

THE ROLE OF THE STATE IN THE 2030 AGENDA: AN ECONOMIC POLICY APPROACH

EL ROL DEL ESTADO EN LA AGENDA 2030: UNA APROXIMACIÓN DESDE LA POLÍTICA ECONÓMICA

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ABSTRACT

The 2030 Agenda implicitly establishes a series of economic policies that give the State a prominent role in achieving the Sustainable Development Goals (SDGs). This paper delves into some of the key elements of the Agenda from an economic policy perspective. Specifically, it focuses on three elements: i) the compatibility/incompatibility relationships between the SDGs; ii) the instruments necessary to maximize the possibilities of achieving them; and iii) the key role of public intervention. The results show that it is still difficult to establish multidimensional strategies that enhance the comprehensiveness of the SDGs, that the State must play a key role in the productive field, in addition to the social and environmental spheres, and that it must pursue expansionary monetary and fiscal policies to set a proper economic landscape, as well as commercial and labor policies that foster redistributive efforts and environmental sustainability, in order to maximize SDGs accomplishments.

Keywords: 2030 Agenda, SDGs, economic policy, multidimensionality, development studies.

RESUMEN

La Agenda 2030 de forma implícita plantea una serie de políticas económicas que conceden al Estado un rol prominente para alcanzar los Objetivos de Desarrollo sostenible (ODS). Este artículo profundiza en algunos aspectos clave de la Agenda 2030 desde la perspectiva de la política económica. Específicamente, el trabajo se centra en tres aspectos: i) la compatibilidad/incompatibilidad entre los distintos ODS; ii) los instrumentos necesarios para maximizar el impacto en cada uno de ellos; iii) el rol clave de la intervención pública. Los resultados muestran que a día de hoy es difícil definir estrategias multidimensionales para un impulse integral de los ODS, que el

Estado debe jugar un papel central en el terreno productivo, además de en las dimensiones social y ambiental, y que debe plantear políticas expansivas en materia monetaria y fiscal para configurar un panorama económico adecuado, así como desarrollar políticas comerciales y laborales orientadas que potencien su efecto redistributivo y medioambiental, de cara a maximizar su impacto en los ODS.

Palabras clave: Agenda 2030, ODS, política económica, multidimensionalidad, Estudios del desarrollo.

JEL Classification/ Clasificación JEL: E61, E62, H41, H50, H83, O21, O50.

1. INTRODUCTION

After the uneven results offered by the Millennium Development Goals (MDGs), the international community redoubled its efforts to advance a global and comprehensive development agenda, which crystallized in the 2030 Agenda and the Sustainable Development Goals (SDGs). This new development agenda tries to respond to some of the gaps, limitations, and shortcomings of the MDGs through a wider multidimensional approach, especially in terms of environmental sustainability. Moreover, the new agenda stands out for providing a global development framework that includes the whole international community, not solely developing countries, thus establishing an ambitious global alliance aiming at boosting sustainable human development.

Every development agenda is accompanied by a battery of economic policy measures that pursue certain development goals. For instance, during the 1980s and 1990s the development agenda drawn by the Washington Consensus established a set of economic policies focused on liberalization, privatization and export led growth for developing countries. This approach put the accent of economic activity on private agents and relegated the public sector to a subsidiary role. The beginning of the century set an alternative path through the Millennium Declaration and the MDGs, thus moderating the ultra-liberal agenda, and modestly recovering a relevant role for the State, at least in terms of social protection enhancement and public institutions reinforcement. This new approach came to be known as the *second-generation reforms* after a decade dominated by stabilization and structural adjustment policies.

After the MDGs, the 2030 Agenda and the Sustainable Development Goals arrived, and their new concept of multidimensional and global development inevitably pushed towards a new economic policy framework. This paper tries to delve into this economic policy framework, that is, what are the objectives and instruments that economic policy should pursue to maximize the performance of nations in achieving the SDGs. In addition, the work also delves into the new role assigned to the public sector as a central actor in the design and implementation of this new development agenda.

