

## **For Rio+20: A Charter for a New Economy**

By **Gus Speth**

The overarching goal at the upcoming Rio+20 summit must be achieving sustainable prosperity for all. Within this broad objective, the subject is bracketed, if you will, by two of the greatest challenges faced by the international community: the greatest social challenge, world poverty, and the greatest environmental challenge, climate change. There can be no sustainable prosperity without victory on these two fronts.

As I approach the end of several decades of devoting myself to these two issues and reflect on where we stand, I can only conclude that we are very far indeed from victory in either case. Poverty is slowly being reduced, especially if one looks at poverty rates. But 1.5 billion people still live on less than \$1.25 a day, and the UN Development Programme reports in its multidimensional poverty index that about 1.7 billion people suffer from multiple deprivations in education, health and living conditions. Almost half the world's people live on less than \$2.50 per day. And as for climate change, far from improving, the situation in the sky and in our politics worsens daily. I will not dwell in that vale of tears.

What new agreements and institutions are needed to address these issues and to move toward sustainable prosperity? The situation we face today is so dire that we should consider new initiatives in the context of a fundamentally different approach to economic life. In short, what the world needs is a new economic paradigm. Our current system of political economy is at the root of many world problems, and hope of long-term progress hinges on a shift to a new system of political economy. As the slogan goes, we need "system change, not climate change."

In this context, let me offer a ten-point charter for a new economy—a new paradigm. I then elaborate with some ideas for institutional initiatives that follow from the charter.<sup>1</sup> The charter is stated in general terms, intended to apply in all nations. The ideas for institutional change explore some North-South differences.

### **Ten Point Charter for a New Economy**

**Economic goals.** The reigning priorities of economic life shall be human and ecological well-being, not profits and growth in gross domestic product (GDP). Public policy shall recognize that economic growth has costs as well as benefits and that, after a certain point, the former can outweigh the latter.

1. **Economic democracy.** Investment and other economic decisions shall be guided by democratically determined priorities. All economic institutions, including corporations, shall be governed by, and held accountable to, all those affected by their activities. New patterns of corporate governance, ownership, and operational management involving workers, communities, and stakeholders shall be the norm. Corporate chartering shall be at the level of corporate operations and periodically reviewed in the public interest.
2. **Regulation.** Democratically determined regulatory initiatives shall guide market activity in socially and environmentally beneficial directions, ensure that prices are honest and reflect all real costs of production, and prevent predation of public assets and the commons, the valuable assets that properly belong to everyone.
3. **Subsidiarity.** Economic policy and regulation shall foster activity at the most localized level consistent with democracy, equity, and effectiveness. Higher-level national, regional, and global governance shall be exercised where human and ecological well-being will be strengthened by doing so.
4. **Environment.** The economy shall be managed with the overall objective of preserving and restoring natural capital for future generations, preventing climatic disruption, and preserving the integrity of biotic communities and natural systems.

5. **Equity.** Income and wealth shall be equitably distributed within and among countries, and programs shall be maintained to alleviate poverty, ensure freedom from want, and provide economic security.
6. **Work.** All individuals shall be guaranteed opportunities for decent work, living wages, and continuing self-improvement. The rights of workers to organize, bargain collectively, and participate in the management of enterprises shall be guaranteed.
7. **Consumerism.** Public policy, including regulation of advertising, shall move society in the direction of working and spending less, creating and connecting more. Consumerism, where people search for meaning and acceptance through what they consume, shall give way to the search for abundance in things that truly matter—good health, education, family, friends, the natural world, and meaningful work.
8. **Money and finance.** The system of money and finance shall be operated as an essential public utility for the benefit of society as a whole. Financial institutions shall channel resources to areas of high social and environmental return even if not justified by financial return. Finance shall shift away from institutions that are driven to excess by the search for profits and personal financial gain and that are remotely owned and managed to institutions that are small enough not only to fail but also to be held accountable by the communities in which they operate.
9. **International relations.** The priority of international affairs shall be to maintain peace, security, and harmony among nations and to promote global governance and international rules that further these ten principles.

