



Creating a resilient economy within environmental limits

Mike Asquith, European Environment Agency, 1 December 2021

First a question via the link...

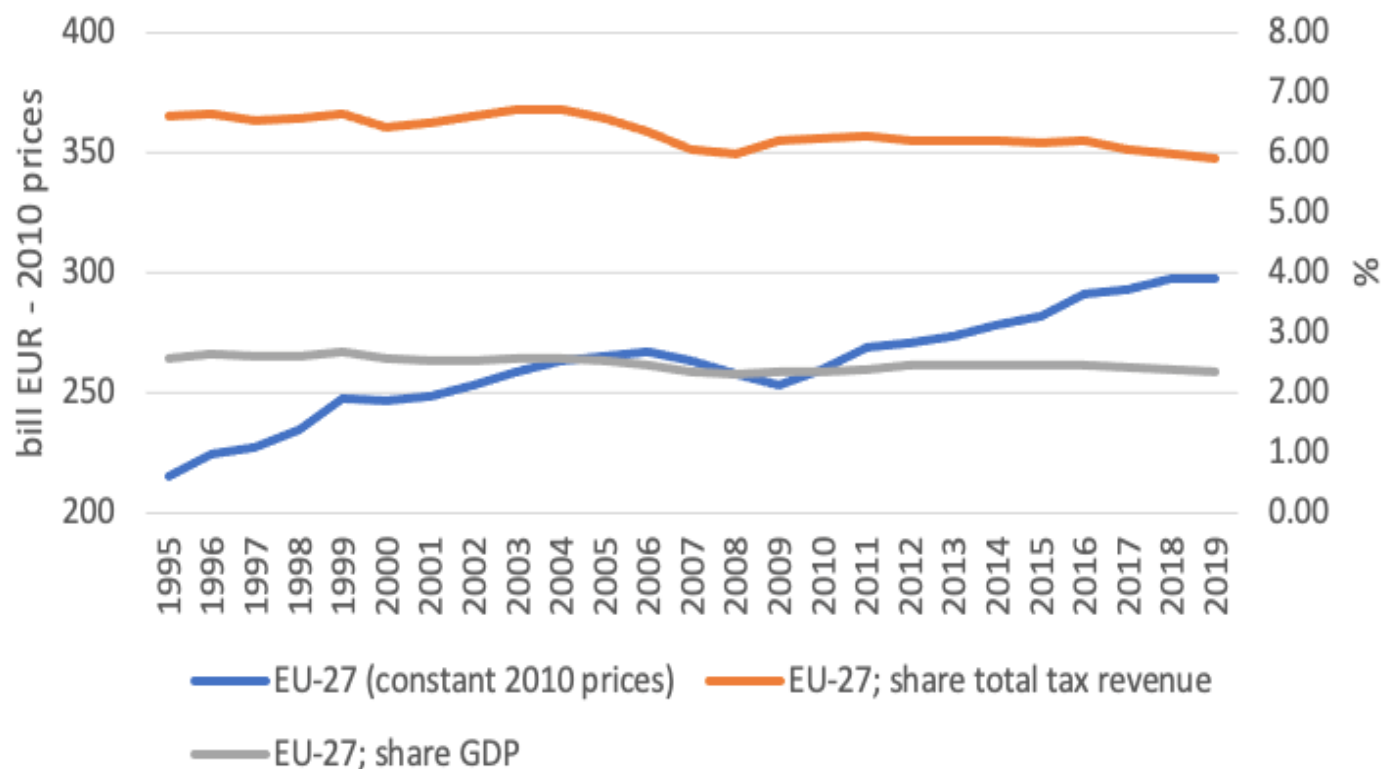
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Moving beyond a simple ‘getting the prices right’ narrative

Microeconomics offered a simple solution to a complex problem:
correct prices and markets will deliver cost-effective solutions

