

Weiss, Teresa

Working Paper

Defining research gaps concerning the implementation of socio-ecological transition

WWWforEurope Working Paper, No. 115

Provided in Cooperation with:

WWWforEurope - WelfareWealthWork, Wien

Suggested Citation: Weiss, Teresa (2016) : Defining research gaps concerning the implementation of socio-ecological transition, WWWforEurope Working Paper, No. 115, WWWforEurope, Vienna

This Version is available at:

<https://hdl.handle.net/10419/146612>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.



Defining research gaps concerning the implementation of socio-ecological transition

Working Paper no 115

Author: Teresa Weiss (WIFO)

March 2016



This project has received funding from the European Union's Seventh Framework Programme for research, technological development and demonstration under grant agreement no. 290647.

Author: Teresa Weiss (WIFO)

Contributions by: Karl Aiginger, Peter Huber, Jürgen Janger, Thomas Leoni,
Margit Schratzenstaller (WIFO)

Defining research gaps concerning the implementation of socio-ecological transition

Work Package 602

MS120 “Research Agenda”

Working Paper no 115

This paper can be downloaded from www.foreurope.eu

Please respect that this report was produced by the named authors
within the WWWforEurope project and has to be cited accordingly



THEME SSH.2011.1.2-1

*Socio-economic Sciences and Humanities Europe
moving towards a new path of economic growth
and social development - Collaborative project*

This project has received funding from the European Union's Seventh Framework Programme for research, technological development and demonstration under grant agreement no. 290647.

Contents

1. Introduction	1
2. Drivers of change	2
2.1 Redirecting innovation	2
2.2 New dynamics by decarbonisation and reducing income spreads	3
2.3 Reforming welfare	5
2.4 Future of work	7
2.5 Decoupling energy	8
2.6 Public sector, new governance	10
2.7 Reforming finance	11
References	13

1. Introduction

The WWWforEurope project proposes a comprehensive strategy to set Europe on a dynamic path to a socio-ecological transition (for the complete Synthesis Report of the project see Aiginger, 2016)¹. The success of the strategy is dependent on three guiding principles. Firstly, the three project goals – economic dynamics, social inclusiveness and environmental sustainability – need to be pursued simultaneously, i.e. in a systemic and comprehensive approach and not by striving to achieve the goals separately. Secondly, a high-road strategy for Europe is postulated on which economic dynamics is supported by structural change, improving skills and boosting innovation. Additionally, ambitious social and environmental standards are expected to foster high and rising well-being. A two-stage implementation process that is intended to address existing disequilibria and imbalances represents the third principle. Stage one will raise economic dynamics in order to reduce debt and unemployment while at the same time reprogramming the economy. Reducing income spreads and investing in infrastructure supporting decarbonisation will reduce current imbalances and prepare for transition. In the second stage, lower dynamics will be compatible with higher levels of wellbeing and employment, while emissions will be decoupled from output.

Within the Synthesis Report, WWWforEurope developed a reform programme that stretches across seven policy fields. Accordingly, seven essential drivers of change were elaborated, based on WWWforEurope research, which include concrete policy recommendations aiming at an increase in wellbeing while taking into account the three strategic project goals². Along these drivers, research gaps were defined for topics that could not be addressed in depth within the WWWforEurope project but which appear to be important for the implementation of the envisaged socio-ecological transition. Also in regards to the policy recommendations suggestions were made where additional research will be necessary in order to actually promote their implementation.

