Exploring barriers to justice and sustainability in economic systems: Root causes and potential remedies

1. Introduction

This analysis is a work in progress that has been prepared as a background document by QUNO’s Sustainable and Just Economic Systems programme to help us better understand our theory of change and our actions in the multilateral sphere. It is a synthesis of the present state of QUNO’s insights, aided by the sources that are referenced at the end of the document. Failures and distortions in our economic systems are also among the root causes of problems handled by QUNO’s other three programmes: Human Rights and Refugees; Peace and Disarmament; and Human Impacts of Climate Change. Thus, the present analysis of root causes affects all QUNO’s programmes.

Humanity has made important progress over the past few decades but is also facing numerous deep-seated and interconnected crisis. From extremes of wealth and poverty and the crossing of planetary boundaries, the manifold challenges before us can be seen as various expressions of more fundamental problems.

Battling the symptoms is unlikely to resolve these maladies; there is a need to diagnose the root causes to find lasting remedies. Techno-fixes focused on symptoms and old fixes that perpetuate problems can eventually reinforce the logic of dominant systems instead of attempting to build new ones. Thus, it is important to look for root causes because it is difficult to imagine that the vision of the next stage in the advancement of civilization can be formulated without a searching reexamination of the attitudes and assumptions that currently underlie approaches to social and economic development. This is particularly important if we want to achieve the Sustainable Development Goals (SDGs) that attempt to address many of the issues addressed in this piece.

On this basis, the questions at the heart of this piece are the following:

- Which challenges is the world facing?
- What are the root causes of those challenges?
- What could be some remedies for addressing the root causes?; and
- What opportunities does the pandemic offer for making the economic systems more just, sustainable, and resilient?

A root cause here is an initiating cause of either a condition or a causal chain that leads to an outcome (in this case the lack of justice and sustainability). A "root cause" is a "cause" (harmful factor) that is "root" (deep, basic, fundamental, underlying, initial or the like).

A fresh look at economics is needed to clear the way toward a sustainable and just economic order. Economics should be a way to serve the common good instead of a goal in itself. This will require the rediscovery of our responsibility towards our fellow human beings and full consciousness of planetary boundaries.
The purpose of the economy should then be the enhancement of all life, human and non-human. To create awareness and appreciation of public goods such as peace, well-being, and human security, we need to introduce a broader set of systems indicators as complements to GDP and that monitor the wider environmental, social, and economic domains of our society.

2. Problems and their root causes

Key points from this section

- The world is facing an unprecedented environmental crisis, injustice and inequality, violence, and social and political polarization and fragmentation
- The inequality gap between developed and developing countries is rooted in colonial history and leaves poor nations more vulnerable in the face of natural disasters such as climate change
- Inequality in the West is largely technology-driven and further exacerbated by austerity
- Climate change raises questions on sustainable and just living on this Earth, perpetual economic growth, and redistribution
- We need to reimagine capitalism and market forces as in their current forms they cause inefficiencies, exclusion, suffering, corporate concentration and government capture
- Failing economic systems are at the root of human rights abuses, conflict, and the climate emergency

Visions of the future must be both sustainable and just. The unsustainable way in which part of humanity is living while other parts can hardly survive indicates grave injustices. One billion people in the world go hungry every day and billions do not have access to healthcare. Violence continues to cause untold suffering and costs at least 12% of global GDP in terms of the costs of armaments, security and judicial systems, loss of health and life, and loss of productivity. (Institute for Economics & Peace, 2018) In many countries related social challenges such as social and political polarization and fragmentation and increasing mistrust of political figures and media are observable.

Some more specific problems and their root causes are:

Rising inequality

At a global level, we see extreme wealth coexisting with deprivation. The world's 2,153 billionaires have as much wealth as 60% of the world's population, or 4.6 billion people. (Oxfam, 2020) The rise of multinationals and offshoring is connected with the weakening of government controls. Those with extreme economic power and wealth are unlikely to give up voluntarily their vested interests.

