Objectives of the conference, recap of 5th ESDN Workshop & principles of a sustainable economy

Elisabeth Freytag & André Martinuzzi

Congress Center Het Pand, Ghent University
Ghent, 4 - 6 July 2010

Objectives of the conference

- Reflect on the link between economic growth and sustainable development
- How best to address environmental and social challenges in strategies/initiatives
- Focus on 3 strategies/initiatives
  - EU: “Europe 2020” strategy
  - UNEP: Green Economy Initiative & preparation of UNCSD 2012
  - OECD: Green Growth Strategy
- Discussion of innovative approaches of SD, how to achieve coherence among policy sectors & reflection on governance perspectives

Previous work of ESDN on the topic

Conference will continue work of ESDN on this topic:

- ✓ **ESDN Quarterly Report, December 2009:**

  "Sustainable development and economic growth: Overview and reflections on initiatives in Europe and beyond"

- ✓ **ESDN Case Study, March 2010:**

  "Linking economic growth and sustainable development: Strategies, initiatives and activities on the international, EU and national level"

- ✓ **5th ESDN Workshop in Madrid, 25-26 March 2010:**

  "From Green Growth towards a Sustainable Economy?"

5th ESDN Workshop in Madrid
25-26 March 2010

"From Green Growth towards a Sustainable Economy?"

- **70 participants from 18 European countries**
- **invited speakers from:**
  - Spanish Observatory for Sustainability
  - Biodiversity Foundation of Spain
  - Autonomous University of Barcelona
  - OECD
  - UNEP
  - Austrian Federal Ministry of Agriculture, Forestry, Environment and Water Management
  - Prime Minister's Office of Ireland
  - UK Sustainable Development Commission

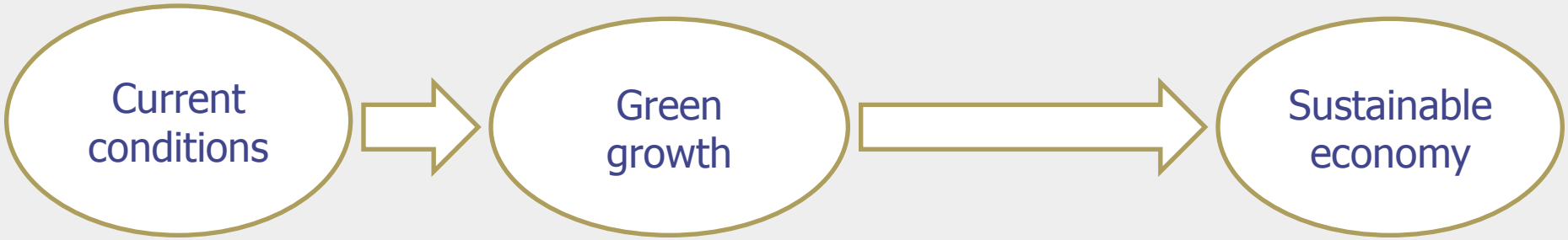
5th ESDN Workshop in Madrid 25-26 March 2010

"From Green Growth towards a Sustainable Economy?"

- **Selected working groups results:**
  - the *current economic crisis* should be seen as an *opportunity for transition* of traditional economic systems (but crisis recovery is not necessarily a sustainability transition!)
  - *integrated policy toolkits* and policy-relevant *measurement tools and indicators* are needed
  - *risk* that sustainable development is redefined or downgraded to the *quick fixes* of "green jobs" and "eco-innovation" exists
  - a definition of the *social pillar of SD going beyond jobs* is needed
- Plus: explorations of the criteria for a sustainable economy, governance mechanisms necessary for the transition process, and policy tools to achieve the transition

Towards defining the principles of sustainable economy


Current conditions
Green growth
Sustainable economy


Current conditions
Green growth
Sustainable economy


Current conditions
Green growth
Sustainable economy

We are just learning to measure what counts

- numerous issues with GDP
  - originally thought as work-in-progress
- no dedicated system of measurement of natural capital
- income decontextualised
- material wellbeing just a component of quality of life, of low importance once basic material needs are satisfied
- we measure flows rather than stocks

