

Living Economies: People and Earth in Creative Balance From Vision to Implementation

- Discussion Paper -

This document conveys the World Future Council (WFC) vision for economies serving people and planet and attaches a political road map with ideas how to get there. We are convinced that there is a remarkable and growing consensus globally about the need for a new development narrative for our common future on this planet. This consensus champions fundamental rights and freedoms of all humans, as defined in the Universal Declaration of Human Rights, as well as every human's duty to act as trustees for Earth, our Home.

Our goal is to support the refinement and implementation of this narrative through the development of policy and governance proposals suitable to create and guide economies of "living well;" economies based on creative cooperation in which we enjoy good and healthy produce and live good and healthy relationships with our human and natural environment. Such Living Economy governance needs a fresh view on "how things should be done" and which market, business, production and consumption solutions work for it. The view of the "Washington Consensus" has created unprecedented amounts of wealth, but evidence today shows that it has side effects that are unacceptable today and survival threats for future generations: already obscene inequality is increasing while we are driving our earth out of balance.

The World Future Council therefore works to update the institutionally well-established ideas of the 1970s summarized as the Washington Consensus with a fresh vision and concrete governance solutions. It seeks collaboration to generate, share and promote new scientific knowledge, practice, and guidelines in processes of fair participation. Our mission is to build on existing farsighted research that aims to integrate ecosystem protection, social equity and human security as baselines for successful economics of wellbeing on one planet. The goal is to develop impactful capacity in research, business and politics so that policies and institutions are implemented that foster creative sustainable entrepreneurship and diversities of equitable cooperation.

We base the goals for Living Economies on the vision delivered by the Earth Charter, the basic value document adopted by the WFC, and highlight the qualitative gains in individual and communal life under the new consensus. Our message is not that we have to stop "growing;" we have to grow and develop more consciously and respectfully. We have to scrutinize our worldviews and change our institution so that they help bringing out the best in us - whilst keeping the worst in check. We can, for example, re-learn to see the social, cultural, natural *wealth we have* (and not the presumable scarcity we suffer from), to nurture our innate *satisfaction from fairness and sharing* (instead of defending increasing amounts of private possession against "others") and acknowledge that we all feel more secure if *freedom* is no longer translated into absence of responsibility and respect towards others. Freedom enables the liberation of talents once rules and societies provide fundamental human needs, rights and duties for everyone reliably.

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Part I outlines this vision of Living Economies and also presents core goals for the quality of relationships under this vision. These are adapted from the 2008 Tällberg Forum's *Draft Proposal: Global Principles for Sustainable Economic Systems*.¹ The Tällberg Forum brings together many like-minded individuals that engage in systemic analyses.

An adequate process for the transformation and Living Economies as such has been described as "Adaptive Management," calling for scientific analysis across disciplines, continuous learning of decision-makers in all sectors, and participatory governance to be flexible to work with the complexity of trends and developments. Six principles for this logic have been presented in 1998 in *Science* and have been seconded in many future reports, including those of the World Bank and the most recent UNEP Year Book 2009 – they are reproduced in part II.

Part II summarizes core ideas and concepts behind the Washington Consensus as collected by Ecological Economists and amended by the WFC Commission on Living Economies and Future Finance in March 2009. It delivers insight on the drivers behind the currently witnessed crises and proposes ideas and concepts suitable for a Living Economies consensus. Part III concludes with a – not exhaustive! - first list of policy ideas that will be researched in more detail regarding their potential to ignite the envisioned changes.

Thus, the following outline builds onto existing work of like-minded individuals and groups. The aim is to highlight common goals and to provide a menu of complementary measures towards their achievement. We are glad if this outline is treated as a living document, being commented on by earth citizens sharing their views on vision, goals and measures. We seek to serve as a catalyst in the surge for a new economic consensus.

Part I: Goals, and gains for a Living Economies consensus

Goal 1: Our economy is based upon a reverence for life

Earth Charter: *"Everyone shares responsibility for the present and future well-being of the human family and the larger living world. The spirit of human solidarity and kinship with all life is strengthened when we live with reverence for the mystery of being, gratitude for the gift of life, and humility regarding the human place in nature."*
(Preamble)

WFC policy proposals champion **respect & protection** in relations between humans, communities and in relation to our natural contemporaries, animals and plants.