This paper summarizes future research questions for each driver of change based on the outcomes of the WWWforEurope project and the derived policy recommendations. Firstly, a broad research question is suggested for each driver indicating the main focus of interest. In a second step, several analytical aspects as well as policy aspects are defined to specify the broad research questions (for an overview of all analytical and policy aspects see Aiginger 2016, p. 128). While focussing on the seven drivers of change when formulating the research questions, attention was also paid to so-called cross-cutting issues (e.g. gender aspects, strategies for implementing the Paris climate agreements). The research gaps are based on the fundamental insight of WWWforEurope that highlights the importance of applying a

¹ Synthesis Report Part I: <http://Synthesis-Report-Part-I.foreurope.eu>
Executive Summary: <http://Synthesis-Summary.foreurope.eu>

² For more detailed information on the seven drivers and the related policy recommendations see Aiginger, 2016, Chapter 4.

comprehensive and integrated approach for achieving the three strategic project goals instead of following a silo approach.

We would like to highlight that the content of this working paper is based on intensive discussions between WWWforEurope researchers and selected stakeholders.³ Important inputs were also provided by the work of the five WWWforEurope Research Areas which is summarized in Badinger et al. (2016).⁴

2. Drivers of change

2.1 Redirecting innovation

WWWforEurope intensively dealt with the role of innovation and industrial policy on implementing a socio-ecological transition. Innovation is at the center of a high road strategy as it may mitigate or even prevent negative tradeoffs between the three goals of the WWWforEurope strategy (economic dynamics, social inclusiveness and environmental sustainability) and may support their simultaneous consideration. An important proposal of the WWWforEurope strategy is to shift the direction of technological progress from primarily labour saving to saving energy and material inputs. This indicates that at the first stage actions (e.g. incentives for innovation) are required to close Europe's technology gap towards the new technology frontier. In the second stage, this redirection of innovation towards social inclusiveness and environmental sustainability allows to increase well-being and to double decouple labour and energy from growth.

However, more research is needed to further investigate ***how innovation can actually become more energy and resource saving.***

In this regard, four analytical aspects would be particularly interesting. Firstly, the role of research for redirecting innovation should be investigated. An important component is how basic research can be redirected towards energy and resource savings while safeguarding excellence and curiosity-driven research. Moreover, it would be worthwhile to analyse how the requirements to continue looking for solutions for great societal challenges can be integrated into existing funding schemes and programmes for excellent basic research (e.g. ERC, NSF in the US⁵). Secondly, further studies could assess how start-ups and young firms that specifically work on innovative solutions for climate or social problems can be scaled up. Since the EU lags behind the US in producing young and innovation-intensive high-growth firms it would be interesting to explain the differences in country performance in the occurrence of scale-ups and to analyse the determinants as well as policy options. As we are currently confronted with a deep change in the manufacturing system that is moving towards an automation of processes it

³ The research gaps presented here were inspired by a workshop held during the project's final conference and by further inputs from WWWforEurope researchers.

⁴ Synthesis Report Part II: <http://Synthesis-Report-Part-II.foreurope.eu>

⁵ European Research Council (ERC), National Science Foundation (NSF).

would be thirdly important to investigate the impact of this so called 'Industry 4.0' on employment and the environment (with a special focus on resource and energy use). One message of the WWWforEurope project was that innovation policy should redirect innovative activity away from focusing on labour productivity towards raising resource and energy productivity. Thus, fourthly, future analysis could study in depth the determinants of the individual components of technical progress (i.e. labour, energy, material, capital productivity) as well as their interdependencies in order to better support an increasing resource and energy productivity.

From a policy perspective more attention should be paid to identifying concrete actions and governance arrangements of industrial and innovation policy which are required to support the WWWforEurope high road competitiveness approach and consequently the socio-ecological transition.

Analytical research questions
<ul style="list-style-type: none"> • What is the role of research for redirecting innovation? • How can young firms (e.g. start-ups, green gazelles, etc.) that specifically work on innovative solutions for climate or social problems be scaled up? • What will be the impact of 'Industry 4.0' on employment and the environment (e.g. resource and energy use)? • What are the determinants of the individual components of technical progress (e.g. labour, energy, material, capital productivity)?
Policy oriented research questions
<ul style="list-style-type: none"> • What forms of industrial and innovation policy (including governance arrangements) are required to support the WWWforEurope high road competitiveness approach and consequently the socio-ecological transition?

