# CGET Press Conference on the release of the Interim Report on the Global Response to the Pandemic

### Zoom call, March 11, 2021

**Speakers**: Rob Johnson, Joseph Stiglitz, Michael Spence, Jayati Ghosh, and Rohinton Medhora

Registered press attendees:

- David Blair - Center for China and Globalization/ChinaDaily
- Philip Blenkinsop – Reuters
- Nancy Finn Communication Resources
- Lynn Fries – GPE newsdocs
- Yang Ge – FT
- Peter Goodman - The New York Times
- Xin Guan - CGTN
- Kathleen Hays - Bloomberg TV/Radio
- RUI LIANG – CGTN
- Mike Ludwig – Truthout
- Paolo Mastrolilli - La Stampa
- Michael Molinski - Investor's Business Daily
- Patricia Sabga - Al Jazeera Digital
- Jane Sarasohn-Kahn THINK-Health and Health Populi blog
- Heather Scoffield - Toronto Star
- Andrea Shalal – Reuters
- Liwei Wang – Caixin
- Min Xue – Caijing
- Wenjun ZHENG - NetEase Finance
- Irene Zhou – YICAIMedia
- 怡然刘第一财经 (YICAI)

Attending CGET Commissioners:

- Kaushik Basu - Cornell University
- Fatima Denton - United Nations University
- Jayati Ghosh - UMASS Amherst
- Gael Giraud - Georgetown environmental justice program
- Rob Johnson – INET
- Rohinton Medhora – Centre for International Governance Innovation
- Danny Quah – NUS
- Michael Spence – NYU
- Joe Stiglitz - Columbia University
- Yongding Yu - Chinese Academy of Social Sciences

Rob Johnson:

Well, good evening, Asia. Good afternoon, Europe and good morning North America. I feel very fortunate that INET has been able to work with and build on the insights of 21 people from around the world who are extraordinary and who started, really at the time of the China Development Forum in 2015, to understand that many things, many challenges that were approaching us, particularly in that context, US China relations, would require new thinking and different type of thinking, particularly as it pertains to the relationship between governance and the market economy. In this context, the Nobel Laureates, Michael Spence and Joseph Stiglitz, agreed to be the co-chairs. Mike had headed up the growth commission that was embedded at the World Bank, and Joe Stiglitz had headed up a UN commission which I was fortunate to serve on. And both of them understood the process and how they see responsibility for impact that that would entail.

We have focused in the meeting since the inception in mid 2015 on many different things that I will call the disruptors of the status quo in the world. Climate, global warming issues, technology, the future of work and the future of information systems, the, how do I say? More mature but substantial role of global financial markets and financialization, the induced pressures that society must deal with in the realm of migration, and all of this flows into the questions of governance in a global economy where the scope of the market is much broader than that of the nation state.

We have many of our commissioners, have been involved throughout this process, but today, we have a subset here to speak. First off, Joe Stiglitz, who is the chairman of the subcommittee on globalization and governance. He will frame things, what this interim report is focused on. And then after that, Jayati Ghosh, who is a professor now at the University of Massachusetts at Amherst, but for a long time, at the Nehru University in New Delhi. And Jayati will focus on intellectual property rights, vaccination, both production and equitable dissemination. Following that, Rohinton Medhora, who is our partner with INET through the Center for International Governance Innovation. As Sharmini mentioned, Jim Balsillie was one of our co-founders going right back to our first conference in 2010, and Rohinton. We'll talk about a number of issues, but particularly on the question of SDR allocation. Then we'll come back to Joe Stiglitz, who will focus on the question of debt, sovereign debt, restructuring in light of a pandemic where the debtor countries are not responsible for causing this calamitous experience that we're all undergoing at present.

And then finally, Michael Spence, Nobel Laureate and the head of our subcommittee on technology and the future of work, will summarize his thinking in light of what the others have presented. And then we'll turn it on to questions, and Sharmini mentioned to you all, it would be nice if you would put your questions in the chat box and then I will moderate and can call on you. But I'd like to draw on that list as the basis for understanding who would like to ask a question.

Let me turn it now over to, in terms of just process, like I mentioned, Joe, overview, Jayati, vaccines, Rohinton, SDRs, Joe on the debt restructuring, Mike for a summary, then the Q and A, and I will try to have you all back heading onto the next adventure of the day by nine o'clock this morning. I'd also like to emphasize that in the realm of debt, George Soros has been working himself very actively on the question of perpetual debt, most recently in relation to an article about French national issuance of perpetual debt. And I know that the global commission will pick up, though it's not a feature in this short-term paper, I know it will be an element of the challenge that we will address in forthcoming communications and reports of the committee. Candidate Joe Stiglitz, please carry on from here.

