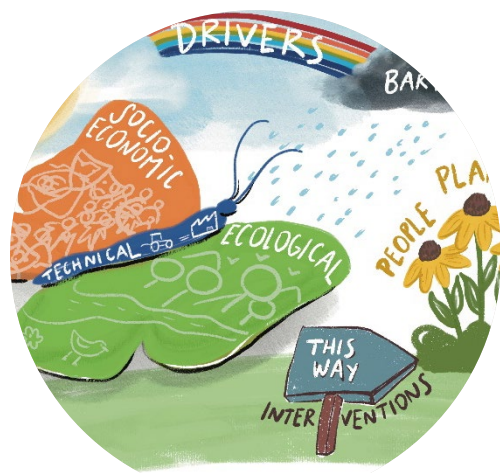


# Transition pathway 3: Economics

Circular@wur, Wageningen, April 11<sup>th</sup>, 2022

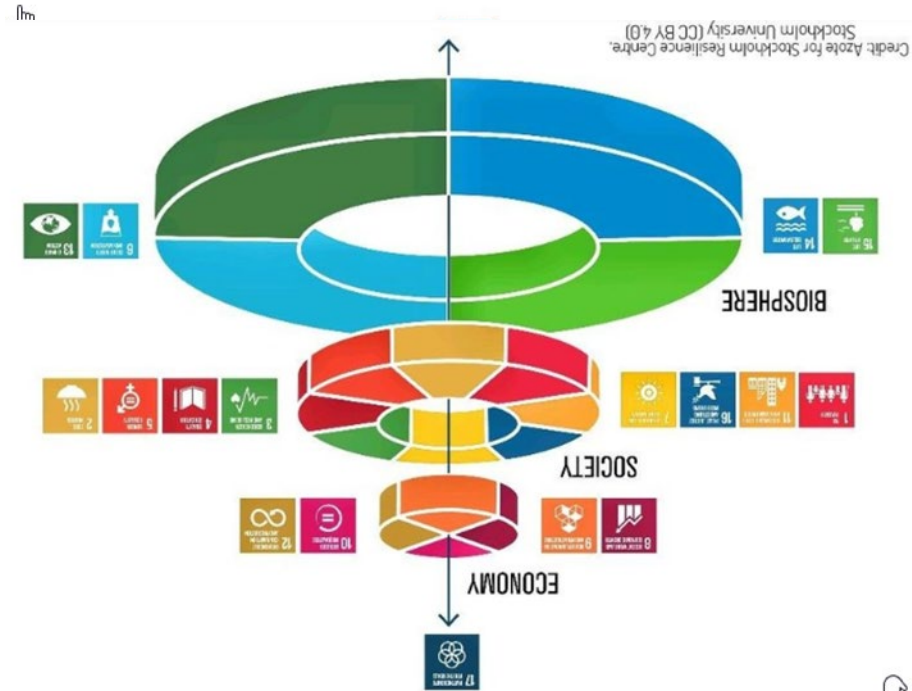
Hans van Meijl



# Economics helps to get into a safe and just space

if turned upside down by putting "economy-first":

- this leads to massive instability of the whole thing



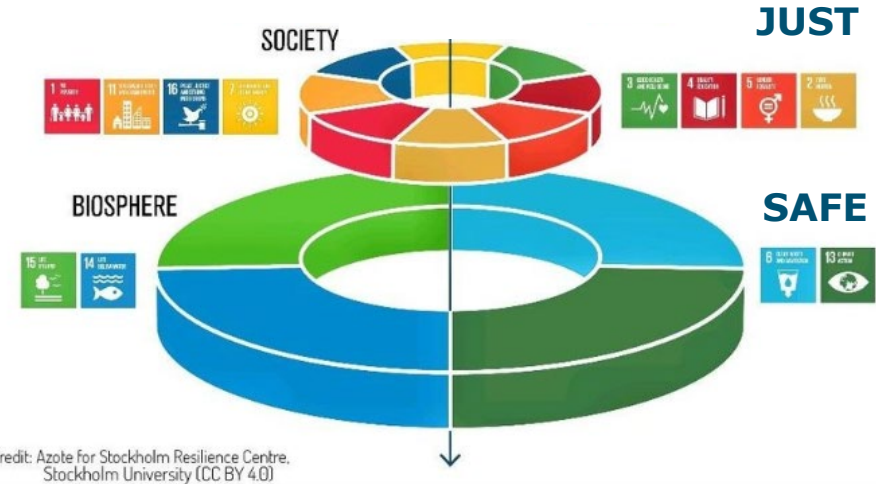
# Economics helps to get into a safe and just space



if turned upside down by putting "economy-first":

- this leads to massive instability of the whole thing
- We need a two-layer wedding cake
- Economy

=>Enabling discipline



# Beyond GDP => need for broader welfare measurement

- Economics did well at improving physical consumption and the well being that comes from that but has a blind spot- the economy is embedded in the biosphere.
  - Challenges are **interconnected** and based on common resources.
  - We need a general general equilibrium.
- Beyond GDP
  - include safe and just space dimensions
  - Adopt inclusive wealth as our measure of success

=> Wellbeing (Happiness)