2.2 New dynamics by decarbonisation and reducing income spreads

The WWWforEurope strategy highlighted the importance of increasing economic dynamics. One achievement of the project is to avoid silo thinking and instead to simultaneously consider environmental, societal and economic objectives. Therefore it pays attention to make the increase of economic dynamics compatible with social goals and decarbonisation. During the first stage it is important to stimulate demand through investing in a new energy-efficient infrastructure and decarbonisation in order to boost economic dynamics. Moreover, stimulating consumption of products and services with higher value added and lower carbon footprints reduces past disequilibria and prepares for the socio-ecological transition. At the same time, this supports an increase in capacity utilisation and employment, the repay of public debt and the

decrease of income spreads as well as a reduction in energy and resources in the second stage.

Based on these suggestions, greater effort is needed to ***explore the potential of a decarbonising infrastructure as investment and export opportunities.***

The first analytical aspect investigates the impact of changing the infrastructure of buildings, engines and transport systems on environmental sustainability and social inclusion. This research question can be directly linked to the recently achieved Paris climate agreements which are expected to limit global average temperature rise to 2 centigrade. In this respect, it should be researched how the infrastructure needs to be changed in order to support the ambitious goals of these agreements. Moreover, it would be interesting to examine how private investment can be boosted and redirected towards more social and environmental sustainable projects. WWWforEurope promotes a decrease of inequality and thus a reduction of income spreads. Considering the approach of simultaneity, reducing income spreads has to be combined with incentives to decrease energy inputs and emissions. Thus, a second aspect of further research might explore the possible interrelations between income distribution and sustainable consumption. At this point it must be highlighted that consumer demand must not be expanded for material and energy using goods and services which would increase global throughput and consequently threaten sustainability of ecosystems. Finding a way to make consumption actually sustainable and less resource consuming will be of utmost importance for a socio-ecological transition. Thirdly, further investigation could be dedicated to determine how the welfare content of outcome can be increased⁶. As WWWforEurope put a special focus on alternative measurement systems it is recommended that further research explores how beyond GDP indicators can be integrated in macroeconomic modelling and moreover, how the switch to beyond GDP indicators as policy benchmark can be accelerated. In this regard, it would be also interesting to investigate how beyond GDP indicators can be better integrated into political decision-making and governance.

In terms of policy WWWforEurope focussed on measures to reduce economic imbalances and regional crisis. Thus, concrete strategies for supporting low income regions in times of low growth, instability in neighbourhood and environmental pressure could be elaborated in more depth. Moreover, it would be important to provide insight in how neighbouring countries of Europe can be supported, for instance by investments, to enter a socio-ecological transition.

⁶ Given a predefinition of the elements of the welfare function (e.g. unemployment, equity, sustainability) an increase in the welfare content of output indicates that it is possible to raise welfare for a given output or to increase dynamics of wellbeing for a lower growth level.

Analytical research questions
<ul style="list-style-type: none"> • What is the impact of changing the infrastructure of buildings, engines and transport systems on environmental sustainability and social inclusion? • What are the potential interrelations between income inequality and sustainable consumption? • How to increase the welfare content of outcome? • How can the uptake of beyond GDP indicators in macroeconomic modelling be increased?
Policy oriented research questions
<ul style="list-style-type: none"> • What kinds of strategies are able to support low income regions in times of low growth, instability in neighbourhood and environmental pressure? • How to support neighbours to increase their dynamics and to enter socio-ecological transition? • How to integrate beyond GDP indicators into political decision-making/governance?

