United Nations

Setting a Path Towards
New Economics for Sustainable Development

An Overview

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UNEN Meeting 22/05/2023

Source: Authors' compilation

Acknowledgents and disclaimer

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SETTING A PATH TOWARDS
NEW ECONOMICS FOR SUSTAINABLE DEVELOPMENT- AN OVERVIEW

INTRODUCTION

Decades of unprecedented economic growth have not prevented the cascading and interlinked crisis of climate change, degrading ecosystems and biodiversity, devastating war and violence, aggravating poverty, hunger, and inequalities, increasing costs of living and debt distress, and the continued pandemic, social insecurity and unrest. Instead, we are seeing an increasing disconnect between economic growth and wellbeing. At the halfway point in the implementation of the 2030 Agenda for Sustainable Development, adopted in 2015, it is clear we need radical changes in the way our economies operate.

The New Economics for Sustainable Development (NESD) seeks to address the lack of inclusivity as our economies are leaving too many behind, while waging a war on the planet. The target audience for the series of policy briefs on NESD are decisionmakers, strategists and key actors in the global and national policy space that can steer socio-economic policies towards a world of better holistic accounting of externalities, both positive and negative, in our interconnected system. It is also directed at UN country economists providing them with not "one economic solution fit for all" but rather, a toolbox to advance the three dimensions of the SDGs, while responding to the current priorities and human and environmental capital endowment of the country they serve in.

The policy debates to shape new economics will depend on broader measures of progress in economic life, such as the "Beyond GDP" process called for by the UN Secretary-General to feed into follow-up processes to the 2030 Agenda[1] for Sustainable Development and Our Common Agenda including the Summit of the Future and the 2025 update of the System of National Accounts. But to avoid trade-offs and capture synergies among the three dimensions of sustainable development we require a paradigm shift in our economic paradigm and policies.

The paradigms of NESD are "evolving" ways of thinking about types of economic activities from the perspective of not only their strictly economic dimension but also from their social and environmental dimensions. These paradigms acknowledge the interdependence of the three sustainable development dimensions and the transformative potential that results from combining the three. In Figure 1, the paradigms or concepts considered are as follows:

The effort to integrate the NESD paradigms into mainstream economic policy would depart from "business as usual" as it deliberately seeks to identify and maximize co-benefits across different policy areas. It is mission- and integration-driven, starting not just with one but with several ends in mind from across interdependent policy areas. It provides conceptual, analytical and policy foundations to achieve the 17 Sustainable Development Goals, including its 169 Targets as well as key aspects of sustainable development that might not have been fully captured in the SDGs.

NESD explicitly tackles some of the externalities often sidelined by mainstream policy, as well as many of the blind spots as part of their design, to address growing local and global challenges. These include the multiple and concurrent environmental and ecological crises (climate change, biodiversity decline, land degradation, water contamination, etc.) amid continued population growth; the rise of extreme inequality and the persistence of poverty; and the vulnerability of people and their livelihoods.

Rather than "zooming out" to the macro level to make general assertions about the state of development in a given economy, or statistically "averaging out" disparate social realities, the NESD puts the spotlight on all the levels of analysis required to understand the ability of economic

Figure 1: NESD Concepts

Source: Authors' compilation

- The authors would like to acknowledge former ASG Elliott Harris for starting the UN Economists Network as a space for participation amongst UN economists in innovative ways of economic thinking.

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An increasingly broad diagnostic…

"Does economic policy need a new paradigm?"

Dani Rodrik, Hardvard Professor, April 2023

Mainstream

"Economics has become what theology was in Medieval Europe: the language of rulers. If you don't speak economics you cannot participate in any debate"

Ha-Joon Chang, Cambridge Professor, 2020

Heterodox

Authors

"There is a need to expand the conceptual, analytical and policy frontiers of mainstream economics"

NESD Policy Brief, March 2021

There is an increasing disconnect between economic growth and well-being felt around the world

- Decades of unprecedented global growth up to the Covid-19 pandemic, yet:
- The prevailing growth pattern has changed the climate, reduced biodiversity and degraded ecosystems with disproportionally negative effects on the most vulnerable countries which are also developing countries.
- Increasing cost of living around the world.
- Increasing extreme inequality in most countries.
- Increasing livelihood vulnerability, social insecurity and unrest.
- Poverty reduction was not resilient as formerly declining trend has been reversed by recent shocks.
- In many countries growth patterns are not sufficiently inclusive, leaving large sections of the population behind.

