ANCHORING TRANSFORMATION: POLICY ANCHORS FOR ENSURING A NEW EUROPEAN SOCIAL-ECONOMIC PARADIGM

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LEAD AUTHOR:
Sandrine-Dixson-Declèeve, Co-President, The Club of Rome
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“IN MY WORK ON THE SUSTAINABLE DEVELOPMENT COMMISSION, I CAME TO REALIZE THAT THE RELENTLESS APPETITE OF HUMAN BEINGS FOR CONSUMPTION COUPLED WITH THE RELENTLESS APPETITE OF CAPITALISTS FOR ACCUMULATION, IS FUELING THE PLANETARY EMERGENCY.

DESPITE TECHNOLOGICAL PROGRESS, THE UNHOLY ALLIANCE BETWEEN HUMAN NATURE AND INSTITUTIONAL STRUCTURE CREATES A DANGEROUS LOCK-IN THAT DIMINISHES PROSPECTS FOR A LIVABLE FUTURE.”

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EXECUTIVE SUMMARY

This paper demonstrates the growing potential to shift towards transformational economic models which move “beyond GDP” and embracing broader social, environmental and economic indicators for securing a prosperous life for all world citizens within Earth’s planetary boundaries. It is a result of several exchanges undertaken by the Club of Rome through its Earth4All project including its 21st Century Transformational Economics Commission.\(^1\)

The key question asked is what does this mean for Europe at large post-COVID, and can the institutions and governments anchor transformational economics in existing European value systems, economic foundations and in European and international alliances. This paper is the first step in showing that many anchors already exist for Europe to make this crucial shift, but goes further by articulating the central arguments necessary for political consensus around moving the transformation forward.

Post-COVID, we need to build back a more resilient world, able to deal with unavoidable shocks. To do so, action should be anchored in the EU’s own constitution and new Green Deal, in transformative economic science, and in alliances underway globally. In these three areas we outline the policy anchors for renewing Europe’s social and economic paradigm.

First, this paper offers a series of policy recommendations, iterated earlier this year by The Club of Rome in its “21st Century Wellbeing Economics: The Road to Recovery, Renewal & Resilience” Report.\(^2\) These policy recommendations can be immediately implemented to enhance short-term economic shifts in the COVID-recovery phase. They must be addressed alongside the current learnings from COVID as well as the urgency of action in the face of climate change and biodiversity loss. These recommendations are short term levers that will further enable long term systems change. The thinking outlined in this paper further supports and substantiates these recommendations and addresses longer term economic transformation.

Second, this paper shows that the needed policies to put Europe further on the path towards a more sustainable and inclusive society and economy have their anchors in the EU’s own history, traditions, initiatives and legislation. Notably, these anchors are found in the Treaty on European Union, the European Commission’s Strategic Foresight Dashboards, and the European Green Deal. It shows that by keeping the overarching vision for an economic model that underpins the European Green Deal and delivers greater prosperity, the European Commission can and should set the tone for future policy and the transformation needed. However, bringing Member States and citizens on the journey of transformation will be fundamental.

Third, this paper demonstrates how the proposed shift beyond GDP is supported by existing transformative economic models of growth and that implementation can be facilitated by applying a system change compass lens.\(^3\) These models are embedded in a paradigm shift, which seeks to open up pathways for economic policies to enable inclusive and sustainable wellbeing of people...
and planet, to redefine progress, and recognise the value of social and environmental capital. The maxims, models, and indicators that support this paradigm shift exist, yet metrics are not enough and we must shift towards adopting clear levers of change: inclusive indicators must be used to align the EU’s economic and broader policy frameworks. The systems change compass can help us go through the necessary steps to ensure proper design and implementation.

This discussion paper unpacks how implementation requires anchoring the transformation to a sustainable future in: (1) existing EU initiatives and traditions, (2) transformative economic science, and (3) in ensuring Member State buy-in as well as alliances underway globally. To support this, this paper consolidates ideas around transformative economic policy and grasps the potential of a climate turnaround. Further reflection papers will be forthcoming with a view to reconcile structural tensions and barriers to change including tensions between policies that foster growth versus wellbeing and the key relationship between exponential technology within this new economic paradigm.

The aim of this discussion paper is not to promote one specific economic model or theory, but rather to aggregate findings from a wider variety of alternative thinking models, including thinking around the wellbeing economy, doughnut economics models, and beyond growth indicators. Importantly, this wider range of economic insights all point towards designing policy beyond a rigid focus on GDP growth, towards a focus on the wellbeing of people and the planet. This paper offers an articulation of transformational economic considerations for European citizens with a view towards their fundamental buy-in. It is the first in a new series of reflection papers by The Table of preparation in the 50th Anniversary of The Limits to Growth.4

ANCHORING TRANSFORMATION

THE CONTEXT

On 14 July 2021, the European Commission presented a mega-package of climate law to realise the objectives of the European Green Deal: to cut EU greenhouse gas emissions by 55 percent by 2030, to become climate neutral by 2050, and to do so through a just and inclusive transition for all! With this fit for 55 programme, the European Commission gives the clear signal that it knows what to do and that it will step up to take its responsibility. The next phase of implementation will be as trying as it will be crucial. Through this, the EU must stay the course. This will now be up to Member States and is the key to success.

