

## **Seven leverage points for the passage from economy to œconomy**

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The concept of leverage points is very well adapted for a coalition wanting to act in favor of the great transition. We need to identify some concrete issues which we think should have a strong leverage effect as it would imply changes in the whole system. And looking at what is the systemic change about, it would not be a surprise that these leverage points relate either to concepts or to actors or to the very tools which are used in present economy.

Following our consensus in New York on January 9, 2011, here are seven proposed leverage points :

### **1. Adopt the new word “œconomy” to describe the systemic change**

What we have come to call “economy” is a model of production, exchange and consumption relying on the idea of an equilibrium of the society based on infinite growth. Moreover, all our economical tools make it impossible to draw a clear separation line between human work and consumption of natural resources. This is irrelevant to a new situation where we should reach the wellbeing of probably a maximum of nine billion inhabitants together with strict limitations of the consumption of fossil energy and non-renewable natural resources in order to remain within the natural boundaries which we could consider as the “viability domain” of our living ecosystem. Unfortunately, for two hundred years, all the economical science and training has ignored the reality of natural planet boundaries. The concepts, actors and policies developed over the centuries have derived from our core vision of economy. Therefore we need a deep systemic change with new goals, new concepts, new actors, new institutions, new policies. This is what I suggest to call the passage from economy to œconomy.

Right now, it happens for the word “economy” what happened with the word “development” when the concept of sustainable development was created.

Sustainable development is actually an oxymoron or what could be called the

resurgence of magical thinking: naming things to give them life. When the concept of sustainable development was adopted, following the Brundtland Report “our common future”, by 1986, there was a consensus about the need of conventional development processes, that is, the creation of wellbeing by a permanent increase of production and consumption of material goods. And the idea was so strongly established that social cohesion would rely on development that no one could imagine to take off the word development. And it would have been even more unacceptable by underdeveloped countries which would have understood giving up this very concept as the statement that they should not develop anymore in order to protect the planet.

But, at the same moment, everybody was getting conscious that this development was unsustainable. Hence, the addition of the adjective “sustainable” to the substantive “development”: this is the definition of an oxymoron, putting two contradictory concepts together is supposed to magically solve the contradiction. One can see what happened over the last two decades: nowadays, everybody pretends to practice sustainable development but our evolution is still going straight to unsustainability as can be simply illustrated by the ever growing ecological footprint of humanity.

We are doing the same with the multiplication of concepts including the word economy: “green economy”; “steady state economy;” “sustainable economy” and so on. What is essential in this process is that we keep the word economy just like we have kept two decades ago the word development. Same logics and probably same results. It is in fact impossible to change the very meaning of economy as it is taught in thousands of universities all over the world. Therefore if we want to make the move and create new processes for production, exchange and consumption to fit with the planet boundaries, we need to make a new step and choose a new word which will create a global trend of thinking in our future academic research and training. If we do not do that, we will stick to a magical thinking. I suggest that we adopt the word *o*economy. It has an immense merit: it is a very etymological origin of our present word economy and its very meaning (in Greek it is formed of two words, *oikos* which is the home, the family land, and

now our planet, and nomos which means the rules for managing scarce resources) is exactly what we have to do in the future. Therefore œconomy exactly means what we are talking about with the great transition. It should not be such a surprise: on many respects, the new economy that we have to create for the 21st century is very similar, but at a global scale where in the previous centuries it was at a local scale, to the preindustrial situation where each and every local community had to keep its long term viability in a context of limited natural resources.

## **2. Adopt the Charter of universal responsibilities**

The corporate social responsibility, CSR, is another oxymoron of our present thinking. We speak of the three P: people, profit, planet. But if you look at a company with the large number of shareholders, and even more when key shareholders are investment funds or even pension funds, the push towards “shareholder values” makes it that 90% of the attention’s paid to profit and maybe the last 10% to people and planet. And this is the case even if the CEO of the company has very strong convictions about corporate social responsibility. Moreover, whether it be state actors or economic actors, responsibility right now is defined as accountability towards their own constituencies, their own national electors or their own shareholders. It is only if we define and enforce a new concept of responsibility, where your responsibility is related to your impact and not to your constituency, where your responsibility is proportionate to your knowledge and power, where you cannot invoke your powerlessness to justify to your irresponsibility if you have not tried to connect with others, then we will have a new condition for responsibility for all the economic actors whether they be producers, distributors or consumers.