The NESD locks prosperity, people and planet dimensions into a systemic approach that simultaneously maximizes integrated policy goals

- Science has clearly evolved to show how economic activities occurs within interdependent systems.
- The New Economics for Sustainable Development (NESD) seeks to address the shortcomings of prevailing growth patterns, putting people and planet at the center of policymaking to redress damage to society and the planet.
- NESD is conceptualized as a toolbox of evolving economic paradigms to advance **simultaneously** the 3 interlocking dimensions of sustainable development: prosperity, people and planet.
- To capture synergies amongst the 3 dimensions there is an urgent need to “shift” towards socially and ecologically inclusive economic paradigms, collectively referred to as “the New Economics for Sustainable Development”.

The NESD is a deliberate departure from the dominant “business as usual” in economic policy

- It is mission-drive and integration-driven.
- Starts with several ends in mind from across different policy areas.
- Seeks to identify externalities (negative and positive), mainstream blind spots, spillovers and interdependencies.
- Once identified it seeks to maximize co-benefits across ”linked” policy areas.
- Avoids excessive “zooming out” to the macro level to “sum up” economic performance and statistical “averaging out” of disparate social realities faces by individuals and families.
- NESD puts the spotlight on all levels of analysis required (macro, **meso** and micro) to understand the ability of economic agents to conduct economic activities (formal or informal, captured by GDO or not).