Joseph Stiglitz:

Okay. Well, thank you all for coming. The background for this is obvious. We've been in the midst of an unprecedented pandemic and it's had unprecedented economic consequences. And we're going to be talking today both about the health side, but also equally importantly, the economic side. For those in the developed world, we've been immersed in this moment where discussion of when we will get our vaccines, when will the population be vaccinated? But it's a totally different experience, as Jayati will point out, in the developing world. Many of them are not scheduled to get the vaccines for years to come unless we change what is going on. And a central idea here is particularly with the threat risks of mutations, the world is not going to be safe from the pandemic itself until the pandemic is controlled everywhere in the world. So in that sense, it's even in our own self-interest that there be a rapid dissemination of the vaccines and the other medicines, the masks, the tests, that help control the pandemic.

So that's one part of our report. As Rob pointed out, we are engaged in a long-term assessment of the global economic transformation, but the pandemic interrupted our long-term work and we thought it was important to get a report out now, because it's really imperative that we respond effectively to the pandemic. But the economic aftermath of the pandemic is almost an issue being discussed everywhere. In the United States, we're celebrating the fact that we at last have had a very strong rescue package of some $1.9 trillion, an amount, in combination with what was passed in the spring and December, of almost 24% or more of GDP.

If you look at the numbers of the kinds of support that the poor countries have been able to provide to recover their economies, it's minuscule. Among the least developed countries, it turns out to be about $11 per capita, and in the middle income countries, somewhat greater but still a fraction of the amounts in the advanced countries. And again, we won't have a strong global recovery unless we have a recovery everywhere in the world, so it a matter of self-interest and it's a matter of compassion.

The assessment of the risk by the Biden administration is one that we agree with. The risk of doing too little is far greater than that of doing too much, and we have instruments for responding if there is too much. So we're very supportive of what the Biden administration has done, of this large injection of funds. But it wouldn't be enough for a global recovery, and it certainly won't be enough to save the developing countries in emerging markets from large numbers of more people going into poverty, and even worse outcomes that will wipe out years and years of success in development. And that's why this report focuses on the developing countries and emerging markets.

And so the key issues that we face are, how can we make sure that they have an effective response to the pandemic, to the disease? And that's what Jayati is going to talk about. How we can give more fiscal space to the developing countries in emerging markets so they can have, if not at the kind of response to the United States has, a least a response that has the hope of having them recover growth quickly. And an essential part of that is the issuance of SDRs that Rohinton we'll talk about. And another important part of providing fiscal spaces, dealing with the debt crisis that will be particularly possible in a number of countries, and I'll come back and talk about that. So with those preliminary remarks, Jayati, do you want to pick up?

Jayati Ghosh:

Thank you very much, Joe, and it's a pleasure to be here. I think Joe has already highlighted that the distribution of vaccines has been one of the most striking examples of inequality that the pandemic has brought out. And what we've seen in the last few months is a very unseemly vaccine grab by rich governments, which have basically booked about 85% of global supply for 2021 very early on, in the effort to make sure that they have enough for their own populations, to the point where some countries have booked several multiples of their populations worth of vaccines, between four to 10 times the number that they would actually need. And this means the developing countries have been not just excluded, but they're unlikely to get vaccines, sometimes in some cases until 2023/ 24. And there are 130 countries today in which not even one vaccine has been administered.

Now, this actually needn't have happened. There was a facility, COVAX, which was created by WHO and two other organizations specifically to avoid this, to enable equitable distribution of vaccines with every country contributing some amount and then distributing according to population over time. Unfortunately, COVAX is underfunded and even now, it expected about 6.8 billion this year, there's only 4 billion it has received. It needs probably double that amount, about 13, 14 billion, to enable a significant increase in vaccination in the whole world.

It's very easy for developed countries, especially with these large stimuli that Joe mentioned, to significantly increase their donations to COVAX. But more importantly, the reason that developed countries are rushing to grab shares is because there is this fear of scarcity, and this is actually an artificially created scarcity. When the technologies exist and when there is such a pressing global need, it really doesn't make sense to restrict production simply because of intellectual property. Which is why there was in fact a proposal brought by some developing countries, India, South Africa led it, but it's now supported by two thirds of the WTO members, to suspend intellectual property rights during the period of the pandemic.

