

*Opinion*

# Building a Shared Vision for a Green and Fair Economic Transformation

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Our traditional economic concepts and global financial architecture were developed around the end of WWII when infrastructure destroyed by the war needed to be rebuilt and when natural capital was still abundant. GDP growth was agreed to be a suitable proxy for improving social welfare and at the time, it was. It became the standard yardstick of progress and was measured in all UN countries. But things have changed. The way we are growing is now causing serious problems that are quickly becoming a threat to our survival. For example, the climate is changing faster than expected and we have already breached 6 out of 9 sustainable planetary boundaries, including biodiversity loss, climate disruption, freshwater and land systems change, biogeochemical flows, and novel entities [1]. In addition, people around the world are beginning to recognize that life is not getting better. Runaway inequality and political polarization are eroding social capital. Oxfam reports that eight individuals now own more wealth than the poorest 50% of the world's population<sup>1</sup>. These conditions have become normal in a global economic system that depletes natural and social capital, energy, and time in the name of GDP growth.

The facts about our predicament have all been known for decades. However, the solutions have also been known for decades. So why have we not made faster progress? What is holding us back?

This paper puts forward three key issues that must be addressed to transform our economies and societies<sup>2</sup>. The upcoming UN Summit for the Future<sup>3</sup> is a key event that will enable the transformations needed to create a sustainable well-being future.

1. **Sharing the burden fairly:** Those that have contributed the least to the planetary crisis are the ones that are hit the hardest by climate change and the degradation of our eco-systems. Sharp inequalities exist not only between countries but also within them. The Climate Inequality Report 2023<sup>4</sup> points out that the global top 1% of carbon emitters are responsible for more emissions than the bottom half of the world's population. At the same time, many well-intended initiatives to curb emissions are disproportionately affecting low-income households. Think about the yellow vest movement in France triggered by the introduction of a carbon tax. To solve the planetary crisis, social justice (within and between countries) needs to be at the heart of green policies, not just an add-on.
2. **Closing the finance gap:** Over the past decade, many green finance products have emerged, but the overall financial architecture is still the same as in the post-WWII period. The new frontier for transforming our economies lies in a more fundamental shift in how our financial system works. While change is difficult during geopolitical tensions and economic uncertainties, the Bridgetown Initiative, initiated by a small island developing state, Barbados, has shaken up the Bretton Woods Institutions.
3. **Creating a shared vision:** Finally, the fundamental reason for the slow progress is our ongoing lock-in or 'societal addiction' to the current "growth at all costs" development paradigm and its many subtle (and not so subtle) manifestations [2]. Our modern society is addicted to a vision of the world that has become both unsustainable and undesirable. But, as with individual addicts, simply pointing out the problems with the current system is not only

ineffective, it can also be downright counterproductive. That's why we need a shared vision of the sustainable well-being future we want.

## 1. Sharing the Burden Fairly

The distribution of resources and wealth in a complex socio-ecological system is crucial for improving social capital and the overall well-being of the system. Human societies are built on cooperation with non-genetically related individuals. The idea of sharing resources fairly is a part of human behaviour and a characteristic that has allowed the success of human culture and civilizations for millennia.

For instance, there is a substantial amount of research using versions of what is called "the ultimatum game" to study fairness. In this game, one player, the proposer, has a sum of money they must split with a second player, the responder [3]. If the responder accepts the proposer's split, they both get their share. If the responder declines the proposed split, neither gets anything. For example, if the sum were \$100 and the proposer offered \$1 to the responder and if the responder accepted this split, then the proposer would get \$99 and the responder would get \$1. According to the "rational consumer" model of human behaviour, this is an optimal solution. Why would the responder not accept \$1, which is better than \$0? But in real experiments across a broad range of cultures, responders rarely accept this "unfair" split [4]. They usually only accept a "fair" split, closer to 50:50, and not often outside a 60:40 split. This indicates that humans value fairness in resource allocation and not just quantity.

These results reflect that humans are not isolated, individual utility maximizers, as the "rational consumer" model suggests, but are embedded in cultures that rely on cooperation, trust, and social capital to survive and thrive. Fairness is required to build trust and social capital, and social capital is required to achieve sustainable well-being.