Principle 1: an SE redefines 'good' development

- green growth: does not put growth and material consumption into question
- sustainable economy:
  - "provide an opportunity to flourish" (Jackson 2009)
  - "A Green Economy can be defined as one that results in improved human wellbeing and social equity..." (UNEP 2010)
  - national accounts of wellbeing (NEF)

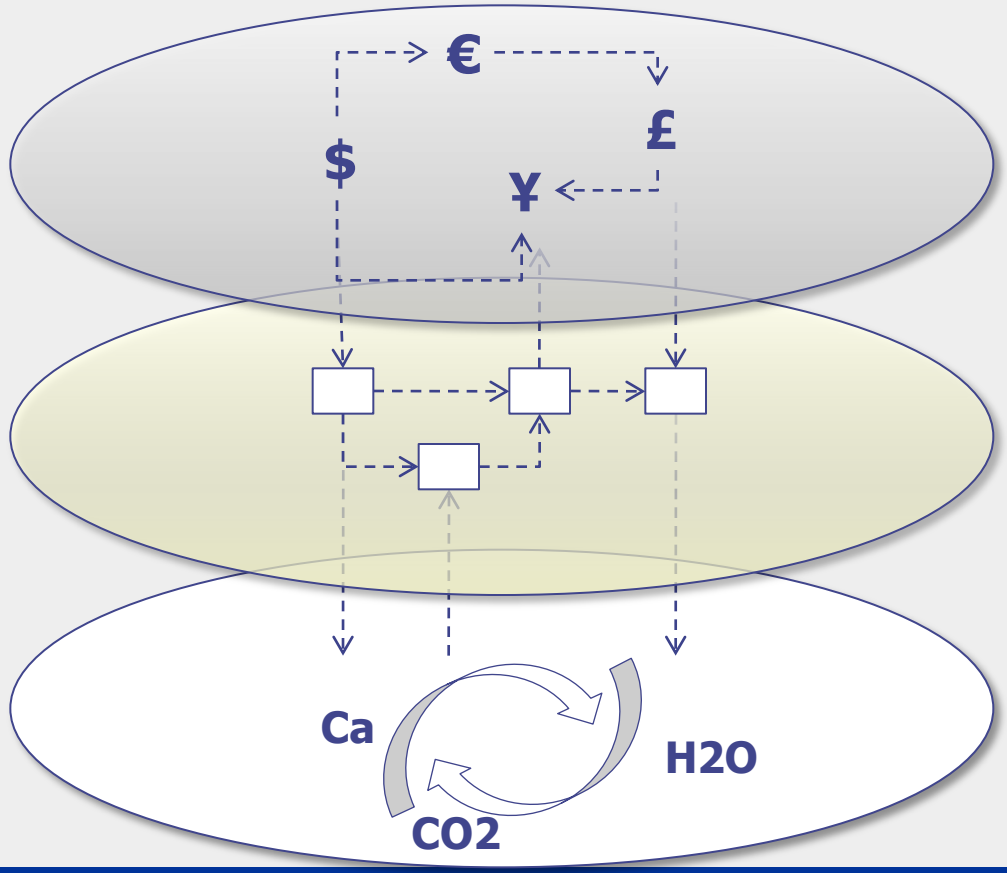
Our economic systems are built on a wrong understanding of human nature

- homo oeconomicus (with cracks)
- ‘holy cow’ of consumer sovereignty
- relative position vis-à-vis competitors
- optimal ≡ efficient
- incentives to behave in ways not consistent with natural moral behaviour

Principle 2: realistic conception of human nature

- green growth: does not seem to challenge the dominant understanding of humans' economic behaviour
- sustainable economy: acknowledges that the economic structure cannot be fixed without the social system (c.f. Jackson 2009)
  - drivers of behaviour, incentive structures

