

How do we determine economic value(s)?

Is our current method of economic thinking compatible with a sustainable world?



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Authors

Jacqueline Duiker | Ivo Smeets

For more information

Please contact Dutch Association of Investors for Sustainable Development (VBDO),
Utrecht, the Netherlands

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About this whitepaper

About VBDO

VBDO is a recognised thought leader dedicated to advancing sustainability by harnessing the power of financial markets. Its members include financial institutions, NGOs, knowledge organisations and labour unions. Operating primarily within a multi-stakeholder environment, VBDO's core activities include responsible investment benchmarks for the financial sector, corporate benchmarks on business & human rights and business & biodiversity, as well as shareholder engagement. VBDO engages with all stakeholders in the investment chain and hosts roundtables, seminars and webinars on a wide range of sustainability topics. While it is based in the Netherlands, VBDO works with organizations across the world.



We thank our members for making this report possible by contributing to the VBDO Innovation Fund. This year (2025) marks 30-years of VBDO working to make financial markets more sustainable. It has been a journey with ups and downs and one of paradoxes. Although there is more global urgency, knowledge, data and attention on sustainability than ever before, the world is not becoming more sustainable. At this point in time, we face (geo)political tension, accompanied with a tendency to focus more on short-term gains than long-term sustainability.

For VBDO, this is a moment to reflect and imagine how the future will look if the world continues with 'business as usual' and how that contrasts with the future that people want. This whitepaper also takes a look back in time, specifically at the history of society's economic thinking. Our classical approach to economics is embedded in practically every aspect of society and has brought us to where we are today: prosperity in some parts of the world and hardship in others. It's time to ask ourselves whether our economic approach is serving our best interests. This whitepaper hopes to contribute to the discussion on this topic.

1. introduction



In 2025, VBDO celebrated its 30th anniversary. During these 30 years, attention for sustainability has grown significantly: the Paris Agreement (2015) and the Sustainable Development Goals¹ (2015) are just two examples of a wide range of agreements between countries and initiatives in the corporate and financial sector.

30 years ago, you would not be taken seriously if you talked about climate change, especially if you raised it as a shareholder of a company. Today, it is high on the agenda of almost every company and financial institution. Over the last decade, sustainability has received more attention than ever before. Yet, we are still far from bending the curve on climate change, biodiversity loss and social inequality.

Despite important positive developments, the world has not become much more sustainable.² On the contrary, climate change, biodiversity loss and social inequality are ongoing and will inevitably disrupt society if we

do not change the way we do business. The causes of these risks to our society are generally known. They link back to our consumption and production patterns, which rely on the depletion of natural resources such as land, ocean and minerals, as well as emissions, pollution, deforestation and the exploitation of resources and people. None of these activities are sustainable, nor will they be in the future. We consciously cross planetary boundaries³ and even keep track of how we cross these boundaries, but this knowledge has not lead to fundamental change.

To date, geopolitical developments and polarisation are displacing the sense of urgency for all these major challenges. We seem to be risking the stagnation of sustainable transitions, even though we have more knowledge than ever before and the solutions at our fingertips. How can we allow this to happen? Why is it so difficult to move forward on these developments that affect all of us? And how can we resolve this?

These are big and perhaps even philosophical questions. They refer to what it is we value and how this is embedded in our decision making as consumers, producers, financial organisations and governments. This decision making is mainly guided by our concept and idea of economics. As consumers, we aim for the lowest prices and in our institutions, we believe that we need a positive business case or a certain return on investment to justify what we do or don't do.

We seem to be risking the stagnation of sustainable transitions, even though we have more knowledge than ever before and the solutions at our fingertips

In this type of analysis, the more sustainable alternative is often considered to be too expensive and therefore "not realistic". Everyone who tries to fundamentally embed sustainability in decision making faces the dilemma of short- versus long-term goals or self-interest versus public interest. The question arises of whether, now that we have decided to guide our decisions by short-term aims and self-interest, it is at all feasible to achieve a sustainable world? Thinking about this question firstly requires an idea of what a sustainable world looks like. Are we able to imagine this? What is it we really value? What do we need to get there and how can our economic system fit in here? This paper touches upon these questions, not so much with the intention to provide the answers, but rather to provoke thinking and discussion on them. This discussion was kicked off at the 30th anniversary of VBDO. It will be continued in cooperation with Sustainable Finance Lab in a debate between financial economists and policy makers at the De Balie debate centre in 2026.

¹ www.undp.org/sustainable-development-goals

² www.nature.com/articles/d41586-023-01989-9

³ "The planetary boundaries framework highlights the rising risks from human pressure on nine critical global processes that regulate the stability and resilience of the Earth" (www.stockholmresilience.org/research/planetary-boundaries.html).

2. Where are we heading? Our world in 2130

Biodiversity loss is accelerating faster than at any time in human history, climate change is pushing ecosystems toward tipping points and global inequality continues to deepen, undermining social stability and trust in institutions.

Projecting the state of our world more than a century from now challenges us to envision the long-term consequences of today's economic choices. Imagine by 2130, demographic growth, technological development and resource pressures will have reshaped societies in ways we can already foresee. The scientific outlook is clear: the world is, in most cases, surpassing the planetary boundaries that define a safe operating space for humanity. Biodiversity loss is accelerating faster than at any time in human history, climate change is pushing ecosystems toward tipping points and global inequality continues to deepen, undermining social stability and trust in institutions. Alongside these macro-level trends, today's economic decisions are producing micro-level symptoms that reflect deeper systemic flaws. For instance, private equity ownership in healthcare now often prioritises financial returns over patient outcomes. The business case for childcare centres increasingly focuses on profitability rather than quality or accessibility. Large numbers of housing units remain unoccupied because they function primarily as investment assets rather than homes. Even everyday products, such as cheap electronics or inexpensive children's jewellery imported from abroad, can contain harmful chemicals due to inadequate oversight and relentless pressure for low-cost production. There are many more examples that illuminate a larger truth: our current economic logic is producing social and ecological harm even when we possess the knowledge and tools to avoid it.