In the post-WWII period from 1945 to the late 1970's, income inequality was decreasing in most "developed" economies. This was accomplished via well-known "welfare state" policies, including progressive taxation, a social safety net, and a focus on the well-being of the whole population. However, since 1980, income inequality has been rising in economies, fairness and social capital have suffered and one side-effect is the increasing political polarization in many countries. Notably, inequality is no longer primarily a reality across regions, say the rich Global North on the one hand and the poor Global South on the other, but increasingly a phenomenon within regions. The same is true for the climate crisis. For example, the richest 10% in East Asia emit eight times as many GHG emissions per capita than the bottom 50% in Europe (40t compared to 5t) [5]. Taxing the richest segments in society, no matter where they live, is not only fair on equity grounds, it is also more efficient given that the largest emission reductions can be achieved among them, unlike people at the bottom who hardly have the means to spend beyond their basic needs.

In this context, the notion of fairness is a key component in the failure or success of policy initiatives intending to accelerate action on climate change. Take fossil fuel subsidy reforms as an example. Between 2005 and 2018, 41 countries had at least one riot directly associated with removing fossil fuel subsidies [6].

Economic theory clearly highlights the inefficiencies and environmental damage caused by these subsidies, but in practice, policymakers have gained valuable insights on how to manage them. Experience suggests that a prior, open dialogue in society about the long-term benefits, a gradual approach and compensation schemes for the most vulnerable are major success factors.

Any successful transformation to a sustainable well-being future must be one where fairness is a central component [7]. The imbalances in our economies and the impacts of necessary reforms on different groups underscore the importance, and indeed opportunity, of a just transition. If done well, the transition will usher in precious public goods, such as better governments, a more sustainably managed natural environment and more evenly distributed wealth across society.

## 2. Closing the Finance Gap

The global financial system and institutions, including the World Bank (WB), International Monetary Fund (IMF), and, later on, World Trade Organization (WTO), are the products of the agreements hammered out at the Bretton Woods conference in 1944. Combined with neoliberal reforms, this system has burdened the Global South with enormous debts based on the assumption that GDP growth would enable them to repay the loans with interest. But in our new world, where material growth must end and the development paradigm must change, those debts must be reevaluated and reconsidered.

The UN Secretary-General is calling for major reforms to the international financial architecture, including measures to tackle the rising risks of debt distress and fundamental changes to the governance structure and business models of multilateral development banks.

Internationally, the climate is a mover and shaker. The Bridgetown Initiative [8] and the establishment of the Loss and Damage Fund are two steps in the right direction. In the meantime, some countries and institutions are leading the way. Rwanda recently adopted an innovative investment policy that provides regulatory clarity and attracts green investment in high-impact sectors, such as renewable energy, climate-resilient agriculture and infrastructure. Similarly, Thailand's government pension fund is taking on a more intentional role in managing its US\$30 billion portfolio by incorporating Environmental, Social and Governance (ESG) criteria in its decision-making and asset valuation. The fund sees itself as an active player in the country's green transition and regularly brings together different stakeholders to improve policy frameworks for green investment.

Another approach may be building on the idea of “debt-for-nature swaps”. These involve restructuring sovereign debt in exchange for debtors' investment in nature conservation. They have been used successfully in several cases. An example of a bilateral swap occurred when the U.S. Government forgave a portion of Jamaica's official debt obligations and allowed the payments on the balance to go into national funds that finance environmental conservation. According to UNDP<sup>5</sup>: “More than 50 of the poorest developing countries are in danger of defaulting on their debt and becoming effectively bankrupt, including 28 of the world's top 50 most climate-vulnerable countries. While they represent just 3% of the global economy, they account for over half of people living in extreme poverty. Debt swaps for climate or nature are not new. Still, a new wave of substantially larger deals might be part of the solution to debt distress and a way of directing additional resources to climate and conservation”.

