ACHIEVING A SUSTAINABLE GLOBAL SOCIETY ANNO 2100 ?

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ACHIEVING A SUSTAINABLE GLOCAL SOCIETY ANNO 2100 ?

OVERVIEW

1. On Keynes' Grandchildren Essay
2. Some necessary conditions for achieving 'A good society' in 2100

   * Shift from 'Society in the Economy' to 'Economy-in-Society-in Nature'
   * Economic models in a worldview perspective
   * Global sustainable development and the Post-2015 Agenda

3. Concluding remarks

ACHIEVING A SUSTAINABLE GLOCAL SOCIETY ANNO 2100 ?

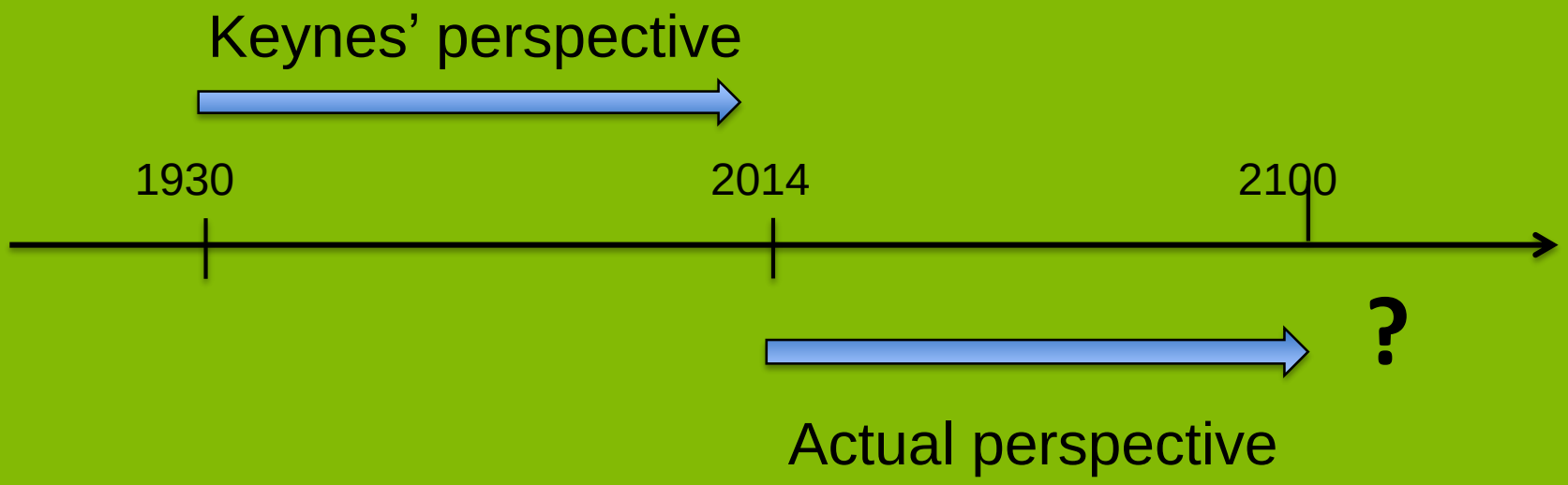
The global perspective

- ***Human activities on the planet are huge***
  The global ecological footprint (2007) amounts to 1.4 x the planet's biocapacity
- ***Human activities are perhaps too large***
  Are close to - or crossing - planetary boundaries

WE LIVE ON A FRAGILE PLANET

ACHIEVING A SUSTAINABLE GLOCAL SOCIETY ANNO 2100 ?

On Keynes' Grandchildren Essay



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On Keynes' Grandchildren Essay

Keynes identifies two key drivers of progress (only active in the last part of the considered epoch):

- **"Important technical inventions"**
- **"Capital accumulation"**

Observers of today could note, that these two factors also today play decisive roles as drivers of 'progress', but might add, that they both have their dark sides

ON KEYNES' GRANDCHILDREN ESSAY

Keynes reflects on the needs of human beings

- absolute needs (struggle for 'subsistence)
- relative needs ("seem to be instiable")

"The economic problem of the human race is not - if we look into the future - the permanent problem of the human race"

The Brundtland report (1987) and documents from Rio 1992 are - at best - unclear about human needs

ACHIEVING A SUSTAINABLE GLOCAL SOCIETY ANNO 2100 ?