¹ Please see additional document named *Tällberg Forum 2008: Draft Proposal: Global Principles for a Sustainable Economic System*

Goal 2: Our economy is designed to meet human needs and develop quality of life

Earth Charter: *Through the dominant patterns of production and consumption: "Communities are being undermined. The benefits of development are not shared equitably and the gap between rich and poor is widening. Injustice, poverty, ignorance, and violent conflict are widespread and the cause of suffering."* (Preamble)

WFC policy proposals foster **capabilities to act & fairness** in the process of designing our rules and in the distribution of costs and benefits.

Goal 3: Our economy is aligned with ecosystems

Earth Charter: *"Earth, our home, is alive with a unique community of life. The forces of nature make existence a demanding and uncertain adventure, but Earth has provided the conditions essential to life's evolution. The resilience of the community of life and the well-being of humanity depend upon preserving a healthy biosphere with all its ecological systems, a rich variety of plants and animals, fertile soils, pure waters, and clean air."* (Preamble)

WFC policy proposals foster **precaution & responsibility** in the interaction with our natural wealth, so that biodiversity and resilience of our ecosystems can flourish.

Goal 4: Our economy delivers just outcomes for present and future generations

Earth Charter: *Through an unprecedented rise in human population, "We must realize that when basic needs have been met, human development is primarily about being more, not having more."* (Preamble)

WFC policy proposals seek to establish sound **feedback loops & trusteeship** so we correct negative development spirals early and focus on communal rather than isolated developments.

Goal 5: Our economy is resilient and innovative

Earth Charter: *"We must imaginatively develop and apply the vision of a sustainable way of life locally, nationally, regionally, and globally. Our cultural diversity is a precious heritage and different cultures will find their own distinctive ways to realize the vision. We must deepen and expand the global dialogue (...), for we have much to learn from the ongoing collaborative search for truth and wisdom."* (The Way Forward)

WFC policy proposals change market and investment structures towards **partnerships & diversity** so that we can unleash creative power of many people.

Part II: Governance roadmap towards Living Economies - zooming in on relevant paradigm shifts

	Current Development Model – “Washington Consensus”	Living Economies Model – Emerging Consensus
Primary policy goal	MORE: More economic growth in the conventional sense, as measured by GDP. The assumption is that growth will ultimately allow the solutions of all other problems. More is always better.	GOOD: not monetary revenue at all costs but “development” in the sense of poverty eradication and improvement in quality of life, recognizing current economic goals have negative by-products, more is not always better, and fairness is a fundamental good for societal cohesion.
Primary measure of progress	GDP	New indicators mirroring environmental, social, cultural and economic development
Scale/carrying capacity	Not an issue because it is assumed that markets can overcome any resource limits via new technology and substitutes for resources are always available.	A primary concern as a determinant of ecological sustainability. Natural capital and ecosystem services are not infinitely substitutable, and real boundaries to the use of our resources exist.
Distribution/ poverty	Lip service, but relegated to “politics” and a “trickle down” policy: A rising tide lifts all boats.	A primary concern since it directly affects multiple human rights and the quality of human and social capital, and in some real ways is often exacerbated by our current economic goals.
Property rights	Emphasis on private property and conventional markets.	Emphasis on a balance of property rights regimes appropriate to the nature and scale of the system, and a linking of rights with responsibilities. A larger role for trusteeship and The Global Commons in addition to private and state property.
Resource productivity and effective allocation	Efficiency is the primary concern, generally including only marketed goods and services (profit & GDP expression) and institutions.	Resource productivity is a primary concern, including both market and non-market goods and services and effects. Emphasizes the need to incorporate the value of natural, social and human wealth to provide wellbeing at least costs and achieve true allocative effectiveness.
Role of money/finance	Not assessed for its structural power impacts as it is portrayed to have a neutral function expressing value for society and guiding markets through price signals.	Newly designed in diverse formats and multiple scales and purposes so it serves diverse solutions of economic production and distribution.
Role of public governance	To be minimized and replaced where possible with private corporate institutions.	A central role, including new functions as referee, facilitator, and broker in a new suite of common-asset institutions
Principles of governance	<i>Laissez faire</i> market capitalism.	Adaptive Management principles (see below)

Table from UNEP Yearbook 2009, p.62, as amended by the WFC Commission - based on R. Costanza, 2008, Stewardship for a ‘full’ world. *Current History*. 107:30-35, http://www.uvm.edu/qiee/publications/Costanza_Stewardship_2008.pdf.