Inequality in rich societies in the West has returned to levels last seen in the 19th century. A main cause is the loss of manufacturing jobs that were relatively well paid and available post-WWII. With automation (and some offshoring of jobs to low-income countries), these manufacturing jobs have disappeared (90% due to automation and 10% due to offshoring). New jobs in the services industries are less productive, less well paid, and less secure than the jobs that they replaced. Societies have moved away from the ideal of the economy being ‘a place for everyone’. This is the result of technology-driven changes combined with policies that have reinforced the underlying changes of
divergence. Austerity measures after the 2008/2009 financial crisis have further deepened socio-economic divides.

The life-diminishing results of valuing growth above equality in rich societies can be seen all around us. Inequality is linked to shorter, unhealthier and unhappier lives; it increases the rate of violence, obesity, imprisonment and addiction; it destroys relationships between individuals born in the same society but into different classes; and its function as a driver of consumption depletes the planet’s resources. Of all crimes, those involving violence are most closely related to high levels of inequality - within a country, within regions and even within cities. For some, mainly young, men with no economic or educational route to achieving high status and earnings, the experience of daily life at the bottom of a steep social hierarchy is enraging. Consumerism, isolation, alienation, social estrangement and anxiety all follow from inequality, and so cannot rightly be made a matter of individual management. (Wilkinson and Pickett, 2009)

There is an inequality gap between developed and developing countries, especially in rural areas where government investment is often low in developing countries relative to cities. Many natural disasters usually occur in poor nations. Floods, earthquakes, tsunamis, droughts kill thousands of people and destroy an enormous number of houses, buildings and infrastructures. Such disasters are set to increase in number due to climate change. The injustice here is that developing countries will be hit hardest by climate change even though they have contributed least to it.

Climate change and crossing of other planetary boundaries
Climate change is part of an even larger environmental crisis that includes global temperature rise, species extinction, ocean acidification, land degradation and pollution by chemicals and plastics. It can be seen as a symptom of a greater challenge: how to live sustainably and justly on this Earth. Our existing economic models depend on perpetual economic growth and accumulation in order to generate well-being. However, continuing such growth forever is impossible on a planet with finite resources where we are already surpassing several planetary boundaries. In 2020, we would need 1.6 planets earth to support humanity’s demand on the earth’s ecosystems. Inequality is linked with the overuse of resources in the sense that currently 20% of the wealthiest people in the world use 80% of resources.

Because we already use 1.6 planets, even though many people’s livelihoods are very poor, we need to explore equitable redistribution of resources to raise the standard of living for many people. This must be achieved against the background of growing world population that is expected to stabilize at between 9 and 10 billion people (compared to 7.7 billion in 2019). This would imply a much less resource intensive lifestyle for many people in wealthy countries. Even with growth that somehow does not deplete the world’s resources (decoupling) we will not bring everyone to the level of living that westerners have come to expect.

The purpose of the economy is not sustainable and just
Gross domestic product (GDP) is the monetary value of all final goods and services that are produced in a given country in one year. While purely economic indicators such as GDP are taken as the main measure of success in almost all countries, they either completely overlook central questions of equity, sustainability, well-being, health, and resilience or deem them less important. Beyond this, actions that are negative for society, such as production of armaments, industries that pollute – and then the investment to clean up after them - and imprisoning citizens, all add to GDP.

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1 For example, western countries shifted tax burdens away from capital and high-wage incomes even as inequality rose. Trades unions have declined almost everywhere.
Taking only GDP as a measure of success causes people to be regarded as units of production and consumption and as protagonists of endless economic growth. Instead, what we need is a more diverse ‘dashboard’ of indicators for human and environmental well-being. While many of such excellent alternatives to GDP exist (e.g. Happy Planet Index, Gross National Happiness, Human Development Index), a set of systems indicators would more precisely inform how a country performs than one aggregate number.