The central question is, why do we remain on this trajectory? We know the effects of what we are doing, we understand the science, we have the technologies to address many of these challenges and policy solutions are widely documented. We know what needs to be done. Yet, implementation remains slow, fragmented or politically blocked. Much of this dissociation stems from the dominant economic paradigm of our society, in which decision making is based on financial analysis that leads to a focus on financial indicators such as growth, efficiency, cost minimisation and short-term returns as the main indications of success.

⁴ <https://hspf.harvard.edu/news/private-equitys-appetite-for-hospitals-may-put-patients-at-risk/>

⁵ <https://placesjournal.org/article/zombies-and-ghosts-architecture-and-finance-capitalism/>

⁶ www.phfscience.nz/media/ljrb5a2v/ers-health-risk-assessment-heavy-metal-in-jewellery.pdf



The tension we face is profound: can we realise a sustainable and equitable world if we continue to rely on our current understanding of economics?

2.1 TWO FUTURES: DIVERGING PATHS TOWARD 2130

To explore the previous question, let's imagine two scenarios for the year 2130. These are not predictions but thought experiments of what our choices today could make possible.

Scenario 1: Business as usual

In a business-as-usual world, economic activity has continued to prioritise short-term financial gain above ecological stability and social wellbeing. Planetary boundaries have continued to be exceeded, leading to cascading system failures. As a consequence, the loss of pollinators is disrupting food supplies, extreme weather events are putting a strain on public budgets, oceans are more acidic and less biodiverse, and social inequality has widened as vulnerable groups have borne the burden of environmental decline. At the micro level, everyday life reflects this imbalance. Healthcare is costlier and more unequal as private equity increasingly dominates essential services. Childcare operates more as an industry than for the public good. Housing remains a financial commodity, with soaring prices and rising homelessness despite empty apartments held for speculative value. Supply chains remain untransparent, allowing toxic or unsafe products to enter the market.

In this scenario, society has become increasingly reactive, constantly managing crises that are the direct result of failing to address systemic root causes. Trust in institutions has eroded and systems designed for stability are struggling under compounding pressures. The world is technically advanced yet ecologically unstable and socially fragile, significantly impacting society as a whole.

Scenario 2: A desired future

In an alternative scenario, societies have recognised that long-term prosperity depends on aligning economic activity with ecological and social realities. In this scenario, by 2130 economies are structured around regeneration, resilience and shared wellbeing. Biodiversity loss has been reversed through large-scale ecosystem restoration. Cities are designed as part of ecosystems. Energy systems are fully renewable and circular resource flows drastically reduce waste and pollution. Inequality is decreasing as workplaces, fiscal systems and public services are redesigned for fairness and participation. Essential services operate with purpose rather than profit at their core. Healthcare is accessible and preventative. Childcare and education are publicly supported and centred on development, not margins. Housing functions as a social foundation: affordable, community-integrated and protected from speculative pressure. Products are designed to be safe, repairable and traceable throughout their lifecycle.

2.2 CAN WE REACH THE DESIRED FUTURE WITH TODAY'S ECONOMIC THINKING?

The contrast between the two futures raises a fundamental question: is our current economic paradigm at all compatible with a sustainable world? Without a shift in thinking, incremental reforms will not be enough. As long as the economic models we employ to navigate our decisions focus on short-term financial self-interest, exclude the risks of and impacts on climate change, social inequality and biodiversity loss, and define success in terms of financial return or GDP, our desired future is not realistic. However, we can still be optimistic as we already possess the knowledge, tools and technologies necessary to build a more sustainable future. Why not adjust our economic construct to prevent the reality we face and achieve the desired future we envision?

Our society in 2130 will be determined by the choices we make today and by the compass on which we base them. Therefore, it is time to look at our compass and how our perception of finance and economics has evolved.