The layers of an economy

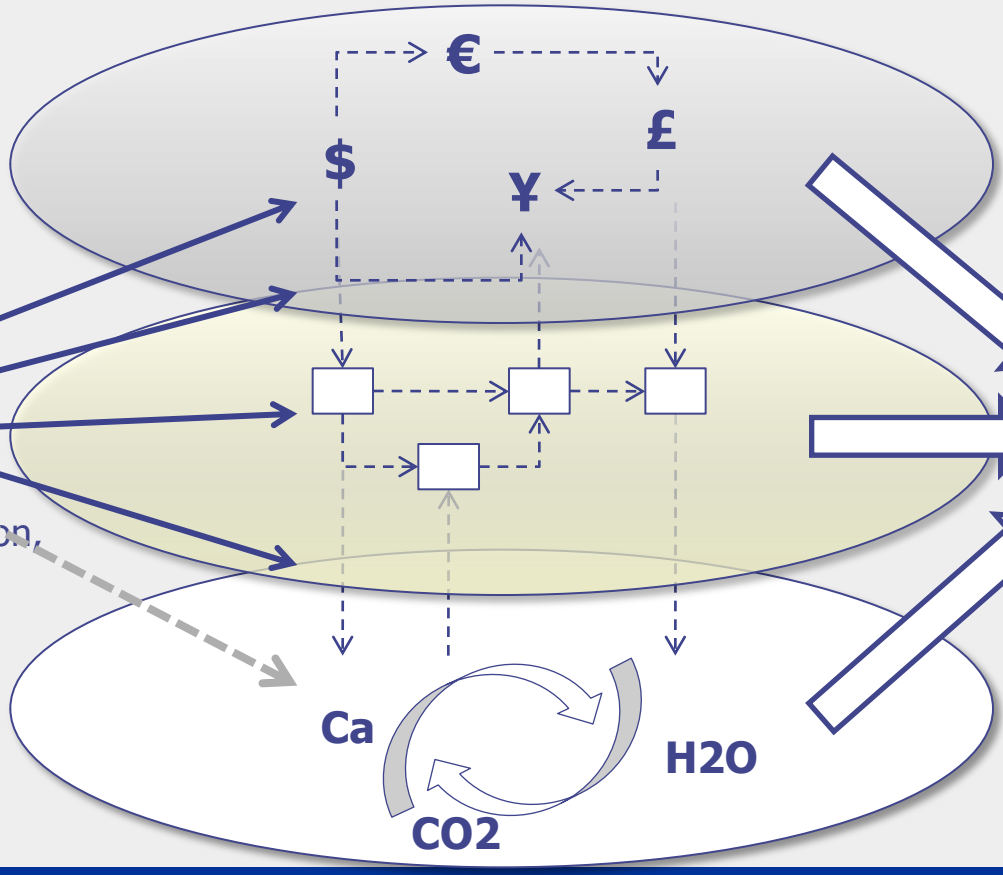


financial/symbolic/virtual economy
(money, prices, currencies, shares and stocks insurance, credits and loans, derivates etc.)

the real economy of man
(extraction, energy consumption, labour, production, exchange, waste production etc.)

the 'real real' economy of nature
(carbon cycle, nitrogen cycle, water cycle, climate, ecosystem homeostasis, entropy, phylogenesis, assimilation of wastes etc.)