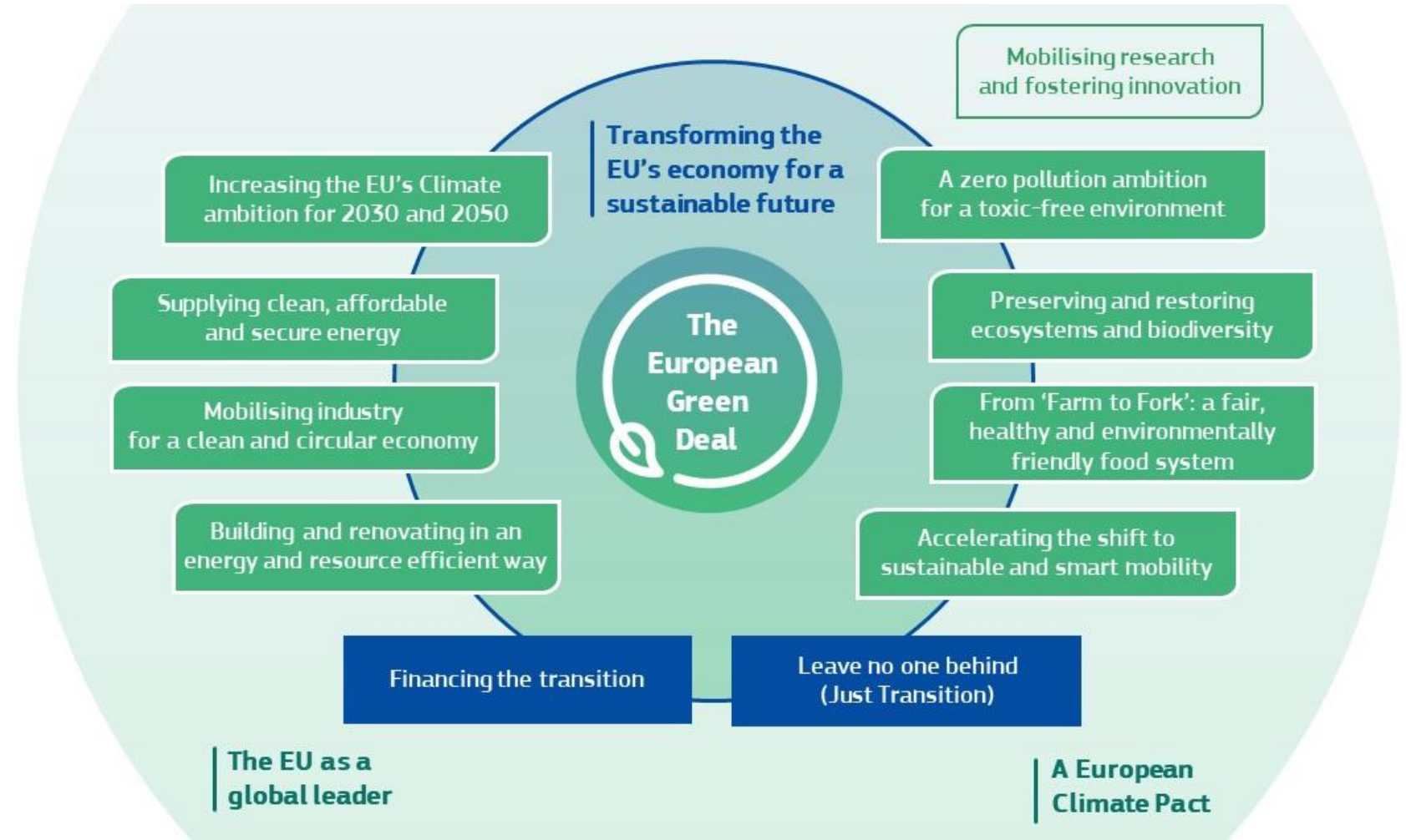
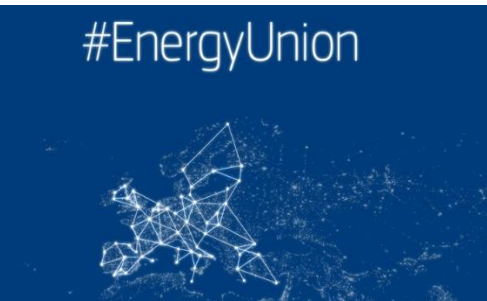
EU-27 environmental tax revenues, 1995-2019