**Mishandling of market forces**

It is important to question aspects of capitalism and market forces. Capitalism in extreme forms has evolved – or perhaps “mutated” – into something that lacks control or accountability and that does not integrate its environmental costs. The world economy is almost five times the size it was half a century ago and has already been accompanied by the degradation of an estimated 60% of the world’s ecosystems. (Millennium Ecosystem Assessment, 2005) These mechanisms may have some beneficial features which need to be coupled with moral guidance, but they also cause inefficiencies, exclusion and suffering if applied to systems where they provide bad incentives (e.g. in healthcare and prisons). The difficulty is how easily capitalism takes control of government and not vice versa. Public-private partnerships, for example, often turn into a capture of the state and the common good.

Corporate concentration is affecting both workers and consumers negatively. Tepper and Hearn (2018) explain and list all of the industries that have effectively become oligopolies or even monopolies: search engines, beer, beverages, glasses, weapons, banks, telecommunications, social media, cell phone manufacturing, agriculture, airlines, pharmaceuticals, credit rating, tobacco, railroads, etc. The consolidation of market share to a handful of billion-dollar companies has throttled the entry of new companies. In 1995, the top 100 companies accounted for 53% of all income from publicly traded firms, but by 2015, they captured 84% of all profits. Similarly, only 100 companies are responsible for 71% of GHG emissions over the past few decades.

Market concentration allows a few large multinationals to control an industry, resulting in high prices and excessive executive pay. Big incumbents can prevent newcomers from entering the market in order to maintain their market power, and then use excess profits to help elect lawmakers and lobby for policies that support their continued dominance – often undermining the power of democratic movements.

Corporate concentration can also fuel inequality. When workers have fewer employers to choose from in their line of work, their bargaining power disappears. While corporate profits have grown, the labour income share is declining.

Corporate giants can squeeze their suppliers, but the main thing companies buy is labour, and they have been squeezing workers. Thus, wages have struggled to keep up with inflation for decades. Benefits are cut, while stock buybacks soar.

**Unsustainable and unjust economic systems as the source of wider problems**

Besides the problems listed above, the way that economic systems are designed and have developed also causes problems in the other areas in which QUNO is active. Human rights abuses, especially in terms of exploitation of workers and immigrants, are often caused by the exploitative nature of our current economic system and the lack of remedying the excesses that are caused by them. Economic activities that disregard human interests can also fuel conflict, for example through the demand for resources from conflict-prone areas. In terms of peace and security, the arms industry is one of the biggest global economic sectors and a driver of economic activity at the expense of enormous human and environmental suffering. And that economic systems are at the root of our climate emergency and environmental destruction goes without saying.
3. Remedies

Some obvious ways forward for the problems listed above would be higher minimum wages, some form of basic income, increased funding for healthcare, education and labour-market mobility, and enforcement of labour standards.

Global commons should benefit all; economic systems should be reimagined in harmony with urgent environmental challenges, social justice, and democratic institutions.

Fair pricing of resources and value-added processing could help address the exploitation of both developing countries and the environment.

Redistribution also requires rethinking of welfare systems, taxes, and rural policies.

Global cooperation on global challenges should be based on a rules-based system and adherence to human rights, peace, and development.

Systems thinking can assist in identifying leverage and entry points for change and address the root causes that drive economic injustice and ecological destruction.

Including the perspectives and concerns of marginalized and vulnerable populations will allow a flourishing of human potential.

Positive and imaginative visions benefit long-term, integrated approaches to addressing problems in our economic systems.

Promoting the case for the greater good would be critical for efforts to strengthen social fabric and reclaim civic space. Everyone needs to get the time and resources that are necessary for participating in community life.

We urgently need to transform our overconsumption of the earth’s resources to ensure that all (including future beings) have an equal right to access and make the most out of global commons such as land, soil, water, air, and the biosphere’s capacity to process greenhouse gases, within the limits of what is sustainable. Starting points for remedying the downsides of capitalism would be taming finance and its excesses, new systems to reduce social insecurity and cope with the digital revolution, and turning production systems towards circularity and regenerative systems (for example in agriculture) through proper pricing of environmental externalities such as carbon, pollution, and raw materials taxes.