Many things could be said about the economic conditions in e.g. 2014, that Keynes - from his 1930 perspective - was not able to predict. However, he should not be blamed for that. (Totally new perspectives, think of e.g. international value paper trade by computers, today's consumption boom or communication forms, etc**.**)

The most important lesson to learn from Keynes' essay is perhaps, that

*** we don't know anything about the economy two generations ahead – and**
*** the same could be said about people's behaviour under these unknown future conditions**

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Some necessary conditions for achieving 'A good society' in 2100

Shift from 'Society in the Economy' to 'Economy-in-Society-in-Nature'

* Regarding economic models in a worldview perspective

* Pursuing global sustainable development and the Post-2015 Agenda

SOME GLOBAL CRISES - GLOBAL CHALLENGES

Concern about

- **Environmental degradation**
- **Depletion of natural resources**
- **Climate changes**

ENVIRONMENT, NATURAL RESOURCES AND CLIMATE

- **Threatening environmental problems**
  E.g. poisoning residuals overall in our surroundings, phtalates and hormon-like substances in food, excessive use of antibiotics (multi-resistance), etc.
- **Scarcity of certain natural resources**
  E.g.: Oil, clean water, cupper, arable land, cleansing capacity, biodiversity, etc.
- **Overconsumption of biological resources**
  - soil degradation, decreasing biodiversity, etc.
- **Climate change.** Latest news from IPCC: 2 or 4 degrees global temperature increase ?

ECONOMICS - ECOLOGY

Two scientific disciplines

- Previously: Diverging issues, diverging approaches
- Today: Both invoked in addressing global challenges

