

In search of an economy that works for all people and the planet

By Anders Wijkman

The World Future Council and the Right Livelihood Award are exemplary initiatives that have helped focus attention on individuals as well as activities that aim at making the world a better place. We are enormously grateful to Jakob v Uexkull for his farsightedness - both as a founder and inspirator.

Humankind is faced by several imminent challenges. The worldview that guided us since the beginning of the 19th Century has become both obsolete and destructive. As Graeme Taylor concluded already in “Collapse and Transformation” (2007): “The expansionist views, values and institutions—which worked well in a world of few people surrounded by rich unexplored resources—are increasingly dysfunctional in a world where many people are competing for increasingly scarce resources.” He continues: “Because the industrial world-view lacks the systems perspective needed to understand complex socio-ecological dynamics, our global system is unable to diagnose and fix its most serious problems. And because many of the changes needed to create a sustainable system will weaken the power of existing elites, their usual response to crises is reactive rather than proactive: the application of short-term fixes that avoid the need for structural transformation.”

The purpose of this article is primarily to focus attention on the necessity – and urgency - to rethink the relationship between the economy and nature. Hence, I am not spending time specifically - neither to describe the horrible exploitation of people in general during the infancy of industrialism, nor the long period of colonialism where European powers exploited raw materials as well as people both in Africa, Asia and Latin America. Suffice to state that the raw exploitation of people – which continues still today in many parts of the world - is a sick phenomenon. The responsibility to bring an end to it rests partly with large corporations - in mining, fast fashion, agriculture etc.

The “industrial worldview” referred to above by Graeme Taylor can be easily translated into the economic system guiding us ever since the beginning of the 20th Century. The way it operates has differed over time – from the “New Deal” in the 1930’s via Keynesian policies during the post-war period to Neo-liberalism from the 1980’s and onwards. From the Russian revolution in 1917 to the downfall of the Soviet Union we also had the communist economy to reckon with, but that system is more or less behind us by now.

The policy regimes referred to have been distinctly different primarily with regard to the social policy objectives. The “New Deal”, as well as Keynesian policies, advocated generous social policies and laid the groundwork for the welfare state. Thatcher and Reagan, however, who were the early champions of Neo-liberalism, favoured the reduction of state intervention in economic and social policies and pursued policies of lowering taxes and thereby reduced spending on welfare.

What has been a common feature, though, for all the different policy regimes – even communism – has been the way the economy is organised in relation to nature. The economy is highly extractive, primarily by exploiting resources from the earth without replenishing or recycling them. This means that wealth is generated, most often at the expense of the health of natural systems – i.e. through the depletion of natural resources and the downgrading of natural capital.

The examples are countless from all over the world of degenerated ecosystems, polluted air and water, large-scale deforestation, pesticide residues, overfishing, micro-plastics in the oceans and so on and so forth. Over the years the pollution of the atmosphere, in terms of green-house gases, adds yet another dimension to the extractive economy.

To exemplify, let us focus on one area – industrial farming - where the tensions between production practices and the health of ecosystems are overly clear:

Pollinators as victims of reductionism (the text on Pollinators is a quote from “Come On” (von Weizsäcker & Wijkman, 2017)

Industrial agriculture is to a large extent ignoring the unpaid service bees and other pollinators are providing. For millennia, they have carried pollen from the female parts of flowers to the male parts and making them fertile and productive.

In agroecosystems, pollinators are essential for orchard, horticultural and forage production, as well as the production of seed for many root and fibre crops. About two-thirds of the crop plants that feed the world rely on pollination by insects or other animals to produce healthy fruits and seeds.

Current agricultural practices are causing grave threats to pollinators. As farm fields have become larger and less diverse and the use of agricultural chemicals that impact beneficial insects such as pollinators along with plant pests has increased, pollination services are showing alarming declining trends around the world.

Recent evidence shows that modern insecticides, particularly the neonicotinoids, have lethal and sub-lethal effects on bees, sufficient to impact the ability of the insects to effectively pollinate.

Economics is nature blind

In his review on the importance of biodiversity and ecosystem services (2021), Sir Partha Dasgupta made a striking comment: “Nature is a blind spot in economics that we ignore at our peril”. He continues: “Truly sustainable economic growth and development means recognizing that our long-term prosperity relies on rebalancing our demand of nature’s goods and services with its capacity to supply them. To detach nature from economic reasoning is to imply that we consider ourselves to be external to nature.”