For this task, the work is structured in five parts. The first is a literature review that relates the 2030 Agenda and its associated economic policies, as well as literature from other disciplines, which is of interest when connecting economic policies and SDGs. The second part establishes the analytical framework for the analysis of the agenda from an economic policy perspective,

focusing on three categories of analysis: the objectives, the instruments, and the role of the State in its implementation. The third part offers a brief historical analysis of the evolution of international development agendas and economic policy from the neoliberal period to date. The fourth part addresses the results of the analysis, which focus on the compatibility between the different SDGs, a battery of pro-SDG economic policy instruments and the new role of the State as market shaper. Finally, the fifth part collects the key conclusions of the research.

2. STATE OF THE ART

The 2030 Agenda and the SDGs have become a tremendously fertile ground for academic and policy literature, which has given rise to multiple studies, investigations, diagnoses, and analyses of the most varied. Sianes (2021) performs an excellent meta-review analysing 27 reviews of the Agenda literature, and concludes that these present a marked bias towards the analysis of specific and technical issues, and especially towards the SDGs, but that the literature is lacking comprehensive approaches and dealing with more systemic implications.

Some of these systemic implications focus on the economic policy measures necessary to achieve the SDGs, and especially on the role of the State leading and guiding the 2030 Agenda developments. In this area, various studies have addressed the fiscal and economic challenges posed by the SDGs. The first reflection in this regard was the need for a change in the financial paradigm with the famous slogan “from billions to trillions” on the needs for mobilizing internal and external resources to achieve the SDGs (Development Committee 2015). Based on this work, others delved into the specific financial needs of various countries and regions, especially developing countries (Schmidt-Traub 2015; Schmidt-Traub and Sachs 2015; Gaspar et al. 2019; Kharas and McArthur 2019).

However, beyond pointing out classic recipes on the mobilization of domestic fiscal resources and the development of concessional financing tools by donor countries, this strand of research has not deepened into the economic policies necessary to achieve the SDGs. We do find, however, these kind of reflections in other disciplines and approaches not dealing directly with the 2030 Agenda, which are pointing out the need to rethink economic policies and the role of the State in the economy to achieve the goals such as economic growth, reductions in poverty and inequalities and so on. Some of these contributions are discussed below.

First, the historical neutrality of Central Banks in monetary policy and its prioritization of inflationary pressures control has recently led to a growing activism of Central Banks through direct and indirect financing of government's deficits and debts (Blanchard & Summers 2019). Since the 2008 financial crisis, what was conceived as exceptional recovery measures, has been extended to date, being reinforced by the crisis derived from the coronavirus,

and thus leading to a kind of Central Banks hyperactivity unknown for decades (Cochrane 2020). This new monetary approach rebalances the equilibrium between public and private entities in some of the key decisions dealing with monetary and financial issues.

Second, on fiscal policy, Central Banks themselves have indicated the limits of their expansionary policies and have called for greater fiscal activism by governments (IMF 2020). These claims have finally been answered in the form of various fiscal stimulus plans in the European Union, the United States, and in most of the world's developed countries (IMF 2021). Most of these plans are twofold. On the one hand, to act as a safety net for those most affected by the coronavirus crisis, in line with the diagnoses of Piketty (2013) and the tax recommendations of Zucman (2014) and Wright and Zucman (2018), this is, a progressive increase of taxes on companies and richest deciles, as well as a significant increase in public spending on health, education and social protection.

On the other hand, the new tax collection will also finance the investments necessary to adapt the infrastructures and the productive structure to the challenges of the fourth industrial revolution (new technologies and environmental sustainability). This second pillar connects with different branches of economic institutionalism, which promote greater interventionism of the public sector in areas such as industrial development (Andreoni & Chang 2019; Aiginger & Rodrik 2020), physical capital (Lin 2012) and human capital, through innovation, technology, and knowledge (Hausman *et al.* 2014; Stiglitz & Greenwald 2015; Mazzucato 2015). In short, a leap in the approach of public intervention from the "market fixer" approach to a more ambitious role of public intervention with the State as "market shaper" (Mazzucato 2021).

Third, in terms of environmental sustainability, the need for public intervention is already a *fait accompli*. Market incentives have been found to be insufficient to undertake structural changes with the necessary speed (Ostrom *et al.* 2012). In fact, public interventions themselves today are insufficient, and studies point to the need for deeper and more aggressive interventions in the field of green industrialization, what has been called such as Green New Deals (Kemp & Never 2017; Altenburg & Rodrik 2017). These plans link with the fiscal leg, as well as with the achievement of the environmental sustainability SDGs.