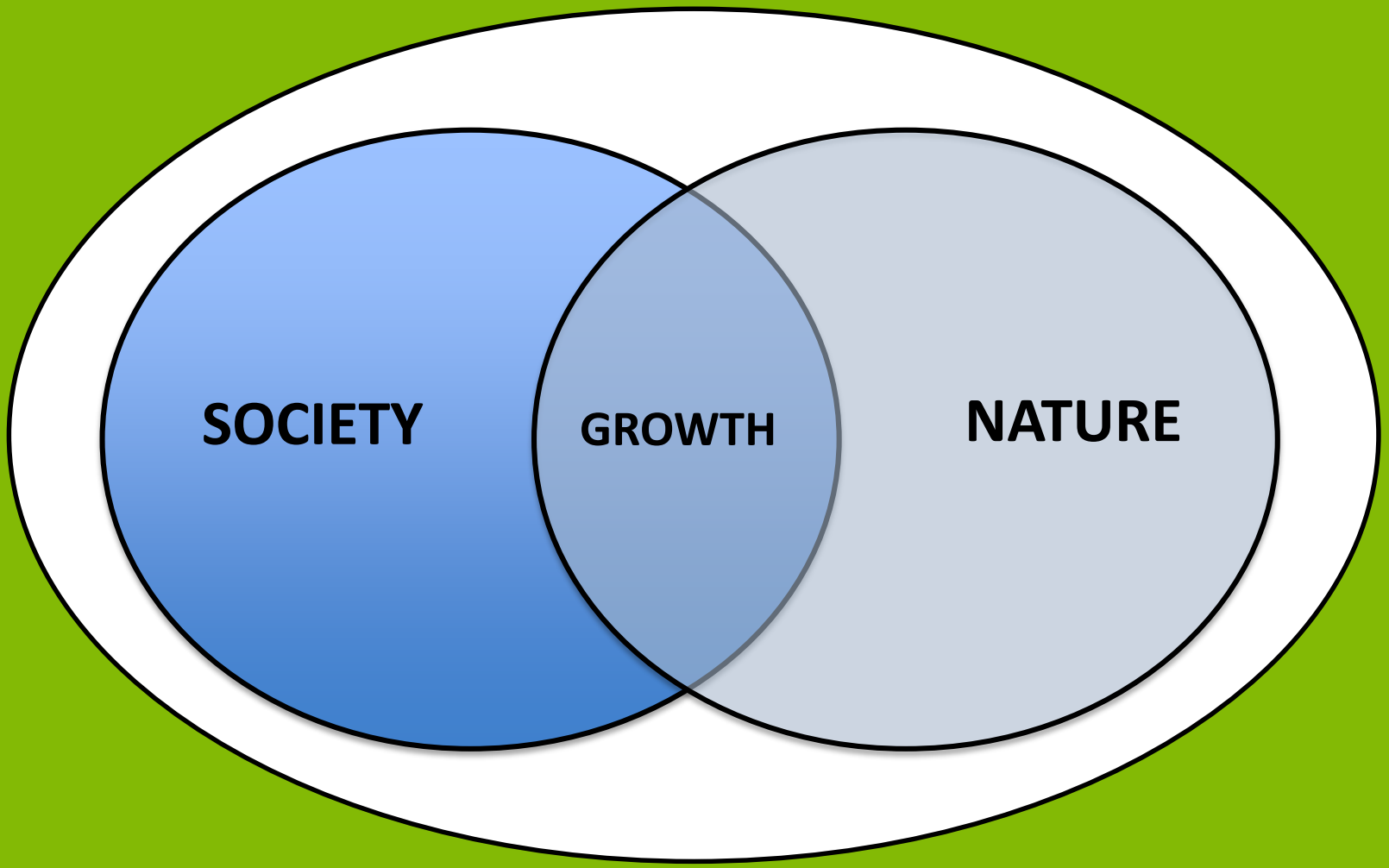
Dilemma concerning the growth paradigm

- Growth is a necessary condition for solving social and environmental problems - or
- Sustained material growth is part of the problem

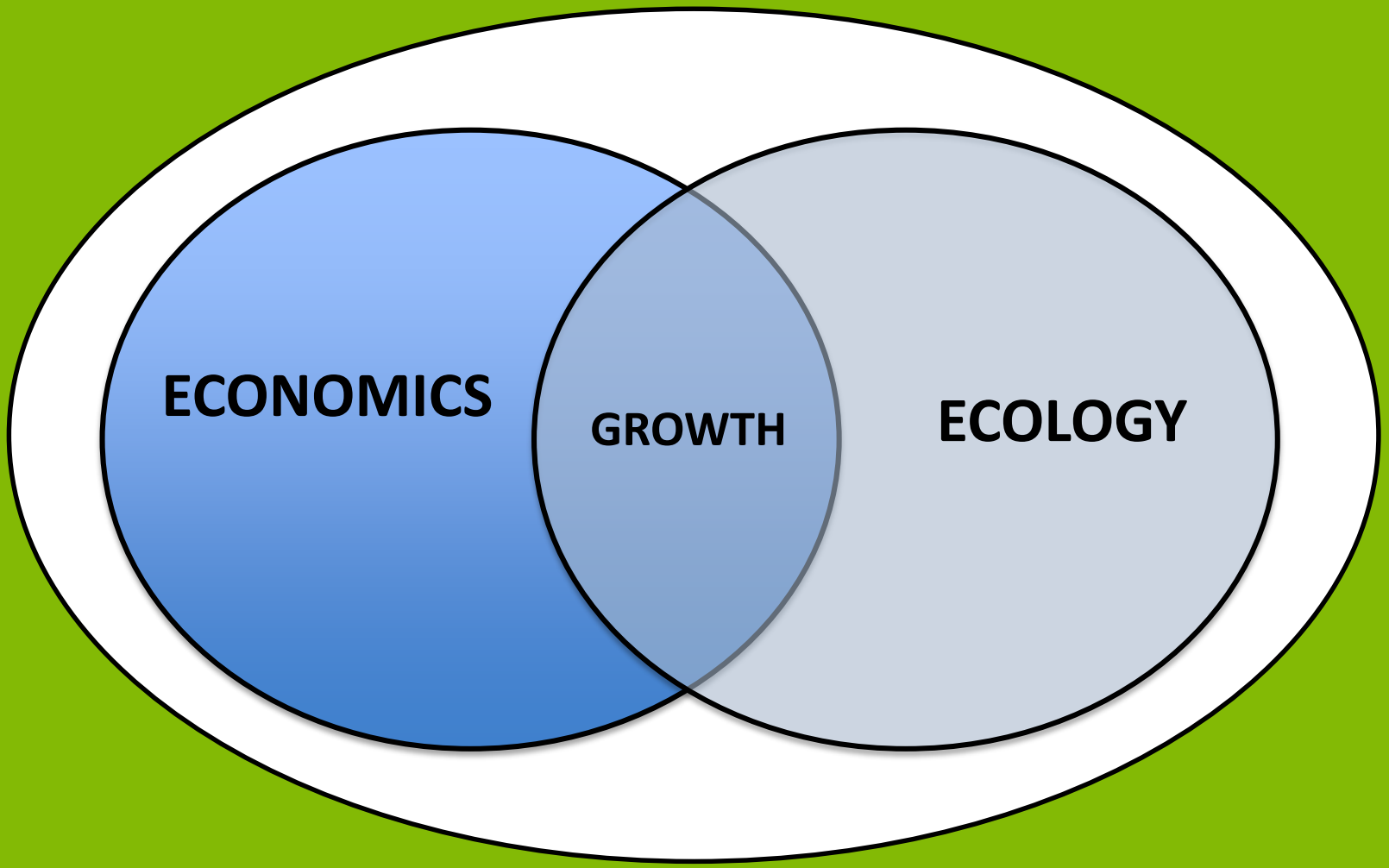
Fundamentally diverging worldviews

- Is bridging possible ?