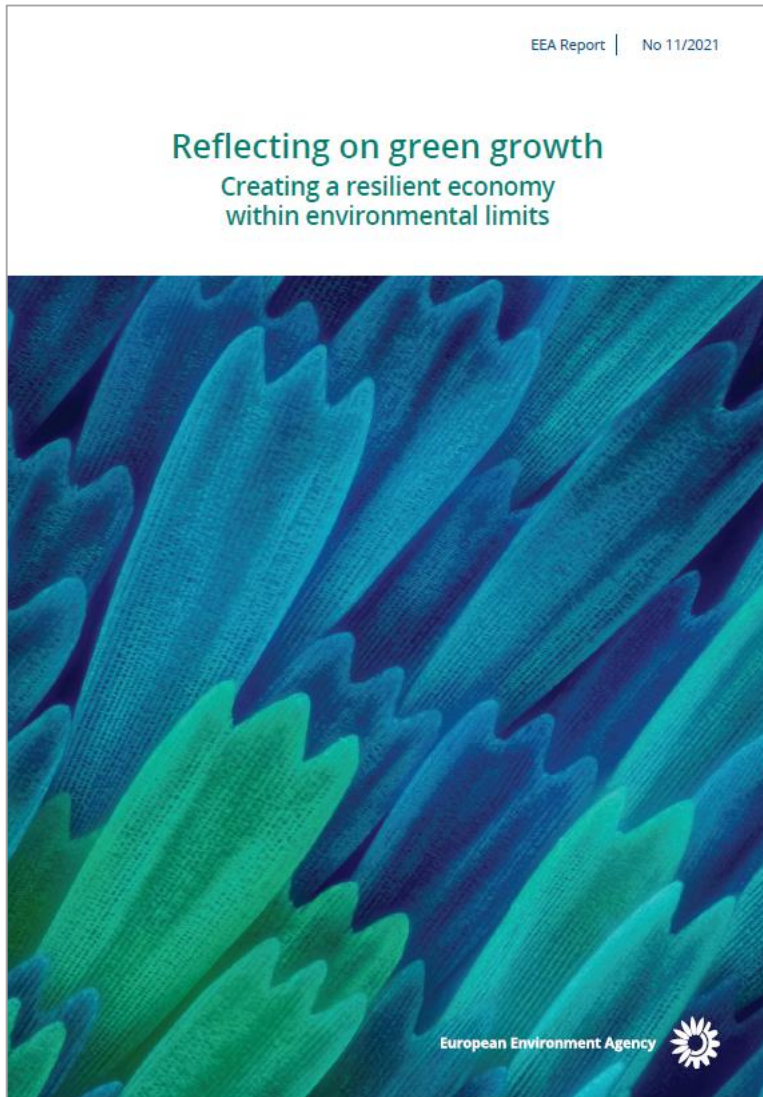
Source: Eurostat



New understanding of sustainability challenges and responses



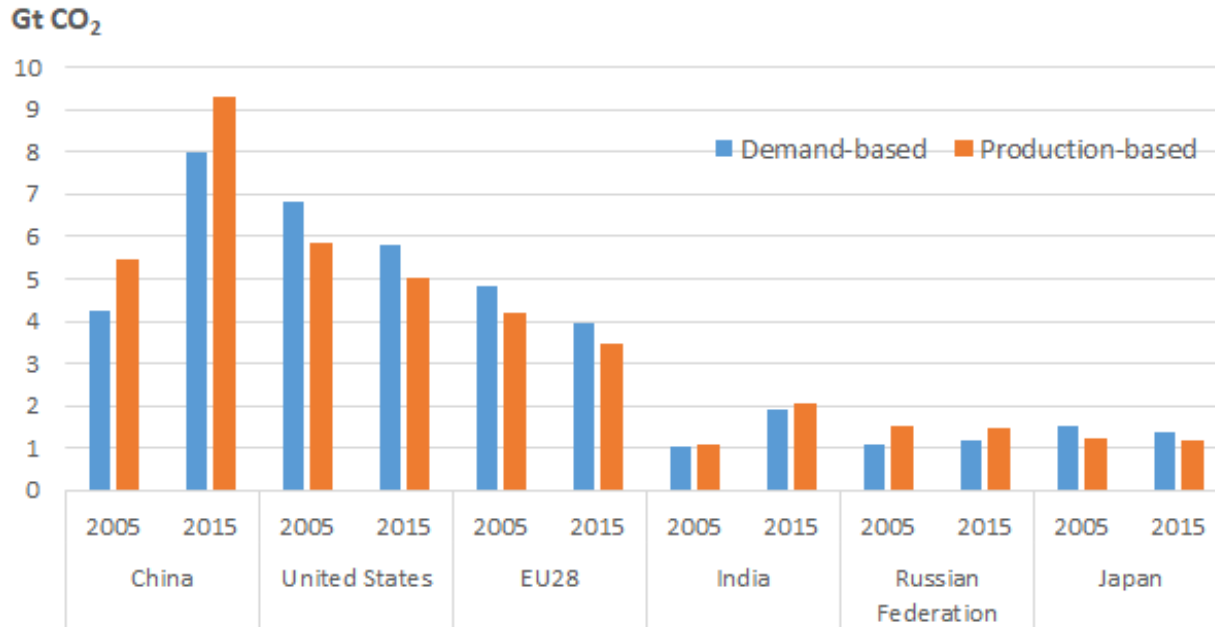
Understanding challenges and transformations at the macro level