In summary, the literature on the 2030 Agenda has not addressed properly the economic policy implications necessary to achieve the SDGs. However, other disciplines show deeper reflections on the need of a specific economic policies to achieving a large number of the Agenda's objectives. Following, we try to make this connection more explicit and therefore to show the type of economic and fiscal policies implicit in the Agenda, as well as to derive the new role assigned to the State in the achievement of the SDGs.

3. AN ECONOMIC POLICY FRAMEWORK FOR THE 2030 AGENDA

As already mentioned, the 2030 Agenda (and the SDGs) define a series of development goals and targets whose achievement would be desirable for all countries of the world. In this sense, the agenda largely defines the economic policy objectives that a country that fully assumes the SDGs should pursue. However, the agenda does not address how to articulate the different instruments that economic policy offers in order to achieve the SDGs (Cuadrado 2019).

Given this lack of specification of the means to achieve the ends (SDGs), it seems pertinent to delve into those instrumental elements of economic policy that are functional to the achievement of the objectives of the agenda. To do this, in this paper we propose a basic exercise of analysis of the 2030 Agenda (and the SDGs) from an analytical framework that incorporates the key categories of economic policy.

In the first place, regarding the concept of economic policy, we draw on the basic concepts and categories present in any introductory manual of “economic policy” (Tinbergen 1956, Cuadrado 2019). That is, economic policy understood as “the deliberate action of a certain authority to achieve a series of economic objectives through a series of means” or in Tinbergen’s most synthetic terms “the deliberate variation of the means to achieve certain objectives”.

Second, in terms of scope, our analysis will pay attention to three key categories of economic policies and how they are articulated with the 2030 Agenda and the SDGs: the objectives, the instruments, and the role of the State in their implementation.

- *Economic policy goals* are those defined by the authorities and will guide the definition of the instruments and policies to be deployed. Traditionally, these have been synthesized in five key general objectives: economic growth, employment, price stability, redistribution of income and quality of life of citizens and conservation of the environment (Cuadrado 2019). Obviously, economic policy can have many other objectives, but these in one way or another end up being subordinate or being functional to these five general objectives. Within this framework, we will analyse how the SDGs are articulated as economic policy goals and especially in relation to the management of conflicts between those objectives. Trade-offs between objectives are one of the recurring themes in the theoretical and practical discussions of economic policies. In the same way, the literature on the SDGs already offers reflections of great interest on the compatibilities (and incompatibilities) between SDGs.
- *Economic policy instruments* refer to all those elements over which the authorities have control and can modify them in a way that affects development results (objectives). Here we will pay attention to *monetary policies*, such as those in charge of regulating the value of money, *fiscal policies*, related to public income and expenditures, *trade policies* linked

to the productive model and the international insertion of a country in the international market and *microeconomic policies*, which include the labour market and technological innovation policies, and finally *environmental policies*. This section will be especially relevant, given that the Agenda and the SDGs do not develop the necessary instruments to achieve the proposed objectives. In this sense, from an economic policy perspective, the Agendas proposal related to instruments it's particularly incomplete or limited, since it is the instruments that make it possible to achieve the desired objectives.

- *The role of the state* through the degree, depth, and sectors of public intervention. One of the great discussions on economic policy is the scope of public sector intervention in a market economy. In recent decades, this debate has oscillated between those approaches focused on "government failures" and the need to restrict and limit public intervention, and those approaches focused on "market failures" and the need for greater public intervention. In this sense, our analysis will focus on those aspects that the 2030 Agenda identifies as market failures and therefore where it understands that intervention is necessary and to what degree and through which instruments this intervention should take place to have a greater impact on the objectives, as well as to limit "government failures."

To carry out this analysis, we start from a previous historical approach that allows us to see the dynamic evolution in development agendas and their implications in terms of economic policy according to the categories defined above. In this sense, we start analysing the dominant development agenda in the eighties (the Washington Consensus-neoliberal agenda). In a second stage, we focus on the evolution of this agenda towards a laxer neoliberal version through the *second-generation* reforms and the Millennium Development Goals or the Paris Agreements. Finally, the last section will analyse the implications of the 2030 Agenda in terms of the economic policies to be deployed.