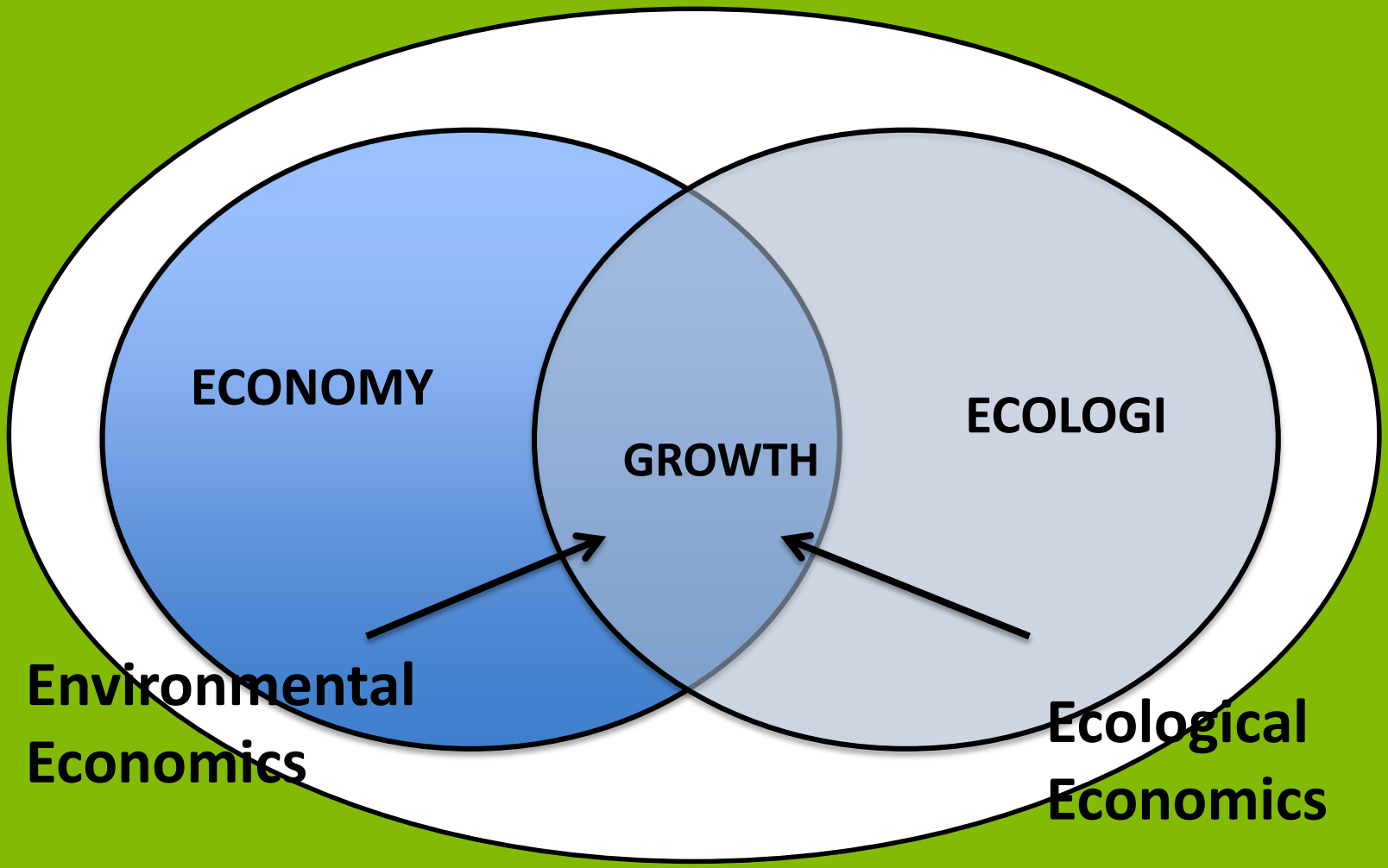
GROWTH IN SOCIETY AND NATURE



ATTACKING THE GROWTH ISSUE PROFESSIONALLY



