

POLICY CHALLENGE 6: INCLUSIVE AND SUSTAINABLE PROSPERITY

- Modernization can benefit entire societies only if it is managed in a way that ensures that social mobility is maintained or increased, and the use of resources is limited to a sustainable level. Otherwise, the tendencies of automation might lead to much greater inequality and resource exploitation.
- In order to shift policy priorities from economic growth to other indicators that more broadly capture the wellbeing of citizens and their surroundings, new metrics of wellbeing must be developed.

According to Hannes Kunz, the current state of the economy is unsustainable and will inevitably lead to a phase of economic contraction in the near future – but that isn't necessarily bad news; it could mean providing for everyone's basic needs **at consumption levels like in the 1980s or 1990s but with a higher quality of life.**

Defining the terms "sustainable" and "inclusive"

"Inclusive", in the context of prosperity, can mean that all members of a society are not poor. But the participants quickly agreed that it is also crucial to ensure social mobility to keep societies inclusive, "Sustainability" was loosely understood as being stable in the long-term and environmentally feasible.

A number of core issues crystalized: the role of work as a source of identity vs. "just" a source of income that provides for basic needs, the role of **social mobility as a key ingredient of fair and happy societies**, the need for coordinated policies to achieve sustainable and inclusive prosperity, and the need to fundamentally question the current tax systems.

Coordination needed

It was noted that a shift of the tax base from labor incomes to capital incomes was unlikely to take place unless it was coordinated between a group of countries because of the competitive disadvantages that would presumably accompany such a measure in the short term.

New metrics

Several of the MPs around the table, regardless of their political background, agreed that their performance was measured against GDP growth - if there is no more growth, that is a problem not only for politicians with a strong focus on the economy, it also makes them all look like underperformers. Accordingly, there was considerable support for the idea of **finding new metrics of measuring countries' success to complement the GDP measure.** In line with such thinking the need to formulate **innovative policies for a time when employment might play a minor role in our societies than it does today.** How to define value beyond work? Most discussants agreed that **education is key** in ensuring both innovation and social mobility. The current times were seen as an age with great potential opportunities that require **courageous and long-term policy solutions** in order to benefit more than just a small portion of Europe's societies.

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Taxes currently incentivize investment into machines over investments in employees. This is exacerbated by the currently very low-interests.

We're locked into taxation of labor incomes because we need to ensure funding for the growing group of retired people.

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EXPERT SPOTLIGHT

Hannes Kunz is the founder and President of the Institute for Integrated Economic Research (IIER), a non-profit economic research and consultant institution. Since the start in 2007, the IIER contributes to the development of a systematic view of the human economic system. Previously, Hannes Kunz has worked for different IT and life science companies as well as global management consultancies in Europe, the Americas, and in Asia. He is a renowned expert in economics, market analysis and human behavior.