4. FROM THE WASHINGTON CONSENSUS TO THE 2030 AGENDA: AN ECONOMIC POLICY TALE

Throughout the eighties and nineties, an international development agenda characterized by its inspiration in the new liberal economic theories (neoliberalism) gradually took shape. The doctrinal nucleus of this agenda was developed in the first place in the liberal North American universities, such as the University of Chicago, in the United States State Department and its main foreign agencies, and in the international financial institutions based in Washington, such as the International Monetary Fund (IMF), the World Bank (WB) and the Inter-American Development Bank (IDB) (Bustelo 2003).

This new agenda acquired its maximum expression in what was called the Decalogue of the Washington Consensus, which established the main economic policy parameters applicable to any country subjected to a financial crisis. Broadly speaking, this development agenda focused on dismantling highly intervened economies that had led to high public indebtedness, through an

adjustment of public budgets, thus dismantling the public industrial sectors. This was compensated by the liberalization, deregulation, and privatization of the bulk of economic sectors, giving priority to market dynamics versus public interventions.

In this sense, the neoliberal program in its early stages focused on stabilization policies and money price control, leaving aside goal related to economic growth, employment, or human development. Its main instruments focused on dismantling protectionist barriers, the liberalization of the commercial and financial sectors, and the privatization of the main public industrial conglomerates to restore budget and price stability and rebalance the balance of payments. Thus, focusing on “government failures”, and ignoring “market failures”, as the main source of economic problems in developing economies.

The bulk of this agenda was implemented through concessional loans that international organizations and national governments provided to the multitude of developing countries that faced financial problems in those decades. Loans from organizations such as the IMF, the World Bank, the IDB or other North American and European government agencies conditioned the disbursements to the implementation of structural reforms in line with the Washington Decalogue. In addition, it is necessary to point out a widespread assumption of neoliberal postulates among the political and economic elites of those developing countries. This “ideological” association between national and international elites, together with the paralysis of alternative approaches, paved the way for a rapid and profound application of the neoliberal doctrine.

This agenda was successful in achieving its initial goals: the stabilization and structural adjustment of those economies suffering from hyperinflation and unbalanced budgets and external accounts. However, the adjustment also had harsh consequences in social matters, triggering unsustainable levels of unemployment, poverty, and inequality, as well as an underperforming in terms of economic growth. Therefore, the neoliberal model received a wide social and political response, which led to loosening some of its more radical postulates. It is here, since the late 1990s, that a reflection on the scope and consequences of the neoliberal development model began, in what was known as the Washington Post-Consensus (Stiglitz 1999; Bustelo 2003).

Broadly speaking, the revision of the model led to the conclusion that it was necessary to modulate it in two key respects (Burki & Perry 1999). First, the institutional one, the need to develop governance frameworks that offer a certain institutional quality to undertake the reforms, and especially regarding privatization processes. These “institutional adjustments” were called second generation reforms. And second, in the social sphere, it was necessary to redefine the role of the State as the last resort for the most disadvantaged sectors, which led to the expansion of social protection policies and by extension of the levels of social spending. Other elements of criticism of the model, such as those referring to the productive terrain, international trade,

or aggressive liberalizations, were not considered in these second-generation reforms (Ocampo 1998).

Moreover, during this period other initiatives emerged focused on a more ambitious agenda in terms of global development beyond the neoliberal agenda. First, debt relief initiatives (HIPIC I, HIPIC II, MDRI) were launched and enabled many developing countries to reduce its debt service burdens and redirect financial resources to social policies (Callaghy 2002). Second, in trade matters, intense negotiations were carried out in the framework of the Doha Round of the World Trade Organization (WTO) aimed at allowing a more balanced insertion of developing countries in the international division of labour (Gallagher 2007). Third, the Millennium Declaration and the Millennium Development Goals (MDGs) were approved, which structured a first attempt to set a multidimensional development agenda beyond the objectives of stabilization and economic growth (Alonso 2007). And fourth, in environmental matters, the first agreements on greenhouse effect emission reductions arrive, thus definitively incorporating environmental sustainability issues onto the international agenda.

All these elements were creating a developmental trend that was increasingly far away from the neoliberal approaches. In addition, the most successful cases in terms of economic and social development at the global level had not occurred in any of the countries that had applied Washington's recipes, but in the East Asian region, where the prevailing model was a kind of hybrid between a market economy and a State economy with an original combination of private and public activity, protectionism and trade openness, which allowed these countries notable industrial and technological advances, and ultimately significant levels of economic development. In the following decades, China would be the one that would successfully follow a similar model of development. All these elements finally led to an alternative development agenda, which left behind the neoliberal approach and its economic policy prescriptions.