COVID-19 has exposed our vulnerabilities and has reinforced the case for emergency action. We are living beyond the carrying capacity of the planet, putting human systems on a collision course with natural systems of which we are a part. The pandemic is a manifestation of this fact, showing that the wellbeing of societies and the stability of economies are deeply connected to the health of our ecosystem.4

COVID-19 is but one pandemic in a series of rising infectious disease outbreaks over the past decades, ranging from Ebola and SARS, to bird flu. These add to the extreme shocks of heatwaves, droughts, and floods. The pandemic’s destabilising impact is magnified by growing social unrest and malaise. Social pressure and climate change are intertwined, and the effects of both are already felt and observed in people’s daily lives.4 We can see that our GDP driven economies are neither supporting life’s critical flora or fauna nor our own species. Recovery from the pandemic offers us a transformative moment at a critical time for our humanity. Do we rebuild our economy with the same inequalities, fragilities, vulnerabilities and instabilities as before? Or, do we build back a more resilient world, able to deal with unavoidable shocks? Why would anyone accept a world where our economic security and long-term survival are at grave risk and our future is uncertain?

In 1972, a team of MIT scientists got together to study the risks of civilizational collapse. Their system dynamics model published by the Club of Rome identified impending ‘limits to growth’ that meant industrial civilization was on a collision course sometime within the 21st century, due to overexploitation of planetary resources.14

The controversial MIT analysis generated heated debate and was widely derided at the time by pundits who misrepresented its findings and methods. But the analysis has now received stunning vindication from a study written by a senior director at professional services giant KPMG, one of the ‘Big Four’ accounting firms as measured by global revenue.11

This is a critical decade for humanity. For 10,000 years, human civilisation has grown and thrived because of Earth’s remarkable regenerative capacity that sustains climate stability and rich biological diversity. In the last 50 years, human activity has severely undermined this resilience. Our patterns of economic growth, development, production and consumption are pushing the Earth’s life-support systems beyond their natural boundaries.14 The stability of these systems – our global commons on which we so fundamentally depend – is now at risk. Our actions in the coming decade will influence the trajectory of our planet and our future survival. We are racing against time.

Science predicts that at this rate, critical climate tipping points may have been crossed irreversibly by 2030 and that in fact reaching climate neutrality by 2050 is too late.12 Only with immediate and incisive action to curb the trend, can the EU and the world at large ensure life in prosperity within the planet’s boundaries. We must now design the necessary levers to build greater resilience to future shocks and stresses from climate change, biodiversity loss, and pandemics. Yet, whereas there is a growing consensus among both the public and political leadership around climate change and the need to act, and whereas sound scientific knowledge from both environmental and economic research is widely available, still, the sense of urgency followed by real change is slow to be implemented.
THE NECESSARY SHIFT

This report marks the shift towards new transformational economic thinking. Such thinking is centred around transformative economic models, characterised by a move beyond GDP growth towards broader social, environmental and economic indicators for securing a prosperous life for all within Earth’s planetary boundaries.

The COVID-19 pandemic has shown that the EU is equipped to implement decisive action when it matters. Thanks to great cooperation with Member States - and in spite of the fact that the EU does not have the full authority within the area of health policy - the EU was able to take unparalleled measures in the face of the pandemic. The EU and its Member States came together to make available unprecedented financial resources in support of European economies. The EU consolidated deals for the development and supply of personal protective equipment and vaccines. And now, the EU has mobilised extraordinary financial and human resources for an ambitious recovery plan. The impressive action taken by the EU should stand as an example for future courses of action in the face of economic, environmental, and social transformation.

The high-level expert group on the economic and societal impact of research and innovation (ESIR) articulates the following key lessons from the EU response to the COVID experience:

“First, there is no use in trying to restore the status quo ante. Since its inception at the end of 2019, the von der Leyen Commission had already expressed its willingness to move away from a purely growth-oriented paradigm, which was showing critical flaws in terms of economic, social and environmental sustainability. The EU has since then launched the Green Deal (with a just transition) as its strategy for prosperity, and deeply embedded the Sustainable Development Goals in the European Semester, as well as in its external action. Moreover, the pandemic added two important imperatives to the EU agenda: the need to protect the overall wellbeing of individuals (not just their income), at a time in which the pandemic is leaving a deep trace by taking away lives and placing the mental health and perceived security of individuals under strain; and the need to prepare for future pandemics and crises and transform the European economy and society into a resilient holistic system for people, planet and prosperity at the same time.”

The social and environmental dimensions feature jointly and centrally within the new economic paradigm that we propose to turn around policies in the COVID recovery phase and to achieve the Sustainable Development Goals within planetary boundaries, which the EU is committed to.

In this phase, the EU must assume a leadership role when it comes to transforming our economies to safer and more resilient societies not only at home, but also abroad.

The pandemic has shown the high degree of interdependence between people around the world. In the words of the International Committee of the Red Cross: ‘No one is safe until everyone is safe’.12 We face the same kind of interdependence with regard to climate change, ecosystem decline and biodiversity loss. Every citizen around the world will be negatively affected by climate change as well as by environmental degradation and resource depletion. In the recovery phase ahead, we need to ‘build back better’, while recognising that we will never be able to build back or recuperate our glaciers, permafrost, old growth forests or extinct species. But we must bounce forward.

The necessary transformation of the prevailing economic model is increasingly recognised by leading economists. One example is Dennis Snower, until recently the President of the Kiel Institute for the World Economy, in a recent article in Economics:

— Why is it despoiling our environment?

— Why is it generating inequalities and other inequities that threaten the social cohesion of our societies?

— Why does it leave so many people economically insecure, vulnerable to unemployment and trapped in dead-end jobs?

— Why does it not correct for the excesses of consumerism, workaholism and digital addictions, frequently leading to anxiety, depression, burnout, substance abuse and crime?

— Why is it giving us so little guidance in promoting public compliance with social distancing rules during the COVID-19 pandemic, even though such compliance has economic causes and consequences?