The NESD concepts underscore different productive paradigms

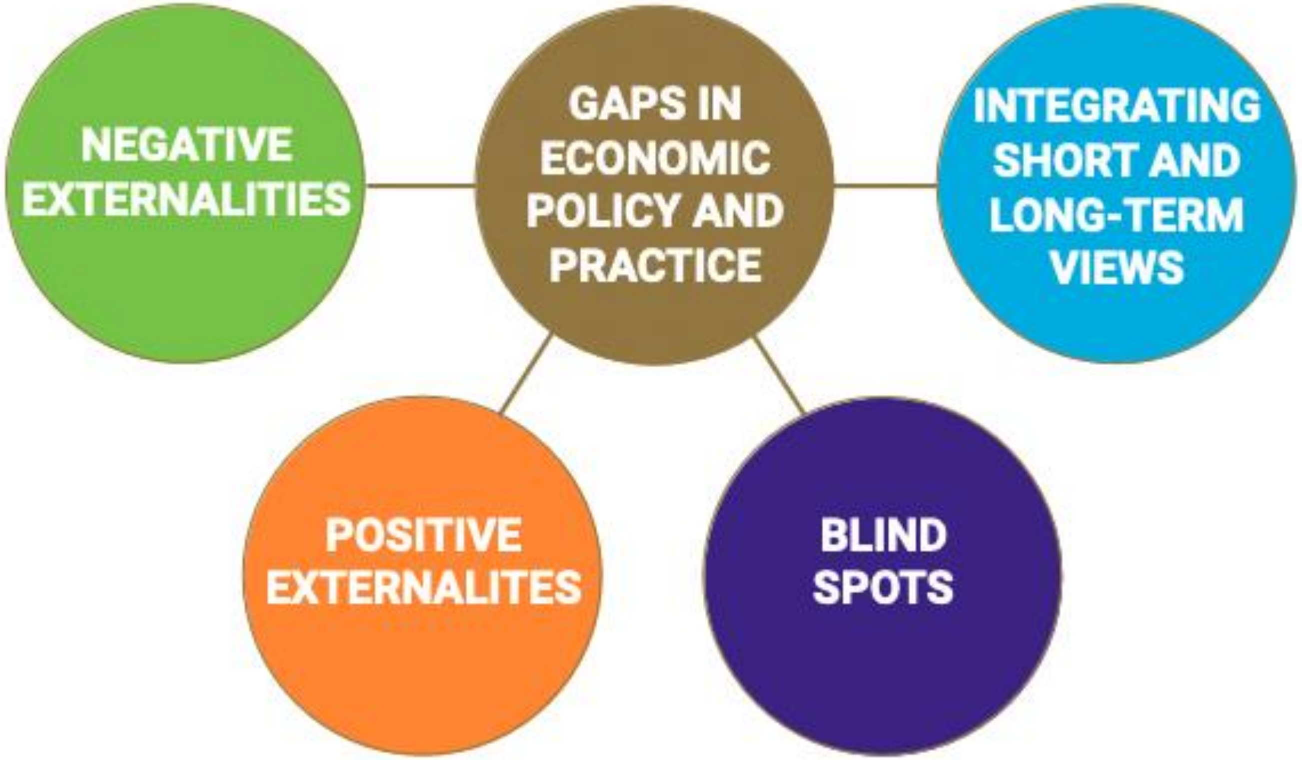
Source: Authors' compilation

- NESD concepts go beyond maximizing short-term GDP growth, providing a blueprint to maximize sustainable growth including broader measures of sustainable development.
- For example, the UN Economic-Environmental Accounting Framework, which includes valuation of natural capital.
- There is no "one size fits all" solution as sustainable development is intrinsically contextual.

Mainstream economic policy and practice lack solid handles on key aspects of modern economic life

- Anthropocene and triple ecological crisis: the impact of prevailing linear production models on the planet (atmosphere, land, waters, biodiversity) vs alternative models.
- The prevailing practice of "polluter does not pay" vs. notions of intertwined economic, social and environmental resilience in the face increasing shocks and volatility (fossil fuels remain subsidized despite the damage they cause.)
- Engendered roles in inter-generational family/intrahousehold. In money countries women are excluded from formal economic life).
- The effects of the increasing financialization of the economy and systemic risks posed by capital markets (e.g. the Great Recission caused by US sub-prime bubble).
- The expanding youth bulge in many developing countries, among many others and inadequate opportunities for their economic inclusion.
- The increasing precarization of employment and the growth in "working poor".

Gaps in mainstream economic policy and practice



Source: Authors' compilation

Behind seemingly small conceptual gaps massive socio-eco-economic realities lurk

- **Negative externalities –** Examples: triple ecological crisis, rising of extreme inequality, polarization and social exclusion, etc. Treated as a secondary/minor concept by the mainstream. NESD concepts: circular, green and blue economy.

- **Positive externalities/spill overs –** Examples: promoting public goods and services, innovation, industrial symbiosis, hub/agglomeration effects, asset sharing and pooling, low crime. Treated by the mainstream as an exception to the rule rather than a policy objective on its own right. NESD concepts: frugal economy, creative economy, circular economy, social and solidarity/red economy, care/purple economy.

Together, these emerging realities are shaping the future of mankind and even the planet

- **Blind spots -** Examples: value of attention time in digital platforms, mistaking accounting measures like GDP for behavioural drivers of economic activity (i.e. productive capacities), income view of the economy (mainstream) vs. asset view (natural capital, ecosystem services?). NESD concepts: attention/yellow economy, circular, green and blue economy, care/purple economy.

- **Integrating short and long-term views-** Examples: treatment of the long term in macroeconomics and finance (project finance, debt-sustainability analysis, etc), depletion of natural assets and biodiversity, future opportunities and well-being of future generations is scarified at the altar of the short-term (is the cure for cancer in the ocean?) (suboptimality of short-termism and “emergency mentality”), population may reach 10 Billion by 2050, underestimating the development of countries where migrants originate). NESD concepts: circular economy, social and solidarity/red economy, care/purple economy.

The NESD also advocates for increased policy focus on measuring and managing economic and natural assets beyond income flows

...achieving the SDGs requires an integrated approach to take advantage of the interlinkages among all the SDGs and enhance policy effectiveness. Indeed, the COVID-19 experience has revealed that strengthening the health-care system (SDG 3) alone cannot ensure a country's sustainable recovery...

... the next step is to shape multilateral, regional and especially national policymaking to better measure and manage the stocks and flows of capital across our natural and economic systems, towards a more balanced state ...

Interlinkages among NESD concepts (1/3)