- **Broader context** for societal change (e.g. demographic, technological trends)
- **Cross-system and cumulative** impacts on ecosystems (e.g. resource nexus)
- **Macro-economic dimensions** of transitions in multiple systems (e.g. employment, GDP)

Can Europe decouple at the necessary scale?

Top 6 carbon dioxide emitters, 2005 and 2015



Source: OECD

“We have found no trace that would warrant the hopes currently invested into the decoupling strategy.”

Parrique et al., 2019

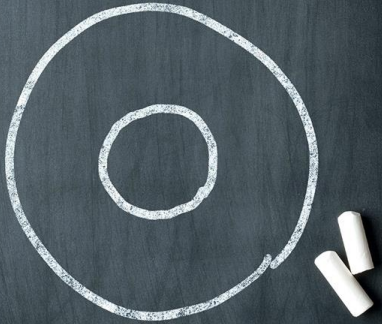
Major barriers to decoupling due to:

- Rebound effects
- Limits to circularity
- Problem shifting
- Cost shifting
- Resource needs for transitions



DOUGHNUT ECONOMICS

Seven Ways to Think Like a
21st-Century Economist



KATE RAWORTH

'I read this book with the excitement that the people of his day must have read John Maynard Keynes's *General Theory*. It is brilliant, thrilling and revolutionary.' George Monbiot



The Greens | European Free Alliance
in the European Parliament

A Post-Growth Society
for the 21st Century
An executive summary



GREEN EUROPEAN FOUNDATION

The case for “growth agnosticism”