And this refers of course to the patient rights on vaccines, but it also covers the entire range of treatments and medical equipment that is required, like PPEs and so on, and testing during this period. Because it is possible, we have the technologies, we have the production capacities in developed and developing world, and it is therefore possible to make sure that everybody has enough to actually administer to the whole world and to ensure that the global population is protected from this disease, possibly within a year.

This would require basically the active support of developed countries who have been blocking this proposal, so far, eight times. The next meeting in fact is today, in the WTO, and it is hoped that the developed countries would actually agree to this because it's in their own interest as Joe pointed out. It would make vaccines cheaper for everyone, it would enable more production globally which would actually allow everyone, even in the rich countries, to get it much, much faster. And it would be cheaper for developed countries' governments to buy these vaccines. So it would save money for citizens, for taxpayers, it would provide vaccines much more equitably, much more quickly to everyone in the world. This patent exemption would probably be required for several years because until the pandemic is fully controlled, we can't really hope to move on and get the kinds of economic recovery that Joe was talking about.

Transfer of technology is key. Thus far, the companies that have developed this, bare in mind that they have developed this very rapidly, not because of the promise of the patient but because they were massively subsidized by rich country governments. The US government alone has spent up to $16 billion in support for vaccine development, significant amounts in the European union as well. So these are companies that have developed these vaccines rapidly with public money and with various kinds of regulatory approval that have been developed very rapidly. There is no reason not to enable them to actually spread this technology much more widely. So the voluntary transfer of technology is definitely desirable and ideal. But if it's not voluntary, these are technologies developed with public money, they should be available to the world's public. I'll stop here, thanks.

Rob Johnson:

Rohinton, please.

Rohinton Medhora:

Thank you. So what we do in this report is point to short-term options... that exist to deal with COVID. But in each case, they also point to longer term structural gaps in global governance that have to be addressed and we will be covering those as well. And the fiscal responses to COVID is a good example of that dilemma. As Joe pointed out, in the face of a historically unprecedented health, economic and social crisis, many rich countries, literally threw the economic policy role rule book out the window. And they did that because they could, they had the wherewithal to do so. As a result, as we point out in the report, IMF figures suggest that on average, advanced countries have spent about 22% of their GDP fighting COVID. In emerging markets, it is about 6% of GDP. And in developing countries, it is 2.4%. So, that's the imbalance that Joe was referring to that we highlight here.

Now, on a per capita basis, the figures are even more stark. Advanced countries have spent about 9,800 U.S. Dollars per person during COVID. Developing countries as a whole about $17 per person. There's two ways to get around this issue, the most obvious of remedy is a large issue in itself, a special drawing rights, SDRs. What this would do, is inject quickly and effectively purchasing power to countries as a whole, that belong to the IMF. This was proposed early in the crisis and at the time opposed by a couple of countries, particularly the U.S. The new U.S Treasury position that Janet Yellen has outlined, is more positive towards this and this is something that should be welcomed, although we don't know the details.

And the reason they should be welcomed is that an SDR issuance at this stage would not be inflationary. We live in a largely, a zero inflation, perhaps even deflationary environment. Not every country that receives SDRs is obligated to use them. In fact, one of the mechanisms that we could use here, is to have advanced countries allocate their SDR allocation to more needy countries and there's a facility to do so. And so, this points to the longer-term question of creating a more systematized environment in which SDRs might be routinely or at least issued in a rules-based way, rather than in an adhoc way, during crisis dependent on different countries agreeing or not.

The second way in which macro policy constraints can be avoided, is to actually look at what strictures countries face when it comes to spending. And here we point out in the report that while advanced countries could literally spend their way through the crisis, many developing countries are under IMF and other lenders strictures that prevents them from doing so. We cite in the report that between March and September of last year, 76 of 91 loans in 81 countries, developing countries actually required deep cuts in public spending, at exactly the time that you wanted social spending, public spending, social safety nets to be strengthened.

And so, this points to the longer term question of designing policies globally that are contra-cyclical, not pro-cyclical. And ultimately, to the largest of family of issues around voice representation and the operations of the IMF, which we bundled together into the question of IMF reform, which has again, come to sort of stark contrast, given the very varied fiscal responses that we have seen during this crisis. So, I will stop there and turn it back to Joe.

Rob Johnson:

Joe.

Joseph Stiglitz:

So, the other way of, or other aspect of giving fiscal space the ability of poor countries to spend more, is doing with their debts. There are a number of countries that had been induced or had one reason or another undertaken excessive debts before the pandemic. But there were other countries that seemed to have not excessive debt, but when they were struck by the economic fallout of the pandemic, it turned out that this calamity put them over the break as it were, that their debts are beyond their ability to pay given the depth of the global economic downturn and the downturns in some of their countries.