— Why does it keep so many businesses focused on short-term profit and shareholder value, even though so many business leaders are genuinely concerned about the environment and the wellbeing of their customers and employees?"
Just one year ago, the Club of Rome together with SYSTEMIQ designed a **System Change Compass** to guide the implementation of the European Green Deal through a series of necessary transformations to the socio-economic system. In this discussion paper, we use the System Change Compass and COVID-19 learnings to further unpack thinking around transformational economics within Europe, considering how we can actually move towards catalysing transformational economic change and ensure we bring European citizens along the journey.

Below, we apply the directional analytical pathways from the compass: (1) mapping and envisioning the system; (2) designing and implementing interventions; (3) mobilising and enabling actors, so as to connect the dots between:

- insights from the COVID-19 experience and transformative economic thinking; and
- beyond-GDP indicators and policy turnarounds;

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**Redefining Leadership:** Intergenerational agreement by system change leaders

**Redefining Prosperity:** Embracing social fairness for real prosperity

**Redefining Governance:** Sharing sovereignty and working together

**Redefining Natural Resource Use:** Prosperity decoupled from natural resource use

**Redefining Finance:** The facilitator of the transition

**Redefining Metrics:** Performance measurement updated

**Redefining Consumption:** From owning to using

**Redefining Incentives:** Introducing the real value of social and natural capital

**Redefining Competitiveness:** Digitalisation and smart prosperity at the heart of European competitiveness

**Redefining Progress:** Meeting societal needs as the purpose of a model based on economic ecosystems

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SHORT TERM LEVERS FOR CHANGE: POLICY RECOMMENDATIONS

To inspire immediate policies that enhance short-term economic transformation in the COVID-recovery, the following *policy recommendations* (inspired by the 10 Compass principles above) are reiterated.

**HEALTHY PEOPLE WITHIN A HEALTHY EUROPE:**

- **Increase investment and resilience in health and social care** systems and workers to prevent disease and deal effectively with further outbreaks and other shocks. Accelerate efforts to move towards Universal Health Coverage, recognising health care as a human right for all.
- **Facilitate access to health and care services** for all, and ensure fair and equitable access to affordable and safe COVID-19 tests, vaccines and treatments to every country across the world.
- **Protect and redevelop high quality, accessible and effective public services** related primarily to health and social care, education, access to clean water and air, energy and public transport.
- **Situate wellbeing, health and climate policies at the heart of the annual EU budget** and the longer term Multi-Annual Financial Framework (MFF) as well as the European Semester process. Spending and allocation of resources must be geared towards improved health and wellbeing, emissions reductions and the regeneration of nature. This starts with the implementation of the European Green Deal and the Just Transition.

- **Adopt just transition plans** to support sectors (e.g. agriculture, oil & gas, coal, etc.), workers and communities make the transition from high carbon to net zero.
- **Develop appropriate metrics** to measure wellbeing progress and integrate wellbeing indicators into Member State National Reform Programmes and their recovery and resilience plans.
- **Prioritise wellbeing outcomes** across all EU public policies, including bilateral and multilateral trade agreements, and devising cost-benefit analytics of public policies in order to audit the wellbeing costs and benefits they present.
- **Adapt EU analytical tools, policy interventions and measurements, impact assessments and better regulation, reporting and verification accordingly.**

**INVESTMENT (PUBLIC & PRIVATE):**

- **Direct stimulus plans and private and public finance towards profitable investments in win-win-win opportunities** to reduce greenhouse gas emissions, promote material circularity and regenerative agriculture, restore nature, and support jobs and livelihoods.
- **Aligning all Member State funding** (including MFF, Just Transition Fund, The Recovery and Resilience Facility, and Horizon Europe) to the EU’s Green Deal, the Sustainable Finance Taxonomy and applying “Do No Significant Harm” (DNSH) principles will help support the transition to a more equitable low carbon and circular economy that is anchored in nature-based solutions and geared towards the public good. In addition, this must be accompanied by expanding significantly the criteria to include social impact investments and ensuring biodiversity, so that they are brought more firmly in line with the criteria for DNSH.
- **Allow social investments for wellbeing within the Stability and Growth Pact.**
- **Redirect public procurement and public-private partnerships to support low carbon investments and the circular economy.** Key areas will be sustainable transportation, renewable energy, retrofitting of buildings, digital infrastructure and social housing; with public procurement focused on more local supply chains enhancing green products and social equity.

**FAIR INCOME & WORK:**

- **Explore the concepts of guaranteed jobs** and guaranteed income or comparable solutions.
- **Adopt measures that can raise incomes directly for the most vulnerable:** income tax reductions for poorer households, VAT reductions and increases in social security benefits.

**SUSTAINABLE INVESTMENT & REGENERATION:**

- **Ensure that the fair work principle is promoted and supported across EU funding programmes, business support and public contracts.** Such a principle would commit businesses to invest in skills and training, no inappropriate use of zero-hours contracts, action to tackle the gender

**SUBSIDIES & TAXATION:**

- **Shift taxation from labour to the use of all natural resources, final disposal, emissions to land, water and air.**
- **End perverse fossil fuels and agriculture subsidies** and shift EU funds to large-scale health and low carbon infrastructure and services.
- **Make sure market prices reflect the true costs of production.** Introduce a meaningful price on carbon, natural capital accounting and net zero balance sheets and remove VAT from recycled and reused materials.
- **Introduce full-cost wellbeing taxes on economic activities that diminish wellbeing and subsidies that enhance it.**
- **Incentivise green and social services and products via tax incentives, including incentives for research and innovation.**
- **Create a Planetary Emergency Fund** that redirects harmful subsidies towards solutions that promote the nexus of low carbon infrastructure, health infrastructure and a just transition to more resilient wellbeing economies.
The European Commission can set the tone and build on the North Star thinking from the European Green Deal, its Missions and Foresight reports.