“Adaptive Management” principles to govern an integrated approach across disciplines, stakeholder groups and generations: given that some level of uncertainty always exists in complex system management, decision-makers should continuously gather and integrate appropriate ecological, social, cultural and economic information in order to proffer solutions against best definitions of the challenges. Policy-making then is an iterative governance process acknowledging uncertainty and continuously improving information as well as capacities:

1. **Responsibility** – access to common asset resources carries attendant responsibilities to use them in an ecologically sustainable, economically efficient and socially fair manner. Individual and corporate responsibilities and incentives should be aligned with each other and with broad social and ecological goals.
2. **Scale-matching** - Problems of managing natural and social capital assets are rarely confined to a single scale. Decision-making should
 - a. be assigned to institutional levels that maximize input;
 - b. ensure the flow of information between institutional levels;
 - c. take ownership and actors into account;
 - d. internalize costs and benefits.

Appropriate scales of governance will be those that have the most relevant information, can respond quickly and effectively, and are able to integrate across scale boundaries.

3. **Precaution** - in the face of uncertainty about potentially irreversible impacts to natural, social and human capital assets, decisions concerning their use should err on the side of caution. The burden of proof should shift to those whose activities potentially damage natural, social and human capital.
4. **Full cost allocation** – All of the internal and external costs and benefits (including social and ecological ones) of alternative decisions concerning the use of natural and social capital should be identified and allocated. Whenever appropriate full costs should be integrated into markets.
5. **Participation** – All stakeholders should be engaged in the formulation and implementation of decisions concerning natural and social capital assets. Full stakeholder awareness and participation contribute to credible, accepted rules that identify and assign the corresponding responsibilities appropriately.²

² In February 2009 the Bertelsmann Foundation in Germany presented results of an extensive international study on Sustainability Governance Indicators to inform about the “reform capacity” of governing institutions. The most significant outcome debunked the myth that more efficient (in this context: streamlined and exclusive) decision-making in political matters would increase governance impact: democratic participation of stakeholders at an early stage clearly increased the effectiveness of governance. The study did not express who was defined as stakeholders though. The study and its data can be found at: www.sgi-network.org

Part III: Collection of core challenges and first policy ideas to be researched in more detail before some will be collated into strategic policy packs:

<p><u>Economy Paradigm Shift:</u> We uphold that public governance has the duty to set standards and goals for production and consumption patterns so that life in dignity and increasing wellbeing for all humans now and in the long run can be possible. Holistic scientific expertise informs the definition of adequate rules and incentives to guide market participants in helping to achieve these goals.</p>	<p>Ask the <i>International Court of Justice</i> for an opinion on the adequate definition of “policy space” on national levels so that governments can enact measures protecting their peoples and their environment whilst being part of multilateral economic agreements like the World Trade Organization.</p> <p>Investigate the desirability of further multilateral “implementation agencies” like the International Renewable Energy Agency (IRENA) for other necessary changes in fundamental sectors for development and wellbeing. Especially the goal of sustainable and resilient nutrition systems (food and water) needs to be fostered. Global expertise of over 400 scientists has been gathered in the recommendations of the International Assessment of Agricultural Knowledge, Science and Technology for Development (IAASTD), published in 2008. Other areas would be e.g. fisheries and forests.</p> <p>Create common <i>Research and Development Funds</i> financing education and research on processes and technologies for maximum wellbeing under least costs and ensuring that results shared as widely and quickly as possible to accelerate the shift towards low input and least throughput production and consumption.</p>
<p><u>Valuation Paradigm Shift:</u> We need indicators that reflect real values of assets and services and help anticipating supply-demand relations. We need to bundle public and private forces towards system-based analysis of natural capital stocks and ecosystem services (sinks, services, feedback loops) and acknowledge the value of currently unpaid human services for the reproduction of societies.</p>	<p>Engage with the OECD <i>Global Project</i> on the development of better economic, environmental and social indicators for progress and promote the research of a cultural set (human capital).</p> <p>On the micro level of firms new holistic accounting standards need to be developed to go beyond bare financial towards true Triple Bottom Line Reporting.</p>
<p><u>Investment Paradigm Shift:</u> We need guidelines and incentives that discriminate against “bads” (pollution, destruction of resources, overconsumption) instead of against “goods” (labour, savings, investments in real assets) and firmly establish the polluter pays principle.</p>	<p>OECD governments should provide newly created money to pay for debt cancellation for poor countries, the implementation of the UN Millennium Development Goals and the spread of renewable energy. A special UN conference should be called to determine effective implementation mechanisms. The goals should be broken down into regional project proposals for which competitive implementation offers</p>