In some of the countries, the declines in GDP have been in the order of magnitude, not just of the 8% that Europe has experienced, but of 10, 12% or more. And obviously, economic downturn of that magnitude makes it very difficult for the countries to service their debt, let alone meet the special needs of the pandemic. Well, the unfortunate situation is that while there's been a lot of discussion for about organizing a systematic way by which countries who are over-indebted can restructure their debt. There was a proposal put to the UN General Assembly of creating a mechanism for sovereign debt restructuring in 2014, overwhelmingly adopted by the General Assembly. And in 2015, overwhelming agreement on a set of principles, a very limited number of creditor countries, but very important countries have refused to pose those initiatives. And so, here we are in 2021, without an adequate mechanism of dealing with these excesses of debt.

In the beginning, there was a lot of pressure to create a standstill, to do something to say, "Okay, you don't have to service your debt." But meanwhile, what is owed stays, there may be in many cases that in interest payments accumulate. And as the pandemic has gone from what was thought originally to be a few week interruption, into a year and for the developing countries and emerging markets may be much longer than that. It is clear that what is needed is not just a temporary halt in payments, a stay, but a restructuring of debt for many countries.

But unfortunately, the experience that we saw when we had the call for the stay is not hopeful. The private sector did not want to participate. Some governments did not want to participate. And unless there's a comprehensive agreement about debt, it is very hard to get anything to happen, because each debtor believes that if it has a stay or if it engages in restructuring, it wants to help the developing country not help other creditors. And if one country doesn't collect and the others say, "We demand a collection." You're not helping the poor country, you're helping the other creditors. So, that's why it's imperative, it has to be comprehensive.

And so, in this report, we describe measures that could be undertaken that would help facilitate that kind of move towards a comprehensive debt restructuring. In the past, we found out too often, there's been too little too late. And the result of that is that one debt restructuring is followed by another with an interim in which the developing countries and emerging markets suffers enormously. So, we don't want this, "Too little, too late." We know about that. We want it to be comprehensive. As a matter of law for instance, we recognize implicitly or explicitly. There are principles called force majeure and necessity in any contract that there are circumstances that you cannot pay and then the contract is in effect abrogated. If there were ever a time in which force majeure and necessity, these legal principles were irrelevant, this is it.

But there are also measures that could be taken by the creditor countries, that would motivate private creditors, for instance, to participate. And there is a discussion of a bill, for instance, and in New York state, one of the jurisdictions in which a lot of the debt is written, that would move things along this way. So, our report calls attention to the importance of doing something about the debt problems and doing something quickly, because otherwise those countries that are afflicted are going to be facing real poverty and an inability to recover their economies.

Rob Johnson:

Thank you, Joe. Mike Spence, your thoughts?

Michael Spence:

Maybe I should unmute myself first. So, what my colleagues said, I think covered the territory extremely well. So, let me simply kind of reflect on it in slightly alter terms, but certainly nothing running orthogonal to what they've said. I kind of operate with the following framework in thinking about these things. And I don't think I'm alone in this, and it has three parts. One of them, our colleague Mohammed El-Erian said very well and he's quoted in the report. It's the proposition that no one is safe until everyone's safe. And I think, if we cared only about health, setting aside the economic issues for a time, there'd be a very, very powerful argument for getting on with removing obstacles of the type that Jayati talked about to getting the vaccine done.

The second proposition is, I believe this, maybe it's controversial, but I believe it's not possible to have a full or even an adequate economic recovery while a virus is out of control. And I can't find any exceptions globally. When the Asians didn't need vaccines to get the virus under control. And so, their economy's recovered more quickly, but basically the proposition still stands. If the virus is out of control, there's a whole lot of sectors that get shut down, jobs lost, balance sheets damaged and so on. And so, I don't think you can de-link the health side and the economic side at all.

And the third, is the pandemic. We all know the pandemic economy has been a big negative shock at varying magnitudes as I think Joe mentioned across the world, but it's been an even larger negative outcome with respect to distribution. And that's true, domestically in most economies and it's certainly true globally. And so, what I think my colleagues are trying to do in this report is focus on the distributional side of this thing on a global basis and try to understand how we can do this better. And I think they have communicated effectively a sense of urgency. The longer this thing runs, the more damage that's permanent, that comes into the economy. We lose businesses, people lose their livelihood, kids can't get back to school. We're facing a calamity in education in the developing world if education simply fails for two or three years. We'll talk an enormous amount about this, but I think it's what motivates me and indeed the whole commission to focus on this.