5. AN ECONOMIC POLICY PRO-SDGs

5.1. GOALS: MULTIDIMENSIONALITY, GOAL-CONFLICTS, AND OPTIMIZATION

Economic policy is defined in the first place by the objectives it sets. In this sense, the 2030 Agenda defines, through the Sustainable Development Goals, an ambitious range of multidimensional objectives, which covers aspects as broad as economic growth, the reduction of inequalities or the protection of the environment in various areas, like cities, forests to oceans. Therefore, the breadth and heterogeneity of the SDGs makes it necessary to focus on the debate on the conflicts between objectives, and on the difficulty of achieving all of them simultaneously, and therefore, on the inevitable prioritization ones over the others.

The theory of economic policy indicates three areas to take into consideration for an exhaustive analysis of the conflicts between objectives (Cuadrado 2019). First, in static terms, the relationships between objectives offers three possibilities: i) conflicts of a fundamental nature; ii) complementarity relationships; or iii) interdependence. Second, of a dynamic nature, these relationships between objectives are modulated according to the time frames for their achievement, so that achieving some in the short term compromises the achievement of others in the medium or long term. Third, the nature of the objectives determines the type of relationships. In this case the focus has traditionally been on trade-offs between economic and social objectives. To this discussion we must now add the dimension of sustainability, so that the debate acquires even more complexity by combining the intersections between efficiency, equity and sustainability.

Regarding the classic efficiency vs. equity debate, the traditional approach understood that what was invested in social redistribution was lost in economic growth (Okun, 1975). However, recent studies show that the sign of the relationship between economic growth and redistribution is determined by the type of redistribution applied. Thus, systems with levies on activities with negative externalities (Ostry, Berg and Tsangarides, 2014) or the concentration of public spending on educational programs for the development of cognitive capacities of the most disadvantaged (Hanushek and Woessmann, 2008, 2012) have a positive effect on economic growth. Along these lines, various authors and institutions point out, in contrast to the traditional approach of the U of Kuznets (1955) and the trickle-down effect, how certain persistent levels of inequality inhibit or slow down economic growth (Ostry & Berg 2011; Stiglitz 2012; Piketty 2014). From a broader perspective, there is currently an intense debate on fiscal multipliers and on the relevance of expanding public spending in low interest rate environments, not only because of its redistributive impact, but also as a lever to boost economic growth (Blanchard and Summers 2019).

Adding to this discussion the dimension of sustainability further complicates the analysis and thus complicates the extraction of conclusive results in terms of linear relationships. However, there is already a diverse literature that addresses the relationships and conflicts between the different SDGs. In Biggeri (2019) there is an exhaustive list of the literature on the synergies and trade-offs of the different SDGs. Also noteworthy are those empirical exercises that analyse (synergies and trade-offs) in an aggregate way in all the SDGs. However, the results present a significant degree of heterogeneity due to the use of different analytical techniques, the limitation of internationally comparable data, and the differences in results between countries.

Thus, Kroll (2019) finds that SDGs 1, 3, 7, 8 and 9 present positive synergies, while Goals 11, 13, 14, 16 and 17 present neutral trade-offs or associations. Lusseau and Mancini (2019) find that all the objectives feed back into each other, except for Inequality SDG 11 12 and 13, which also show negative correlations with the rest in an aggregate term. Along the same lines, Hegre *et al.* (2020) using the *principal component analysis* (PCA) technique

conclude that there is a high degree of compatibility between objectives 1-8, 11 and 17; while goal 11 is the only one that presents negative compatibility with all the other goals. Asadikia (2021), using machine learning tools, identifies that SDGs 3, 4 and 7 are the ones that offer the greatest synergistic effects as a whole and that the combination of goals 3, 4, and 10 is the one with the greatest synergies between them. Finally, Biggeri (2109) carries out an interesting adjustment exercise of the Sustainable Development Index of Sachs *et al.* (2016) using the *Multidimensional Synthesis of Indicators* (MSI) approach, which allows incorporating the synergistic and trade-off effects between the different objectives.