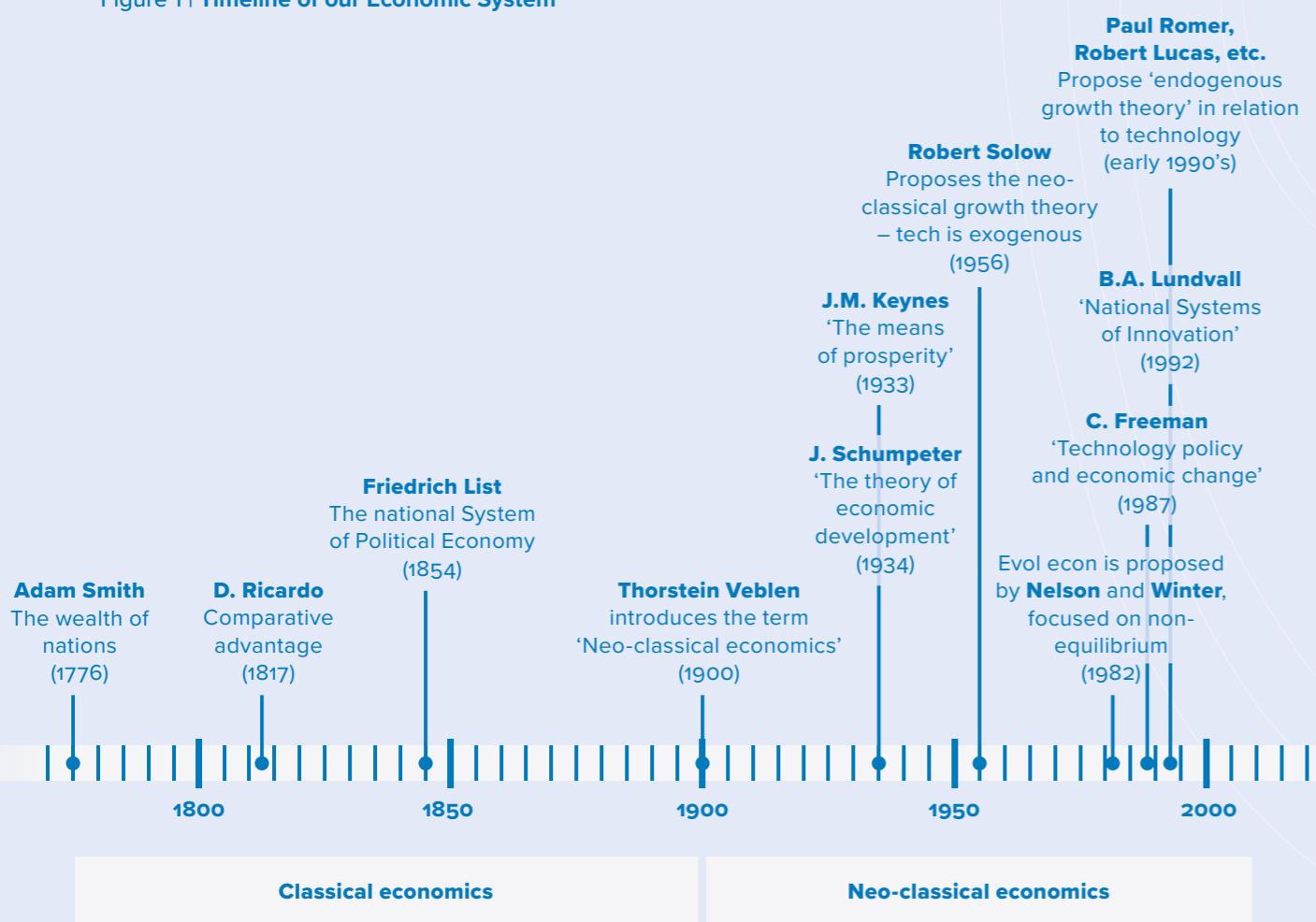
⁷ www.thegef.org/sites/default/files/publications/GEF_GlobalCommonArticles_July2018_CRA.pdf



3. Development of our economic thinking

Our modern understanding of economics can largely be traced back to the year 1776, when the Scottish economist and philosopher Adam Smith published his book, "The Wealth of Nations". In it, he describes the principles of the free-market economy and refers to the "invisible hand" of the market. This philosophy inspired later classical economists, such as "laissez-faire"⁸ economists like François Quesnay and Jean Baptiste Say, who argued for a near complete separation of government from the economic sector. This was later solidified by Milton Friedman's advocacy for "free-market capitalism", for which he won the Nobel Prize for Economics in 1976. As he was the economic advisor to Ronald Reagan, governments began to organise themselves as market players based on his ideas. This was also the case in the Europe of Margaret Thatcher and Ruud Lubbers. Figure 1 shows a timeline of developments in our economic system, showing how our current system is largely based on old ideas of effective economic systems.

Figure 1 | Timeline of our Economic System⁹



⁸ www.econstor.eu/bitstream/10419/243252/1/9780203022283.pdf

⁹ <https://projecmanaget.blogspot.com/2020/04/evolution-of-economics.html>



Today, virtually all of society is governed along the classical lines of free-market competition. Our institutions and businesses are guided by the aims of maximising growth and creating a return on investment, which are seen as the foremost measures of success. This has brought – some of us – considerable prosperity. Maintaining this trend requires a constant increase in consumption and production. This brings us to today's reality. On the one hand, we have the classic incentive for economic growth, powered by ever increasing consumption and production and accelerated by the perceived need to maximise financial returns. At the same time, the reality in society is that these exact incentives and perceived needs lead us to overstepping planetary and social boundaries. A crucial element in rethinking our economic future is the role of inequality. In a system built on competition, the underlying logic inevitably produces winners and losers.

The dominant role of financial capital in our society has led wealth accumulation to become self-reinforcing: once individuals or institutions possess capital, the system is designed to generate more for them simply by virtue of them having it.

The dynamic is comparable to the game of Monopoly: those players who gain early advantages tend to domi-

nate the board, while others are gradually excluded from meaningful participation. This "winner takes all" dynamic of capital accumulation not only deepens inequality but also undermines the legitimacy and resilience of society. If we seek a society aligned with long-term wellbeing and sustainability, we must confront how current economic mechanisms structurally amplify disparities rather than reduce them.

Money has shifted from being a means to an end, to becoming a goal in itself. Deregulation, globalisation and technology have accelerated this disconnect of financial flows and their real-world impacts on society.

We allow crises like climate change, biodiversity loss, social inequality and monopoly power dynamics because we are focused on "the business case", economic growth and return on investment. At the same time, these crises pose a threat to our prosperity and quality of life, and to the wellbeing of our society – effects that are not intentional parts of the economic models we deploy and which do not appear in our calculations.

Interestingly enough, the same Adam Smith also addressed the wellbeing of society. In 1759, he published "The Theory of Moral Sentiments", which is not as well-known as his later works. In it, he described the prereq-

uisites for the functioning of the free market. For Adam Smith, "well-understood self-interest" was the key to a thriving society. He called this "a flourishing and happy society," which, according to him, is impossible with too much inequality, monopolies, fear and moral disapproval. As he wrote in the book:

"How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it except the pleasure of seeing it."¹⁰

With today's knowledge, he might well have added climate and biodiversity as elements of a thriving society. In 1776, Adam Smith's book "The Wealth of Nations" introduced us to classical economics and the concept of the "invisible hand". Today, Smith is generally regarded as a founding father of the belief that we should let the

free-market coordinate decision making as much as possible so that individual profit seeking can, by itself, result in money that "trickles down" to create collective wellbeing.