We need to reimagine capitalism so that it is not only an engine of prosperity but also a system that is in harmony with environmental realities, striving for social justice, and the demands of truly democratic institutions. Business must make a positive impact on the world by confronting the realities of our environmental crisis and addressing social and economic inequality, while also delivering prosperity and wellbeing to society as a whole. (Henderson, 2020). Businesses have shown that they are not good at self-regulating; there will be a need for environmental legislation both national and international.
Some more specific ways forward would be the following:

**Valuing resources to benefit the South and the environment**

The uplifting of developing countries requires fair sharing and sustainable use of the world’s resources. This begs the question: who benefits from natural resources? We currently have a system that depends on exploitation (also internally in countries). The root causes of poverty are embedded in centuries of a system based on benefits for few and exploitation of many, including colonization. There is an enormous differential between those countries that have resources and those that benefit from them. In the Democratic Republic of the Congo for example, out of every ten dollars of exports of raw materials, only ten cents stay in the country. Thus, it is important that fair prices are paid to producers and that they can benefit from the value added to their products, for example by local processing.

Prices should be fair not just in a social and economic but also in an environmental sense. We overconsume the world’s resources because consumers are not paying the full value of products. This arises from economic models that depend on continuous growth, which is impossible in a world of finite resources. Including the true cost of resources in products and processes would help remedy overconsumption.

**Redistribution**

For a just world, where everybody has enough to cover their basic human rights, a redistribution of what we have is necessary. All types of inputs to the economy should be sufficiently rewarded. To achieve a more sustainable world economy, it is important to explore ways to obtain redistribution through inventive ways of transitioning. For example, when people lose jobs in fossil fuel industries, training should be available to help those workers find jobs in renewable energy.

In all countries we need a re-design of the welfare state, which has its roots in the post-WWII-period. Current welfare systems do not take the changing nature of the labour market (gig economy, temporary workers etc.) into account. Temporary jobs are defensible as long as they are complementary to permanent employment and not as an exploitative alternative to permanent employment. There may be situations where employers may not hire anyone at all if the only option is permanent employment (for example for temporary events). In such cases, temporary contracts could be defensible.

In terms of taxes (sources for redistribution), candidates would be a net wealth tax, removing loopholes in tax evasion by multinationals, and carbon taxes. More value needs to be assigned to labour than to capital provision if we want to address inequality.

In addition, policy efforts are needed to reverse the divergence between major cities and the periphery (countryside) by giving regions a critical mass of knowledge jobs.

Poverty and inequality are strongly linked (also see Box 1 below). Poverty reduction - especially for the poorest - can be greatly enhanced through distributional policies. All the evidence confirms that distribution is central to fighting poverty. Distribution objectives, particularly for assets, should therefore be an integral part of the poverty reduction agenda. Growth and better distribution are
complementary, rather than competing objectives in the fight against poverty. All of these are political decisions.

**Box 1. Inequality, poverty and growth**

Inequality is not just a social ill that causes suffering to many. It is also economically counterproductive for a number of reasons:

**Political economy**: inequality creates political instability which leads to lower investment and more resources being wasted bargaining over the distribution of rents. Instability also reduces government’s ability to react to shocks, and - in its more extreme form - leads to direct and opportunity costs due to violence.

**Economic factors**: Due to limited access to credit, the poor often cannot afford the minimum initial investment in education or other investments, or cannot get insurance for their investments, even if they are profitable, since they lack collateral. Initial asset distribution has a negative effect on subsequent economic growth. If the poor face greater incentives to invest/work their income will rise, national income will increase, and inequality will fall.

**Social factors**: Social inequality may become a self-fulfilling prophecy. If workers are paid according to social class, gender, or ethnicity, rather than by what they achieve, this reduces the incentive to work and earn more.

