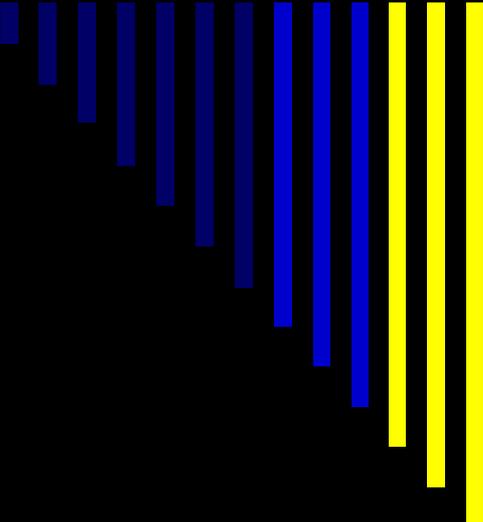


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# From welfare to farewell: the European social-ecological state beyond economic growth

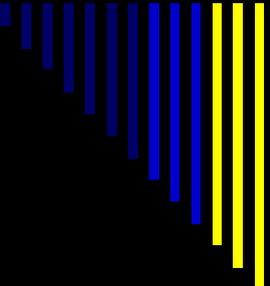


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The nexus of climate change and welfare:  
towards a new concept of the welfare state  
ETUI, 17 June 2021.

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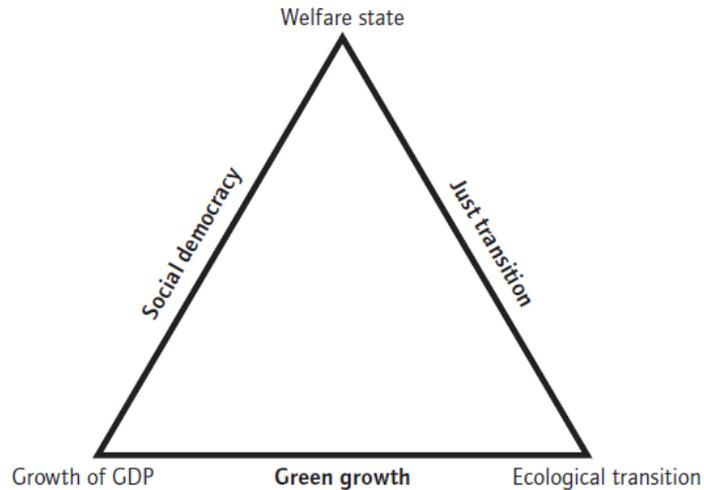


# Outline

- The growth-welfare-transition trilemma;
  - Growth, income and employment: the double decoupling;
  - Human development, social policy and growth;
  - The perilous illusion of ‘green growth’;
  - A social-ecological transition beyond growth: three strategies.
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# A new trilemma

Figure 1 The welfare-growth-transition trilemma



Note: pick two vertices, only two.

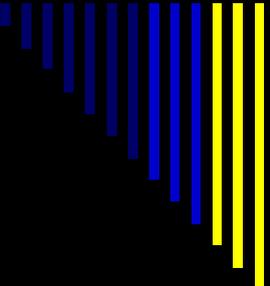
Source: author

## Reading: one past, two futures

'Social democracy' denotes the social-economic alliance characteristic of the post-war decades in Western European countries, where social policy and economic growth went hand in hand without consideration for environmental degradation (at least until the early 1970s): economic growth stabilises the welfare state but without regard for the biosphere's destabilisation.

'Green growth' uses ecological transition as a means to increase GDP growth, thought to be a source of trickle-down prosperity. In this scenario, ecosystems continue to be heavily damaged at least in the medium term and this degradation gradually renders welfare states financially unsustainable because of the resulting human health degradation: the welfare state is destabilised and eventually derailed by the pursuit of growth.

'Just transition' puts the mutualisation and equalisation power of the welfare state at the service of ecological transition, building a social-ecological transition that combines sustainability and justice, abandons GDP growth as a collective horizon and focuses on policies that simultaneously reduce natural resource consumption and social inequality.