*‘What we need are economies
that make us thrive, whether
or not they grow’*

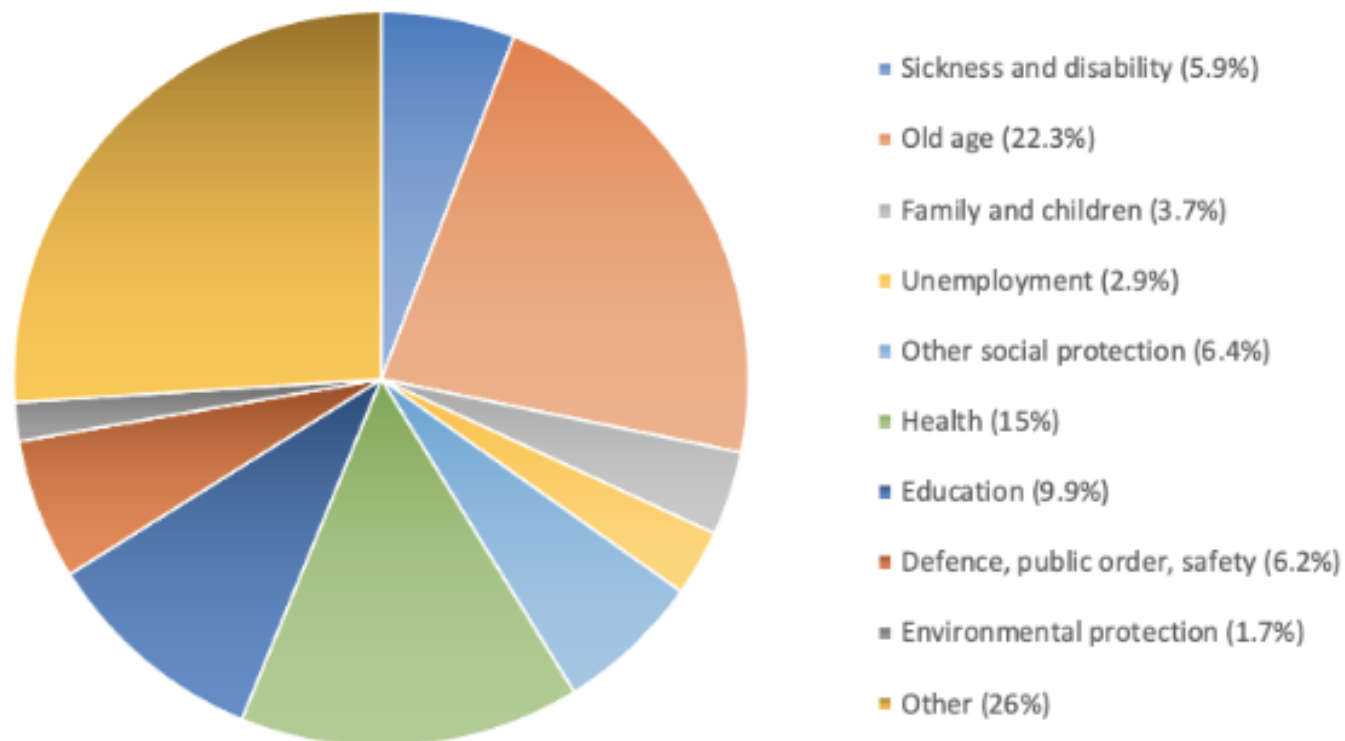
Raworth, 2017

The challenge for growth agnostics

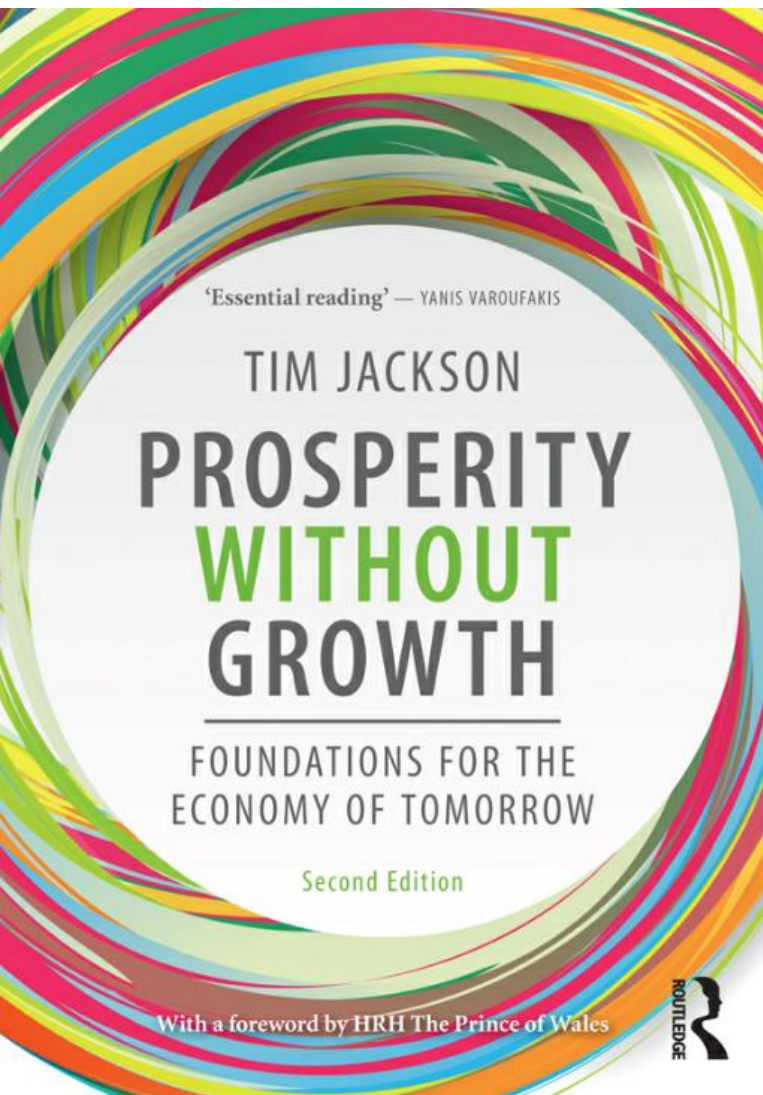
European societies face a variety of growth dependencies, e.g.