## **3. Create a multi-dimensional currency**

All the political contradictions and even schizophrenia about economics relate to the fact that we should need develop human work —that is the mutual need of each other—in order to strengthen social cohesion but at the same time we

should limit our consumption of fossil energy and natural resources. And we can see that our governments nowadays are not able to solve that contradiction. One can see that in 2009: at the same moment the G-20 was working hard to avoid global recession and there was the negotiation of the Copenhagen Agreement in order to go beyond the Kyoto Protocol. And all of the same political leaders would say completely other things with only a few weeks between the two events, in each of the two situations.

But is this contradiction a “natural” one, that is a contradiction coming from the very nature of the word or is it contradictions created by the very tools we use to manage the economy? It is clear that the answer is the second situation. It just comes from the fact that you are using the same currency to pay for human work, that we should spend more and more, and for energy and natural resources, that we should spare more and more. That means that our economic vehicle, right now, has the same pedal for the brake and the accelerator.

This situation is but an inheritance from the past, from a moment when the technical system we were using for our exchanges would not allow us to use a multi-dimensional currency that is a way to pay human work on one side and energy or natural resources on the other with different currencies. But it has become extremely easy with electronic money: there is no obstacle for using different currencies with the same credit card in order to pay for different things: even now, we currently use “miles” as a premium for fidelity, which is a currency edited by the airline companies.

It will not be possible to combine justice and efficiency without creating individual negotiable quotas for energy and natural resources. The existence of such quotas, which are in fact an “energy currency”, create the need for global traceability all along the global supply chain. One knows that what is called carbon leaks, that is the hidden consumption of energy embedded in the imported goods and services, is presently representing 25 to 30 per cent of the total of our greenhouse gas emissions in Europe or in the US. Therefore this traceability is a necessity.

#### **4. Support a multi-level governance of production, exchange and consumption**

Presently, we have a kind of dualistic approach: some preach for an even more globalized market as the very condition of global progress and consider any attempt to recreate more local exchanges as a protectionist move which would send us back to the Stone Age. At the opposite, many activists fighting for the economical transition would pretend that the answer can be found in the relocalisation of economy. None of these positions can be held seriously. The impact of globalization and of commodification of every good and services is to favor the coexistence at a local level of unused creativities and unmet needs. That means that the economy itself becomes illegitimate. On the other hand, get back to strict localization is irrelevant with a world where fossil energy, water and most natural resources are concentrated in a few regions of the world.

In the field of governance, people have become more and more aware that the future will be multi-level governance. For the first time, in 2009, the European Committee of Regions had issued its White Paper on Multi-Level Governance. What does this mean? That it is no use to try and distribute exclusive competences on public affairs at different levels of governance, as no real social, economical or ecological problems can be addressed at an only scale. Therefore the future of governance is a future of the rules of cooperation between different levels of governance, and not the attribution of exclusive competences to each one. Just the same for œconomy. The point is not to choose between a global currency to manage international commerce and national or local currencies. History shows that the currency is inseparable to the building of any community. That means that œconomy has to build itself on a multi-level management of production and exchanges.

#### **5. Adopt relevant governance regimes for the different goods and services**

Presently, we often think in terms of public good versus private goods. But this dualism, here again, is too much simplistic to address the very nature of the

different goods and services. Furthermore, one basic principle of governance is that you need to adopt rules which are really relevant to the kind of issues you have to deal with. Therefore defining and adopting regimes of governance adapted to the very nature of the different goods and services is a key feature for the passage from economy to œconomy. But what are the different goods and services? We can roughly define them with a very simple test: what happens when we want to share a good or a service? There appears four different categories:

- goods which are destroyed when shared into pieces: this is the case for example, for ecosystems
- goods and services which divide when shared, but are in limited quantity: this is the case for most natural resources, such as fossil energy, water, fertile soils etc. In that case we need to find governance regimes which ensure social justice go together with efficiency
- the third category is made of goods and services which divide when shared, but exist in indefinite quantities. This is the case for most of the products of human industry where creativity, embodied scientific and technical knowledge, industrial processes and mobilization of human craftsmanship are decisive for the quantity of goods finally produced; this third category fits pretty well with the market
- and last but not least, there are goods ad services which multiply when shared. Just think about knowledge or experience. The governance regime fit to this last and very important category of goods is closer to mutualization than to commodification.