The Systems Compass: EU Mapping & Envisioning

Policies to put Europe further on the path towards a more sustainable and inclusive society and economy have their anchors in the EU’s own history, traditions, initiatives, and legislation. Notably, these anchors are found in the Treaty on European Union, the European Commission’s Strategic Foresight Dashboards, as well as the European Green Deal. They all hold a commitment to the protection and prosperity of people and the environment. They specify that on the road to recovery post COVID-19, resilience and environmental risk-management should lead transformational socio-economic policy.

The European Green Deal was introduced as Europe’s new growth strategy with the aim to transform the EU into a fair and prosperous society, improving the quality of life of current and future generations, with a competitive, resource-efficient economy that emits zero net emissions of greenhouse gases in 2050 and where economic growth is decoupled from resource use. The European Green Deal and Fit for 55 packages reaffirm the Commission’s ambition to make Europe the first climate-neutral continent by 2050 starting with reducing greenhouse gas emissions by 55% by 2030. However, unfortunately these policies are still not ambitious enough to currently match the growing scientific evidence of the urgency at hand. This mismatch between policy and urgency is on a global scale.

The next phase of transformative economics is about the understanding of humanity’s interdependency to get through the climate challenge. The COVID-19 pandemic has been the perfect parable for this, where we experienced how developments in one part of the world affect us all, where we redefined what we truly value, and where we found leadership in unusual places. This is where we are headed. A sharing and caring economy is not about giving for free, but about owning and living a shared understanding of the challenge we face, our interdependence and holding to a vision, agreement, and process for working it through.

The European Commission can set the tone and build on the North Star thinking from the European Green Deal, its Missions and Foresight reports. The COVID-19 experience has demonstrated that when faced with an emergency, the European Commission can move fast, that people and communities can transform and are able and prepared to commit to drastic change when it matters, and that solutions are found when working across multidisciplinary and national boundaries. By adopting the necessary policy measures and offering new reflection on an economic paradigm shift, the European Commission can ensure we reach our joint European objectives. The transformation ahead will be far from easy to carry through, but the Commission must find pathways to go forward, build arguments to convince Members States and citizens founded on agreed Treaties and new economics that enable this transformation.
CONSTITUTIONAL FOUNDATIONS

The ambition to realise prosperity for citizens and protection of the environment is at the heart of the EU project. The Treaty on European Union (TEU) in its opening preamble indicates that the signatories are:

DETERMINED to promote economic and social progress for their peoples, taking into account the principle of sustainable development and within the context of the accomplishment of the internal market and of reinforced cohesion and environmental protection, and to implement policies ensuring that advances in economic integration are accompanied by parallel progress in other fields

In fact, the outlook to offer social progress and wellbeing as an ultimate aim of European integration has a much longer trajectory. Already in the 1957 Treaty of Rome, founding the European Economic Community, signatories:

RESOLVED to ensure the economic and social progress of their countries by common action to eliminate the barriers which divide Europe,

AFFIRMING as the essential objective of their efforts the constant improvement of the living and working conditions of their peoples

In May 2021, Portugal concluded its Council Presidency with a Summit on Social Policy to give a new impetus to the implementation of the European Pillar of Social Rights. The aim of the Porto Summit as formulated by António Costa, Prime Minister of Portugal, was to strengthen citizen’s confidence in “the twin green and digital transitions as generators of opportunities and of fair, more cohesive and inclusive societies. Societies that leave no one behind.”

EUROPEAN GREEN DEAL

The European Green Deal sets out the plan to turn the urgent challenge of tackling climate and environmental-related challenges into a unique opportunity to transform the EU’s growth strategy. Protecting the health and wellbeing of citizens and conserving Europe’s natural capital are at the heart of this plan. As is the willingness to use the EU's collective ability to transform its economy and society to make them more sustainable and inclusive. The European Commission advances that “All EU actions and policies will have to contribute to the European Green Deal objectives.”

Now that the Green Deal and Fit for 55 package has started to gain traction, the real challenge for its effectiveness lies in its swift and structural implementation by Member States. This requires that the European Commission hold the line where developments are headed. In the interest of time, the Commission needs to decide which short-term levers are most important for both hitting climate goals and ensuring broader resilience within the current economic system. In this respect the main Earth4All turnarounds discussed further in this paper will be helpful. Key will be to focus on dramatic emissions reductions from consumption, production and use across all systems from energy, to materials, to transport and putting in place the necessary carbon sinks to further enhance decarbonisation and carbon removal.

As the Green Deal further points out, the involvement and commitment of the public and of private sector stakeholders are crucial to its success. If the Commission chooses clarity and shows commitment to environmental standards and the economic transformation underway, it creates a space for these groups to align accordingly. If done properly, it can also secure greater public buy-in, as the design of a green and social deal will address the tensions often felt between people-planet-prosperity aims.

To provide clarity does not require rigidity. By keeping the overarching vision for an economic model that underpins the European Green Deal and delivers greater prosperity, the European Commission can and should set the tone for future policy and the transformation needed. Policies designed to support and implement the objectives of the Green Deal can be adapted on the basis of models, simulations, and stress-testing grounded in transformative models of growth. This is why transformative economic models are so crucial at this time. They will offer the European Commission and other decision-makers the data to adapt policies as they are being implemented and offer the argumentation needed to ensure the support of governments and their citizens.

They do so by showing that social and environmental anchors within new economic models are a win-win option.

STRATEGIC FORESIGHT

The European Commission has a strong mandate to put strategic foresight at the heart of EU policymaking. This helps to further future-proof EU policy by ensuring that short-term initiatives are grounded in longer-term perspectives. Foresight helps build and use collective intelligence to anticipate developments and better prepare for change. The Commission’s first Foresight Report (2020) advanced resilience as its central theme, defined as: ‘the ability not only to withstand and cope with challenges but also to undergo transitions in a sustainable, fair, and democratic manner’.