The layers of an economy

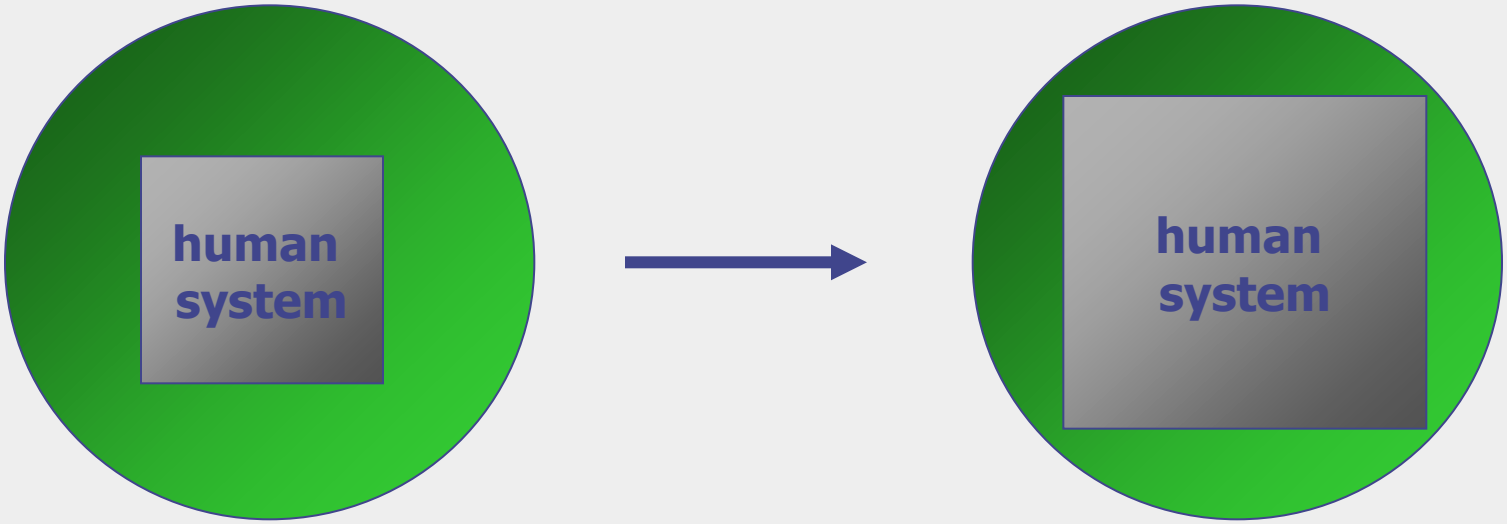


social structure
(values, meanings, rules, codes of culture, symbols, roles, exchanges, aspirations, strategies, traditions, patterns of production and consumption, lifestyles, management)

social outcomes
(income equality, status wellbeing, satisfaction, health, efficiency, stability, learning)

The scale is out of hand

- the ‘full Earth’ metaphor



What is the optimal scale of the macro economy relative to the environment? (Daly)