Between 1800 and 1850, David Ricardo and Thomas Malthus further expanded economic thought, as Ricardo emphasised the competitive advantages that can be obtained through international trade. On the other hand, Malthus warned that populations could grow exponentially, while food production could not. This established awareness of resource scarcity, although an ecological perspective was still lacking. Mathematical models of market equilibrium and utility maximisation were developed in later years by William Stanley Jevons, Léon Walras and Alfred Marshall. We now refer to these and other developments collectively as the neoclassical revolution in economics.¹¹ Economics became "depoliticised" and approached as a natural science in which nature, labour



and capital are seen as factors of production. In 1930, John Maynard Keynes started calling for government intervention to address economic instability through a focus on employment and demand management. We now refer to this time as "the Keynesian period".¹² Still, the environment and sustainability were hardly part of the discussion.

The first large-scale warning of ecological limits to growth came in 1972 from the Club of Rome's commissioned report, "Limits to Growth", which introduced systems models and the concept of planetary boundaries. However, their warning received limited attention in mainstream economics. In 1987, the Brundtland Report, officially titled "Our Common Future", introduced sustainable development as a concept for "meeting our current needs without endangering those of future generations." The report led to gains in political traction but caused little structural impact on dominant economic models.

On the contrary, in the 1990s, neoliberal globalisation led to a great increase in free trade, deregulation and growth. When environmental policy was included, it was usually through market mechanisms such as carbon trading and green taxes, and it was seen as an "externality," not as a systemic condition. In the early 2000s, alternative thinkers rose to the surface. Herman Daly introduced the "steady-state economy" (see chapter 4.1), whilst Tim Jackson introduced the concept of prosperity without growth. Ecological economics grew as a counterargument, although growth of gross domestic product (GDP) remained dominant in policy and education. In 2009, Johan Rockström et al.¹³ created a scientific framework of ecological limits for the Earth's functioning. Their framework of "planetary boundaries" emphasises system limits that transcend economic models. Since around 2020, the discussion about post-growth, degrowth, wellbeing economics and the circular economy has been intensifying. Governments, central banks and businesses are beginning to experiment with alternatives to the classical model. However, classical economic logic often remains the guiding principle in practice and institutions.

To those working within the current system, this seems rational and logical as the classical model functions

coherently and relatively predictably within the current system. Market efficiency and growth logic are well-embedded in models, policies and institutions. Growth creates jobs and tax revenues, which is attractive to policymakers. Firms, investors and consumers respond to incentives such as profit, price and costs, which are key concepts in classical thinking. Institutions, educational systems, accounting rules and data are structured according to a classical paradigm. So, within the current system, adhering to classical thinking is rational in the sense that it results in consistent behaviour within given rules and interests.

However, when we consider the reality of climate change, biodiversity loss, social inequality and resource depletion, then continuing with classical thinking is fundamentally irrational as it leads to ecological self-defeat. Economic growth undermines the ecological foundation on which that same growth depends. It externalises damage as the real costs are shifted into the future or passed on to vulnerable groups. Also, it ignores system boundaries and tipping points. What seems rational in the short term can be destructive in the long term. Traditional classical thinking is not adaptive to a world with fundamental uncertainties and nonlinear changes. However, those who profit from the system have a great interest in keeping it as it is.

Today, we live in a time of transition. While the classic model still dominates, the pressure for system change is growing. The central question is whether we can rediscover, in time, a new balance that places our vision of a desirable society at its core, much like the future envisioned in section 2.1. Ironically, the key to this transformation may still be found with Adam Smith: to understand our self-interest more deeply and align it with the wellbeing of society as a whole. What would it mean to redefine self-interest in this way? And how might such a shift reshape the very architecture of our economic system?

¹⁰ https://assets.cambridge.org/97805215/91508/excerpt/9780521591508_excerpt.pdf?

¹¹ <https://medium.com/the-geopolitical-economist/neoclassical-economics-4853816fa232>

¹² www.investopedia.com/terms/k/keynesianeconomics.asp

¹³ www.nature.com/articles/461472a

4. From classical to sustainable thinking

Economic thinking has and will evolve. Traditional or classical economic models, which have guided policy and business decisions for decades, are increasingly being challenged by approaches that recognise ecological limits and the need for long-term wellbeing. The contrast between classical and sustainable economic thinking reflects fundamentally different worldviews about the purpose of the economy, the role of nature and the meaning of progress.

4.1 SHIFTING OUR ECONOMIC THINKING

Classical economic thinking¹⁴ is rooted in the belief that markets, when left largely to operate freely, can efficiently allocate resources and drive progress through competition and growth. It assumes that natural resources are abundant and, if scarce, can be substituted by human intelligence, capital or technology. The primary goal of the economy is to maximise GDP growth, which is seen as a direct indicator of prosperity and societal wellbeing. Externalities such as pollution and inequality are typically treated as side effects to be corrected through limited regulation or market adjustments. The relationship between humans and nature is understood as separate to the economy. In other words, the economy is seen as functioning independently from ecological systems. Within this framework, continuous growth is essential and inherently positive, as it is associated with progress, efficiency and higher standards of living. Policy is focused on maintaining market efficiency, fostering innovation and ensuring short-term stability. The state's role is corrective rather than directive, with the state intervening only to address market failures. Wellbeing, in this model, is closely linked to consumption and material wealth, and capital is defined primarily in human, physical and financial terms. Illustrative examples include the neoclassical growth model and Ricardian theories of comparative advantage¹⁵.