According to the study, ‘Green resilience is about reaching climate neutrality by 2050, *while mitigating and adapting to climate change, reducing pollution and restoring the capacity of ecological systems to sustain our ability to live well within planetary boundaries. This entails eliminating our dependency on fossil fuels, reducing our impact on natural resources, preserving biodiversity, developing a clean and circular economy, achieving a toxic-free environment, changing lifestyles, production and consumption patterns, climate proofing infrastructure, creating new opportunities for healthy living, green business and jobs, actively pursuing ecosystem restoration, as well as saving our seas and oceans.*’
Indeed, preparing for resilience is a good way to enact policies now, so that they can be scaled up later. The European Commission emphasises that resilience calls for close monitoring, and has accordingly introduced a green dashboard, a social and an economic dashboard. All three bear resemblance to the wellbeing economy indicators. The green dashboard signals vulnerabilities as well as structural potential that can act as an engine towards becoming a climate-resilient society and the first climate-neutral continent by 2050. The dashboard covers three broad areas: (i) climate change mitigation and adaptation, (ii) sustainable use of resources, and (iii) ecosystems, biodiversity and sustainable agriculture. All are broadly aligned with the policy areas of the European Green Deal.

Reading the green and social economic dashboards together with the further digital dashboard, shows that some Member States are more strongly positioned to turn vulnerabilities into structural potential to build a climate-resilient society. Yet across the board, Member States are in the red on various indicators scoring resilience. Solidarity and a give-and-take approach are then the only way forward towards strengthening green and social-economic resilience. This gives further weight to the findings in the EC Economic Forecast 2021 advancing that in the post-COVID 19 period, under the EU Next Generation programme, strong leadership from the European Commission will be crucial to set the direction towards strengthening the recovery and resilience of the EU economy. This opens the door to further consideration of a broader EU strategy on economic wellbeing principles that could be applied across the region.

**WELLBEING ECONOMIES**

Over the past few years, a number of governments, mostly European (Scotland, Wales, Finland, Iceland) have come together with New Zealand under the Wellbeing Economy Governments partnership (WEGo) to share expertise and transferable policy practices around the realisation of a wellbeing economy. Their determination to leave no one behind in the transformation ahead, echoes the resolve of the EU Green Deal and its accompanying Just Transition Mechanism established to provide financial support and technical assistance to ensure an inclusive transition. Importantly, the foundations in EU law exist to give credence to an EU wellbeing framework as promoted by WEGo and the European Commission. Recognising the compatibility and possibilities for the EU, New Zealand prime minister Ardern recently called on EU leaders to adopt a wellbeing framework. To date not enough information is available regarding learnings from these countries as to implementation challenges, solutions and economic results. The Earth4All programme will strive to gather the most recent insight from these countries over the course of autumn 2021 and winter 2022 with a view to publish key findings and policy recommendations in spring 2022. These findings will feature alongside the key turns, economic shifts and policy recommendations revealed in the Limits to Growth 50th Anniversary Report.

Such a call for transformative change has in fact already been proposed and adopted by the European Economic and Social Committee (EESC). The EESC underlined that for the proper implementation of the SDGs ‘the EU urgently needs to develop the foundations for a sustainable and inclusive wellbeing economy that works for everyone’. And that moreover, as GDP ‘ignores important elements of individual and social wellbeing and fails to account properly for environmental and social conditions. (...) the EU [should] propose a new vision of prosperity for people and planet based on the principles of environmental sustainability, the right to a decent life and the protection of social values. The economy is an enabler for this vision.’

Such proposals should also be adopted by other EU institutions. A current European Parliament report, states that: “A sustainable wellbeing economy, which is already being implemented in some countries, considers that public interests should determine economics rather than the other way around. It prioritises what we all know truly matters - the wellbeing and prosperity of people and planet - and compensates for the overly narrow focus of GDP growth that is currently used in the EU to measure progress. To reach the goal of putting wellbeing at the centre of policy and decision making, the rapporteur proposes the establishment of a new EU set of indicators used to measure progress “beyond GDP.”
THE SYSTEMS COMPASS: DESIGNING & IMPLEMENTING: TRANSFORMATIVE ECONOMICS

Now is not the time to create more and different plans, it is time to stick to the plan. In addition to the EU policy anchors outlined above, the foundational economic thinking needed for this shift is available. Clearly to ensure that the new growth strategy that the European Green Deal launches for the EU takes full effect, it should be anchored in transformative models of growth.

A TRANSFORMATIVE ECONOMIC PARADIGM

The paradigm advanced by transformative economic models and thinking focuses on development within the Earth’s limits and revolves around reconciling economics, the environment and the social dimensions of life systems. This paradigm shift is anchored in a body of economic science which seeks to open up pathways for economic policies to enable inclusive and sustainable wellbeing of people and the planet.

Scientific advances of the last decade show that long-term prosperity for all is achievable within planetary boundaries. Yet if we are to stay within the 1.5 degrees Celsius temperature rise, it should be achieved much sooner than current climate neutrality calls by 2050 per Europe’s own 2050 climate neutrality objectives.

Reaching this goal sooner will require primarily five socio-economic policy turnarounds around energy, food, poverty, greater equality and managing population growth as well as a new economic paradigm to guide the transformation. We are currently unpacking some of the key calls for action and specific global policy shifts to reflect:

1. **Energy**: How to massively accelerate renewable energy growth to achieve the “Carbon law”. Massive renewable energy growth must replace enough fossil fuels to halve carbon emissions every decade from 2020. Sufficient large-scale investments in renewables, infrastructure and green hydrogen will be necessary.