SPECIALIZED DISCIPLINES CONTRIBUTE



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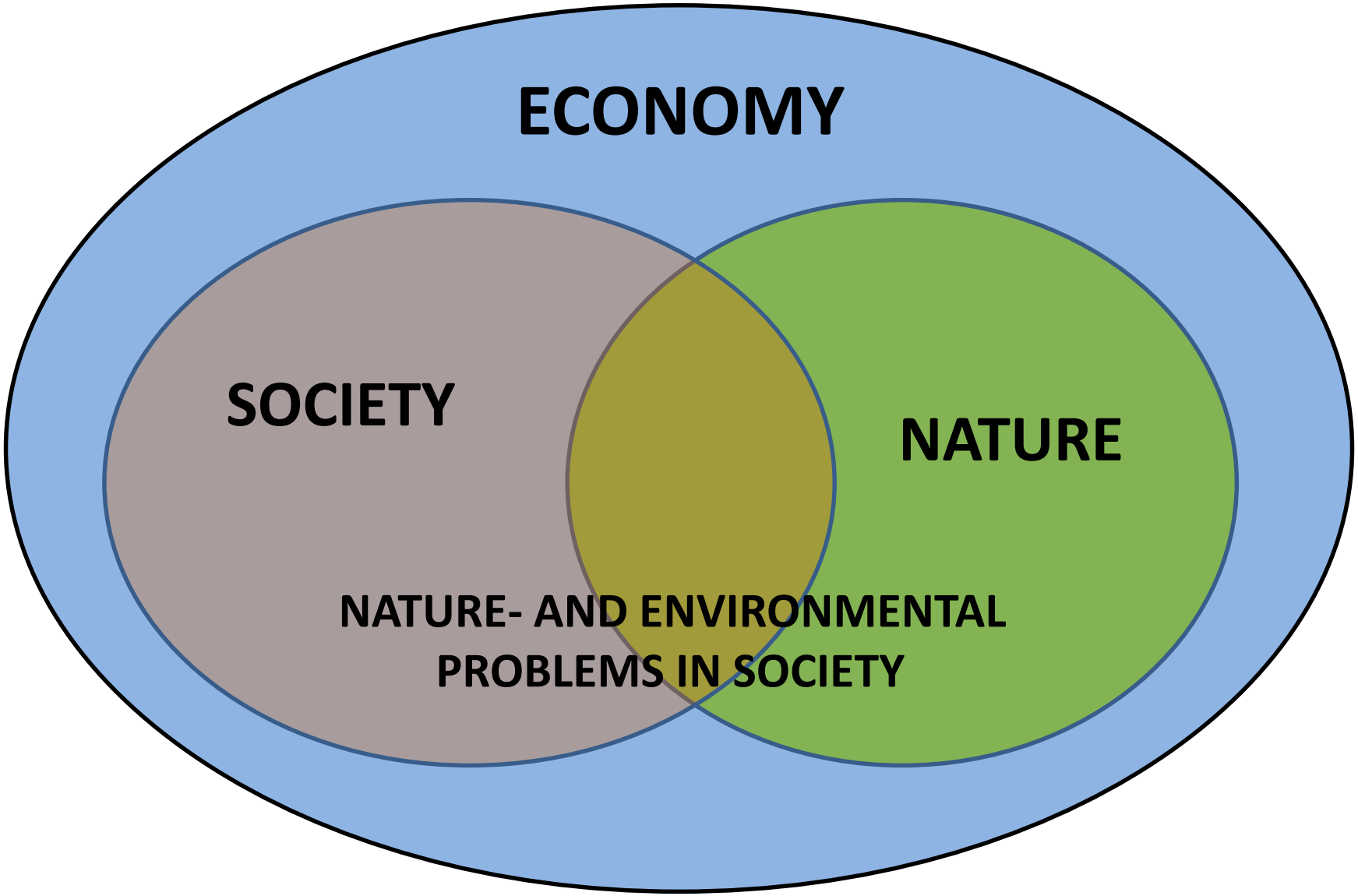
A dilemma:

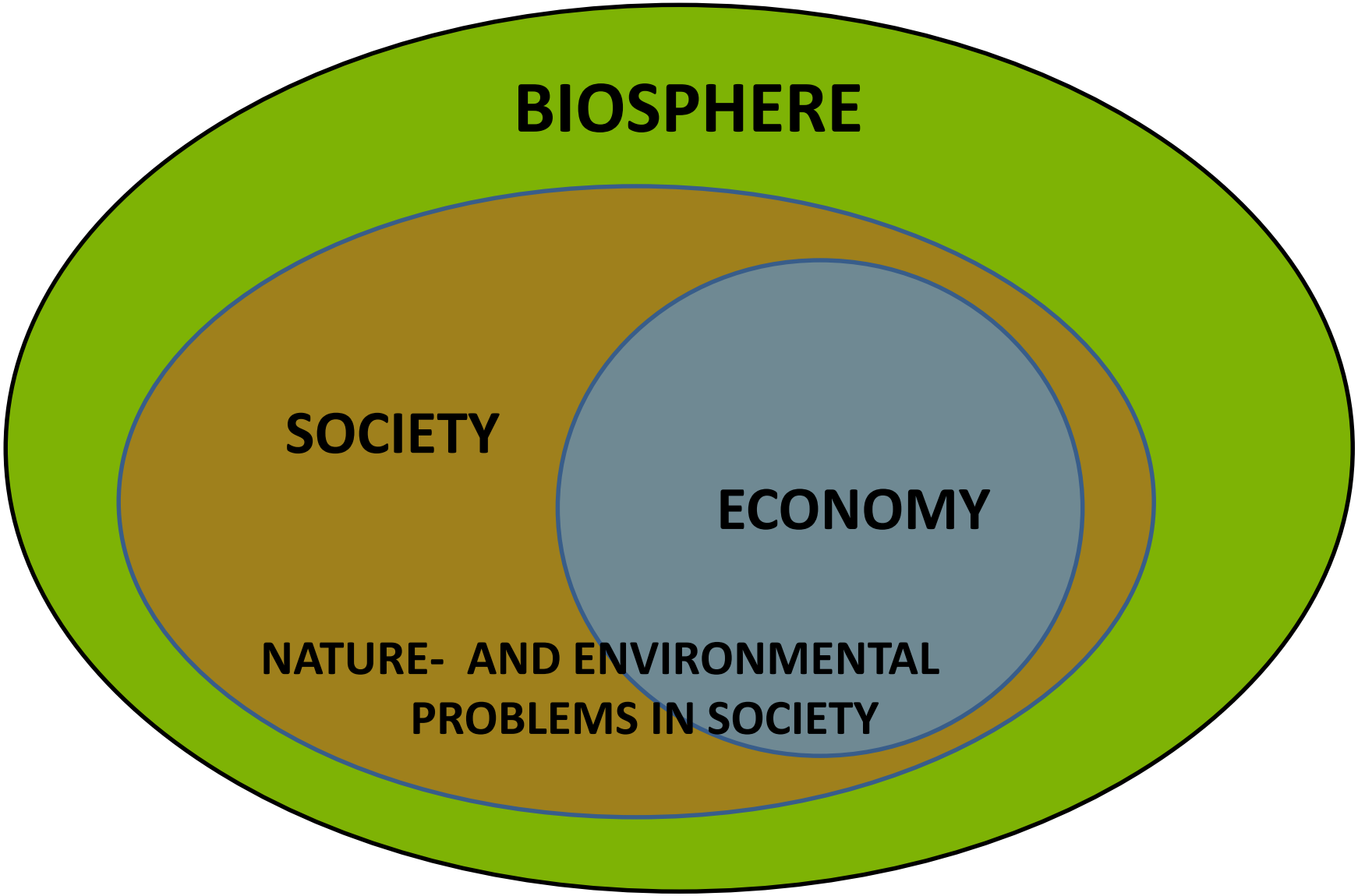
Two fundamentally different worldviews as regards the relation between

Humans and Nature

UNDERLYING WORLDVIEWS (I)



UNDERLYING WORLDVIEWS (I)



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. **Some necessary conditions for achieving ’A good society’ in 2100**

***** Shift from ’Society in the Economy’ to ’Economy-in-Society-in-Nature’

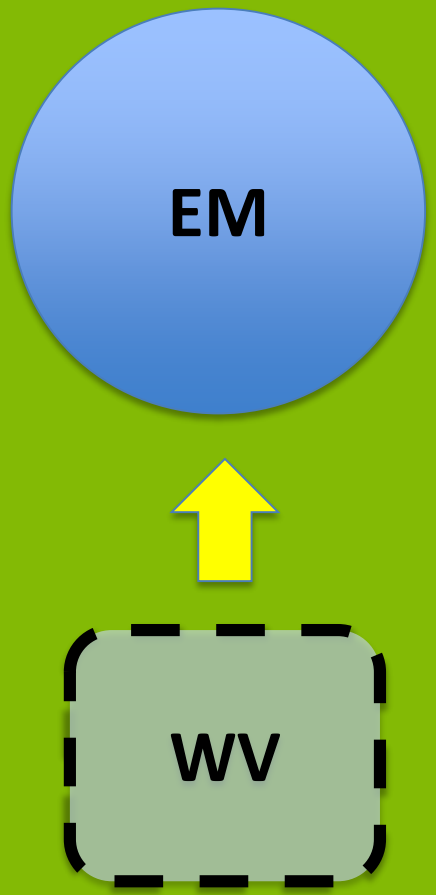
*** Economic models in a worldview perspective**

* Global sustainable development and the Post-2015 Agenda

ECONOMIC MODELS IN A WORLDVIEW PERSPECTIVE

What is an economic model [1)] ?