NESD Concepts	Blue Economy	Green Economy	Circular Economy	Social & Solidarity Economy	Purple/Care Economy	Yellow/ Attention Economy	Orange/Creative Economy	Frugal/Innovation Economy
Blue Economy	1	Reduction of oceans waste, including plastics.	Support to sustainable use of resources including fisheries and ocean biodiversity.	Improve livelihoods and employment of coastal communities.	Improve the livelihoods and employment of vulnerable population groups.		Support of coastal MSMEs and SSE entities.	Support to innovation in efficient use of resources.
Green Economy	Use of clean energy; green principles applied to the oceans.	1	Support to efficient use natural resources.	Localizing the SDGs, support vulnerable groups such as Indigenous communities and firms protecting the environment.	Support decent work in green activities of vulnerable population groups.	Support the use of technology for protecting the environment and benefitting the social commons.	Support of MSMEs and social entrepreneurs in valorizing cultural and natural endowment and creativity for greening the economy.	Support innovation in renewable energy technologies to provide affordable energy for all.
Circular Economy	Efficiency in the use of resources.	Support to recycling and reduction of waste.	1	Support to communities practicing circular agriculture and entrepreneur practicing recycling (e.g. e-waste recyclers).	Recycling activities can support employment in MSMEs.	Support to reduction of information waste.	Supports growth of MSM cultural organizations.	Support to low resource, high quality solutions including for last-mile gaps and those usually left behind.

Interlinkages among NESD concepts (2/3)

NESD Concepts	Blue Economy	Green Economy	Circular Economy	Social & Solidarity Economy	Purple/Care Economy	Yellow/ Attention Economy	Orange/Creative Economy	Frugal/Innovation Economy
Social & Solidarity Economy	Support MSMEs and SSE entities of coastal communities.	Incentive to protect, restore, and sustainably use the local resources to improve and maintain communities' livelihoods.	Support MSMEs and SSE entities reducing waste and using efficiently natural resources.	1	Women-owned SSE entities provide affordable care services.	Support the use of social media to promote the sharing economy and business opportunities in the NESD.	Supports MSMEs and SSE entities and cultural organizations run by disadvantage communities, including Indigenous communities.	SSE entities deploy frugal innovation to provide affordable services to most disadvantaged.
Purple/ Care Economy	Support livelihoods, and health of vulnerable populations and oceans.	Support of human and environment's health.	Values family and civil society's work in recycling and repair activities.	Care services being provided by cooperative and financed by mutuals.	1	Supports the use of social media to underscore the value of unpaid work by women and other vulnerable population groups; connect women entrepreneurs to clients, suppliers and financiers.	Create business opportunities for women entrepreneurs.	Women-led innovation that provide services to most disadvantaged.

Interlinkages among NESD concepts (3/3)

NESD Concepts	Blue Economy	Green Economy	Circular Economy	Social & Solidarity Economy	Purple/Care Economy	Yellow/ Attention Economy	Orange/Creative Economy	Frugal/Innovation Economy
Yellow/ Attention Economy	Supports the use of social media and platforms for encouraging a sustainable use of marine resources and the reduction of waste and pollution.	Supports the use of social media and platforms for the protection, restoration, and conservation of natural resources.	Supports the use of social media and platforms to reduce 'information waste' and promote efficient use of natural resources.	Support the use of social media and platforms to promote SSE entities.	Supports the use of social media and platforms to raising concern on unpaid work and improve its value measurement.	1	Streaming and other platforms are a source of market access for creators across the world that can accelerate the growth of a creative economy and opportunities for developing countries.	Pool tool, assets and ideas through platforms and social media to foster innovation in more efficient use of resources and delivery of affordable services.
Orange/ Creative Economy	To support creative, cultural, and artistic expressions that can persuade a sustainable use of marine resources.	To support creative, cultural, and artistic expressions that dissuade a culture of overconsumption and waste production.	To support a culture of less waste and artistic representations (in music, theater, sculpture) of recycling and repair activities.	To support creative and artistic activities to improve the livelihoods of disadvantaged people including Indigenous peoples.	Values music, art, and other cultural expressions for enhancing individual and communities' health and women's empowerment.	Support cultural and artistic activities taking place and communicated through social media and platforms.	1	
Frugal/ Innovation Economy	Support innovation for improving protection, restoration, efficiency, and conservation of marine resources, including the elimination of pollution.	Support innovation in renewable energy technologies that substantially reduce carbon emissions and the cost of using them vis-a-vis fossil-fuels.	Support industrial innovation for recycling, repair, and waste reduction without compromising the environment.	Support innovation and scale-up of MSMEs and SSE entities.	Support innovation that adds value to the provision of care services.	Support development of innovative products and services in workshops taking place and disseminated through social media and platforms.	Digital natives in the orange economy can help change consumption behaviors towards frugal innovations.	1

Policy Recommendations (1/3)