2.3 Reforming welfare

The welfare state is facing several imminent challenges like an ageing population or phases of high debt and low growth. WWWforEurope has already addressed major economic and political challenges for European welfare systems and identified necessary adjustments. A major proposal for changing social policy was the shift from a protection focus to a social investment strategy. The core of a social investment strategy consists of investing in education, skills and human capital with a special emphasis on providing access to education for all children regardless of their socio-economic and ethnic background. Additionally, the importance of supporting employment and labour market integration is highlighted, also with regard to migrants. It could be shown in the WWWforEurope project that early education for as well as the integration of migrants provide equal opportunities and high economic and social returns. Another important suggestion is to strengthen the redistributive function of taxation through increasing tax compliance, higher taxes on high incomes, wealth and inheritances, and lower taxes on labour particular for low incomes. Gender equality can be promoted by incentivising the reconciliation of work and family life.

Since the WWWforEurope strategy particularly emphasised the shift from social protection to social investment, it would be of interest to further investigate **how the WWWforEurope social investment approach can be financed under high debt and low growth**. Besides the major challenge that the debt level of many EU Member States has risen considerably since the financial and economic crisis while being confronted with a scenario of low growth it is also important to consider recent developments like new forms of employment or the increasing digitalisation in the private and the professional life. Likewise, the growing mobility of capital as

well as the increasing migration to European countries represent a serious constraint for the future of welfare systems. Further studies need to analyse these challenges jointly in a long run perspective.

The first analytical research question considers new - but also already existing - constraints (e.g. high debt, low growth) and investigates the role of the welfare state to improve efficiency under such constraints. Secondly, as the ongoing flow of migration will have an impact on Europe and in particular on its welfare systems, it is important to put a special focus on how migration is actually affecting welfare as well as employment. Thirdly, as (capital) mobility is increasingly resulting in a greater interlinkage and mutual dependency of welfare states, further studies on the heterogeneity of countries and their welfare systems would be worthwhile.

Welfare system reform requires a high degree of policy coordination and forward-looking policies, especially on a European level, in order to be able to move in the direction of a European social union. It is likely that governance structures will have to be adapted to enable the coordination and implementation of adequate social policies. Additional research is therefore needed on the feasibility of implementing suggested reforms. One aspect of the WWWforEurope strategy is the promotion of tax compliance, strengthening taxes on wealth and inheritances, and lowering taxes on labour. However, more research will be needed to determine how current tax structures have to be changed for actually promoting a socio-ecological transition. In order to push forward the WWWforEurope social investment approach it would be important to explore what kind of policies (services and transfers) are appropriate to support human capital formation and activation/employment along the life course as well as to find out how skills and human capital formation can be upgraded. Another policy aspect for further research focuses on the political economy of tax reforms, e.g. on how to overcome political resistance against the increasing use of environmental and property taxes as sources to finance the welfare state.

Analytical research questions
<ul style="list-style-type: none"> • What is the role of the welfare state to improve efficiency under new constraints? • What is the impact of migration on welfare and employment? • Improving the understanding of heterogeneity of countries and welfare systems in a world of increasing (capital) mobility.
Policy oriented research questions
<ul style="list-style-type: none"> • How do current tax structures have to be changed for promoting a socio-ecological transition? • What policies (services and transfers) are appropriate to support human capital formation and activation/employment along the life course? • How can skills and human capital formation be upgraded? • Investigating the political economy of tax reforms

2.4 Future of work

In its strategy WWWforEurope considered employment as one major goal and as an important element of ensuring social inclusion since it is highly correlated with the reduction of poverty and social risks. As economic growth rates are predicted to be low in Europe over the coming decades a decoupling of employment from output is highly desirable. In order to achieve that WWWforEurope proposed to upgrade skills and improve the mismatch of supplied and demanded qualifications. Promoting symmetric flexibility (i.e. the needs of firms and the preferences of employees are matched) and voluntary reductions in working time will reduce the oversupply of labour. Another suggestion refers to the reduction of taxes on labour so as to reduce the pressure on firms to increase labour productivity.