So, I think you've heard the message clearly. On our current trajectory, the lower income countries, especially are going to experience not only a huge extended health catastrophe, but negligible economic recovery as a result of their inability to access the vaccine things. And I think Jayati is exactly right and the report is right, that we need, whether it's compulsory or voluntary, we're going to have to find that out as we go along. But I mean, we absolutely have... There is production capacity in the world. It's a question of getting the authorization, the licensing, so everybody can produce this massive quantities of these vaccines and get them distributed. Distribution is another question and there'll be hurdles in many countries they face, because they won't have the infrastructure to get it done, but at least they'll have a running chance.

And finally, I think the simple truth is that the United States just passed $1.9 trillion fiscal program, focused on kind of getting us through to the end of this pandemic economy. And as all of my colleagues have said, there's a very large number of countries that simply don't have anything even remotely resembling the capacity to try to buffer the shock of the pandemic economy on the health side and on the economic side and they need help. And I think we've covered where they need help in at least, with a fairly precise target here. One, they need in one form or another to have their fiscal capacity expanded. They can't do that on their own. If they try to do it on their own, their capital account will go unstable and you'll get worse results, hence the SDR allocations and so on. And finally, they're going to be in trouble in terms of debt.

Michael Spence:

And as Joe rightly said, we need a comprehensive mechanism that includes private sector creditors that allow us to bring ethics into the situation and effectively restructure those debts so that they can survive and come out of it effectively. So, I think that's kind of what we want to draw attention to. I'll just simply say, this morning, before we started, I read Janet Yellen's letter to the G20. I think it's entirely consistent with this report. And I'm very pleased that the United States seems to be moving in the same direction and providing some impetus to discuss these things at a level where there might actually be action. So that's enough for me. Rob, back to you.

Rob Johnson:

Thank you, Mike. Thank you to all of our presenters. First of all, this report that we've been referring to is now available on the INET website. The title is The Pandemic and the Economic Crisis, a Global Agenda for Urgent Action. And it's called The Interim Report on the Global Response to the Pandemic. I believe we'll be posting it in the quote section for all of you who are online here. I believe Sharmini you just put it into the comments section.

Rob Johnson:

I'd encourage those of you who have questions that you'd like to ask of the panelists, to post them, but I can start with Peter Goodman from the New York Times, you have a question about the COVAX problem and the nature of it. Jayati, I think Peter would like you to address his question. Can we unmute Peter and carry on please?

Peter Goodman:

Sure. Yeah. Thanks very much, Rob. Jayati, thanks for your time. I just want to ask, people speak about COVAX typically as if it's this well-intentioned, philanthropic undertaking and it's just underfunded. And I wonder if it's not far more severe than that, going to the structure of COVAX, which looks to at least this observer, something like stakeholder capitalism. It's discretionary, everyone's got the best of intentions, but we have no idea what the pricing is. We have no idea what sorts of commitments there are for volume, but we can see that the countries that actually need the vaccine, aren't getting it.

Peter Goodman:

And meanwhile, companies like Pfizer are telling us publicly that they expect to make $15 billion this year selling vaccine. Isn't COVAX properly seen as part of that problem and not the solution in that they are maintaining the lack of transparency and they're ultimately not delivering the goods?

Jayati Ghosh:

That's a very interesting point. I think the fundamental design flow in COVAX is that it allowed for these bilateral side deals of governments with companies. I think that was the basic design. So once you've got that, everything else kind of follows. You're right that there's lack of transparency in COVAX in terms of the pricing, but COVAX is such a small player today in the global vaccine market. The real lack of transparency is between governments and these companies. AstraZeneca alone is charging higher prices in South Africa, I think $5.25 a dose compared to the European Union when it's charging $3.50 per dose.

So I think the real problem is the COVAX allowed for the bilateral side deal. Ideally the governments that signed up for it should have said, "We will actually orient all our vaccine distribution through COVAX." That would have ensured transparency because there would have been active interest of the citizenry of the developed world in this. It would have ensured a more equitable distribution and it would have ensured adequate funding. There would have been much more resources put into COVAX.

But again, another, I think essential point in this, is that the supply is constrained today really for artificial reasons. So in a way, the other, if you like, more deep design flaw of COVAX is that they did not anticipate this problem of limited supply. And therefore, the monopolistic behavior of those who had actually managed to get the regulatory approval and they should have anticipated this in terms of ensuring some technology transfer agreements well before.

