

## **Equity and Decoupling: Proposal for a Club of Rome Manifesto**

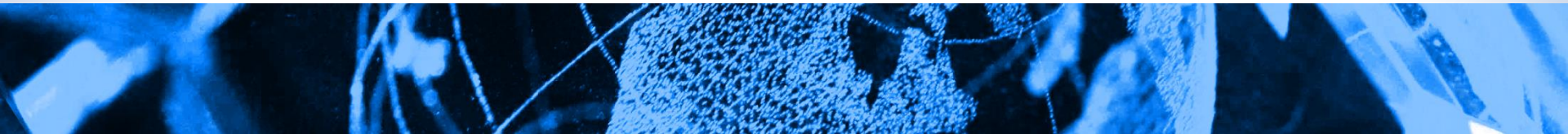
# **The Club of Rome**

## **A message of hope in difficult times**

A personal summary of discussions at the Club of Rome's Hanover meeting, 27-29 August 2014 on "Decoupling Human Wellbeing from Resource Consumption", sponsored by the Volkswagen Foundation. This update includes feedback by a number of workshop participants. A corresponding background model is enclosed as an appendix.

(As a proposal / manifesto to be further developed by the Club and its presidents.  
It could then be discussed at the Club of Rome Annual Meeting 2014 in Mexico City.)

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# A message of hope in difficult times ...

- ✓ ... while we live in a world with great security deficits
- ✓ ... while poverty and hunger are a daily experience for hundreds of millions of people
- ✓ ... while income differences between developed and developing countries remain unacceptably high
- ✓ ... while hundreds of millions of decent jobs are missing around the world and we witness forms of “economic slavery”
- ✓ ... while technology-induced unemployment for millions of well educated people holding well paid jobs of analytical character might be ahead
- ✓ ... while the income share of the 50% of people, forming the lower income segment, in most developed countries is decreasing since 20 years
- ✓ ... while the income distribution and particularly the wealth distribution is moving gradually towards a neo-feudal pattern, characteristic for a „Divided Society“, replacing the much more balanced post-World War II state

# A message of hope in difficult times ...

- ✓ ... while total transparency of individuals via permanent IT control might become a reality
- ✓ ... while the working of democracies in the interest of the majority of citizens is not longer self-evident, due to an “emptying” of the democratic agenda as a consequence of globalization mechanisms
- ✓ ... while the global digitalization process threatens the cultural basis of our societies
- ✓ ... while the world ecological footprint has reached 1.5
- ✓ ... while resource scarcity is increasing
- ✓ ... while the amount of worldwide annual CO<sub>2</sub> emissions is still increasing if much too high and still increasing
- ✓ ...

# The Club of Rome message is ...

- ✓ A socially balanced world in peace with the environment

and

- ✓ A rich world for all, well-being for all humans, full respect for human rights around the globe

and

- ✓ A working democratic order and a corresponding governance in the interest of the great majority of people

**are all still possible**, but require bold action

The core for a balanced world is a **green and inclusive market economy**.

(A global market system with adequate social and ecological regulation and a corresponding incentive structure, based on a working social and **participative democracy**.)

# Two (ugly) alternative outcomes

Will we achieve balance? It is possible, but more probable are two other outcomes:

Humankind will 'most probable' end up either

✓ in a **global neo-feudal structure**, i. e. a global 2-class structure / a global 'divided society', "emptying" democracy and putting the great majority of citizens under a strict technological transparency control regime

or

✓ in an **ecological collapse**, possibly involving hundreds of millions of people dying in chaotic processes

# Elements of a bold programme (I)

- ✓ The combination of a market economy and an adequate ecological and social regulation: a **green and inclusive market economy** / capitalism
- ✓ This needs as a basis an understanding or world view that justifies the positions taken and places them in context. In doing so, we have to be aware that we deal with an open complex system evolving in time with path dependence and many possible equilibria, all governed by feedback.
- ✓ The new approach must go along with a new orientation of thinking, more emphasis on „education for sustainability“ and social resilience.
- ✓ In „discovering“ a new way, new paradigms of thinking must receive a much greater share of attention than today in comparison with status quo-based orthodox thinking.
- ✓ All this requires the built-up of more and new knowledge concerning the political and cultural conditions for the possibility of a massive system transformation.
- ✓ In the field of politics, the implementation of an ecological and social constraint system, limiting the negative aspects of otherwise positive economic activities, is urgently required.