Employment and work per se have important societal functions. On the one hand, work can be seen as defining trait for individual identities. On the other hand, paid work and the labour market represent main integrative institutions (e.g. through the social insurance system). In recent years there appeared a growing trend towards a fundamental change in working patterns, not at least due to technological change and the related increase in digitalisation. WWWforEurope identified the future of work within the European Union as an important future research topic and suggests investigating ***the impact of the increasing digitalisation on working patterns and the associated role of social innovation***. It must be noted that an analysis of this topic has to avoid a silo approach and instead needs to consider different aspects in an integrated perspective. Due to the problem of uncertainty, future research should envision scenarios of the different impact of future(s) of work.

Concerning the future of work, there are various analytical aspects to be investigated. The first aspect concerns the implications of a change in the nature of work for social security, individual working careers, etc. It will be indispensable to investigate how technological change will impact labour markets and work both qualitatively, i.e. with respect to production processes, and quantitatively, i.e. with respect to the demand for skills and labour. Secondly, more research is needed to better understand the distributional impacts of changing work patterns. It would be interesting to question how social protection systems are going to be financed under a scenario of increased digitalisation where it is likely that less human labour is needed. Furthermore, studies could explore the phenomenon of working poor or the basic income and their impact on the social system. A third analytical aspect refers to the impact of unpaid work (e.g. care work or home production) on welfare. Since there have always been tensions between paid and unpaid work, it would be interesting to identify the differences between those two employment forms and to figure out how the boundaries between work and paid labour can be shifted. Fourthly, it would be interesting to identify strategies and measures that may lead to a more equal distribution of working time within the workforce (also in a gender perspective) without decreasing welfare. In this regards it needs to be figured out under which macro-economic conditions working time can be reduced (or distributed more evenly) without increasing poverty and dependency (also in a gender perspective) and to analyse in more detail the impact of changes in working time on productivity, income and labour demand.

From a policy perspective it is crucial to investigate whether a decoupling of employment from growth is socially and politically possible and what mechanisms and associated policies such a process would require. The WWWforEurope strategy identified symmetric flexibility as welfare improving goal for both stages. Thus, further investigation is needed on how to push forward its implementation while guaranteeing options for both firms and employees (i.e. trading short run firm flexibility against life cycle flexibility for employees).

Analytical research questions
<ul style="list-style-type: none"> • What impact does a change in the nature of work for social security, individual working careers, etc. have? • What are the distributional implications of changing work patterns? • What is the impact of unpaid work on welfare? • Under which macro-economic conditions working time can be reduced (or distributed more evenly) without increasing poverty and dependency?
Policy oriented research questions
<ul style="list-style-type: none"> • Is a decoupling of employment from growth socially and politically possible and what mechanisms and associated policies are needed? • How can symmetric flexibility be fostered while guaranteeing options for firms and employees?

2.5 Decoupling energy

The absolute decoupling of energy use and emissions from growth represents another core objective of the WWWforEurope high-road strategy. The WWWforEurope project highlighted the importance of decarbonisation for achieving the envisaged decoupling. In this regard incentives for energy efficiency need to be improved, environmental innovation should be boosted and technological progress needs to be redirected from labour saving to resource, energy and carbon saving. Besides, WWWforEurope proposed a mix of instruments including price signals as well as regulations, but also procurement policy and behavioural changes to foster the transition. The rapid definition of ambitious standards and regulations for long-term infrastructure such as buildings, transport and energy supply and their continuous increase is vital since investment made today determines the level of emissions and resource use in the long run. Finally, greater efforts are necessary to push forward the phasing out of subsidies and interventions for fossil fuels.

So far some signs of relative decoupling were already apparent (see for instance Fischer-Kowalski and Wiedenhofer, 2014), but for effectively reducing global warming stronger efforts towards an absolute decoupling will be needed. It will be crucial for future research to provide a perspective for ***how a radical absolute decoupling can be combined with higher welfare.***

Accordingly, an improved information base on the historical development of decoupling would help to provide a better understanding of this process. Hence, a research agenda could include the construction of a full dataset that is needed by models (i.e. Input-Output tables, National Accounts, physical environmental data) in order to carry out a long-run analysis to explain, for example, the ‘1970es syndrome’.