	<p>should be solicited from the private sector. New money creation is not inflationary if it creates new employment and wealth.</p> <p>Immediately abolish subsidies for brown, meaning unsustainable resources and technologies and use this money to fund research, development and deployment of renewable technologies – potentially by donating them to the International Renewable Energy Agency (IRENA).</p> <p>Develop a differentiated scheme of <i>Natural Capital Depleted Taxes</i> checking the exploitation of non-renewable resources and aligning the rate of exploitation of renewable assets with the pace of their regeneration.</p> <p>Develop standards and incentives to spur innovation towards lower material throughput in product life cycles – e.g. a cradle-to-cradle <i>Top Runner Principle</i> (currently for electricity efficiency in white products in Japan) or <i>Longevity Incentives</i> like stepped recycling obligations to discriminate against low-quality produce and non-renewable materials.</p> <p>Research possibilities of <i>Overconsumption-Reduction Taxes</i> on advertising to fund training programs and credit options for green and social work and business strategies whilst downsizing and restructuring unsustainable industry sectors.</p> <p>Investigate the deployment of <i>Risk Assurance Bonds</i> putting the burden of proof on the producer = every unit, private or public, seeking to introduce a new material, technology, medication or financial product has to deposit a sum sufficiently high to compensate for the harm potentially done in the worst case. If damage occurs, the sum of compensation is deducted from the bond, if nothing happens it is paid back after a predetermined time span.</p>
<p><u>Finance Paradigm Shift:</u> We insist that a stable financial system supportive of the wellbeing-enhancing productive economy is a public good. We need to redesign financial institutions and credit schemes and ensure that money serves and not rules economies.</p>	<p>Corporate charter legislation should mandate responsibilities, in return for limited liability privileges.</p> <p>Financial institutions should account and transparently publish their impact on society and environment. Those transparently adding value to society and environment should be exempt, in turn,</p>

	<p>from unnecessary regulatory burden. Shareholders of these banks should pay less capital gains tax.</p> <p>Rating agencies and accounting firms should implement holistic accounting standards. These firms should be paid through a tax on banks.</p> <p>Democratic control over the economy has to be strengthened. New organisations set up to supervise the financial sector and manage assets taken over by the taxpayers must have a majority representation from parliaments, civil society and business – not finance.</p> <p>Contractual obligations based on speculative and uncovered financial products not approved by the regulatory authorities should not be legally enforceable. They may not be entered into on behalf of third parties.</p> <p>Financial institutions too large to fail should be split up.</p> <p>The use of local and regional currencies should be promoted, to improve resilience.</p> <p>The operations of co-operative and employee-owned banks should be facilitated.</p>
<p><u>Work Paradigm Shift:</u> We need production and consumption relations that not only generate our goods but also allow for people to act on their capacities and feel valued for their contributions (human and social capital). We need to bundle public and private forces to investigate and duplicate most successful cooperation structures, including division of labour, incentives and working hours.</p>	<p>Research remuneration and bonus schemes in order to develop a <i>Fairness Charter</i> reinstalling entrepreneurial responsibilities for all managers in all corporate institutions and containing a limit on wage gaps.</p> <p>Research and investigate contextually diversified <i>Basic Income Schemes</i> granting every citizen a guaranteed payment of about 60% of the average income in a society, regardless of their actual occupation. Studies on several models in Germany have shown that this could be done cost neutral when abolishing some existing schemes whilst significantly decreasing bureaucratic expenditures and stigmatization of individuals without wage employment. It also levels the playing field between employers and employees in wage negotiations (also in Austria, Switzerland, Namibia pilot study).</p>
<p><u>Ownership Paradigm Shift:</u> We need to install public control and trusteeship of our global common goods through a variety of ownership models fostering equitably</p>	<p>Research the proposal to enact contextually diverse <i>Propertise the Commons Programmes</i> redeeming the ownership of inherited public goods like air, water,</p>

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sharing of resources, broad-based capacity building to manage them, creativity in using them, and responsibility and capacity to protect them.

oceans, forests, land and manage their use in permanent assessment of best available knowledge about their condition and development. Possibly reinvigorating the Trusteeship Council of the UN as responsible global institution coordinating local, regional and national management institutions.

Research and define new institutions based on the trust model to provide reliable frameworks for the use of investments for poverty eradication and green shifts (e.g. for the Millennium Development Goals), so that conservation and management of ecosystems provide income for the poorest living off them – e.g. *Ecosystem Services Trusts or Cooperatives* (possibly combined with micro-finance services – see proposal of Natural Savings by Bernard Lietaer) matching the scale of particular ecosystems and explicitly aiming at poverty eradication in the area through adequate payments for preservation and development of e.g. forests; soil procurement; fresh water management and harvesting, seas and oceans management (example: Costa Rica)