Classical economic thinking therefore starts with an assumption that natural resources are abundant or can be replaced by capital or technology. In reality, many resources like oil, rare metals and biodiversity are finite, and the ecosystem has limits (e.g., CO₂ storage capacity). Consequently, environmental damage and depletion are not taken seriously in the classical economic model. Furthermore, externalities are frequently ignored. In classical thinking it is assumed that costs and benefits fall entirely on the producer or consumer. However,

environmental pollution, emissions and biodiversity loss are often not priced and therefore they're excluded from market definitions, frequently leading to overproduction and underinvestment in sustainable alternatives. As the focus lies on continuous economic growth through countries' GDP, growth is seen as an indication of progress and wellbeing. Nevertheless, growth can lead to greater social inequality, ecological damage and the export of counterfeit goods. As a result, we often see policies focusing on growth without considering the quality of continued enjoyment.

Economist Hans Stegeman discussed economic growth figures on the website of the NRC¹⁶, explaining how we have a problem with growth. He explained that for over fifteen years, we've annually heard that the economy is not growing as fast as it should, and that labour productivity is not growing as fast as we would like considering

that the population is aging. Globally, we see that the quick fix is to incur more debt, because with debt and more money, growth is brought forward, with the expectation that the future will make up for it all. Stegeman stated that:

“... we are doing everything we can to feed that beast of an economy to avoid structural change. So that problem already exists here and now, but we’re postponing it. The same with climate change. As long as we do not see or experience it, we will not change anything. And everything is still being done to postpone this change. Because, and I’m the first to admit, system change is not easy, nor is it always enjoyable. And I also fully understand that politicians prefer to talk about radically choosing growth rather than radically choosing system change.”

This shows the conflicting approach between short- versus long-term considerations. While we can replace natural capital such as forests, clean water and fish stocks by personal or physical capital in the form of machinery or technology, we cannot replace ecological functions such as the climate, biodiversity and clean air. As we substitute natural for physical capital, we can do irreparable damage to ecosystems before the model “notices” that something is going wrong. A short-term focus often justifies this approach, as the classically accepted belief is that markets correct themselves, whilst time horizons are often limited. However, climate change, biodiversity loss and resource scarcity are multinational processes with tipping points that cannot be reversed, but policy responses to such events are often too slow or ineffective. In traditional economics it is often assumed that the economy is separate from ecosystems. Ignoring the fact that our society and thus our economy and we ourselves fully depend on our ecosystems. Policy that does not address systemic risks lacks coherence and impact.

Currently, the dominance of classical economic thinking emerges in policy choices, as a focus on economic growth (GDP) is often seen as the primary objective of government policy. Cost-benefit analyses that rarely consider ecological or social limits and tax systems and subsidies often favour environmentally harmful activities, for example through fossil fuel subsidies and aviation exemptions. Furthermore, education and academia largely base their economics programmes on neoclassical models, which focus on market equilibrium, rational actors and growth. Alternative schools of thought, such as ecological economics or post-growth economics, are rarely a mandatory part of the curriculum. Thirdly, financial markets and businesses focus on profit maximisation and shareholder value as the most important management principles. Environmental and social factors are usually only considered if they are also financially relevant (often called “ESG light”). Nature and natural resources are therefore often seen as unlimited and freely accessible. International institutions such as the IMF, the World Bank and the European Commission primarily focus on growth, liberalisation and market efficiency, although some slow changes can be seen in this regard.

An explanation for the dominance of classical thinking can be found in the embedded interests of the key players that the current system favours, such as large corporations and investors. The current system is also seen as simpler for governments, as growth is an easy, measurable and popular policy goal. Another cause lies in institutional inertia, as educational systems, models and indicators are based on classical thinking. This



¹⁴ <https://web.stanford.edu/~dharris/papers/The%20Classical%20Theory%20of%20Economic%20Growth%20%5Bpre-print%5D.pdf>

¹⁵ <https://theothereconomy.com/en/articles/ricardos-comparative-advantages-an-inconsistent-theory/>

¹⁶ www.nrc.nl/nieuws/2025/10/17/hoofdeconomist-hans-stegeman-we-zijn-verslaafd-aan-groei-a4909887

form of thinking aligns with the liberal idea of individual freedom of choice and minimal government intervention. However, the countermovement has been growing, especially since the climate crisis intensifies and the call for system change has become louder.

We see that an increasing amount of attention is slowly being paid to doughnut economics, degrowth and broad prosperity indicators such as wellbeing, sustainability and social cohesion. Younger generations of economists and policymakers are increasingly becoming more critical of the neoclassical paradigm and governments around the world have been experimenting with alternatives to GDP. Examples include Gross National Happiness (Bhutan), Living Standards Framework (New Zealand), The Wellbeing Monitor (the Netherlands), The National Performance Framework (Scotland) and the Quality of Life framework (Canada).¹⁷

4.1.1. Realising a paradigm shift

Sustainable economic thinking represents a paradigm shift, integrating ecological and social realities into economic reasoning. It recognises that many natural resources are finite and sometimes irreplaceable, viewing nature as a vital form of capital that underpins all human and economic systems. The aim of the economy is no longer unlimited GDP growth but now focuses on achieving a balance between ecological boundaries and human wellbeing, prioritising quality of life over quantity of output. So-called external effects such as environmental degradation or social inequality are not treated as side issues but as core elements to be internalised through mechanisms like true cost accounting and circular value creation. The relationship between humans and nature is understood as interdependent: the economy is embedded within the biosphere and depends on healthy ecosystems for its survival. Growth is viewed critically, acceptable only if it remains within planetary limits and contributes to long-term wellbeing. Policies therefore emphasise long-term thinking and fairness, with governments playing an active steering role through regulation, pricing and participatory governance. Wellbeing is defined broadly, encompassing health, community resilience and access to basic needs rather than mere

consumption. Theoretical foundations for this approach include models that advocate an economy that operates in harmony with the planet's limits. Such examples are:

- **Doughnut economics**,¹⁸ developed by Kate Raworth, proposes a new way of thinking about economic success. It argues that the goal of the economy should be to meet everyone's basic needs (the social foundation) while staying within the limits of the planet's ecological systems (the ecological ceiling). The space between these two boundaries forms the "safe and just operating space for humanity." Rather than prioritising endless GDP growth, doughnut economics invites governments and businesses to design policies and strategies that enable human wellbeing without overshooting planetary boundaries.
- **Steady-state economics**,¹⁹ most prominently advanced by Herman Daly, calls for an economy that operates within the regenerative and absorptive capacity of the natural world. Instead of continuous expansion, it focuses on maintaining a stable level of resource use and population, ensuring that economic activity does not exceed ecological limits. A steady-state economy still aims to improve quality of life, innovation and social outcomes, but it does so without assuming or requiring perpetual growth. It challenges the idea that more consumption always equals more prosperity.
- **Ecological economics** starts from the premise that the economy is not separate from nature but entirely embedded within it. It positions ecological systems as the overarching framework that makes economic activity possible in the first place. This field integrates ecological sciences, economics and systems thinking to evaluate how human activity affects the earth's life-support systems and how these biophysical realities should shape economic decision-making. It prioritises long-term sustainability, ecological resilience and intergenerational fairness, emphasising that the economy must operate within the carrying capacity of the planet.
- **True cost accounting (TCA)**,²⁰ seeks to make the "invisible costs" of economic activity visible. One example is natural capital accounting²¹. Today, many environmental and social impacts, such as pollution, deforestation, biodiversity loss and ill health, are not

reflected in market prices. TCA attempts to quantify these external costs and integrate them into financial decision-making. By doing so, it provides a more realistic assessment of the full impact of products, companies and sectors. This approach supports better policy choices and business strategies by showing where current economic activity creates hidden environmental and social debts.

Redesigning the economy based on social and ecological systems thinking requires a fundamental overhaul of how we define value, progress and policy. This goes far beyond "greener growth", as it requires a structural systemic change. Instead of the classical paradigm, the new economic system should be based on systems thinking for sustainability, balancing growth within planetary and social boundaries through a realisation that everything is connected to everything ("interdependence"). Instead of seeing prosperity and wellbeing as GDP per capita, the focus must lie on health, connectedness and safety. For that, we need active governance and collective responsibility. To realise such redevelopment, we need to replace GDP as the main benchmark with indicators such as Broad Prosperity, Genuine Progress Indicator (GPI), or Wellbeing Economy Metrics to ensure that we go beyond solely financial value in measuring wealth. We must renew our models of valuation through internal cost accounting (true cost accounting) for raw materials, products and services, as we price in pollution, depletion and social damage. Such valuation must include the value of care, nature restoration and community work, even if there is no direct market price for them. To make this work, we will need to restructure certain government policies, taxes and subsidies. For example as fossil fuel subsidies are abolished, the production of circular and regenerative efforts should be rewarded.

Government policies and governance should focus on the long term, creating legislation that takes future generations into account. Investing in public services such as energy, mobility, education and healthcare can form the foundation for wellbeing. Education too must be updated as we strive for cultural change through the renewal of economics programmes to include systems thinking, ecological limits and ethics. We must continue to hold a broad social dialogue on what "progress" means as we develop future skills such as collaboration, regenerative thinking and adaptability. We must stimulate cooperatives, commons, local currencies and other

alternative economic structures and move from profit maximisation to social and ecological value creation. In doing so, we will strengthen sustainability and transparency obligations for companies. This new economy should shift from linear to circular processes and regenerative management. We must not only limit the damage we do, but also restore the damage we have done, for example by restoring soil health and ecosystems. In doing so, we must ensure full participation by society, socially and financially.

A sustainable economy requires not only technical adjustments, but above all a new narrative, that of an economy that works not for growth, but for life. It requires courageous choices, new institutions, different forms of ownership and decision-making, and collective learning processes. The urgency and the knowledge are here. Now we need the will to connect them.

4.2 APPROACHES TO CHANGING OUR ECONOMIC SYSTEM

There are multiple ways to think about and shape economics. In this chapter, we examine five contemporary schools of thought, ranging from traditional classical economics to perspectives that call for moderate to more fundamental changes in conventional economic thinking.

a. Classical economic thinking

Traditional or neoclassical economics places free markets, competition and efficiency at the centre of economic life. GDP growth is viewed as both necessary and desirable, driving prosperity and innovation. Within this view, environmental or social issues are typically seen as external to the market system, and no fundamental systemic change is deemed necessary. The emphasis lies on innovation, price incentives and growth as means of social progress, instead of fundamentally questioning the system. Market forces are expected to correct themselves over time. Many individuals who adhere to this school of thought are aware of societal challenges such as climate change and inequality but seek solutions within the existing economic model.

b. Change from within the system

A more reformist perspective acknowledges that markets produce externalities, such as pollution and inequality, and that these require active correction through

¹⁷ <https://eeb.org/wp-content/uploads/2022/06/WWF-Beyond-GDP-v05-FINAL-PRINT.pdf>

¹⁸ www.kateraworth.com/doughnut/

¹⁹ www.cooperative-individualism.org/daly-herman_the-economics-of-the-steady-state-1974-may.pdf

²⁰ www.ecocostsvalue.com/social/tca/

²¹ <https://seea.un.org/home/Natural-Capital-Accounting-Project>



government intervention and policy. Growth remains an essential goal, but it is reframed as sustainable growth. Change is achieved through instruments like carbon pricing, environmental taxes, ESG standards and circular business models. The focus lies on improving the existing system rather than replacing it.