2. **Food**: How to accelerate productivity in sustainable food chains. Food chains must be rebuilt from soil to table through less food waste, more plant-based diets, regenerative soil practices, and nutrient cycling. Resource productivity must be improved by an extra 1 percent per year from 2020 to 2050.

3. **Poverty**: How to apply new development models in low-income countries. Achieving a rapid inclusive and sustainable development pattern by learning from successful countries.

4. **Inequality**: How to undertake unprecedented inequality reduction. Sufficient shift of incomes from owners to workers while raising wellbeing for all. Active inequality reduction to ensure that the richest 10 percent take no more than 40 percent of national incomes.

5. **Population**: How to invest in education of women, gender equality, health, and family planning. Institutional change, social norms, funding and the challenge of handling aging. Investment in education for all, particularly girls and women, gender equality, health, and family planning, which stabilizes the world’s population below nine billion.

The Earth4All programme of work will generate expert-informed policy roadmaps for the coming years and scenarios for the entire 21st century, detailing these 5 key economic transformations that show how we can secure a thriving, resilient future for all. Key will also be to map the interrelationships between these 5 turnarounds and the tensions so often felt between people-planet-prosperity so as to ensure policy proposals that are win wins for all 3 or at least compensation mechanisms in particular to enable a just transition to the transformation.

Figure: Earth4All, 2021 (The Club of Rome, Potsdam Institute, Norwegian Business School, Stockholm Resilience Centre)
At the heart of this new economic paradigm are four maxims:

- Gross inequality has a deeply destabilising effect on societies. Greater equality engenders trust that allows long-term collective decision-making for the greater good.

- Earth has entered a new geological epoch, the Anthropocene. The current economic system is destabilising Earth. This is a planetary emergency. The disruptive potential is on the scale of centuries to millennia. We are in a race against time to turnaround our economic systems to minimise risk of widespread, multi-generational catastrophes, such as collapse of the West Antarctic Ice Sheet or loss of Arctic summer sea ice.

- We are all planetary stewards now. Effective management of global commons such as air, water, soil, land, and forests will ensure abundance for all across many generations.

- Only economic systems that prioritise growth in human wellbeing, fairer redistribution of wealth and growth in biosphere resilience (that is, growth in social and natural capital) will deliver long-term economic and political stability.

These maxims mean economic development in the Anthropocene will only succeed if the goals of economic systems transform economies to more fairly redistribute wealth; transform from extractive and polluting to regenerative, resilient and circular; and protect and restore vital ecosystems.

NEW ECONOMIC INDICATORS

The European Commission, launched its Beyond GDP initiative, to develop indicators that were never designed to be comprehensive measures of prosperity and wellbeing and that ‘adequate indicators are needed to address the global challenges of the 21st century such as climate change, poverty, resource depletion, health and quality of life’.

The Beyond GDP initiative aligns with new economic models advancing that the global fixation on GDP-growth and financial profit is neither serving the planet, nor the people on it. Far from a radical or fringe observation, it has become a mainstream realisation that GDP is not synonymous with success, whether individual, national, societal or industrial. Joseph Stiglitz has commented how: ‘The global financial crisis was the ultimate illustration of the deficiencies in commonly used metrics. None of those metrics gave policymakers or markets adequate warning that something was amiss. Though a few astute economists had sounded the alarm, the standard measures seemed to suggest everything was fine.’

If we recognise that the currently prevailing conventional economic model is destabilising the Earth system, it follows that we need new transformative models. Such models apply a people-planet-prosperity-lens to question policy by placing a value on what matters beyond profit. Looking through such a lens shows that the market currently does not orient its outcomes and impact primarily on people and the planet, nor values social and natural capital as it should. Regulation and taxation are seen to diminish profits rather than to facilitate a wider prosperity. Perverse incentives and measures do not allow the market to work in sync with the aspirations of people and the protection of Earth. The fact that most market prices do not reflect true costs is yet another example of a deficient economic system. It worked well in the “empty world”, when both the world population and economy were limited in size. It does not work in the “full world” of today with 7.9 billion inhabitants.

To move beyond GDP as the single indicator for progress, is further supported by an array of new economic models created to introduce and stress-test a plurality of indicators better attuned to designing economic policy interventions. Transformative economic thinking around for example The Limits to Growth, Prosperity Without Growth, Degrowth, and Green Growth have developed indicators which redefine prosperity, natural resource use, and progress so that they can embrace social fairness, probe sufficiency, improve quality of life, achieve prosperity decoupled from natural resource use, meet societal needs within economic ecosystems, consider environmental wealth, and place true value at the heart of the budget for implementing the economic transformation. In the words of José Angel Gurría Treviño, former secretary-general of the OECD: ‘it is only by having better metrics that truly reflect people’s lives and aspirations that we will be able to design and implement better policies for better lives.’

TRANSFORMATIVE INDICATORS

Key to successful implementation of transformational economics will be shifting from horizon thinking to planning, designing and implementing these new economic shifts. Years of research and proto-typing have resulted in the planning and measuring tools we need. Examples of economic indicators other than GDP which have gained prominence, are:

- The Genuine Progress Indicator (GPI)
- The Social Progress Index
- The Happy Planet Index
- The UN Development Programme’s Human Development Index (HDI)
- The OECD Regional Wellbeing and Better Life Index
- Oxfam’s Humankind Index for Scotland
- World Bank Wealth Accounting and Valuation of Ecosystem Services (WAVES)
- UNDP-BIOFIN (Biodiversity Finance Initiative)
- The World Bank Inclusive Wealth Index
- Wellbeing Indicators

Together these indexes have challenged and redefined which ideas are salient when it comes to the real value of social and natural capital, and which measures can support policy.
The paradigm advanced by transformative economic models and thinking focuses on development within the Earth’s limits and revolves around reconciling economics, the environment and the social dimensions of life systems. This paradigm shift is anchored in a body of economic science which seeks to open up pathways for economic policies to enable inclusive and sustainable wellbeing of people and the planet.