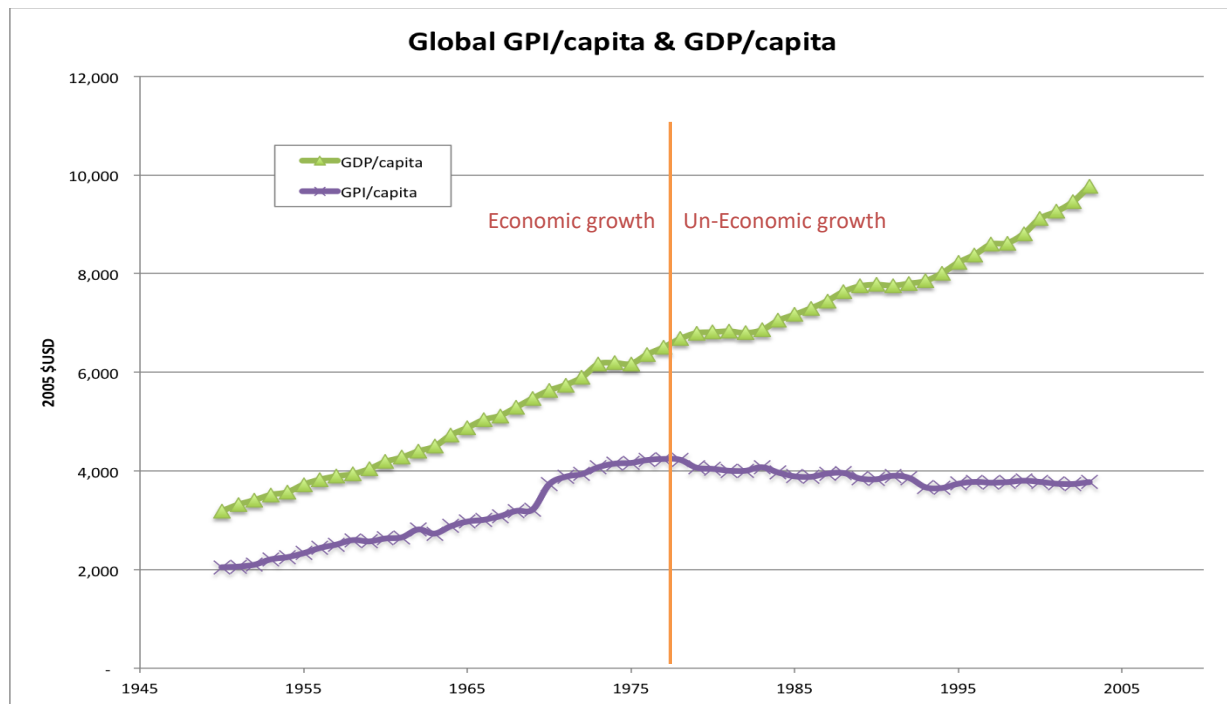
In addition, debt-for-nature swaps might be expanded to include not just climate and nature (SDGs 13,14 and 15) but *all* of the SDGs. These “debt-for-SDG swaps” could thus directly affect poverty (SDG1), hunger (SDG2), health (SDG3), education (SDG4), affordable and clean energy (SDG7), inequality (SDG10), etc. Debt relief could thus be directly tied to the new development paradigm of sustainable well-being for all.

### 3. Start by Changing How We Think about the Economy and Our Shared Notion of Progress

Why have we not been making faster progress? We are addicted to the current system for the same reasons that drug addicts are addicted. The short-term benefits to the special interests in control are huge, the long-term costs are far off and uncertain, and the effort required to change is large and potentially very disruptive [2].

We can and must change. But it is going to take more than simply pointing out the problems. It is going to take *therapy* at the scale of the whole society. Think of the challenge we face in building a future of inclusive and sustainable well-being as a design problem. Before construction starts on a major building, a clear blueprint is needed. If workers begin assembling pieces without a clear vision of the goal, the result is likely to be disorganized and inefficient, with a high risk of failure. On a larger scale, planning and visioning exercises are proven and effective precursors for building sustainable businesses, communities, and cities. Likewise, creating a *shared* vision of the kind of world we all want is an essential first step in motivating and coordinating the policies and practices to get there. This is also a lesson that can be learned from therapies that have been successful in overcoming individual addictions. For example, ‘motivational interviewing’ begins by engaging addicts in discussing their positive life goals. Once those are established, they can motivate the difficult changes necessary to overcome the addiction [9]. Likewise, at the societal scale, we need to establish broadly shared goals to motivate change.

This shared vision of the world is evolving. Consider the UN Sustainable Development Goals (SDGs). The SDGs represent a unique milestone in human history when all countries agreed on a broad set of goals representing a vision of inclusive and sustainable well-being. Other initiatives to better measure societal well-being, inform policy and build a shared vision are also growing fast. There are now hundreds of societal well-being indicators in use, including those of the UN, the World Bank, the OECD, NGOs, countries, academics and others [10]. Examples include annual surveys of Life Satisfaction, the OECD Better Life Index and the Genuine Progress Indicator (GPI)<sup>6</sup> (see Figure 1).