# Elements of a bold programme (II)

- ✓ In doing so, we have to understand much better to what degree capitalism, free markets and entrepreneurship and even more speculative capitalism differ from each other.
- ✓ The constraints have to be orientated towards sustainability parameters.
- ✓ In formulating such constraints the positive and negative aspects of **rapid global organization** have to be taken into account, accordingly.
- ✓ Examples for such constraints are a global cap on CO<sub>2</sub> emissions and a global minimal income / daily allowance to guarantee basic human rights and eliminate hunger.
- ✓ Of crucial importance is political responsibility for a balance of the income distribution. Income distributions have to stay within the so-called “efficient inequality range”.
- ✓ In this context, growth rates for the remuneration of work and the remuneration on capital have to be kept in balance.

# Elements of a bold programme (III)

- ✓ This should include active politics that lead to a share of the 50% lowest income groups of e.g. at least 20% of total income, either via jobs, or entitlements, or transfers
- ✓ In the years to come, politics has, if needed, to counter technologically induced losses of hundreds of millions decent intellectual jobs by alternative entitlements or transfers
- ✓ Explicit political action is needed to avoid a return of the wealth distribution from present OECD patterns to pre-World War II patterns (avoiding neo-feudalization). Here there is a close connection to Piketty's work on "CAPITAL in the Twenty-First Century".
- ✓ Fostering economic growth worldwide under the following constraint: The relative growth rate must be highest, where today the incomes are lowest (growth for more equity and a balanced income distribution, e.g. inclusive growth – on a national level but even more internationally)



# Elements of a bold programme (IV)

- ✓ De-financialization of the global economy in favour of more emphasis on the 'real-economy'.
- ✓ A much more strict regulation of the global financial sector
- ✓ Control of the shadow banking system, mushrooming since 2008
- ✓ Consequently drying out of all tax havens, in particular implementation of automatic information exchange on tax relevant data between countries as discussed presently on the OECD level
- ✓ Implementation of the OECD/G20 proposal against aggressive tax planning by multinational companies, leading to a fair taxation of all, in particular, global economic activity

# Elements of a bold programme (V)

- ✓ Full transparency of ownership including responsibility of ownership for the general well-being
- ✓ National cadasters on property. Registration of property could be required for legal protection of property. This might involve annual registration fees, taking into account the size of the property. (This refers to work of Piketty, Solte and Zucman.)
- ✓ Accelerating the catch-up process of the developing world by
  - ✓ a Global Marshall Plan
  - ✓ considerably higher overseas aid
  - ✓ a green climate fund of at least 100 billion US\$ a year, as already agreed upon in principle as part of the ongoing climate negotiations
- ✓ Modifying the rules of WTO to favour countries in development under a fair development agenda
- ✓ Avoiding insufficiently regulated free trade agreements, as might be the case with TTIP and CETA

# Elements of a bold programme (VI)

- ✓ Massive input into innovations for a green technology revolution and green growth
- ✓ **Total decoupling**: Aiming at a technology-induced increase of eco-efficiency that at least compensates for increases in economic growth, i. e. economic growth should not lead to increased resource use and be compatible with solving the climate issue.
- ✓ Important: Annual increase in resource taxation, increases in taxation of income from capital coupled with reduced taxation on decent work, to increase pressure towards **decoupling of resource use from economic growth**, while simultaneously improving social balance.
- ✓ A better overall parameter of annual economic activity, better reflecting real-life effects (e.g. modification of today's GDP, though there will be a high correlation with GDP)
- ✓ A reasonable climate contract based on the **Copenhagen Accord**, that involved the USA and China. The aim of negotiations should be a realistic agreement more than an ambitious agreement. Almost any contract is better than no contract

# Elements of a bold programme (VII)

- ✓ Including cross-border tax adjustment into that climate contract, for targeting countries not participating
- ✓ A massive campaign for voluntary climate neutrality of individuals, organizations and companies
- ✓ **“Burning” legal certificates** (emission rights) as one element to reach climate neutrality, **biological sequestration** (reforestation, humus generation in soils and protecting wet lands) as a second option
- ✓ Implementation of a massive reforestation programme on 500 Mio. to 1,000 Mio. hectares of degraded land over the next 40 years, particularly in the tropics
- ✓ Establishment of a **“Global Neutral”** at the UN level to promote climate neutrality of organizations, companies and individuals, organized in parallel to the Global Compact