**Global cooperation**

At the international level, narrow nationalism must give way to global cooperation because global challenges require global, multilateral responses. A rules-based system should ensure adherence to human rights, peace, and development. In particular, the multilateral trading system needs to be updated so that it can play an enabling role in preventing and addressing crises such as pandemics and climate change. The SDGs are a framework for remedying such challenges both at national and global levels.

**Addressing complexity and raising systems awareness**

As said above, the planet and humanity are facing several deep, urgent crises, that threaten our planet and life on it. Covid-19, climate change, biodiversity loss, and financial collapse do not observe national or even physical borders.

These problems can be managed only through collective action that starts long before they become full-blown crises and must be acted upon not as singular threats but as a potential series of shocks. What the pandemic lays bare is indeed how interconnected and complex the world has become.

However, currently dominant economic theories disregard complexity, including the environmental and human costs. Systems thinking can assist in viewing complex economic systems from a broad perspective and can help to identify leverage and entry points for change and address the multiple root causes that drive economic injustice and ecological destruction. Applying systems insights enables policy coherence for sustainable development.

To foster systems awareness, we need consultative processes in which individual participants strive to transcend their respective points of view to respond to systemic challenges and opportunities. Such consultative processes can draw from appreciative enquiry, systems and empathy mapping, design thinking, theory U, and quiet diplomacy. At QUNO, we apply several of these tools and methods in our daily work.
Sustainability challenges such as climate change require systemic solutions. Even though individual behaviour (in terms of travel and consumption) changed for a brief period, emissions and air pollution went down by a relatively small percentage and have rebounded quickly. This means that individual behaviour change is necessary, but is only meaningful if it is backed up by systemic change. About half of each individual’s emissions are beyond that individual’s control because they arise from infrastructure and (government) services that foresee societal needs. In sum, a new paradigm should take hold—that of the interconnected nature of our global challenges and our prosperity. Whether the issue is poverty, the proliferation of weapons, health, global trade, environmental sustainability, human rights, corruption, or the rights of minority populations, it is clear that none of the problems facing global governance can be adequately addressed in isolation from one another. To make the necessary changes to radically improve the lives of all we need to be effective systems changers and systems leaders.

**Inclusiveness and diversity**

Including the perspectives and concerns of marginalized and vulnerable populations, including women and youth, of minorities, of Indigenous people, and above all of local people directly impacted, is vital to effective and sustainable development, humanitarian action, and political and security efforts.

We need transformative programmes for making societies healthier. A society in which all citizens feel free to look each other in the eye can only come into being once the less privileged feel more valued than at present. Removal of economic impediments to feeling valued - such as low wages, low benefits, and low public spending on education, for instance - will allow a flourishing of human potential.

**Positive visions**

We need to build imaginative visions of the world that we want to live in and ask what kinds of investments are necessary for realizing that vision. Sustainable and just economic systems thus require a long-term, integrated approach addressing problems of uncertainty, complexity, and interdependence.

The classical economic models of impersonal markets in which human beings act as autonomous makers of self-regarding choices do not serve the needs of a world motivated by ideals of social coherence and justice. Humans are generally highly cooperative and often impressively altruistic, quicker than any other animal species to help out strangers in need. There is a need to develop new economic models shaped by insights that arise from a sympathetic understanding of shared experience and from viewing human beings in relation to others (and as collaborative and altruistic rather than self-focused and in constant competition).

We are at an existential moment in human society and may be facing system collapse. While bad news dominates the headlines, some commentators (e.g., Professor Carlota Perez) consider that in terms

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2 To illustrate the scale of the challenge: Although CO2 emissions were reduced by 17% during April as a result of lockdown [https://www.nature.com/articles/s41558-020-0797-x](https://www.nature.com/articles/s41558-020-0797-x), early predictions are that they may only fall 4-8% for 2020 as a whole. We would need to continue this trend in reducing emissions for the next ten years to have any chance to stay below 2 degrees Celsius of warming.

