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

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PRESENTATION OVERVIEW

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

MARKETS
ECONOMICS THEORY AND PRACTICE
SOCIAL CAPITAL
NATURAL CAPITAL
EMPLOYMENT
REAL WEALTH
THE ECONOMICS TREE IS SHAKING

ROOTS

UNDERLYING CAUSES

ECOLOGY
MARKETS
LABOUR
NATURAL CAPITAL
DEVELOPMENT
GROWTH
HAPPINESS
SOCIAL CAPITAL

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ECONOMICS: the fault lines

- Growth and Wealth
- Time
- Natural Capital
- Pollution
- Employment
- Markets
- Social Capital
- Risk and Uncertainty
- Systems
Economic Growth and Wealth

- **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**
• 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
• 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
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

"Valley of intellectual death"
Systems effects – Water and Electricity

cost per unit

MC economics
MC finance

t
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