For this research topic several analytical aspects were identified. The first one addresses the modelling of transformation pathways towards decarbonisation and absolute decoupling of resource use. It would be interesting to identify how innovative modelling approaches like functionality-based modelling can be further developed to support the evaluation of long-run perspectives. Additionally, the translation of modern behavioural economics insights into macroeconomics should be fostered as it can improve models in terms of understanding and perhaps even predicting events like economic crises which are highly influencing the direction of transformation pathways in the short-term. Secondly, more insights on how potential negative effects of an absolute decoupling can be avoided would help to reinforce the process of decoupling. Future research needs also to take into account gender aspects of a transition to a low carbon economy, as for example questioning what different roles do/can gender play in climate change and a transition to a low-carbon economy.

WWWforEurope highlighted the significance of defining a mix of instruments for achieving decarbonisation. It is therefore indispensable to identify policy instruments that are able to support the transformation pathways towards decarbonisation and absolute decoupling of resource use. In the work of the WWWforEurope project two ‘escape routes’ were identified that are able to reduce the impact of environmental policies intended to limit energy and resource use, namely rebound effects and carbon leakage. Further research should elaborate the channels how these escape routes work and how they can be prevented.

Analytical research questions
<ul style="list-style-type: none"> • How can innovative modelling approaches like functionality-based modelling be further developed to model transformation pathways towards decarbonisation and absolute decoupling of resource use? • How can potential negative effects (e.g. undesirable distributional effects) of absolute decoupling be avoided? • What are the gender aspects of a transition to a low carbon economy?
Policy oriented research questions
<ul style="list-style-type: none"> • What are appropriate policy instruments for achieving transformation pathways towards decarbonisation and absolute decoupling of resource use? • How can ‘escape routes’ like carbon leakage and rebounds be prevented effectively?

2.6 Public sector, new governance

The state and the public sector play a crucial role when it comes to implement the socio-ecological transition as it reallocates nearly 50% of output in Europe and additionally influences economic and social activity via regulation, legislation, procurement and effects on education and innovation. Its influence could be used more effectively to promote all three goals of the WWWforEurope strategy, most prominently the environmental and the social goals. Therefore WWWforEurope proposes a shift in expenditures and subsidies from issues conserving old structures to those promoting a socio-ecological transition as well as an incorporation of environmental and social decision-making criteria into public procurement processes. A fundamental shift in tax structures for correcting counterproductive incentives in the tax system is highlighted as another important necessary change. The tax burden should be shifted from labour to the environment and property (resulting for example in higher taxes on real estate, inheritances and wealth). Additionally green fiscal reforms should be designed including the elimination of environmentally harmful tax exemptions. Increasing international cooperation and information exchange can enforce tax compliance with regard to high incomes and wealth. Moreover, it is suggested to strengthen tax harmonisation on the EU level and to some extent globally. WWWforEurope also advocates the intensification of the EU's role by shifting expenditure structures within the EU budget and reinforcing the initiatives for EU taxes (e.g. financial transaction tax and carbon tax).

One of the main questions for future research will be ***how to design the public sector and European governance in order to better support the socio-ecological transition.***

A tax shift from labour to energy, emissions, wealth and inheritances is one major proposal of the WWWforEurope strategy. Hence, a sound analysis of the possible impact of such a shift on economic dynamics, environmental sustainability and social inclusion represents an important analytical aspect of further research. Secondly, more research is required to determine the consequences of the increased migration to Europe on the economic and political systems. In this regard, it would be also interesting to explore the impact of migration on the political attitudes of citizens towards the EU and national and regional governments. Moreover, it is suggested to assess the possibilities of European, National and Regional governments for implementing policies to secure sound inter-ethnic relationships between migrant and native population. Some experimental or quasi-experimental evidence could be provided to evaluate such policies. As a third aspect, it should be elaborated to what extent and in which policy fields, coordination and harmonisation is needed to implement, for example, effective climate policies. In this context, greater efforts are needed to determine what kind of topics should be solved on the European level rather than on the national level.