In short, although there are multiple coincidences, it is still too early to establish the existence of a broad consensus, in empirical terms, on the relationships between the SDGs due to research limitations. Therefore, strategies for prioritizing some objectives over others, or enhancing the synergy effects of some on others, as well as limiting trade-offs, so that economic policy decisions are optimized, are at a premature point.

5.2. INSTRUMENTS: ENHANCING SDGs

Beyond the emphasis placed on each of the SDGs, as well as the feedback, complementarity, or incompatibility effects between the SDGs, assuming the 2030 Agenda already implies a definition of certain economic policy goals, and therefore, the assumption of a framework in which its instruments must operate.

Before starting the analysis, it is convenient to make some conceptual clarifications to make clear the differences between what is understood by objectives, instruments, measures, and goals, and thus avoid confusion. In a typical model of economic policy intervention, we find two kinds of variables: endogenous and exogenous. The objectives will be those endogenous variables over which governments do not have direct control (economic growth, unemployment, etc.). The instruments will be exogenous variables over which governments do have direct control (interest rates, taxes, etc.). The measures will be specific changes made to any instrument (1 % rise in short-term interest rates). The goals will be the realization, generally quantitative, of the objectives set (a 5% reduction in unemployment in four years). Finally, an economic policy must be specified in a set of defined goals and a set of measures to achieve those (Cuadrado 2019).

Finally, there is a wide variety of instruments available to policy makers, which can be grouped following their link to certain areas of economic public policy. Thus, to simplify the analysis, we will focus on the following instruments:

- *Monetary policy* instruments: amount of money, interest rates, liquidity and solvency ratios, reserves, etc.
- *Fiscal policy* instruments: volume of public spending, composition of public spending, public sector investment, tax structure, tax incentives, etc.
- *Trade policy* instruments: tariffs, exchange rates, quotas, rates, etc.

- *Labour policy* instruments: minimum wage, contractual models, public employment, unemployment insurance, pensions, etc.
- *Regulatory instruments and institutional framework*: prohibitions, standards, nationalizations, privatizations, reforms (educational, agrarian, pensions, etc.), property rights, etc.

In addition to these instrumental policies, the effects on the rest of the sectorial policies (agricultural policy, industrial policy, innovation policy, tourism policy, housing policy, etc.) must also be considered. This will be especially relevant in the context of the SDGs, due to its comprehensive nature in terms of development, and therefore, due to the different policies and instruments it encompasses. Table 1 presents a tentative proposal of the different instruments that a pro-SDGs economic policy should deploy. To simplify the analysis, the 17 SDGs have been added into three categories: production (8, 9, 16, 17), redistribution (1-6, and 10) and sustainability (7 and 11-15).

The table offers a panorama that is characterized by the need for an expansive approach to monetary and fiscal policies, which will allow the promotion of economic growth and employment, while generating sufficient resources to face the public investments necessary for a green transition and a certain degree of equality that ensures that the redistributive SDGs are achieved. On the other hand, trade and labour policies are proposed in terms of instruments that encourage an economic growth model based on productivity gains and environmental sustainability, while not exacerbating social inequalities. Regulations and normative frameworks should also be oriented to this growth model focused on productivity and environmental sustainability, also ensuring sufficient levels of wealth redistribution.

Obviously, this model based on generalizations must be nuanced depending on the countries and regions to which it is focused. The proposals for instruments and measures for OECD countries will not be the same as for developing countries or less developed countries. For example, low interest rate environments are now characteristic of developed countries, not so much of developing countries, so the associated fiscal multipliers are lower, and therefore, the degree of expansion should be more limited, given greater risks of unsustainability of public finances in these countries. In the same way, the challenges related to the productive structure are very different in developed countries, which aspire to compete in sectors of the technological vanguard, while developing countries main goals deal with productivity gains through the industrialization of their productive structures. These qualifications are extensive to the whole set of SDGs and therefore of economic policy instruments to achieve those according to the development challenges associated with each country.