# The double decoupling

- The co-dependency between the welfare state and growth (as envisioned by Myrdal) is mediated by two key linkages: the node between GDP growth and employment and the node between GDP growth and income;
  - Decoupling between growth and employment: Germany, the EU;
  - Decoupling between growth and household income : disconnect between national income and personal income as well as between GDP and fiscal capacity.
-

# Human development and growth

The real underlying indicators of human development are labour productivity, health and education and they are fostered by the welfare state, not by economic growth, which they sustain; growth is a superficial metric and by-product of human development.

Growth extractivist techniques (US, France): destroys the foundations of human development (and growth)

Figure 2 Breakdown of human development progress for OECD countries, 1870–2007



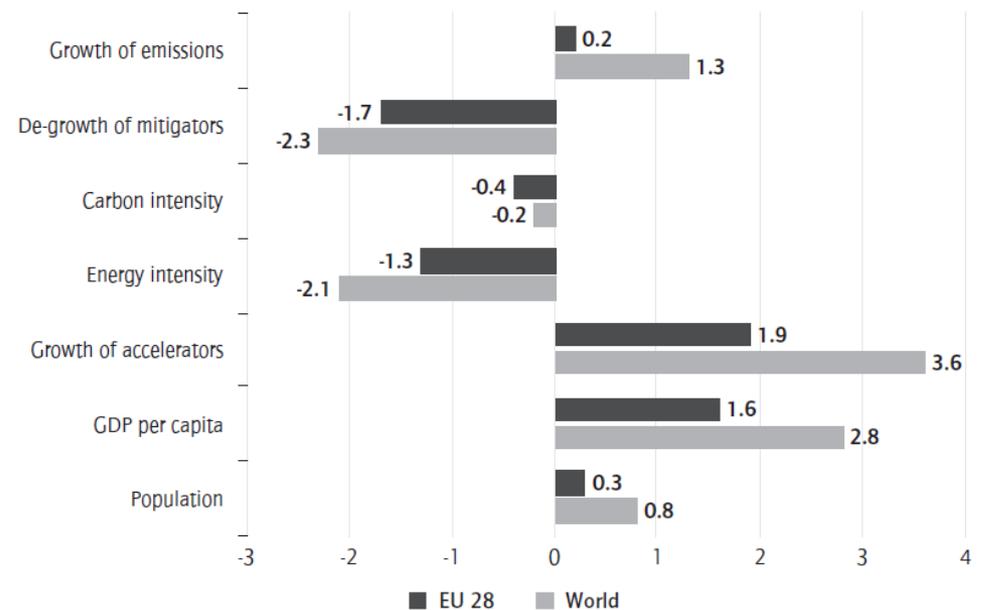
Source: Prados de la Escosura (2015) and author's calculations

# The perilous illusion of “green growth”

Growth decoupling paradox: one is real but denied, the other is illusory but affirmed

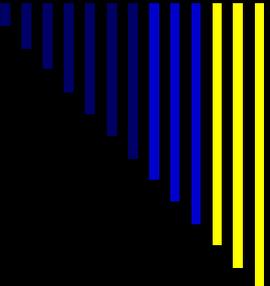
Rather than aiming for ‘zero net emissions’ (a concept that relies heavily on virtual technological breakthroughs), the EU, like other major carbon emitters, could more realistically aim for ‘zero net growth’, compensating the phasing out of high-emissions sectors by developing sobriety in carbon consumption

Figure 4 Kaya identity factors, 2010–2040, world and EU (% per year)