How might such a charter be moved forward? In considering possible institutional innovation, we can either focus on measures that are plausible in terms of today's politics, or we can put today's political realities to the side and focus on what we believe to be necessary. The following list is a mix of both, though tilted, I admit, to the second approach.

First, we need a new array of national economic accounts and well-being indicators. These should include a monetized measure of sustainable economic welfare to be issued quarterly alongside conventional GDP. Also needed are measures of subjective well-being, environmental performance, objective social conditions, and democratic performance.

Second, we need new institutional mechanisms to salvage our currently failing system of global environmental governance and multilateral environmental agreements. These new arrangements would take as their starting place the environmental boundary conditions pioneered by the Stockholm Resilience Center and the ecological footprint analyses developed by the Global Footprint Network.<sup>2,3</sup> The goal would be ensuring that we live within our planetary means. The evolution of environmental governance within the European Union provides a model for the larger international community. Nations have given real power to the World Trade Organization; why not create and empower a World Environment Organization? On climate governance in particular, we need a mechanism that will take seriously the need to implement now the recommendations in the UN Environment Programme's "emissions gap" report, recognizing that the goals there (a 66 percent chance of staying below 2°C warming) are entirely too relaxed and must be strengthened.<sup>4</sup> The group of large emitters must come together urgently, agree on a major—indeed, at this point, heroic—effort, and rush to take their agreement to the next conference of the parties to the Climate Convention, thus forestalling another flop in this ill-fated forum.

Third, we need a mechanism for governments to begin to take seriously the challenges posed by economic growth. For example, in a fast-growing global economy, the required rate of carbon intensity reduction is implausibly high. It seems evident that the rich countries should abandon their growth fetish and move toward no growth or degrowth, applying technological change to reduce the impacts of a nongrowing economy. Other countries should adopt green growth, by which I mean reducing environmental impacts per unit of economic output at a rate faster than the rate of output growth. Economist Stephen Marglin and others said in our report to the United Nations, "If growth is limited on a planetary scale by the inadequacy of sources of energy or raw materials or the inadequacy of sinks for carbon, nitrogen, and other pollutants, the idea of social justice ... requires that the claims of the poor,

chiefly but not exclusively residing in the South, take precedence over the claims of the rich, who reside mostly in the North.”<sup>5</sup> I believe growth is so limited, and huge issues are thus posed. We had better start addressing them. As financial leader Jeremy Grantham wrote recently, “If we maintain our desperate focus on growth, we will run out of everything and crash.”<sup>6</sup>

Fourth, we need an international mechanism to steer both private and public investment resources to regions and sectors of high social and environmental need, regardless of the rates of financial returns. Strengthened Millennium Development Goals as well as climate mitigation and adaptation needs must be among the principal objectives of these financial resources, which we should acknowledge must be on an unprecedented scale and involve very large transfers from rich to poor. A new project, the Third Millennium Economy Project, with which I am associated, has concluded that finance today is systematically incompatible with social and environmental well-being.

Fifth, we need global chartering of global corporations. Issues such as compliance with international norms and rules, accountability, and corporate governance should be addressed in this context.

And sixth, we should support the proposal for Millennium Consumption Goals, which “seek to provide consumption targets designed to motivate the rich to consume more sustainably.” A proposal for such an agreement is being promoted for Rio+20.<sup>7</sup>

Given today’s politics, especially in the United States, not much of this seems likely. But there are two circumstances that could swiftly shift the picture. First, a crisis. As Milton Friedman famously said, only a crisis produces real change. We have doubtless not seen the last of them. And, second, we can envision and support the rise of a large and powerful social movement for deep change. The Tellus Institute is spearheading an international consortium called the Widening Circle, which aims to use Rio+20 as the launching pad for such a movement.<sup>8,9</sup> Let’s hope that the Tellus approach succeeds in catalyzing a large, coordinated movement from the many smaller efforts around the world.

## References

This Charter draws a bit on the “Principles for a New Economy” [online].

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