c. Transformation from within

A third school builds on the idea that economies should serve broader societal wellbeing, not just growth. This approach embraces systems thinking, recognising that social, economic and ecological systems are deeply interconnected. Growth is not rejected outright, but it is no longer the ultimate measure of progress. Instead, the emphasis lies on quality over quantity, improving life within ecological limits. Proponents aim to shift the system from within existing institutions, as seen in models like doughnut economics and the use of broad wellbeing indicators in policymaking. There are numerous people who are trying to transform the traditional system from within. They recognise that the system needs to change, but they want to do so gradually, through policy, innovation and collaboration. They do not advocate for an anti-market approach, but rather for redesigning markets so that social and ecological values are considered. They build bridges between traditional economics and new approaches such as broad prosperity, impact investing, the circular economy and so on.

d. Systemic leap or post-growth economics

Post-growth or “degrowth”²³ thinking represents a more radical departure from conventional economics. It questions the assumption that endless growth is compatible with planetary boundaries and argues that continuous expansion is both ecologically unsustainable and socially unjust. These perspectives place wellbeing, equity and ecological integrity at the core of economic design. Achieving this vision requires a structural break from the current growth paradigm, promoting models such as degrowth, commons-based economies and wellbeing economies.²⁴ Several people focus on a system of post-growth, critiquing growth within democratic frameworks. They have fundamental criticisms of growth thinking and capitalism and argue that wellbeing and ecology should be the central focus. Growth is seen as problematic or

undesirable and a break with the current system as necessary. However, critics say that degrowth only works on paper, not in reality.²⁵

e. Radical system change

Finally, the most transformative approaches reject the current capitalist or market-based system altogether. These frameworks, often rooted in eco-socialist, eco-Marxist or anarchist thought, view growth as a symptom of systemic exploitation of people and nature. They call for revolutionary change outside of existing institutions, envisioning economies based on cooperation, collective ownership and ecological balance. Concepts like the steady-state economy or radical cooperative movements illustrate what such alternative systems might look like. We are seeing an increasing number of people chase radical system change, as they reject capitalism or the growth system as a whole. They may seek the abolition of markets or monetary systems, with growth being seen as a symptom of exploitation.

None of these schools of thought are black and white or set in stone, but we can summarise and differentiate these groups as follows:

- Maintain and optimise. Classical capitalism is good, provided it is efficient.
- Restore using the system’s tools, through smart regulation and including green policies.
- Transform from within. Integrate new values into existing structures.
- Break away from the growth mindset. A fundamental reorientation is needed regarding what the economy should be.
- Reject the system. A completely different societal and economic structure is required.

As shown, there are various ways and ideas for shaping our economic system. However, we currently keep clinging to the old and well-known, classical way of economic thinking. In the next chapter, we address some of the dilemmas that keep us from making the required changes.

²³ www.triodos.co.uk/articles/2024/what-is-degrowth-or-post-growth-five-questions-about-a-major-economic-movement

²⁴ <https://research.tilburguniversity.edu/en/publications/rethinking-economics-starting-from-the-commons-toward-an-economic/>

²⁵ <https://decorrespondent.nl/15245/degrowth-op-papier-een-oplossing-voor-bijna-alles-in-praktijk-een-dwaalspoor/fc534f7e-2380-0b64-0de0-c085b38ca212>