WWWforEurope proposed a concrete strategy for fostering a socio-ecological transition. Now it is important to assess how such a transition strategy can be fitted into the existing EU framework. Since nationalism has been increasing recently it would be furthermore necessary to find out how citizens can be again reconnected with the European project.

Analytical research questions
<ul style="list-style-type: none"> • What is the impact of shifting taxes from labour to energy, emissions, inheritances and wealth on economic dynamics, social inclusion and environmental sustainability? • What kind of topics have to be solved on the European level rather than on the national level? • What is the impact of migration on the economic and political systems? • To what extent and in which policy fields coordination and harmonisation is needed to implement, for example, effective climate policies?
Policy oriented research questions
<ul style="list-style-type: none"> • How can a transition strategy be fitted into the existing EU framework? • How can citizens be reconnected with the European project?

2.7 Reforming finance

The financial sector is a sensitive topic with strong and powerful lobbying groups and a high resistance to change. However, it plays a crucial role for launching a socio-ecological transition. WWWforEurope proposed to reform the financial sector so that it supports and strengthens the real economy and incentivises sustainable as well as socially and economically desirable investments. In this regard, the WWWforEurope project made several concrete suggestions as for example, limiting the exposure of regular banks to shadow banks, implementing a common deposit guarantee scheme or promoting venture capital and crowd-funding for innovative firms. Furthermore investments that benefit society and the economy should be boosted by means of better information and lower risks weights.

So far the EU single capital market appears to be a major hindrance for implementing a socio-ecological transition. The reason behind this is for example the ongoing financialisation that changes firms' ways of operating and induces them to act less sustainably, thus preventing social and environmental innovation, or the difficulties for SMEs and innovative firms to get access to finance. Moreover, Europe is confronted with the situation of an increasing amount of private and public debt as well as negative interest rates and weak regulation which bear the danger of future financial crises. Basle regulations do not seem effective enough, which is resulting in a failure of the European banking supervision process. Other problems related to the financial sector are for example the missing labelling of sustainability-oriented projects or the susceptibility of electronic banking and ICT for fraud. While having in mind these challenges WWWforEurope sees a need for more research on ***how finance can support the real economy as well as social and environmental goals.***

Firstly, an interesting analytical aspect would be to determine the role of financialisation in a socio-ecological transition and to furthermore investigate the impact of financialisation on firm structure and development as well as R&D activities of firms. Another future study could

investigate how corporate governance affects decisions in financial institutions. WWWforEurope identified the investment in intangible assets as an important element of a socio-ecological transition, not least because intangible investment is immaterial and hence has no or little energy or resource costs, while 'ideas' are less affected by diminishing returns. Thus, another interesting analytical aspect would be to investigate the role of intangibles in a dynamic economy and to explore how investments in them can be boosted.

In terms of policy it would be important to provide insights in how to overcome reform resistance in the financial sector and how its transparency can be increased. Another interesting policy aspect would be to determine how investment funds can be labelled according to social and environmental goals and what can be the impact of labelling sustainability-oriented projects.

Analytical research questions
<ul style="list-style-type: none"> • What is the role of financialisation in a socio-ecological transition? • What is the role of corporate governance for decisions in financial institutions? • What is the role of intangibles in a dynamic economy and how to boost investments in them?
Policy oriented research questions
<ul style="list-style-type: none"> • How to overcome reform resistance in the financial sector? • How to increase transparency in the financial sector? • How to label investment funds according to social and environmental goals?