Source: EIA, authors' calculations

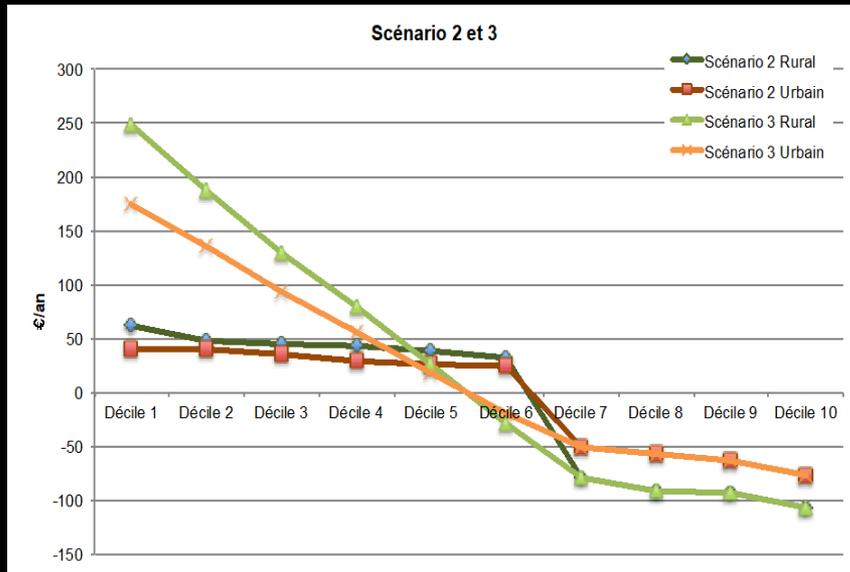
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# A social-ecological transition beyond growth: three strategies

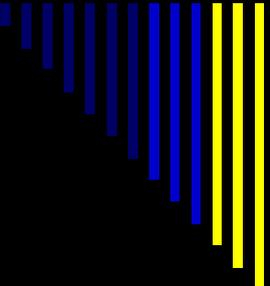
- In the short term, first strategy: mobilising the reservoir of economic inequalities to foster transition;
  - Introducing, at constant GDP, socially compensated progressive ecological taxes based on two tax bases: wealth and CO<sub>2</sub> consumption;
-

# Social-ecological progressive taxation (the case of France)



| Année | Taxe carbone | Avant redistribution          |                                     | Scénario 4<br>(recyclage de 100%<br>des recettes additionnelles) |                                     |
|-------|--------------|-------------------------------|-------------------------------------|--|-------------------------------------|
|       |              | Taux de précarité énergétique | Evolution par rapport à 2018 (en %) | Taux de précarité énergétique                                    | Evolution par rapport à 2018 (en %) |
| 2018  | 44,6 €       | 18,3%                         | -                                   | -  | -                                   |
| 2020  | 55,0 €       | 18,7%                         | 2,3%                                | 14,8%  | -19,0%                              |
| 2021  | 65,4 €       | 18,8%                         | 2,9%                                | 11,6%  | -36,5%                              |
| 2022  | 75,8 €       | 19,0%                         | 4,0%                                | 9,5%   | -48,1%                              |
| 2023  | 86,2 €       | 19,2%                         | 4,9%                                | 7,9%   | -56,7%                              |
| 2024  | 96,6 €       | 19,4%                         | 6,2%                                | 7,0%   | -61,7%                              |
| 2025  | 107,0 €      | 19,6%                         | 7,0%                                | 6,2%   | -66,0%                              |

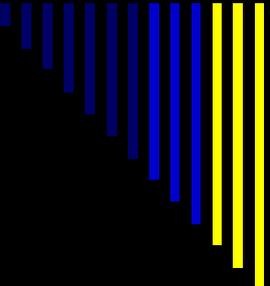
Source : Berry-Laurent, 2019.



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# A social-ecological transition beyond growth: three strategies

- Need to shift the debate from the cost of transition to the cost of non-transition and to move away from cost-benefit analysis toward co-benefits analysis;
  - The political economy of the social-ecological transition is straightforward: while the cost of non-transition is mostly borne by the poorest, the cost of transition should be borne mainly by the richest.
-



# A social-ecological transition beyond growth: three strategies

- A second strategy would thus be to finance the social-ecological transition through savings in social spending achieved through ambitious environmental policies aimed at improving human well-being, via health improvement;
  - The Covid-19 pandemic provides a striking illustration of the nexus between preserving the environment, preserving health and preserving the economy that the EU should learn from;
  - Social-ecological feedback loop;
  - A third and last strategy would be to build a robust social-ecological protection system to complement existing social protection (later panel).
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