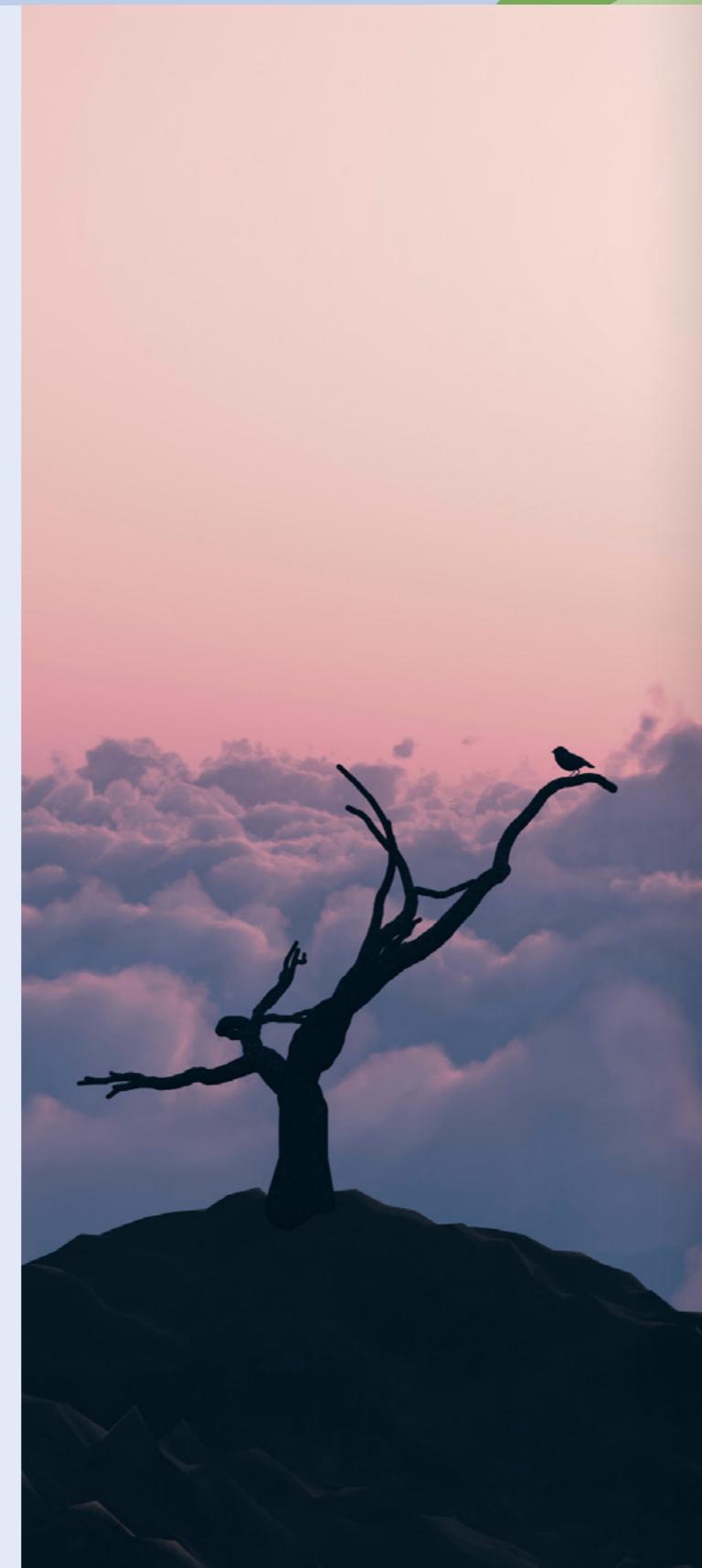
5. Dilemmas

Why is transformative change so difficult to achieve? A central reason is that we have come to fully identify with the current economic system and treat it as an unquestionable given. In doing so, we often overlook that this system is built on old models, limited information and historical beliefs rather than scientific truths and the needs and wishes of today's society. Yet we continue to uphold these ideas and assumptions, in spite of their limitations and even though they no longer serve society. Only when crises unfold do we confront how "all that is of value is defenceless" and recognise the fragility of the foundations on which we rely.

As stated in chapter 4, classical economic thinking appears entirely logical within the current system. Financial markets and corporations are structured around prioritising return on investment, which embeds profitability as the dominant guiding value. This structure inherently benefits the status quo and especially favours large, established actors who gain from existing rules and institutional passivity. Political decision-making is similarly influenced; policy choices, performance metrics and evaluation tools tend to reflect traditional economic logic since these offer simplicity, familiarity and short-term political feasibility. Education systems, for their part, reinforce these paradigms as academic programmes and curricula often replicate classical economic frameworks. They do not do so intentionally but rather because the current approach is institutionalized throughout most of our education.

In contrast, sustainable economic thinking emerges as the logical paradigm when viewed through the lens of societal wellbeing and systems thinking. It emphasises long-term stability, ecological constraints, equity and the interdependence of economic activity and natural systems. While this perspective is increasingly compelling given the challenges of the 21st century, it competes with deeply rooted structures and incentives that continue to anchor societies in classical thinking.

²⁶As the poet Lucebert once wrote <https://neerlandistiek.nl/2022/01/lucebert-de-zeer-oude-zingt/>



6. The path to the future

The core dilemma is not a lack of knowledge or available solutions, but a misalignment between the system we have built and the future we claim to seek. Achieving meaningful change requires confronting the assumptions embedded in our institutions. It means recognising that sustainability is not merely an environmental concern but a fundamental shift in how we conceptualise economic success and societal progress.

The classical economic system no longer aligns with the realities of our world. While it shaped decades of growth and prosperity, its foundational assumptions of limitless resources, externalities treated as inconsequential and linear models of progress are increasingly incompatible with ecological limits, social expectations and the complex interdependence of modern societies.

As these limitations become more apparent, new economic paradigms are beginning to surface in multiple forms, from wellbeing economics to circular and regenerative models. These emerging perspectives share a common recognition, namely the need for an economic system that actively contributes to a world that is healthy, equitable and ecologically sustainable.

Ultimately, it's not about the model, but about the system. What do we want to achieve by 2130, how can we structure the system to achieve this, and can we design a model that supports us in this process? There are numerous models already, but we simply have not yet decided that we're truly prepared to change. We need to move to a model that will lead to the world we desire, rather than continuing to support a model whatever the consequences. Sadly, many people currently regard this as impossible as key players in the current system largely have an interest in maintaining matters as they are. In addition, we mainly lack the imagination to envision how this new system could be formed and what 2130 ideally would look like. The question of whether it is fully possible to build such a system remains open. We do not yet know whether a sustainable economic paradigm can be achieved at the required scale or pace. But what we do know is that the trajectory we are currently on is not viable. Maintaining the status quo is no longer a realistic option. If our economic "compass" continues pointing toward goals that undermine planetary boundaries and social stability, it will not guide us toward the future we claim to seek. Therefore, the task ahead is not merely to

adjust our existing compass but to develop a new one. A compass that directs us toward the world we want rather than forcing that world to conform to outdated assumptions. This requires a shift from inheriting economic logic to intentionally redesigning it. Our guiding frameworks must be grounded in the long-term health of people and the planet, not short-term efficiency alone.

The path forward demands collective reflection and open debate. What principles should structure an economy that sustains life? What metrics genuinely capture progress? What institutions, incentives and governance structures are needed to support a thriving future?

These are not questions for economists alone but for society as a whole. This white paper invites that discussion. The transition to a sustainable future begins by acknowledging that we have a choice in how we design the systems that shape our world and by having the courage to imagine, articulate and build a compass that truly leads us there.



Vereniging van Beleggers voor
Duurzame Ontwikkeling (VBDO)
Pieterstraat 11, 3512 JT Utrecht
+31 (0) 30 234 00 31 | info@vbdo.nl

Dutch Association of Investors for
Sustainable Development (VBDO)
Please email us at info@vbdo.nl if
you would like to receive regular
updates from VBDO.