- Consumerism, materialism
- Commercial incentives
- Innovation
- Employment
- Fiscal sustainability
- Public debt
- Investments for transitions

EU-27 general government expenditure by main functions, 2018



A difficult dilemma for governments and societies



- “Growth is unsustainable – at least in its current form”
- “Degrowth is unstable – at least under present conditions”

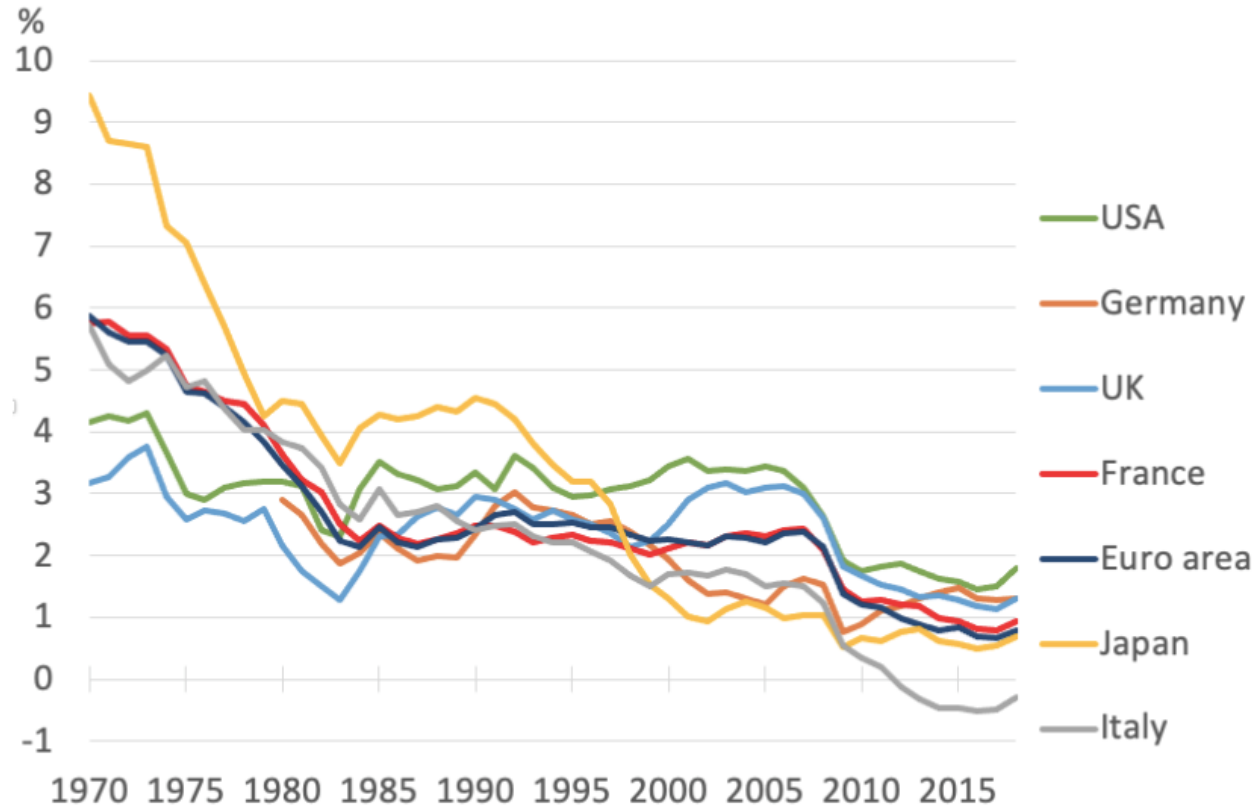
The EGD responds by tackling the first problem: changing the form of growth to make it sustainable and support employment and public budgets

But can we be sure of future growth?