Joseph Stiglitz:

Yeah, let me add one thing. The essential problem is the intellectual property regime. And that's why the discussions of the suspension related to the COVID-19 whole gamut of things from masks to vaccines should have been adopted urgently earlier. It was interesting, the United States, Biden was very proud that he found that the Merck had excess vaccine capacity and got Merck to produce some of the vaccines that have been developed by others. Globally, there's a lot of capacity for expansion of vaccine production. It's intellectual property is the artificial barrier that Jayati emphasized. And this is an emergency where the consequences of delay are very large. And part of having a patent is that you have to make disclosure that enables others to replicate what you've done. If you don't do that, you lose your patent.

So it is really imperative that we actually enforce that aspect of the intellectual property regime and that we suspend intellectual property in concern towards the issue of pandemic related vaccines and other medicines. There's a real urgency here as our report emphasizes.

Rob Johnson:

I have a question from Min Xue at Caijing Media, probably best addressed by Rohinton. Xue, could we have you un-muted so you can address your question, please.

Min Xue:

Yeah. Can you hear me right?

Rob Johnson:

Yes.

Min Xue:

Yeah. So I'm wondering for the SDR issuance, what could be the main area to spend on? I know climate change seems to be perhaps the only thing that most economy nowadays, especially US and China can see each other in the eye. And Europe is in agreement with this a lot. I know Joel did a lot on climate change and Mr. Soros, I think back in 2009, also called for issuing SDR to help poor countries tackling climate change. I'm wondering, is it a good idea to sort of issue SDR and use part of that to fund joint effort on tackling climate change? Is your case for this?

Rohinton Medhora:

So thank you for the question. Let me go first. The first point to note about an SDR allocation is that it is actually issued to countries. So at the end of the day, how SDRs are spent is a national decision not a multilateral decision. The only multilateral element so far is the proportion, is the size of the allocation and the proportion in which the SDRs are allocated to countries. So my sense is that if there were, and the proposal has been made for $500 billion in SDRs, it is for countries to decide where it would go.

Now you raise a very interesting point, which is if SDRs is of common currency, can it be used to produce global public goods, as it were? And there are some schemes floating, which would create global facilities to create these kinds of global public goods, to which SDRs would be issued. There's a longstanding going back three or four decades discussion on precisely that. In fact, goes back to the discussions at Bretton Woods. But as the system is currently constituted, it is really for national countries to decide what they spend their outpatients on. But I do think using SDRs to create a global pool that's managed to fund underfunded global public goods is something that we should look at more carefully.

Joseph Stiglitz:

Yeah, let me add just one more thing to that, which is, as I say, it is the reallocation of the SDRs in which there can be a global commitment to decide that they should be used for one purpose or another. But some of the research that we've done supports the view, that there are ways of spending the money, which are both good for the recovery and simultaneously address issues of climate change and the other crises like our inequality crisis. So that one could put that, I don't want to say conditionality, but that emphasis on climate together with a concern about inequality and one can find good ways of spending the money that are timely and high multipliers that is as they get a lot of bang for the buck. And that would all work towards the urgency that we have at the moment, but also towards the other major crises that we face.

Min Xue:

Is there anything Mr. Soros want to add on this?

Rob Johnson:

We perhaps come back to George. I don't see him on right now. We have a question, Andrea Shallah. Can we unmute Andrea, please?

Andrea Shalah:

Hi. Hey, thanks for taking my question and thanks for this important session. A couple of quick questions. So the trips provision and the World Trade Organization already permits and includes a clause on voluntary licensing, and it has the possibility of doing compulsory licensing that has been used in the past, not in COVID times, but it has been used in the past. So people that I've spoken to say, "Why don't countries just invoke this?" Invoke the compulsory clause instead of pushing for these, potentially precedent setting waiver, the waiver that South Africa and India are proposing.

And then I also wanted to ask about something else. You mentioned that early on there was this proposal to have an SDR allocation and the thinking all along was that it had to be relatively moderate in scope so that it wouldn't have to be approved by the US Congress. That might be less of a concern now that Congress is in Democratic control, but there does seem to be sort of consensus around something in the order of $500 billion of SDRs, not 500 billion SDRs. Can you reflect on the size of that versus say the 2 trillion SDR allocation that is being proposed by some folks in the US Congress? But also, I'm curious, India was one of the countries that voted against the SDR allocation. Now India, of course, would have benefited from that as well. Do you know any of the background of why that happened and what the thinking was, or were they just falling in line with the US in order to work on their own priorities and the bilateral relationship? Thanks.

Rob Johnson:

Jayati. You have to be un-muted.