**Figure 1.** Global GDP/capita vs GPI/capita [11]. Prior to 1978, GDP growth was also producing genuine progress (GPI). After that, increasing inequality and environmental costs caused GPI to stagnate and decline leading to “un-economic growth”. The difference between the two is one measure of addiction to growth.

Similarly, some countries are starting to use more comprehensive sets of indicators to measure progress. For example, in 2022, Indonesia launched its Green Economy Index (GEI)<sup>7</sup> to help evaluate and guide national development planning comprehensively and objectively. The Index calculates a composite score based on 15 indicators covering interlinkages between the economic, social and environmental pillars.

The UN Secretary-General Antonio Guterres advocates for developing a new global framework to “value what counts”. These are beginning to provide the basis for a broad consensus on what needs to be included to form a more complete and useful picture of societal well-being that can replace GDP as the end goal.

However, the vested interests maintaining the current system, including the fossil fuel sector, big pharma, defence, industrial agriculture and the super-rich, will continue to fight to prevent the transformative changes needed. Removing perverse subsidies to these interests and overcoming their continuing lobbying and misinformation will require a broad consensus and pressures from the growing ‘movements of movements’ around the shared goal of inclusive and sustainable well-being for humans and the rest of nature. The cohort with the greatest potential within these movements is young people. India has already recognized their potential, so the country launched the National Youth Sustainability Vote, or simply the Vote. The objective is to reach up to a million persons between 15–29 and measure the pulse of the youth by identifying their proclivity in adopting new values, attitudes and lifestyles based on a set of 16 simple questions. The act of “voting” is intended to encourage a critical reflection of available choices, as citizens and consumers, that can lead to very different futures.

#### 4. How to Get There

The UN, the Wellbeing Economy Alliance (WEAll) and other organizations have begun to build the critical mass necessary to overcome our societal addiction to GDP growth and the mindsets and institutions that sustain it [12]. The Partnership for Action on Green Economy (PAGE) is a key player in building new alliances and developing and communicating the shared vision and policies in a demand-driven and region-specific way. As UN Resident Coordinator in Indonesia Gita Sabharwal notes, “there is no one-size-fits-all. PAGE needs to be flexible by tailoring its approach to specific country contexts”. In this context, in 2023, the Partnership launched the New Frontiers for a Fair and Green Economic Transformation, a space to inform big-picture discussions on system change and policy, engaging a wide range of stakeholders from the UN, government, private sector, academia and civil society. The upcoming UN Summit for the Future is a key event to further this agenda<sup>3</sup>.

The initiatives described in this article are vital drivers in changing societal norms and goals and thus need to be replicated at various scales—from large to small. A sustainable well-being/SDG world can improve the lives of everyone,

as well as protect the biodiversity and ecosystem services on which we all depend. Let us continue to build together the shared vision of the world we all want and change the system, starting with how we think about it.

### Footnotes

1. <https://policy-practice.oxfam.org/resources/an-economy-for-the-99-its-time-to-build-a-human-economy-that-benefits-everyone-620170/>
2. The paper builds on a series of global and regional dialogues organized by the Partnership for Action on Green Economy (PAGE) in 2023.
3. <https://www.un.org/en/summit-of-the-future>
4. <https://wid.world/wp-content/uploads/2023/01/CBV2023-ClimateInequalityReport-3.pdf>
5. <https://www.undp.org/future-development/signals-spotlight/new-wave-debt-swaps-climate-or-nature>
6. In a similar vein, the Human Development Index (HDI), first published in 1990 and a major reference ever since for measuring and comparing human wellbeing across countries, has seen efforts to green its framework by looking more rigorously at equity, gender and environmental criteria in its analysis. This resulted in the construction of complementary composite indices such as the Inequality-Adjusted Human Development Index (IHDI).
7. <https://un-pageindonesia.org/en/news/read/indonesia-green-economy-index-launched-at-g20-side-event-in-bali-august-2022>. The GEI builds on pre-existing global practices and studies, such as UNEP's version of GEI from 2012 and the Green Economy Progress Measurement Framework launched by the Partnership for Action on Green Economy (PAGE) in 2017.

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12. Costanza R. To build a better world, stop chasing economic growth. *Nature* **2023**, *624*, 519–521.