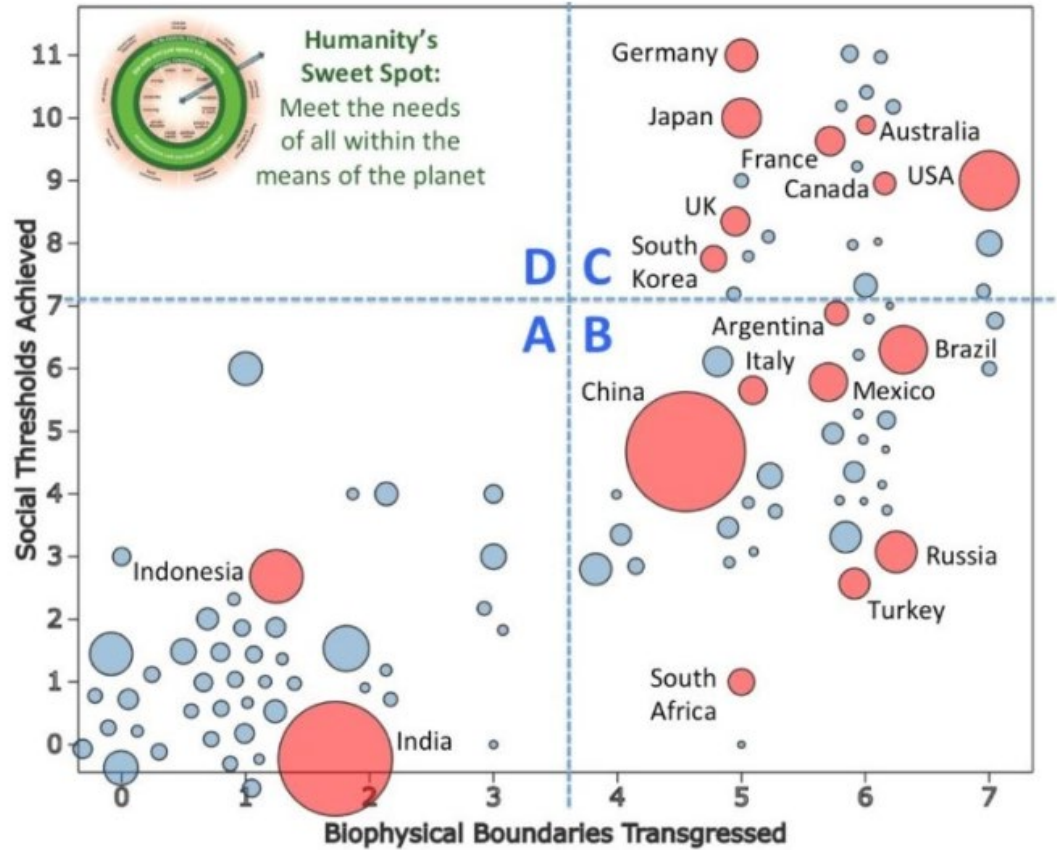


# We are all developing countries!

From a Just and Save space perspective

Different trajectories needed

**JUST**



**SAFE**

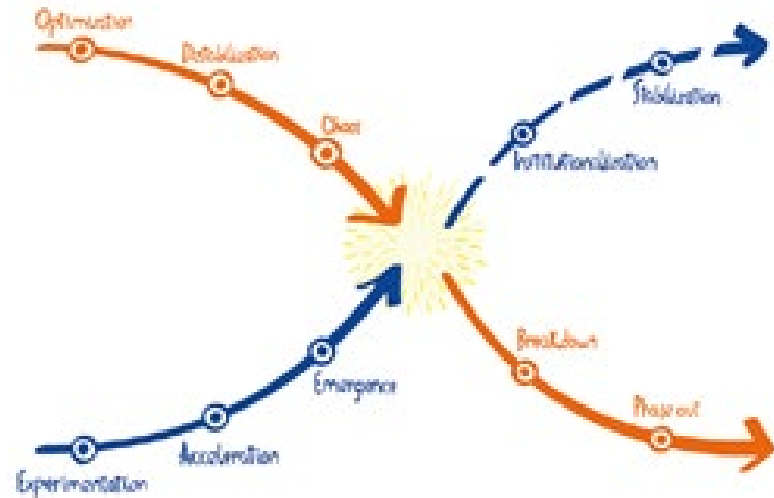
# Enabling

- Towards true pricing
  - a true price is the price that reflects the true value to society of any good, service or asset, include externalities within the pricing system
    - Business & value chain models (new connections)
    - Government
- Two different worlds in policy making (env and econ policies)
  - Towards sustainability finance (Bas Eickhout)
    - Taxonomy needed
    - Economics and biophysical sciences need to work together

# Enabling (II): Circular economy requires a fundamental new tax system

- Inequality is growing in the world and we use too many resources (often connected with negative externalities). Externalities not reflected in the price.
  - We use too much and no incentive to recycle + make it circular
- From taxes on labour to taxes on capital and resources
  - Polluting resource more expensive => less use & higher incentive to recycle
  - More equal treatment between capital and labour => More equality

# Economic models connect sunrise and sun set



- Transitions process: Sectors compete for resources

Active sunrise **and** sunset management

- Modelling techniques are based on linear economy.

Ignore material cycles and recycling, as well as co- and by-production of products and materials

⇒ Waste flows and waste management (new sectors) to be included

⇒ **Data is a big problem**

⇒ Material stocks & flow matrixes needed but scarce



# Science policy interface needed

- Open black box of models
- Engage in the process to support decision making



The science–policy interface, PETER GLUCKMAN, SCIENCE • 2 Sep 2016 • Vol 353, Issue 6303

# Thanks



<https://www.wur.nl/en/newsarticle/Inaugural-lecture-Van-Meijl-Towards-an-inclusive-and-sustainable-bioeconomy-a-macroeconomic-perspective.htm>

- Science policy face needed (multi stakeholder dialogue)
- Punt Saskia