The tensions between the economy and the natural systems have been increasing rapidly over time. The use of natural resources has been growing by between 2 and 3 % yearly since the 1970’s. This means more than a tripling over the last fifty years. According to a recent report by the International Resource Panel (IRP) – “Bend the Trend” - the extraction and processing of material resources accounts for at least 55% of the generation of green-house gases and 90 % of impacts on land-use related biodiversity loss and water stress. The IRP warns that unless the use of natural resources is undergoing drastic change in terms of much more intelligent and efficient use, the long-term effects for both the climate and biodiversity would be catastrophic. A new report from the Earth Commission – “A just world on a safe planet” – conveys more or less the same message. The report summarizes the situation as follows: “The deterioration of the global commons—i.e. the natural systems that support life on Earth—is exacerbating energy, food, and water insecurity, and increasing the risk of disease, disaster, displacement, and conflict.”

Since the current economic system requires a steady rise in the throughput of natural resources, the pleas made by the IRP and the Earth Commission will be tough to honour without a major reform of the economic system.

It’s the economy, stupid!

The World Future Council – a farsighted initiative by Jakob von Uexkull – has made efforts over the years to address many of the global challenges. However, most of our efforts have been dealing with the symptoms, rather than the root causes. We have rarely addressed the fundamentals of the economic system. Yet, without doing that, there is little chance – if any – that we will be able to put development on a sound pathway. Like Bill Clinton once said: “It’s the economy, stupid!”

While the economic system – whether we call it capitalist or free-market is irrelevant – has been very successful at generating wealth, economic growth and raising living standards in parts of the world, the downsides are - as already alluded to- becoming increasingly clear. Business practices differ, but for the majority of large corporations – whether we refer to the energy, buildings and infrastructure, transportation and mobility, or food sectors – wealth is being generated by a system of production that is held accountable primarily to maximize profitability.

Shareholder value is the primary objective of most company laws, and hence of the vast majority of businesses. The overwhelming result is that revenues are earned at the expense of important social and environmental objectives. To be fair, quite a number of different types of pollution have been successfully addressed over the years. However, such successes were primarily the result of policy interventions, not by markets themselves.

The Economic System championed by Industrial Countries is unjust, risky and wasteful

Besides the environmental and climate consequences, there are other serious shortcomings of the prevailing economic system. An obvious one is the serious discrepancy – or divorce – between the real (productive) economy and the financial sector. The Financial Crisis in 2008-2009 was largely caused by the shift of capital from production to financial speculation. The response to the crisis by most governments was not to impose structural reforms to promote economic efficiency, social equity and environment sustainability. Instead, governments neutralized – or socialized – the bad debts and flooded the market with cheap credits. This flood of cheap credits – quantitative easing as it was called - encouraged further investment in speculative assets and accelerated the concentration of wealth. This naturally means the economic crisis is not over. The build-up of debts over the last decade is colossal – the result of which, without much doubt, is a new financial crisis in the making....

Another criticism of the capitalist/free-market system is the way it distributes its expanding wealth. Income inequality is increasing rapidly. One reason is the concentration of assets among the upper income strata of the population. Another is the utterly skewed patterns of corporate rewards that often give the chief executive officers of large companies a salary that is 200-300 times bigger than those of ordinary office or factory employees.

The only conclusion to be drawn is that the economic model championed by industrial nations is both wasteful, risky and unjust. It may be effective in generating wealth but at a cost that is destabilizing both societies and the planet. We have now come to a point in time where the risk of collapse of the global economy – or collapses in selected regions – is growing rapidly.

Economists understanding of nature is lacking

A main problem concerning economics is that most economists have very limited knowledge of how nature works. In most economic schools the curricula comprise hardly anything about the natural systems. I am absolutely positive that the prevailing economic system would look radically different if the majority of economists had a better understanding about the fundamental role played by nature – for the economy and for all the people. Nature is our life-supporting system, and we are destroying

it at our peril. Let me cite a quote by Gregory Bateson: “The major problems of the world are the result of the difference between how nature works and how people think.”

Growth at all costs

Whenever conventional growth is being criticised there is violent protests from both policymakers and economists. These stem mostly from the ideological belief that failure to maintain exponential growth in GDP will result in economic collapse. That belief is a major part of the mental models of almost everyone in academia and policy. But it is wrong. GDP measures nothing more than the speed with which money and stuff pass through the economy. It is a quantitative measure and says nothing of the overall consequences of a growing GDP.

The neo-liberal narrative – with its insistence on economic growth at all costs and limited priority given to social and environmental concerns - has brought humanity to the verge of ruin. But, as emphasized in “Come On” (von Weizsäcker & Wijkman, 2018):

“To be honest, also the Keynesian narrative, if allowed to continue, would drive much the same outcome. It would lessen inequality but would drive the overuse of resources just as badly.

We need a new narrative that can tell us how to achieve a flourishing life within ecological limits; deliver universal well-being as we meet the basic needs of all humans; and deliver sufficient equality to maintain social stability and provide the basis for genuine security.”

Regenerative economics

Major changes will be required if an economy in service to life is to become a reality. Some of the needed concepts are already under way. One early inspiration was the book “Natural Capitalism”, written already in 1999 by Amory Lovins, Hunter Lovins and Paul Hawken.

