The New Economics of Growth, Wealth and Real Values: Towards a New Economics for a Global Society

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• Economics Matters
• The Issues
• Implementation
• Club of Rome Work Programme
ECONOMICS MATTERS

MARKETS

ECONOMICS THEORY
AND
PRACTICE

NATURAL CAPIT
AL

SOCIAL CAPITAL

EMPLOYMENT

REAL WEALTH

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THE ECONOMICS TREE IS SHAKING

ROOTS

UNDERLYING CAUSES

ECOLOGY

MARKETS

LABOUR

NATURAL CAPITAL

DEVELOPMENT

GROWTH

HAPPINESS

SOCIAL CAPITAL
ECONOMICS: the fault lines

- Growth and Wealth
- Time
- Natural Capital
- Pollution
- Employment
- Markets
- Social Capital
- Risk and Uncertainty
- Systems
Includes undesirable costs as benefits

Excludes desirable benefits as costs

Ignores depletion of Natural Capital

Ignores the economic costs of negative Social Capital

Unrelated to and indifferent of employment

“Limits to” = overshoot

“Limits of” = wealth ≠ prosperity

Induces non-sustainable outcomes

Growth as we know it cannot accommodate current consumption and production patterns for a whole world GDP by 2050
Economics of Natural Capital

• Long-standing economics literature
  + “Hotelling” theory for water and LRMC
  + marginal productivity (land)
  + contingent valuation

• All estimates undervalue natural capital

• Should be easy to fix but political opposition
• Biggest “global public good” and “Market Failure”?
• 200 million + unemployed
  1,000 million + under-employed
• Unemployment fuels + social discontent
  + poverty
  + alienation
  + ethical dissonance
• Growth models: assume unemployment (is green growth for real?)
  Business models: asymmetric risk (who bears the cost?)
  Markets: indifferent (technology substitution)
  Governments: fiscal pressure
New ethic and practical shifts needed
What does failure look like?
New options for climate adaptation; part-time work
ECONOMICS IS DIVORCED FROM MARKETS

- Economic values and market prices are un-related
- Economic externalities are not captured by markets
- Speculation, “illusionary wealth” creation is non-sustainable and “anti-economics”
- Real economic values (social capital, natural capital, employment) not captured in market signals
- “Market failure” at all time high (climate change)
- Public good component is growing
“New” Markets needed for “New” era


• New markets needed for a sustainable world:
  ✓ Sustainable goods and services (carbon, water, forests, etc.)
  ✓ Social capital goods and services (security, adaptation, employment)
  ✓ Long and patient capital
  ✓ Public good component (public and private risk and reward returns)

• New assets creation (carbon)
• New quality requirements (Gold standard, ... World Bank) and “premium” price
New Markets provide New opportunities

- Public-private goods (carbon US $70b → US $200b)
- Consumer demand is changing rapidly
- Technology retro... in energy and carbon sector, water efficiency, forests and adaptation represent major investment potential (US $30t energy through 2030)
- New standards will (eventually) command a premium or will be mandatory
- Ethical and responsible investment will dominate and be priced accordingly
- Real Economy investments will be promoted by governments
• Happiness
• Crime and violence
• No jobs = negative social capital with high negative economic wealth
• Can we restore, replace and nurture social capital?
• Do we understand social capital?
IMPLEMENTATION MATTERS: Value chain

Thinking → Analysis → Policies → Instruments → Actions

brainstorm → research → design → implementation → case studies

Ideas generation

"Valley of intellectual death"
Global cost curve for greenhouse gas abatement measures beyond “business as usual”

• Theoretical, methodological issues
• Policy instruments to match real values and real prices
• Market instruments
• Job creation
• Enlightened public policy and corporate leadership
• Implementation and Sequencing
who?

• Strong trademark; first class legacy (*LtG*)
• cluster group of CoR economists, financial specialists, business community.
• Network of institutions from academic to policy to action.
• Global network, independent, objective