Jayati Ghosh:

Oh, I'm sorry. Yes, I know. Yes. Thank you. Yes, Andrea. You're absolutely right. The compulsory licensing provision does exist. Chile for example, and I think also possibly Israel have already tried to issue. Their legislature have actually announced that they will go in for compulsory licensing. Unfortunately, the critical issue here is the transfer of technology. There are lots of complications in assuring compulsory licensing, but that delay can be sorted out. It is the fact that there is no incentive for pharma companies. Chile is such a small market, or that they don't need to actually bother with ensuring their presence in that market right now. And so there is no incentive for pharma companies to transfer technology and to go for a compulsory license in these countries. So therefore, it's not enough to allow an enable individual countries to issue these licenses because the pharma companies are not going to transfer the technology.

So the only way in which to get rid of that disincentive is to actually suspend the intellectual property altogether. That certainly has to be one of the ways in which one could perhaps persuade the big companies to engage with the possibility of voluntary transfer of technology. But in the absence of the voluntary transfer, it's so clear that this is monopolistic behavior that is harming the entire globe, that it is obvious that we really have to suspend the intellectual property rights altogether, which gets rid of that incentive to avoid transferring the technology.

Just if I could quickly add on the, why did India oppose. This was something that stunned most of the Indian population when the Indian government opposed the issue of SDRs. It is true that India was hoping to be one of the recipients of the US Fed Exchange Rates work. Ultimately, it was not. We did not get the benefit of the US Fed Exchange Rates for India had at that point. And unfortunately, even over the pandemic period, has built its by being incredibly fiscally constrained and practicing austerity in the midst of the pandemic. But also I think there was a fear that even if India benefited a little bit, Pakistan would benefit much more. I regret to say that this was actually something that was discussed in the Indian elite circles.

Joseph Stiglitz:

Can I mention two points, one, on the compulsory licenses, the concern is speed, that the processes to comply with the WTO compulsory provisions for compulsory licensing. The worry was that it would be too slow. And in the past, when compulsory licenses have been proposed, there's been a lot of pushback from the advanced countries, threats of one kind or another. So Jayati is absolutely right. I think it would facilitate, given the urgency at this moment, a suspension of the intellectual property rights is really important. And we're talking about not just vaccines, we're talking about even masks, we're talking about a whole range of intellectual property that's relevant for the pandemic.

On the SDR issue, I think a lot of the advocates of SDR, I'm among them, think it should be close to the maximum that can be issued without going back to Congress. The next 500 billion SDRs, which is roughly equivalent to 650 billion US dollars. There's a recognition that it's probably not enough, but again, to reflect the refrain of urgency, the whole process of going to Congress, and the parliaments of countries all over the world that are members of the IMF, to get the $2 trillion that have been proposed in the US Congress, would lead to a delay. And so the issue right now is can we get a quick issuance? And there has to be a 90 day notice to the US Congress, and that's delay enough. So I think the focus... It should be the largest possible. And I think it's around 650 billion US dollars, 500 billion SDRs.

Rohinton Medhora:

The SDR issue really illustrates is precisely to get away from that bilateral politicking and having a more systematized arrangement, in which SDRs are issued on some rules-based system, to avoid what, Andrea, you pointed out. And what Jayati described, I thought, was the unfortunate reality.

Andrea Shalah:

Can I just ask one quick follow-up question? The other issue that David Malpath has spoken about in regard to a more efficient distribution of vaccinations has to do with liability problems, and that some countries have been unwilling to indemnify the manufacturers, and this is an issue that would leave pharma companies at risk, if they're selling into countries. So the whole contracting process has obviously been pretty complicated.

I think the World Bank is working through those issues individually, but do you have any thoughts on the liability problem and what could be done to address that? Do we just need more financial institutions to step up and basically take that, take on the risk in some form?

Jayati Ghosh:

My understanding is that most governments have actually taken on the risk. There are very, very few governments that have not provided an underwriting of this liability. It's very rare. It's a very small minority of governments that has avoided this.

Joseph Stiglitz:

Yeah. Interestingly, although liability issues have been a problem in some vaccines in the past, this is not the barrier today. So it's a red herring. It reflects an agenda of some conservatives that say the problem... You name it, the problem is liability, and our tort system in the United States. It has effects, but least in this case, it is not the major constraint.

Rob Johnson:

Okay. We have a question from Patricia Sagba. Could we help her with unmute, please?

Patricia Sagba:

Yes. Thank you very much. I have a question for Professor Stiglitz regarding vaccine passports. Many have argued that they are necessary to help consumers feel comfortable again, to re-engage in those customer-facing service sectors of the economy that have been hardest hit by COVID. But also, those opposed also raised deep concerns that they could deepen inequalities, especially between nations. So where do you stand on vaccine passports, especially if we don't get a waiver for IP protections for COVID vaccines?