A description of how the economic system functions, - here: at an aggregate level.
Distinction: Formal (mathematical) and informal (mental) models – Models are used to develop economic argumentation, and for calculation/assessment of macroeconomic results



Underlying Worldview

Often only tacitly present or deficiently declared.
World V:iew defined as comprehensive set of elements or basic perceptions

1) here used as a generic name. Does as such not refer to any specific formalized model for calculation

WORLDVIEW - A COHERENT SET OF POSITIONS

Distinguish between

* **comprehensive worldview** (’the entire world’)
* **thematic worldview** (a selected part of reality)

Possible worldview ’themes’

e.g. * values, * concepts, * ethics, * science,
* knowledge,* religion, etc.

Worldview dimensions encompass basic positions

Positions may have diverging character, as e.g.
* normative postulates, * beliefs, * facts, * opinions

WORLDVIEW BEHIND ECONOMIC MODELS

Worldview - the dimensions *(based on Costanza et al. 2012)*

1. **Primary policy goal: Progress, wellfare**
2. **Primary measure of progress**
3. **Scale in relation to carrying capacity of surroundings** (role of the environment)
4. **Distribution of goods in the population – poverty**
5. **Economic efficiency - allocation of goods and services** (role of the market)
6. **Property rights – private vs. public**
7. **Role of Government**
8. **Principles of Governance**

WORLDVIEW – TERMINOLOGY on 'ECONOMIES'

*** Current economy**

This description covers here a broad group of macroeconomic schools/models founded in neo-classical theory

*** Green economy**

The description covers a broad group of analytical tools and models focusing on all kinds of 'green' aspects of the economy. During the last decennium this concept is adopted by all international organizations and institutions (OECD, United Nations, World Bank, etc.)

*** Planetary economy**

This description covers an economic thinking, marked by humanistic and ecological ideals. The concept cannot be placed uniquely in relation to existing schools/branches within ecological economy

GREEN ECONOMY

Definition

UNEP

A green economy is one that results in improved human well-being and social equality, while significantly reducing environmental risks and ecological scarcity

OECD
(defines ’green growth’)

WB
(defines ’green growth’)

1. PRIMARY POLICY GOAL

Current economy

Continued economic growth in the conventional sense, i.e. GDP-growth. Assuming that growth ultimately will allow the solution of all other problems

Green economy

Continued economic growth, but with **lower environmental impact**. Assuming that **decoupling** GDP growth from carbon and material throughput is possible, and will solve the conflict between unlimited growth and ecological limits

Planetary economy

A shift from merely **economic growth** to **development**, - improvements in **sustainable human well-being**, recognizing that material growth has significant negative impact

2. PRIMARY MEASURE OF PROGRESS

Current economy
Gross Domestic Product (GDP)

Green economy
GDP growth, **but** recognizing impacts on **natural capital**, and concern about **green jobs**

Planetary economy
Index of Sustainable Economic Welfare (ISEW), Genuine Progress Indicator (GPI), or other improved measures **of real** wellfare

GDP, ISEW og GPI

GDP – Gross Domestic Product

A measure of the total flow of goods and services produced by the economy over a specified period, normally a year or a quarter. Measures only marketed economic activity.

ISEW – Index of Sustainable Economic Welfare

GDP modified by making *deductions* to account for e.g. income inequality, costs of crime, environmental degradation, loss of leisure, etc. - and making *additions* to account for the services from consumer durables and infrastructure as well as the benefits from volunteering and housework

GPI – Genuine Progress Indicator

A variant of ISEW (cf. the GPI 'Yearbook' 2006)

3. SCALE/ CARRYING CAPACITY - ENVIRONMENT

Current economy

Scale/carrying capacity is <u>not</u> an issue. Markets are assumed to overcome any ressource limits via **new technology**. **Substitutes for resources** are always available

Green economy

Scale is recognized, but assumed to be solvable through **decoupling** GDP-growth from carbon and material throughput (by new technology and substitution)

Planetary economy

A primary concern as scale/carrying capacity is a determinant of **ecological sustainability**

4. DISTRIBUTION / POVERTY/ (IN)EQUALITY

Current economy

Distribution is <u>not</u> an issue. Given lip service, but relegated to ”politics” and the assumed ”trickle-down” economics (”a rising tide lifts all boats”)

Green economy

Poverty eradication is recognized as important. GE assumes greening the economy will reduce poverty via enhanced agriculture and employment in green sectors

Planetary economy

A primary concern, since poverty directly affects quality of life and social capital, and is often exacerbated by growth (“a too rapid raising tide only lifts yachts, while swamping small boats”).

