needs universalist solutions and it might lead to “competitive multilateralism” and the construction of coalitions of the willing, capable to develop and enforce new rules.

### **India's Role:**

- Unlike in the 20th century, India now can and must actively contribute to the framing of new rules to govern global capitalism and reshaping of international institutions.
- It must also reform its own economy and society to make it more equitable, sustainable and capable of coping



with rapid external change.

- India, which is in the middle of an economic reset of its own, must not only pay attention to the global debate, but also recognise that the current crisis and its political consequences will inevitably lead to a rearrangement of the global order.
- Structural change is inevitable and Indian government should work to maximise India's possibilities and limit the potential dangers.
- It is only those nations that can effectively manage the dynamic interaction between the internal and external that will come out as winners in the Great Reset that is unfolding.

**Mould your thought:** What is the Great Reset Agenda? Discuss its importance and challenges in the contemporary world.

***Approach to the answer:***

- Introduction
- Write about Great Reset Agenda and its move toward stakeholder capitalism
- Mention the importance of Great Reset
- Write about the challenges
- Conclusion