Joseph Stiglitz:

Well, that's a hard and good question. There are, to put it in economic term, externalities that's the heart of the analysis of a public health issue, a pandemic. And so it is reasonable that you impose regulations that reduce the extent of the externalities and that help control the disease. That's what, in a sense, vaccine passports do. They say you no longer are a danger, and that gives you certain privileges that you wouldn't have if you are a danger. So having vaccine passports makes sense from that perspective.

Joseph Stiglitz:

But unless we are able to make sure that there is access to vaccines for everybody, it introduces an important inequity. And that's why I just come out, I'm saying the first imperative has to be to make sure that everybody who wants to be vaccinated gets the vaccine. And as Jayati emphasized, it's not the capacity... The limit is not the capacity the world to produce. We will have some temporary inequities over the next year, but if we were to address the problems of intellectual property and production, then I think the magnitudes of those inequities would be certainly limited. And the societal benefits of getting the pandemic under control, I think, in this particular instance, really dominate.

Rob Johnson:

Okay. We have a question that was posted from Mr. Zing, from [inaudible 00:54:33] Finance. He's having difficulty with audio. So I'll present his question. He asks, in developing countries, if they were to enact a large package, like 1.9 trillion, would they suffer from inflation risk? So are they then not able to spend that amount of money, like the developed countries? Mike Spence, Joe Stiglitz, Jayati, any thoughts on his perspective?

Michael Spence:

Well, I guess we'll all comment briefly. First of all, they couldn't issue that much debt. Nobody would buy it. And second, if they did manage to do it, the rest of the... They'd have capital flight and an exchange rate volatility and a balance of payments crisis. So by the time it got to the end of that story, I don't think the main problem is going to be inflation. Joe and Jayati, who'll take it?

Jayati Ghosh:

Joe, would you like to-

Joseph Stiglitz:

I think that's exactly right. They basically don't have access to funds. If you look at what is going on in the United States right now, to a large extent, the US government is borrowing from the Fed. And so the Fed is financing it, but at the same time, there is no inflationary pressure. Not because the base money is increasing, but there's such deflationary pressure from the fact that the economy is operating so much below capacity. So we're able to finance this amount of rescue without inflationary pressures.

Now, a developing country, a smaller developing country, imports many of the critical goods. And that means that if it were to issue a corresponding amount of, you might say money, and that money were spent, it would cause a foreign exchange crisis. And it would be difficult for you to ensure that that money was going only for domestic purposes. And part of the problem is its exports are also declining because of the global economic downturn. So you can't solve a global problem... A small country can solve a global problem on its own.

Jayati Ghosh:

Yes, I just want to completely agree with those. The inflation problem is absolutely non-existent in most developing countries today, insofar as there's inflation, it's caused [inaudible 00:57:38] by oil prices in particular countries. But really, there is so much deflationary pressure that the real reason the developing countries are not able to spend is the balance of payments concern, particularly the fear of capital flight. Which is there even in emerging markets that currently do not have other balance of payments problems or external debt problems. And it's that fear of capital flight, which is also strongly driven by the credit rating agencies that tend to look specifically at public spending and fiscal deficits in developing countries, which is becoming the major constraint on developing countries during any fiscal expansion.

Rob Johnson:

Okay, well, I think we're coming close to the end of our time here. There is a certain silent influence that I want to raise. One of our global commissioners, Danny Quah is online with us. He's chosen not to ask a question today, and I would like to refer you to his podcasts that he made with me last spring, because his knowledge about the onset of a pandemic, based on history of understanding past pandemics, was very illuminating. It was one of the most highlighted podcasts that I did during the year 2020. He's also behind the scenes, a very strong contributor to our global commission. And I wanted to thank him for joining us today and for all of the insights that he has nourished us with as members of the commission.

As I mentioned, both in the comments area and on the website at INET the interim report is available. I don't know if anybody has final comments, but I myself would say it is imperative that we turn this catastrophe into a time of lesson or teaching. And these 21 people have banded together to try to find the silver lining and the learning that the pandemic has challenged us to discover to... How would I say... Further the wellbeing of humankind in response in the coming years.

Joel, Rohinton, Jayati, Mike, any last thoughts? Okay. Well, thank you all for joining us. And we look forward to the next time we can chat. Please contact Sharmini Peries if you would like to do interviews with any of these commissioners or discuss issues further. And stay tuned. There are more reports to come from the Commission on Global Economic Transformation throughout the course of this year. Bye-bye for now.