5. ECONOMIC EFFICIENCY / ALLOCATION

Current economy

The primary concern, but generally including only marketed goods and services (GDP) and market institutions

Green economy

Recognized to include **natural capital** and the need to incorporate the **value of natural capital into market incentives**

Planetary economy

A primary concern, **but including both market and non-market goods and services and effects**. Emphasis on the need to incorporate the value of natural and social capital to achieve true allocative efficiency

6. PROPERTY RIGHTS

Current economy
Emphasis on private property and conventional markets

Green economy
Recognition of the need for instruments beyond the market

Planetary economy
Emphasis on a balance of property rights regimes appropriate to the nature and scale of the system, and linking of rights with responsibilities. Includes **larger role for common-property institutions** in addition to private and state owners.

7. ROLE OF GOVERNMENT

Current economy

Government intervention to be minimized and replaced with private and market institutions

Green economy

Recognition of the need for government intervention, e.g. to internalize natural capital and to align financial markets to needs of a green economy instruments

Planetary economy

Government plays a central role, including new functions as referee, facilitator, and broker in a new suite of common-asset institutions

8. PRINCIPLES OF GOVERNANCE

Current economy
Lassez-faire market capitalism

Green economy
Recognition of the need for government intervention

Planetary economy
Lisbon principles of sustainable governance
(cf. next slide)

LISBON PRINCIPLES OF GOVERNANCE - OVERVIEW

A core set of six principles, originally established 1997 by ecological economist Robert Costanza for the sustainability governance of the oceans. The set became generalized, and known as the "Lisbon Principles" - basic guidelines for administering the use of common natural and social resources.

1: Responsibility

2: Scale-matching. boundaries

3: Precaution

4: Adaptive management

5: Full cost allocation

6: Participation

ref: Costanza et al. (2007)

WORLDVIEWS – FIELDS OF TENSION

1.	Goal	Growth vs. development
2.	Measure	GDP vs. ISEW / GPI
3.	Scale	Unrestricted vs. planetary boundaries
4.	Distribution	’Trickle down’ vs. equality focus
5.	Efficiency	Market vs. natural and social capital
6.	Property right	Private vs. public
7.	Role of Government	Minimlmal state vs. common goods
8.	Governance	Laissez-faire vs. sustainable development

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➡ **Global sustainable development and the Post-2015 Agenda**

VISION ABOUT SUSTAINABLE DEVELOPMENT (I)

Some milestones

Stockholm 1972

- **Environment on the global agenda**

Brundtland Report 1987

- **Our Common Future**

Rio 1992

- **Agenda 21**
- **Conventions on climate and biodiversity**
- **Climate Summits e.g. COP-15, Copenhagen 2009**

VISION ABOUT SUSTAINABLE DEVELOPMENT (II)

More milestones

FN 2000

- **Millennium Development Goals (MDGs) / 2015 Goals**
- **8 goals addressing developing world**

Rio+20 2012

- **Green economy**

F'N's General Asembly 2010

- **Post-2015 Agenda process launched**

FN's General Assembly 2015

- **Adoption of Sustainable Development Goals (SDG's) ?**

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CONCLUSIONS CONCERNING ECONOMIC MODELS

- based on worldview analysis

***Current economy and planetary economy cannot be reconciled** (e.g. primary goal, no scale vs. planetary boundaries, trickle down vs. poverty reduction, etc.)

***Green economy and current economy have many similarities** (e.g. growth and markets as primary problem solving mechanisms – right pricing, etc).

***Green economy and planetary economy have some features in common** (reducing environmental degradation, natural capital internalized, etc) **but cannot be reconciled due to the fundamental dilemma: growth vs. eco-limits**

GENERAL CONCLUSIONS

There is much support to and enthusiasm around the green economy / green growth approach in these years. This calls upon two perspectives:

- **The current economic is being scrutinized from many sides. This may lead to reform of its most obvious non-sustainable elements (a green economy is better that a brown or a black one)**
- **However, this should not obscure the fact, that the green economy approach does not addres serious systemic flaws in the current economy: the overall goal distant from human lives, the neglection of aspects of inequality and the non-acceptance of planetary boundaries**

ACHIEVING A SUSTAINABLE GLOCAL SOCIETY ANNO 2100 ?

Four statements on steps towards new economic thinking

- **there is a need for a new role of economy as a tool for society, not vice versa**
- **the narrow focus on economic growth should be replaced by a focus on human well-being and sustainability**
- **economists should be trained in trans-disciplinary work on issues within other social science and ecology**
- **institutional innovation should pursue pluralistic economy approaches to problem solving in society**

THANK YOU FOR YOUR ATTENTION

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