## **6. Promote global sustainable supply chain, notably through WTO**

General opinion presents the large corporation, mainly the trans-national one, as the main actor of this century, more powerful than the states themselves as they are more mobile. The emergence of the trans-national corporation during the last century is directly linked to the ability of the big companies to combine knowledge, capital, mobilization of a very large labor force, which have been the

characteristics of the industrial revolution. One could say that the company has been the « living body » most fit to this new situation. Furthermore, the transnational corporations have had a comparative advantage in the context of globalization, using their flexibility which contrasts with the inertia of public actors. And events like the World Economic Forum accredit the fact that the transnational corporations are the main driving force of our century. But isn't that an illusion? are the corporations fit to face the 21st century challenges, to drive the transition from economy to oeconomy? Probably not. Just ask yourself why is a company able to be really responsible and therefore legitimate ? Because it controls only a part of the global supply chain. One also can see with sustainable or responsible commerce, that it is only responsible or sustainable on a small part of the added value. Oeconomy supposes a real balance between individuals, societies and between humanity and biosphere that the corporations are unable to achieve. In order to reach that balance we need sustainable global supply chains. This means the emergence of new institutional arrangements able to be responsible of the whole supply chains. The evolution of criteria for sound management, such as the adoption of ISO 26000 is yet paving the way. Sustainable global supply chains will mean traceability all along the production and consumption process. The analysis of the carbon leaks that is the quantity of energy incorporated in imported goods or the discussion about the inclusion of energy necessary to produce exported goods or the discussion on carbon taxation at the borders are a progressive contribution in the right direction. But a decisive move will be to put this concept at the core WTO.

## **7. Acknowledge territories as pivotal actors of the oeconomy and give territories the means to manage their natural, material, human and immaterial capital**

Which is the best geographical and human level to manage a sustainable society, to do the best use of energy, natural resources and capital? just as one would have answered thirty years ago that the company was the pivotal actor of oeconomy, it would seem obvious that the level of the states was the best one to

organize various regulations in order to keep society in its viability domain. Local territories would have been looked at as a remnant of the past, anterior to the industrial revolution and in most countries the national state would appear as the sole good level for the modernization strategy, for re-distributive fiscality and for the new political order, local territories being associated implicitly to the feudal or pre-industrial period. But presently it is the state which is at odds and, with its compartmented policies and its linear vision of the technical and economical progress is much too often on the side of the problem and not on the side of the solution.

Which is the most relevant level of governance, of production and consumption to manage in an holistic way the relations between human beings, between humanity and biosphere? And even, which is the most relevant level to manage the different categories of capitals -material, immaterial, human and natural-? Of course it is territories. And one can see that even in the modern present economies, territories, and in particular larges cities, have become the leading actors.

And, of course, it becomes even more so when you try to imagine the transition to sustainable societies. Look at approaches such as circular economy (which we often call in Europe industrial or territorial ecology). They are developed at the local level. The same with “functional economy” (replacement of goods and services). The same with social and solidarity economy which combine market and non market approaches of goods and services.

Territories will definitely be the second “pivotal actor” of oeconomy, along with sustainable supply chains. But, presently, “territories” are not understood as social and economic actors. There is a confusion between local authorities and the local society taken as a whole. And the territories have no real means to understand their very metabolism. There is a paradox there: although we have myriads of informations, a modern city is ignorant of the way it works; contrarily, an ancient Chinese village would know it perfectly because its survival would depend on this knowledge; Understanding territories as clusters of relations, not isolated from the rest of the world but connected to it, and not as a geographic

reality is a first shift. But it will only be the starting point. We will next need to conceive new institutions, which I call Territorial Oeconomic Agencies, to be able to take advantage of the assets of the territories and to invent from them the new institutional arrangements.