3 A new study suggests that our lineage got that way by adopting so-called cooperative breeding: the caring for infants not just by the mother, but also by other members of the family and sometimes even unrelated adults. In addition to helping us get along with others, the advance led to the development of language and complex civilizations. [https://www.sciencemag.org/news/2014/08/human-altruism-traces-back-origins-humanity](https://www.sciencemag.org/news/2014/08/human-altruism-traces-back-origins-humanity)
of economic cycles, we are possibly near the dawn of a new “golden age”. New economic paradigms of the 1980’s such as privatization and financialization have led to an economic boom that has burst with the financial crisis of 2008. We thus have been in a recession and at a turning point for the past twelve years. The next economic phase might be one of smart green prosperity. Such prosperity will be based on de-materialization of well-being (e.g. focus on services instead of goods), ICT, re-designing our food chains, and closing the wealth gap between the global North and South.

Search for meaning and purpose
Returning to consider the purpose for society of our economic systems (see section 1), we need to question our deepest motivations. Are they flawed or do they contribute to the uplifting of humanity? Because the equilibrium between material and social progress has been lost, there is a need to explore dimensions of existence that can complement and even replace the predominantly materialistic outlook that currently dominates, and that largely remains unchallenged in current economic planning.

A few words on describing the search for meaning might be helpful here. This search escapes any efforts of quantification. It is essential for establishing a creative relationship with the origin of our existence. The search for meaning addresses the whole person and provides an integrating force that is capable of healing inner fragmentation so that one can live a more meaningful life that is less dependent on materialism and hedonism. Having a compass based on meaning provides a sustaining force that makes people more resilient and courageous in the face of adversity.

Meaning as a central force in life determines our deepest motivation to address the root causes of unjust and unsustainable economic systems. The search for meaning usually looks for expression through acts. Such an exploration should respond to the deeper needs of humanity. QUNO aims to foster the collective exploration of the root causes of our current problems so that we can move towards sustainable and just economic systems in which all can flourish.

Leaders can foster the co-creation and realization of positive visions by showing political willingness, commitment, and the courage to stand up for remedies listed above. We must recognize that the powerful and monied, whether individuals or corporations, will not change voluntarily. Courage will thus be needed to stand up to the vested interests that benefit from the current model of development which is well on the way to causing the collapse of eco-systems and of society.

4. Covid as a challenge and opportunity
We have arrived at a critical juncture now that the Covid-19 pandemic is putting unprecedented pressure on social, economic, and governance systems. Covid-19 has accelerated many trends and vulnerabilities that were visible when the year 2020 started. The pandemic and the lockdown have caused more pain for those already suffering from low pay and job insecurity. One important political legacy from Covid-19 is that pre-existing social and economic fractures are harder to ignore.

Now we have the opportunity to successfully rebound from the pandemic with more solid global security and cooperation than we knew going into it. Therefore, the expression “build back better” is used a lot at the moment. There is indeed now an opportunity, and a need, to build forward new economic systems that are better, smarter, and greener with proper funding (not paid through austerity as there are no more options to cut further), but through taxes.

The pandemic opens a political opportunity to build back better, more just and greener so as to make the economy work for everyone. The pandemic may have made the need for implementing remedies such as the ones listed in the previous section more urgent, but it was clear to many that this work was necessary anyway.
Underlying the remedies and opportunities, we see love and reason as unifying forces. To realize the vision of a peaceful and prosperous society, it makes sense to foster solidarity, science, health, and innovation; to protect nature, culture, and the vulnerable; and to raise awareness of the destructive influence of concentration of wealth, structural racism, xenophobia, and other forms of closed-mindedness.

Sources


Consultative tools, techniques, and approaches


IDEO.org. The Field Guide to Human-Centered Design. 2015. Also see https://www.designkit.org/resources/1