Capturing the value of measuring social and environmental indicators, the Wellbeing Economy Alliance (WEAll) has subsequently identified 10 key principles envisioning policy that delivers greater wellbeing yet stays within the framework of the planetary boundaries.

10 KEY PRINCIPLES OF A WELLBEING ECONOMY

- 1 – regenerated ecosystems and extended global commons;
- 2 – a circular economy serving needs rather than driving consumption from production;
- 3 – people feeling safe and healthy in their communities, mitigating the need for vast expenditure on treating, healing and fixing;
- 4 – switching to renewables, generated by local communities or public agencies, wherever possible;
- 5 – democratic economic management (in terms of power, scale and ownership) and participatory democracy principles with government responsive to citizens;
- 6 – purpose-driven businesses with social and environmental aims in their DNA, using true-cost accounting;
- 7 – economic security for all, and wealth, income, time and power fairly distributed, rather than relying on redistribution;
- 8 – jobs that deliver meaning and purpose and means for a decent livelihood;
- 9 – recognizing and valuing care, health and education in the ‘core’ economy outside the market; and
- 10 – focusing on measures of progress that reflect real value creation.

The wellbeing economic model has in addition identified a series of indicators to support policy.

WELLBEING INDICATORS

The wellbeing economic model has in addition identified a series of indicators to support policy. These indicators capture the value of measuring social and environmental indicators and are used to assess the wellbeing economy. They are designed to reflect the wellbeing of people and the planet within the planetary boundaries. The wellbeing economic model has identified 10 key principles envisioning policy that delivers greater wellbeing yet stays within the framework of the planetary boundaries.

**ECONOMIC INDICATORS**

- Employment rate
- Meaningful employment
- Income
- Employment conditions
- Housing

**SOCIAL INDICATORS**

- Health and care
- Education
- Community strength
- Arts & culture
- Children & youth

**ENVIRONMENTAL INDICATORS**

- Clean environment
- Land use
- Energy
- Pollution
- Waste & recycling

DOUGHNUT ECONOMICS

In a likeminded effort, doughnut economics re-conceptualises the 10 wellbeing economic principles and 9 planetary boundaries as two benchmarks for economic policy: one, a social foundation, and two, an ecological ceiling. This framework again is based on a conviction that the pursuit of endless production growth is depleting Earth’s resources, and that rather than one single measure, a clear dashboard of measures and indicators geared towards the goal of thriving is necessary. This is in sync with the Commission’s own Foresight dashboard thinking.

Recently, Amsterdam has become the first city to adopt doughnut economics and apply it as a framework to achieve a circular economy for the city by 2050. It is in the words of involved stakeholders, “the experience has shown that the doughnut does not provide the exact answers, but it does provide a framework for people to come together to find integrated solutions to interrelated crises of health, housing, finance, and climate by shifting to a paradigm that no longer pushes for endless growth, but instead focuses on thriving, resilience, and wellbeing within communities.”

Although it is clear that high income countries and cities have the greatest obligation to come back within the Earth’s planetary boundaries through local action, the experience from Amsterdam is useful both regarding community and citizen engagement in new local and global economic design. The latter fostering a greater understanding of global impacts due to local consumption patterns as well as creating feedback loops with other cities and communities across the globe.

Our future depends on the application of the best tools we have and the ability to apply our transformational knowledge to achieve the outcomes previously described. It is still too early to gather key learnings and challenges or gauge success from those countries and cities currently experimenting with new indicators to growth. Nonetheless, preliminary learnings from COVID show that due to the more holistic socio-economic focus of wellbeing and doughnut models those jurisdictions, that are adopting similar models, are also engaging with their citizens in a deeper fashion through more inclusive governance, interaction and communications. This seems to have resulted in greater political and economic stability around COVID.
seen in Scotland, Finland, Iceland, Wales and New Zealand is that the desire to apply a new economic system that fosters wellbeing and takes into consideration people-planet-prosperity often goes hand in hand with a different leadership style due to the focus on placing a value on what is most essential, rather than on conventional growth policies, power dynamics or solely top-down leadership. This theory will need to be further tested over the course of the year and will serve as a basis for political leadership recommendations given in the full Earth4All Report to be published in June 2022 for the 50th Anniversary of the publication of the Limits to Growth and the Stockholm +50 Conference.

ALIGNING POLICY

Measures and metrics are not enough. To anchor the economic transformation, insights of collective, sustainable, and inclusive indicators should also be used to align the EU’s economic and broader policy frameworks to contribute to the European Green Deal objectives.  

Most crucially, real value should be placed at the heart of the EU budget. In implementing policy, indicators cannot stipulate a ‘one size fits all’ plan. The question of how to design and implement economic policy interventions in practice within European contexts remains pertinent, as does the question of how to bring interventions up to scale, and how to reconcile dilemmas. A pluralistic approach is important to fit the specifics of different economies. At the same time, the question of how to build in turnarounds and take leap-frogs is faced by all. Pathways leading forward show that it will be through better economics that we gain the environment and quality of life we want; and that through holding the line on the environment and quality of life, we drive economics in the direction that will serve humanity and the planet. The struggle will be to design such a transformation when in the midst of a crisis or many crises. As future health, climate and environmental stresses and shocks will only continue to multiply if ambitious European and global policies are not enacted it is fundamental that resilience is built in immediately starting with the policy calls made at the beginning of this paper with at a minimum the European Green Deal and Fit for 55 package.