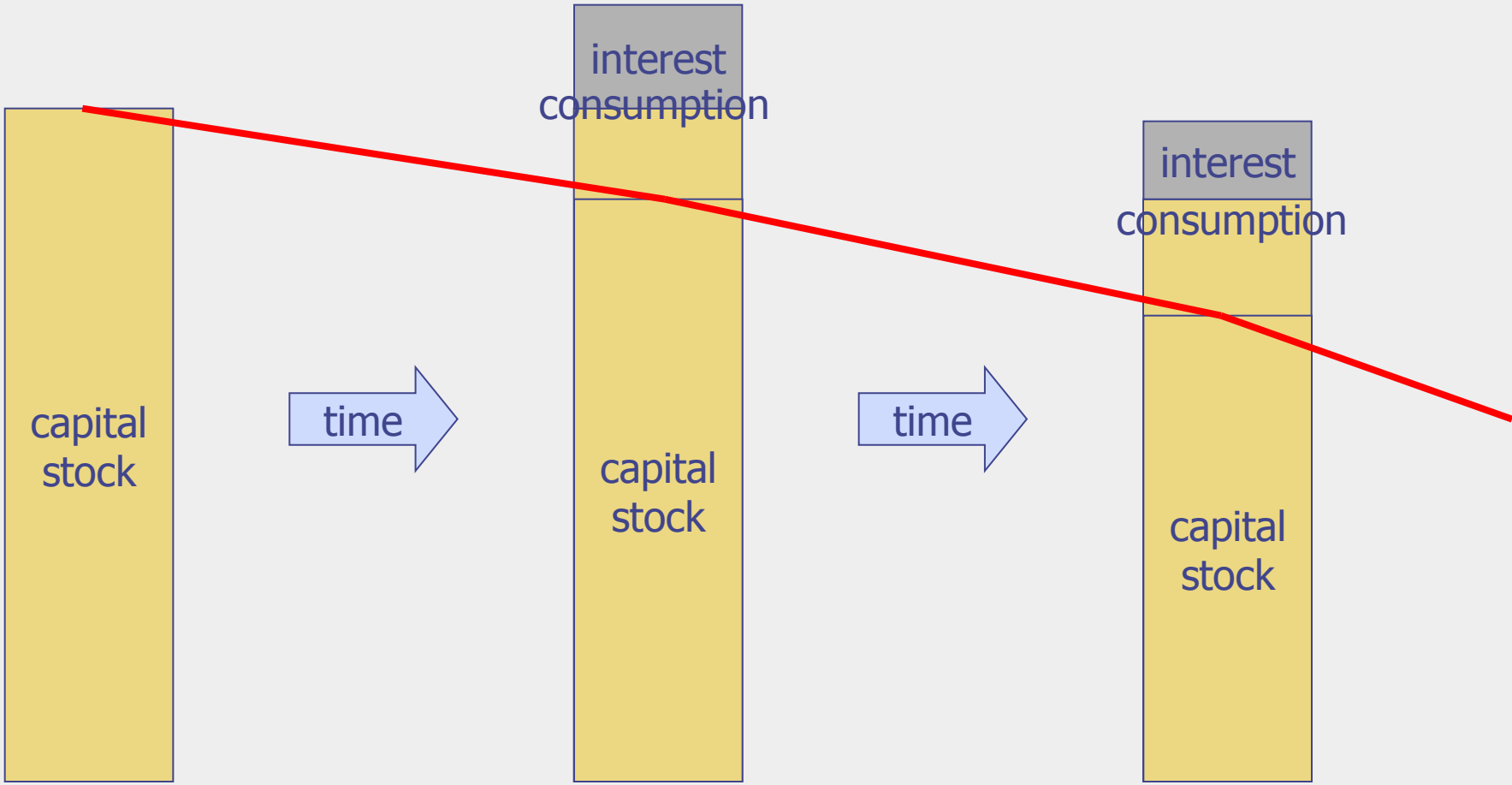
The Earth is indeed becoming full

- during the last century the amount of cropland has increased by a factor of 2, the number of people living on the planet by a factor of 4, water use by a factor of more than 8, energy use by a factor of 16, and industrial output by a factor of more than 40 (Clark et al. 2005)
- ca. 50% of the world's ice-free land surface has been transformed by human action
- by 2003, some 27% of the world's marine fisheries had already collapsed, prediction that all of the world's commercial fisheries will have collapsed before 2050 (UNEP 2010)
- more nitrogen is now fixed synthetically and applied as fertilizers in agriculture than is fixed naturally in all terrestrial ecosystems
- more than half of all accessible freshwater resources are used by humankind, yet 700 million people live with limited access to water, by 2025 it is expected to be 4 times more (around 3 billion) (ibid.)