References

- Aiginger, K., New Dynamics for Europe: Reaping the Benefits of Socio-ecological Transition. Part I: Synthesis, WWWforEurope Synthesis Report, Final Version, Vienna, Brussels, 2016.
- Badinger, H., Bailey, D., De Propris, L., Huber, P., Janger, J., Kratena, K., Pitlik, H., Sauer, Th., Thillaye, R., van den Bergh, J., New Dynamics for Europe: Reaping the Benefits of Socio-ecological Transition. Part II: Model and Area Chapters, WWWforEurope Synthesis Report, Final Version, Vienna, Brussels, 2016.
- Fischer-Kowalski, M., Wiedenhofer D., An optimal policy mix for resource use, WWWforEurope Policy Brief, 2014 (5).

Project Information

Welfare, Wealth and Work for Europe

A European research consortium is working on the analytical foundations for a socio-ecological transition

Abstract

Europe needs change. The financial crisis has exposed long-neglected deficiencies in the present growth path, most visibly in the areas of unemployment and public debt. At the same time, Europe has to cope with new challenges, ranging from globalisation and demographic shifts to new technologies and ecological challenges. Under the title of Welfare, Wealth and Work for Europe – WWWforEurope – a European research consortium is laying the analytical foundation for a new development strategy that will enable a socio-ecological transition to high levels of employment, social inclusion, gender equity and environmental sustainability. The four-year research project within the 7th Framework Programme funded by the European Commission was launched in April 2012. The consortium brings together researchers from 34 scientific institutions in 12 European countries and is coordinated by the Austrian Institute of Economic Research (WIFO). The project coordinator is Karl Aiginger, director of WIFO.

For details on WWWforEurope see: www.foreurope.eu

Contact for information

Kristin Smeral

WWWforEurope – Project Management Office
WIFO – Austrian Institute of Economic Research
Arsenal, Objekt 20
1030 Vienna

wwwforeurope-office@wifo.ac.at

T: +43 1 7982601 332

Domenico Rossetti di Valdalbero

DG Research and Innovation
European Commission

Domenico.Rossetti-di-Valdalbero@ec.europa.eu

Partners

	Austrian Institute of Economic Research	WIFO	Austria
	Budapest Institute	Budapest Institute	Hungary
	Nice Sophia Antipolis University	UNS	France
	Ecologic Institute	Ecologic	Germany
	University of Applied Sciences Jena	EAH Jena	Germany
	Free University of Bozen-Bolzano	UNIBZ	Italy
	Institute for Financial and Regional Analyses	GEFRA	Germany
	Goethe University Frankfurt	GUF	Germany
	ICLEI - Local Governments for Sustainability	ICLEI	Germany
	Institute of Economic Research Slovak Academy of Sciences	IER SAVBA	Slovakia
	Kiel Institute for the World Economy	IfW	Germany
	Institute for World Economics, RCERS, HAS	KRTK MTA	Hungary
	KU Leuven	KUL	Belgium
	Mendel University in Brno	MUAF	Czech Republic
	Austrian Institute for Regional Studies and Spatial Planning	OIRG	Austria
	Policy Network	policy network	United Kingdom
	Ratio	Ratio	Sweden
	University of Surrey	SURREY	United Kingdom
	Vienna University of Technology	TU WIEN	Austria
	Universitat Autònoma de Barcelona	UAB	Spain
	Humboldt-Universität zu Berlin	UBER	Germany
	University of Economics in Bratislava	UEB	Slovakia
	Hasselt University	UHASSELT	Belgium
	Alpen-Adria-Universität Klagenfurt	UNI-KLU	Austria
	University of Dundee	UNIVDUN	United Kingdom
	Università Politecnica delle Marche	UNIVPM	Italy
	University of Birmingham	UOB	United Kingdom
	University of Pannonia	UP	Hungary
	Utrecht University	UU	Netherlands
	Vienna University of Economics and Business	WU	Austria
	Centre for European Economic Research	ZEW	Germany
	Coventry University	COVUNI	United Kingdom
	Ivory Tower	IVO	Sweden
	Aston University	ASTON	United Kingdom