TABLE 1 . SDGs AND ECONOMIC POLICY INSTRUMENTS

	Production SDGs	Redistribution SDGs	Sustainability SDGs
Monetary policy	Expansive, especially in low interest rate environments, to promote growth and employment	State cheap funding for public investments and social spending. Access to financing for all citizens	Loan conditionalities attached to green investments in renewable energies and a productive structure based on the circular economy
Fiscal policy	Expansive, promoting investments with high multipliers (infrastructure, innovation, education, etc.)	Promote wealth taxes and a progressive tax structure that reduce inequalities and fund social spending (especially childhood).	Green taxation that promotes reductions in climate change emissions and the adoption of renewable energies
Trade policy	Oriented to the promotion of value-added gains in national production and a balanced global value chains insertion.	Selective and transitory protection of innovative and industrial ventures	Tariffs against unsustainable environmental imports and promotion of sustainable exports
Labour policy	Promotion of stable hiring associated to productivity improvements	Minimum wages increments and unionization enhancing	Incentives for hiring staff in environmentally sustainable ventures
Regulations and institutional framework	Stable institutional environments that promote economic and employment growth through innovation, knowledge, technology, and productivity gains	Strengthening of welfare states and social protection policies that ensure minimum standards for all citizens	Regulatory and incentive systems that ensure a sustainable production, transport, and consumption structure

Source: Author.

Finally, it is necessary to contextualize the historical moment in which these economic policies unfold. First, worldwide governments come from a deep health, economic and social crisis derived from the coronavirus pandemic (IMF 2021). The fall of the global economy and the marked recessions in most of the countries require an even more decisive use of monetary and fiscal policies due to their countercyclical lever effect, which will reactivate the economic recovery. Added to this, there is an ongoing dynamic structural shift due to the progressive acceleration of the global technological revolution. As various authors have pointed out, technological revolutions tend to generate large productivity gains, but also high levels of inequality, and a broad need for public sector intervention to first redistribute and secondly regulate the new economic, social, and cultural phenomena resulting from these structural changes (Perez 2004).

5.3. THE ROLE OF THE STATE: FROM MARKET FIXER TO MARKET SHAPER

As mentioned above, the debate surrounding the participation (intervention) of the State in the economy moved between those who focused on “market failures”, sub-optimal market performance in certain economic areas, which leads to government intervention (pollution, poverty, etc.). And, on the other hand, those whose analyses indicated that in most cases, public intervention produced even more suboptimal results than those of the market. Therefore, a no intervention was more advisable, but in very few specific cases.

The 2030 Agenda and its SDGs clearly define a series of areas in which market failures are the prevailing feature and therefore the intervention of the public sector is necessary. This is especially evident in issues related to the sustainability SDGs, as well as those linked to inequality and the provision of public goods, such as education, health, or water sanitation. In this sense, the 2030 Agenda and the SDGs move away from the neoliberal “minimum state” approach by establishing a need for public intervention in all areas related to sustainability and redistribution. Nevertheless, this is not a conceptual innovation contributed by the Agenda 2030, but a confirmation of current tendencies in the developmental discourse.

What is a brand-new contribution related to the role of the State in the productive sector. The SDGs establish a series of productive economic objectives, linked to industrial development, innovation, and ultimately, to what is generically known as the productive model. This has been historically a problematic area subject to a wide debate. Since 1980s, the generalization of neoliberal economic policy approaches, public interventions were forbidden from the developmental debate, on the understanding that these only generated distortions, and that the market and private agents were more efficient at assigning prices and resources according to the comparative advantages of each country (Pack 2000; Benhassine and Raballand 2009).

However, there is currently a new branch of industrial literature pointing to the economic benefits of “smart” public interventions (Lin 2012; Mazzucato 2015;

Stiglitz 2015): Although each of these authors draw on different approaches of public intervention, as well as some nuanced intervention recommendations, all coincide in diagnosing that the industrial upgrade, especially in developing nations, requires a public intervention that generates sufficient incentives to jump from activities of low added value to others with higher productivity. In its most generic version, this argument understands that the optimum in terms of productivity is achieved through an adequate and specific combination of public and private agents (Polanyi 1944, Mazzucato 2021).

Specifically, Mariana Mazzucato (2015, 2021) has deepened the most in this aspect of public intervention in the productive sector. The author began her research in this regard, with her book “The Entrepreneurial State” where she demonstrated how public participation in the United States and many European countries was key to promoting the bulk of technological advances and innovation that have shaped the main technological markets of the last decades. Subsequently, the author delves into this question, reaching the conclusion that the current challenges facing humanity cannot be solved solely through liberal markets. And not even from the perspective of market failures and the concept of the State as a *market fixer*. According to the author, the new challenges for humanity, such as digitization or the transition to green economies, require a deeper participation as strategist and incentive designer from the public sector, in what she calls the State as a “market shaper”.