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55 "All EU actions and policies will have to contribute to the European Green Deal objectives." The European Green Deal (2019) at p. 3.

THE SYSTEMS COMPASS: MOBILISING & ENABLING

INTERNAL, NATIONAL & LOCAL ALLIANCES

Ultimately, we know that to successfully implement transformational policy, we need everybody on board, even if communities will need to do it themselves and they will need to do it their way. It will be crucial to see eye to eye with Member States about the direction the European Commission is taking. Processes of enhancing community involvement and targeted outside interventions can be a further push for transformation.

The European Green Deal and Climate Pact make clear that the involvement and commitment of the public is crucial to its success. It advances that game-changing policies only work if citizens are fully involved in designing them, be it through small or large-scale initiatives. Involving the public does not mean shifting the whole burden of responsibility to individuals. Mobilising and enabling key actors will only lead to productive results under the direction of a leadership which sticks to a clear vision, clear goals, and an understanding of the process that will be followed. This will entail decentralised and centralised systems of governance including citizen assemblies as recently seen in several European countries such as in France, Ireland, Scotland and many cities across the globe.

Even more crucially, strong leadership is pivotal for directing the private sector towards the economic, social and environmental outcomes we desire and need. During the COVID crisis we have seen an acceleration and growth of private sector initiatives and actors who are defining and certifying their companies as Beneficial Corporations and Entreprises à Mission, who have pre-financed and brought social justice to their supply chains re-training their co-workers for a digital economy; who have shared best health practices around the world to keep their companies alive and their virtual doors open to customers. The financial sector has established the Partnership for Carbon Accounting Financials, and the Net Zero Asset Managers initiative to measure carbon in their customer base and commit to net zero carbon by 2050 just to name a few. These initiatives are in the promise-making stages that must be reinforced by public policy and legal status and many more exist across the globe.

Concrete actions to take in this regard are to build on the French and Italian legal recognition of the Beneficial Corporation and Entreprises à Mission for all EU Member States; to build an inventory of best real-economy initiatives underway that can be multiplied across the Union; to name a few. These initiatives are in the promise-making stages that must be reinforced by public policy and legal status and many more exist across the globe.

INTERNATIONAL ALLIANCES

The EU, like governments across the globe, has committed itself to the Sustainable Development Goals. They articulate clear goals for governments to lead towards. As an affluent region, Europe should be first in taking its responsibility. Yet calculations show that if the goals are approached individually, their global realisation would require multiple planet Earths. This is why their realisation should not be approached as a checklist, but based on a systemic approach and as an interlinked set of achievable grounded in sustainable and inclusive prosperity. Goal 17 ‘fostering partnership and cooperation to identify approaches to wellbeing’ can guide this process.

To pursue systemic regeneration at home and abroad, the EU should place ecological security and diplomacy at the heart of its foreign and security policy.

The Paris Agreement in addition, with its goal to limit global warming to well below 2 degrees Celsius compared to pre-industrial levels, was adopted by 196 Parties at COP 21 in Paris in 2015. It is a landmark multilateral treaty. For its objectives to be achieved going forward, states need to hold themselves and each other to their nationally determined contributions (NDCs) to reduce greenhouse gas emissions and build resilience to adapt to the impact of rising temperatures. Yet more is necessary as today’s calculations show not only that we are still far short of reaching our 1.5 degree Paris goals if we take into consideration current NDCs but new temperature calculations by the Intergovernmental Panel on Climate Change (IPCC) show that we are already close to 1.2 degrees.

The UN Framework Convention on Climate Change specifies that implementation of the Paris Agreement will require economic and social transformation, based on the best available science. There is no time to lose.
CONCLUDING REFLECTIONS

We are at a pivotal moment, when the economic transformation can take shape and accelerate. The political decisions taken over the past weeks, few years and the ongoing international climate change negotiations have, at least in theory, laid the foundations for realising the economic transformation within the decade. To prevent the climate and planetary tipping points from being irreversibly crossed requires an economic transformation. To achieve this, the European Commission cannot go it alone. All institutions, Members States and citizens must follow. As one of the major economic blocs of the Western hemisphere, the EU has a responsibility to invest, to lead by example, and to shoulder a heavy burden. It will need to forge alliances, both internally with its citizens, the private sector, and Member State governments, and internationally with existing as well as perhaps unlikely partners. The COVID-recovery plans offer a unique opportunity to foster these alliances in order to restore the balance between people and nature and rebuild, improve and regenerate our economies.

To address the planetary emergency and utilise the transformation underway to deliver prosperity for both people and planet, policies need to be implemented that enhance resilience and that secure the long-term health of both people and planet. This policy will restore the balance between people and nature and rebuild, improve and regenerate our economies. Such policy is anchored in the EU’s institutional framework, in transformative economic science, and in Europe’s relation with the world.

Now is not the time to create more and different plans, it is time to stick to the plan. We have most of the new foundational economic thinking to build on. We know what we need to do. The question is how to do it. What we need are better tools and levers to turn this thinking into action. This action should be anchored in the EU’s own constitution and new Green Deal; in transformative economic science; and, in alliances underway regionally. These anchors hold the key to the policy that needs to be agreed and implemented within this decade if the European Commission is to show leadership and help steer the world away from irrevocable planetary disaster.

Building resilience across Europe’s economy with these clear anchors in place and a better understanding of major challenges and possible solutions will make Europe not only the greatest regional test case of what a fair and prosperous society for all looks and feels like, but will also bring more people on the journey. Offering a new economic vision for Europe is both Europe’s insurance policy to withstand the future risks from climate change and related shocks and stresses, and a real opportunity to renew Europe’s pact with citizens, making them proud to be European.