Megatrends and shocks create an uncertain outlook

Annual GDP growth, constant USD2010 (rolling 10-year average)



Source: World Bank

Possible downward pressure on growth from:

- Operating within environmental limits
- Demographic change
- Secular stagnation
- Climate change impacts
- Global health risks
- Etc.

How can Europe increase resilience in a potential post-growth context?



The European Green Deal's emphasis on decoupling and systemic transformation remains essential.

We must make the EGD the greatest possible success.

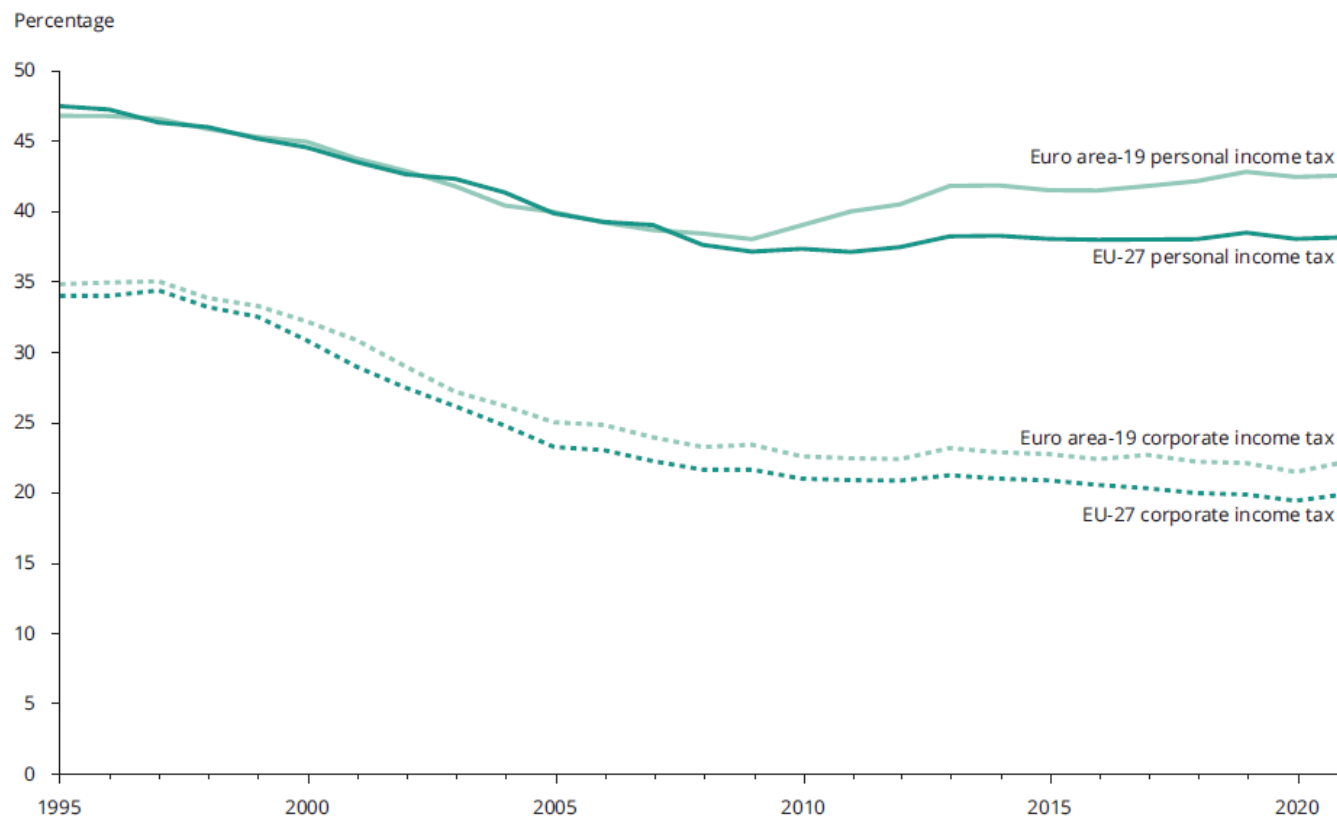
But can Europe devise strategies to mitigate growth dependence and increase its resilience to the possibility of recurrent crises and negative GDP growth?