It is worth noting that both Amory and Hunter were recipients of the Right Livelihood Award already in 1982 – another significant initiative by Jakob von Uexkull.

The authors of “Natural Capitalism” introduced a set of principles – that, if they had been followed – no doubt would have revolutionized the prevailing economic model. Principles such as

- *to use all resources dramatically more productively,*
- *to redesign how we deliver energy, feed ourselves, make and deliver the services we desire using such approaches as biomimicry and the Circular Economy,*
- *to manage all institutions to be regenerative of human and natural capital.*

Another inspiration was “Cradle to Cradle” by Michael Braungart and William McDonough (published in 2002), suggesting that companies should move from simply slowing down problems and “less bad” solutions towards the role of problem solver and 100% good business.

Yet another good example was “Biomimicry” (Janine Benyus, 1997) which sets forth the principles under which nature does business. Nature makes a wide array of products and services, very differently than we do, running only on sunlight, with no long-lived toxins, at ambient temperature,

using water-based chemistry, and wasting nothing. Companies that are implementing these approaches are finding that it saves money and delivers superior service.

We should of course also make reference to Kate Raworth and “Doughnut Economics” (2012). The doughnut represents parameters for a regenerative economy, which is not only ecologically sustainable, but also socially just and safe. Paul Hawken is yet another person who for many years has been a leading light in the efforts to transform our economy. His most recent book “Regeneration – ending the climate crisis in one generation” offers both hope and inspiration.

Let me finally refer to the important work on regeneration by a close friend within the Club of Rome – John Fullerton. His white paper – “Regenerative Capitalism” – is an eloquent presentation of the principles for a regenerative economy. Like biomimicry, it draws from nature’s principles, and applies them to running an economy in service to life.

He points out that there are patterns and principles that nature uses to build stable, healthy and sustainable systems throughout the world. Among the eight principles, suggested by Fullerton, as a guide for creating an economy that operates in accordance with conditions conducive to life, the following stand out:

Right Relationship: Holding the continuation of life sacred and recognizing that the human economy is embedded in human culture, which is itself embedded in the biosphere.

Views Wealth Holistically: True wealth is defined in terms of the well-being of the “whole,” achieved through the harmonisation of the multiple forms of capital.

Empowered participation: Financial wealth is equitably (although not necessarily equally) distributed in the context of an expanded view of true wealth.

Robust Circulatory flow: A continual striving to minimize energy, material, and resource throughput at all phases of the production cycle - reusing, remanufacturing and recycling materials.

Honours community and place: Operating to nurture healthy, stable communities and regions, both real and virtual, in a connected mosaic of place- centered economies.”

The principles proposed by Fullerton provide an excellent framework for a move from today’s highly extractive, short-term-oriented and linear production model. There are already numerous companies all over the world who practice the principles suggested by Fullerton. But for the principles to become mainstream a lot of work lies ahead of us. There are many barriers to change, such as:

- i) a flawed cost structure of the economy – for most materials it is cheaper for companies to source virgin materials compared to secondary ones –
- ii) a failure to internalize the costs of pollution into market prices,
- iii) government subsidies supporting the wrong things, in areas like fossil fuels, fisheries, agriculture (regenerative agriculture ought to be favored, not industrial agriculture practices) etc
- iv) business models that favor high throughput of materials,

v) the failure in most cases of product design to give priority to product life extension, reuse and recycling

vi) toxic materials preventing reuse and recycling,

vii) flawed perceptions within the financial community that sustainability projects are profit-killers, combined with too high demands for ROI in the short-term,

viii) silo-based decision-making in society which means that the understanding of interconnectedness is simply lacking,

ix) lack of indicators that measure real progress in society

From a developing country perspective a number of additional barriers come to mind, such as lack of financial resources, outrageously high interest rates, lack of skills and competencies etc

To conclude. The transition to a regenerative economy would imply a major shift in how we organize our economies, moving beyond the current linear model that characterizes much of today's economic activity. To be fair, the current economic system includes efforts by governments to address negative externalities – there are international conventions, agreements at EU level and a plenifold of national regulations to that effect. But most of these initiatives can be characterised as “too little, too late”. Their focus is mostly “to do less harm”, rather than addressing the root causes.

My suggestion would be for the World Future Council to “take the bull by the horns”, i.e. to not shying away from issues that lie at the heart of today's power structures. We are in a race with time. Total system collapse is a real possibility. Let's not kid ourselves: we face a great number of challenges driven by still rapid growth in population, the overuse of resources, and resulting pollution, loss of biodiversity and declining availability of life support systems.

I think the World Future Council should appoint a group of esteemed experts to develop a Crash Program for a transformation to a Regenerative Economy. We might invite other institutions, both Policy Think tanks, Scientific institutions as well as Civil society organizations. The task is urgent. The sooner we start the better.

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