This concept of State as market shaper does not translate into a direct intervention of the public in the ownership and management of industrial productive activities (as could have happened throughout the mid-20th century with the strategies of industrialization by import substitution), but which refers to a concept more alike to that of “governing the markets” promoted by the developmental states of East Asia (Wade 1990). In this framework, the “entrepreneurial State” or “market shaper” will focus on leading, guiding and providing the private sector with an optimal ecosystem in which productive upgrading is developed and incentivized according to the criteria and objectives defined by the public sector in a symbiotic dynamic.

The author herself points out the SDGs as a recommendable framework on which to build this new vision of public action and develops some of the public policy instruments that could be deployed to achieve them (Mazzucato 2021). In essence, the new approach could be synthesized as follows: public organizations must have an ambitious vision and a clear and concrete purpose. Promote innovation and the assumption of public risks and take part in private rewards. A dynamic, adaptive, and flexible organizational structure to achieve the objectives, as well as open to collaborations with all types of actors (with an adequate distribution of risks and rewards) and with spill-over effects in different industrial sectors. And finally, long-term financing focused on results, not budget efficiency (De la Cruz 2021). These reflections finally lead to rethink the role of the State in the productive field as well as the public capacities needed to enhance productivity.

6. CONCLUSIONS

This work tries to delve into the implications of the 2030 Agenda and the SDGs from an economic policy perspective. Specifically, it does so through the analysis of three key aspects of economic policy: i) the objectives pursued and the conflicts between them; ii) the instruments and measures necessary for their achievement; and iii) the role of the public sector in the pursuit of those objectives.

From a historical perspective, economic policies have undergone a transition from the 1980s to the present. During the 80s, the multiple financial crises suffered by developing countries extended the application of neoliberal recipes focused mainly on price stabilization and economic structural adjustment. In order to implement these recipes a battery of instruments were applied aimed at the liberalization and privatization of productive structures, thus moving towards a development model focused on private activity with little public intervention. This approach was progressively more flexible through the second-generation reforms, the MDGs, the Paris Agreements, among others, and thus retaking the objectives of economic growth and redistribution of wealth, in addition to a more active role for the State.

The 2030 Agenda and the SDGs set a new global development paradigm characterized by its multidimensionality. The 17 SDGs can be grouped into three large groups that encompass three key dimensions of development: production, redistribution, and sustainability. The challenge for economic policy derived from this multidimensionality, beyond how to achieve each of the objectives, is how to achieve all simultaneously. Various studies have analysed the synergies and trade-offs between the SDGs, concluding that, there is a high degree of synergy between all, but also that there are also trade-off effects, with little consensus regarding their quantification, as well as in terms of the channels through which this occurs. In short, there is no broad consensus on the best strategies for maximizing the SDGs.

Regarding the role of the State in the new development agenda, we conclude that public intervention as market fixer is consolidated, but it also goes further in its proposals by recovering the idea of the entrepreneurial State or market shaper, especially in relation to the productive model of less developed countries. However, this “entrepreneurial” role does not focus on direct management of the public sector, but rather on leading the productive sphere, defining the objectives and priorities to be pursued by the private sector, and on providing the norms, incentives, and suitable environments for a correct performance of public-private partnerships.

Finally, regarding economic policy instruments, we propose a set of measures to achieve through a faster path the SDGs. On one hand, fiscal and monetary policies should adopt an expansive approach, thus promoting economic growth, enhance their redistributive function through public spending and financing the transition towards a green production model. In the same way, trade and labour policies must generate the norms and incentives to

accelerate the achievement of these objectives. And the regulatory frameworks and institutional structures must adapt to be in tune with the objectives of production, redistribution, and sustainability of development strategies.

To sum up, from the perspective of economic policy, the 2030 Agenda and the SDGs represent a redefinition of economic policy strategies in some of its key elements. First, they define a new framework of highly complex objectives that requires deepening on the comprehension on the nature of their relationships and the best strategies to maximize its rate of achievement. Second, they redefine the role of the State in the development model, especially on its productive aspect, aiming at a more guiding role of the public sector. And third, they propose a series of measures and instruments, which break with past paradigms focused on inflationary stability and efficiency in the allocation of productive factors and offer a more expansive approach aiming at achieving a multidimensional set of goals.

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