Tackling tax base erosion

- Environmental fiscal reform: opportunities and constraints
- Broader expansion of the tax base, e.g. robots, financial transactions, consumption, wealth
- International fiscal coordination is making progress (with potential benefits from the digitalisation of currencies, financial transparency)

Average top rates of personal and corporate income taxes in eurozone and EU 27 countries



Source: European Commission



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Professor, Harvard University

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A Global Economy
that Works for Progress,
People and Planet

Klaus Schwab
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Questioning the socio-economic paradigm

- Shifting the tax base provides only a partial response – are there ways to reduce the need for government spending?
- Increasingly widespread recognition of the need to rethink our economic model to mitigate its short-sighted and self-defeating characteristics
- Creating a more equitable and sustainable economic system requires that choices and actions at all scales are guided by society's collective and long-term interests.



Promoting business with social purpose

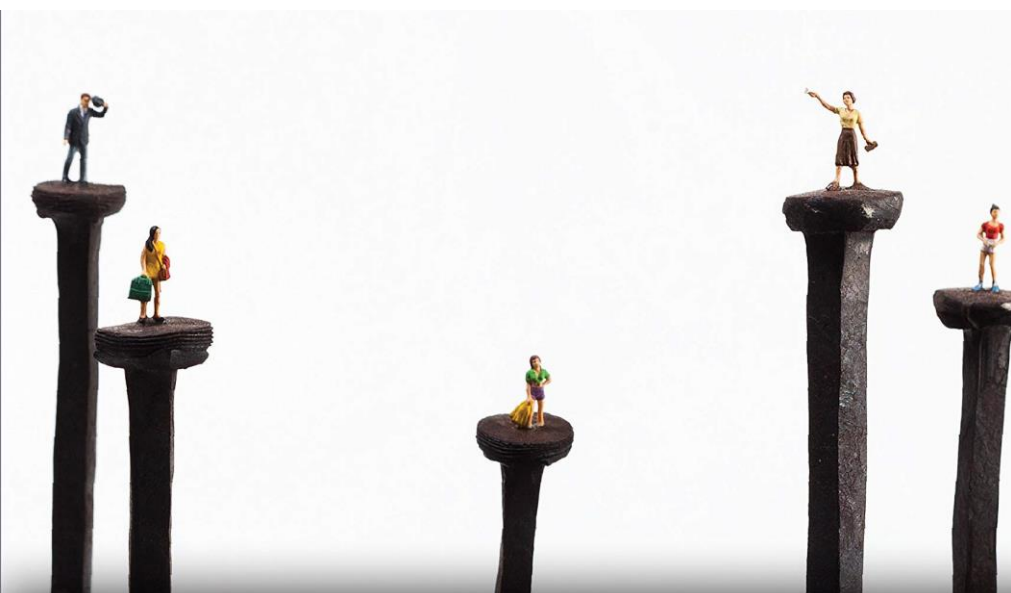
Profit maximisation (and cost externalisation) is entrenched in laws, institutions, mindsets and public discourses, making it hard for individual businesses to drive change

How to rewire the system guiding corporate behaviour?

- Cross-industry coordination and standards
- Sustainable corporate governance (sustainability reporting)
- Sustainable finance
 - Taxonomy and Corporate Sustainability Reporting Directive
 - EU Green Bond Standard.
 - Fit for 55 package (green taxes, carbon border adjustment, etc.)
 - LIFE programme support for green products



Supporting transformative social innovation



RESPONSIBILITY BEYOND GROWTH

A CASE FOR RESPONSIBLE STAGNATION

Reorienting research and innovation

- How to promote innovation with social purpose, which enables more sustainable ways of living and working?
- How to bring together and use information about what is happening across Europe and its impacts?
- Impact investment can play a critical role in promoting social innovation and knowledge creation





Questions for discussion

- Can you recognise the dilemma of unsustainable growth v. unstable degrowth?
- Are these debates alive in research and civil society in your countries?
- Is there a political space for discussing these ideas in your countries?
- How best can these issues be framed to influence public debate and political discourse?
- What tools or opportunities could help reduce growth dependence?
- How can Europe strengthen its knowledge system to support economic transformation?