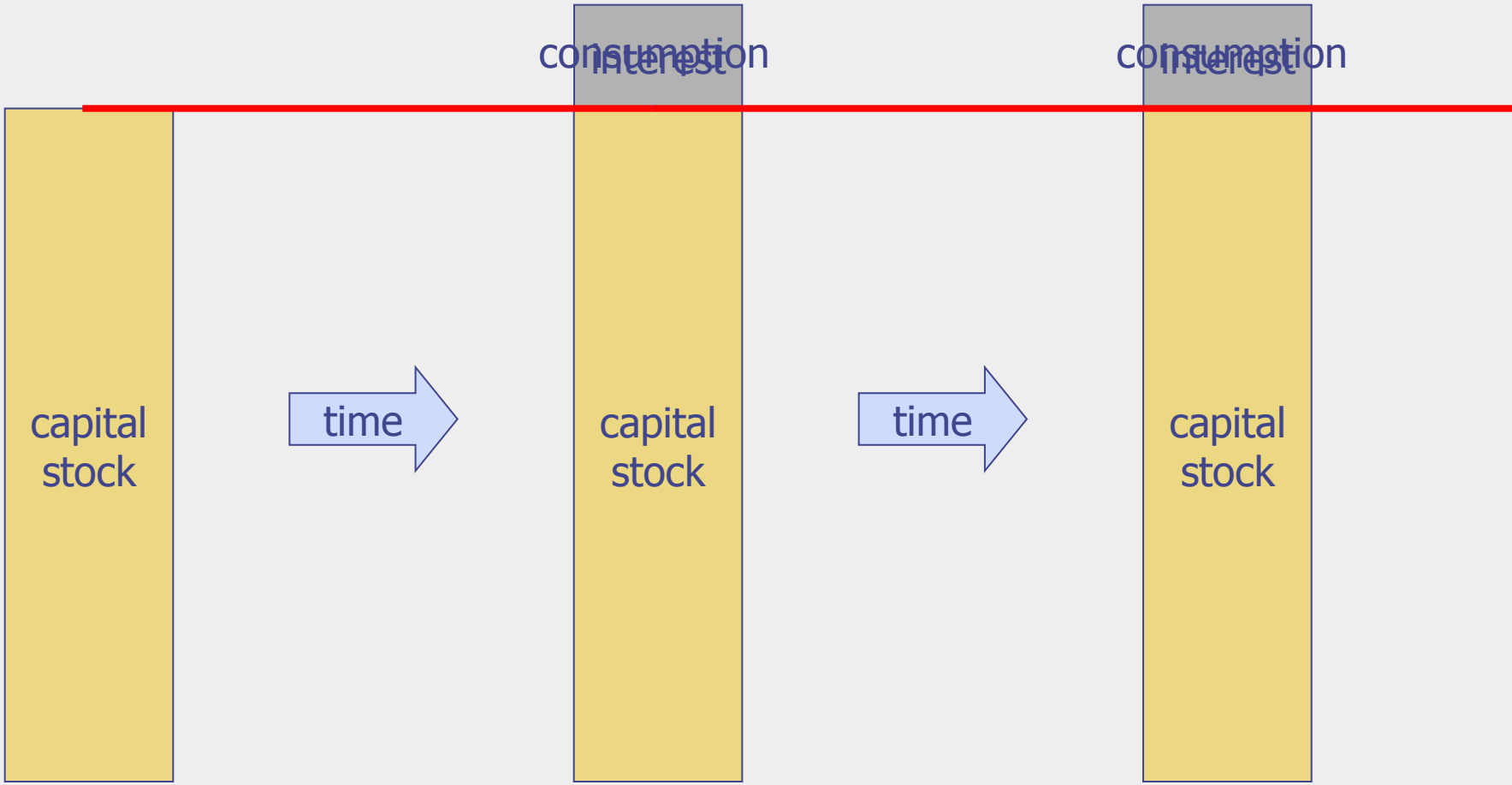
A gloc

- since t … and
  servic … em
- in 200 … % of the
  resour …

Unsustainable income trajectory



Sustainable income trajectory



Principle 3: an SE stays within 'ecological limits'

- green growth: 'ecological limits' considered to a limited extent (Pigou, cap-and-trade), scale not much considered
- sustainable economy:
  - consumption of resources is kept in line with resources' natural regeneration or generation through investment
  - production of waste stays within waste-assimilation capacity and irreversible damage is avoided
  - non-negotiable baselines

Principle 4: an SE addresses social concerns

- green growth: social concerns mostly expressed in terms of jobs and education & training (competitiveness rationale)
- sustainable economy: access to resources, poverty, 'environmentalism of the poor', well-being/quality of life/happiness, global responsibility, not reductionist

Resilience

- risks are higher and with larger impacts ('too big to fail', drilling in vulnerable and inaccessible areas, Gulf of Mexico leak, GMOs, chemicals)
- ever shortening time scales/cycles
- has increasing complexity of economy made it more vulnerable?
- speculative bubbles or fads represent threats to resilience: a concentration of activities, expectations or beliefs which locks the system into a particular technology or set of preferences (Perrings 1998)

Principle 5: an SE is resilient

- green growth: failure in post-crisis restructuring
- sustainable economy: resilience to stress and quick recovery through structural design
  - decentralisation, diversification, self-sufficiency, limitations of scale, local currencies
  - in contradiction to the open economy concept?

Principle 6:
an SE is based on respect to human rights

- sustainable economy: protection of rights across value chains, dignified jobs & pay, protection of livelihoods, meaningful participation in economic life and institutions that govern it

Green growth challenges

Enabling conditions:

- international frameworks & post-crisis architecture
- will to initiate national policy reforms
- shifts in financing priorities
- institutional capacity
- mobilisation of interests