NESD CONCEPT	NATIONAL POLICY RECOMMENDATIONS	REGIONAL AND INTERNATIONAL POLICY RECOMMENDATIONS
Blue Economy	• Accurately value the contribution of natural oceanic capital to national accounts and welfare. • Catalyze new financial investments and targeting financial instruments can help leverage investment that can feed directly into national budgets. • Integrate new coastal and marine spatial planning into national and local planning.	• Ensure policy coherence for ocean-based economic production and consumption. • Implement effectively and enforce the UN Convention on the Law of the Sea. • Improve the integration of ocean assets in international and regional strategies.
Green Economy	• Policy strategies towards the full removal of fossil fuel subsidies, while minimizing impacts on the poorest and most vulnerable through social protection programs. • Investment strategies for the creation of green jobs, green human capital, and to de-risk viable green technology startups, while benefiting vulnerable areas and groups.	• Global guidance on the reform of price systems through fiscal policies that can ensure the value of goods and services when social, environmental, and economic externalities are internalized.
Circular Economy	• Public investment strategies can provide the overall public governance framework to steer the economy towards circularity, with clear targets and finance for a whole of government and whole of society transformation. • Market-based instruments rooted in fiscal policies such as taxes or subsidies can guide the behavior of firms, consumers, and the public sector, while generating revenue for direct action by governments. • The Extended Producer Responsibility (EPR) is a key regulatory and legal tool that countries can adopt to ensure manufacturers finance recycling costs or the safe disposal of products in the end-of-life stage.	• International agreements on standards set quality benchmarks for production, exports, and circular value chains globally. Multilateral agreements must be made on common definitions for non-hazardous waste or secondary raw materials to facilitate trade and environmentally sound waste management. The Trade and Environmental Sustainability Structured Discussions (TESSD), which now counts 71 WTO members as co-sponsors can contribute to this policy advance. • A global metric is required to comparatively assess country by country progress towards a circular economy and this can be achieved through greater multilateral cooperation and agreement.

Policy Recommendations (2/3)

NESD CONCEPT	NATIONAL POLICY RECOMMENDATIONS	REGIONAL AND INTERNATIONAL POLICY RECOMMENDATIONS
Orange/ Creative Economy	• Create or improve an institution for the development the strategies required. • Development of sustainable infrastructure.	• International debates about the future of the orange economy and global policy agreements.
Yellow/ Attention Economy	• Measure and quantify the impact of the attention economy at national scale with macro indicators and data. • Support to private sector firms with the substitution effect generated by yellow economy and other impacts of scarcity of attention from consumers.	• Shared norms and conventions on data protection and privacy standards for private sector and users. • Guiding policies and agreements on children's online engagement and protection. • Shared data and recommended indicators to measure the socio-economic impact of the attention economy at across countries.
Purple/Care Economy	• Invest towards formalizing job opportunities around the care economy, including benefits and protections for the sector linked to a decent jobs framework. • Quantify the impact of the care economy and its economic potential, especially through formalization.	• Develop and implement regional care economy strategy building on the LAC experience. • Research to document the multiplier effects of investing in the care economy. • Promotion of rights-based approaches at the global level to advance implementations of existing agreements around decent work, human rights, and gender equality.

Policy Recommendations (2/3)

NESD CONCEPT	NATIONAL POLICY RECOMMENDATIONS	REGIONAL AND INTERNATIONAL POLICY RECOMMENDATIONS
Social & Solidarity Economy	• Promote and implement policies and measures for supporting and enhancing the SSE, as people and planet centered economy by developing a specific legal framework for the SSE, making visible the contribution of the SSE in the compilation of national statistics, fiscal and procurement incentives and including SSE in education curricula.	• UN resolution on social and solidarity economy is being supported by the UN Inter-Agency Task Force on Social and Solidarity Economy. • Identify, formulate, implement and assess coherent policy measures for developing the SSE as a tool for achieving the Sustainable Development Goals. • Encourage international financial institutions, including multilateral and regional development banks to support the SSE, including through adapted financial instruments and mechanisms.
Frugal Economy	• Policies that help to create and guide more economic, social, and ecological value simultaneously optimizing the use of all available resources. • Develop guides and capacity to reorient firms and economic sectors • Fiscal incentives to use fewer resources in an efficient way.	• Multilateral agreements in trade and regional economic bodies that help to create and guide more economic, social, and ecological value simultaneously optimizing the use of all available resources. • Global guidance on fiscal policies to incentivize a frugal economy.

Thank you for your attention!