



The Emerging Economic Renaissance

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A new political-economic paradigm is emerging in northern Europe and parts of the Asia-Pacific region that could signal a major turning point in human history. Like the time when humanity awakened to the fact that the world was round, rather than flat, this new paradigm radically challenges our perceptions of reality and the systems we have created to guide our lives.

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The impetus for this emerging shift is the increasingly catastrophic failure of humanity’s conventional GDP-focused political-economic system. What started in the industrial age as regional and global competitions for hegemony and resources eventually developed into two world wars, expensive military arms races, ecological overstep, climate change, species extinctions and a surge of borrowing as those in power sought to solidify their hold on authority. Over the past few months, the fragile structure of this debt-driven competition has been exposed by the coronavirus pandemic, causing widespread panic in global markets.

So what is it about the emerging new paradigm that could reverse this self-destructive trend and alter the course of history? The answer is deceptively simple.

Instead of perceiving economies as bottom-line, capital-driven contrivances for growing GDP and profit (increasingly at the expense of people and Nature), the new paradigm sees economies as they really are: as sub-systems of life, whose primary assets are people and Nature and whose goals are to preserve the continuous wellbeing of humanity and the ecosphere in which we live. By such means, it resolves into a reinforcing loop, where means and ends serve one another rather than conflict. Simple. Logical. And remarkably effective.

1. Economies That Mimic Life

The wonderful thing about this living system archetype is how it generates economic success even as it reduces humanity’s ecological footprint. In doing so, it overcomes the

increasing frictions between means and ends that have plagued the mainstream “neoclassical” model and driven it to the edge of ruin. This is not to say that transitioning to the life-mimicking model will be easy. But in the final analysis, it comes down to whether the citizens and leaders of a country want to go down with a sinking ship or whether they want to find a more secure way forward.

Because the two models are so fundamentally opposite (incommensurable), attempts to find a compromise solution will almost certainly fail. That is because their foundational assumptions conflict and clash as can be seen in the following table. Consequently, the most promising (and profitable) way forward is to abandon the neoclassical model and adopt the life mimicking one.

That said, it is important to understand that the life-mimicking model is not a set destination, but an adaptable pathway forward—one that can (and must) be amended by continuous observation and learning as political-economic conditions change.

2. Comparison of Working Assumptions and Practices

	Living System Model	Neoclassical Model
Economies are:	Sub-systems of biosphere, society	The dominant system
Governance:	Egalitarian, networked, decentralized	Hierarchical, centralized
Mission:	Maintain healthy living systems	Maintain authority, control
Values:	Primacy of living assets (people, Nature)	Primacy of non-living capital
Vision:	Optimize living assets (circular economy)	Optimize GDP, profit
Leverage:	Living asset stewardship (inspiration)	Financial gearing (debt)
Mind-set:	Holistic, qualitative (non-linear)	Reductionist, quantitative (linear)
Metrics:	Focus on learning, adaptation (means)	Focus on results (ends)
Learning:	Multiple loop (open-ended)	Single loop (follow the rules)
Risk:	Being only generally right (Lack of precision)	Being precisely wrong (Climate change)

As one can easily see, the foregoing assumptions and practices reflect radically different worldviews/paradigms. Historically, each evolved to remediate the failures of a prior system. Therefore, just as the living systems model emerged to redress the failures of the neoclassical (industrial era) model, the neoclassical model emerged in Europe from the 17th Century Enlightenment as Europe sought to break free from the constrictive norms of the feudal system. Over the ensuing four centuries, it has become the dominant model for the

world, displacing older native views that economies had to be in harmony with nature, which also had considerable influence in the much older Indian and Confucian wisdom traditions of Asia.

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To leading Enlightenment thinkers of that era, humanity had a right to govern itself by virtue of its capacities for reason. There was, however, a darker side to this mindset: that humanity also had a “divine right” to dominion over Nature (Sir Francis Bacon); and that we were entitled to be “masters and possessors of Nature” by virtue of our rational thinking and scientific knowledge (Rene Descartes). These latter thoughts, sadly, became embedded in the ego-driven norms of the industrial age, which taken to extremes, have evolved into their own self-destructive tendencies.

In each such pendulum swing of humanity’s learning journey, we have developed new insights and governance systems as we seek to break free from the past and move forward. Although we periodically regress, in some cases catastrophically, there is also some encouraging truth to this progression as we are now discovering.

The power of the living system paradigm is embedded in what we have absorbed from biology, physics, neuroscience, systems theory, and the history of human civilization. With such knowledge, we now have a capacity to observe, reflect and learn from the living world as it changes. As Donella (Dana) Meadows said in her famous essay, “Dancing with Systems,” we cannot impose our will upon a system as our reductionist science has led us to believe. (That is why we now have climate change.) However, “We can listen to what the system tells us, and discover how its properties and our values can work together to bring forth something much better than could ever be produced by our will alone.”

Interestingly, as Dana was writing these very words in the late 1990s, a group of Nordic countries was showing how this ideal could work in practice. The secret of their success was a life-centered culture that enabled them to work with each other and the larger living world—not as supreme conqueror or controller, but as mindful, caring partners.

3. The Nordic Model

The Nordic Model as we know it today evolved from a philosophy of education that emerged in the mid-19th century. Called widely by its German root, *Bildung*, its goal was to cultivate in people, regardless of economic status, an inner desire for learning and self-development. Starting with primary school and continuing through adult education, it aims to expand people’s sense of belonging (connection)—from family to town to nation and

ultimately to the larger world. In doing so, it instills in citizens a capacity to understand complex systems and a propensity to take personal responsibility for the wellbeing of fellow citizens, humanity, Nature, and future generations.

On the strength of this philosophy, the Nordic region evolved from one of the poorest in Europe during the mid-19th century to one of the most prosperous over the space of several generations. Today the countries of Denmark, Finland, Sweden, Norway, and Iceland are regularly placed at the top of global surveys on prosperity, quality of life, health, democracy, freedom, innovation, productivity, and sustainability. As bastions of open, free markets, they have also become global innovation powerhouses in spite of holding less than half of one percent of the world's population.

In the course of becoming more prosperous, Nordic countries have developed a system of robust universal safety nets. Although supported by high individual tax rates, these have strengthened their economies by providing an abundance of healthy, educated, secure, and motivated citizens. Because of this, Nordic countries today have some of the industrial world's highest labor participation rates and per capita GDPs—advantages that in turn support their capacities to fund their safety nets. Compared to the lose-lose outcomes of the neoclassical model, this interaction creates a dynamic win-win reinforcing loop.

As evidence of this loop, Iceland today ranks higher than the US on the annual Legatum Prosperity Index. During 2019 this was supported by its higher labor participation rate (82% vs. 63%) and stronger per capita GDP (\$67,037 vs. \$65,112). Iceland's economic advantage is even greater when debt is taken into account. That is because its sovereign debt ratio is less than a third that of the US, its safety nets are fully funded and its gross domestic savings rate is higher.

This brings us back to the earlier mentioned vulnerabilities of the neoclassical model. As the US and other large industrial economies try to protect their regional and global hegemonies, they have exploited the very sources of their strength (people and Nature) and borrowed far more than their weakening economies can afford. Consequently, while Nordic economies go from strength to strength by partnering with Nature and nourishing their people, the US and others operating on the neoclassical model are falling further and further behind.

Looking back on history, such conditions characteristically precede paradigm shifts. As countries across the world learn more about the Nordic Model and emulate its features, we could be in the midst of the greatest shift yet—one where humanity discovers where our real creativity and strength reside.

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