

Update of Activities - September – December 2021

OECD Members established the New Approaches to Economic Challenges (NAEC) initiative in 2012 to better understand the interconnectedness, complexity and fragility of the global economy. Since 2012 it has promoted tools needed to analyse the many, often irrational-seeming, behaviours that are generated by the uncountable interactions of billions of people, firms and institutions locally or globally, in small groups or as nations, at timescales ranging from nanoseconds to millennia. The objective was to understand the shortcomings of the analytical frameworks the Organisation had relied on before the Financial Crisis, and to establish the basis of a better way of producing policy advice based on new frameworks.

Since then, NAEC has catalysed a debate across the OECD and beyond on how to revise, update and improve policy thinking and action. It develops a systemic perspective on interconnected challenges with strategic partners, identifies the analytical and policy tools needed to understand them, and crafts the narratives best able to convey them to policymakers and citizens.

This note provides an update on NAEC's work in the second half of 2021, a period focusing on economic recovery from the continuing effects of the Covid-19 crisis. Analytical work on systems thinking, anticipation and resilience emphasises an evidence-based approach to translate theories, concepts and ideas into actionable strategies using the best science, data, knowledge and techniques available. NAEC is working with OECD Committees and Directorates and outside partners to define and develop a framework to understand systemic threats and facilitate a debate on policy approaches to develop the resilience necessary for a Systemic Recovery.

Government Economists for New Economic Systems (GENESYS)



In the [Systemic Recovery](#) from Covid-19, as governments are forced to apply more integrated systems-based approaches to the formulation and implementation of policy, it will become increasingly necessary to build new analytical capabilities within government departments. In moving from analysis and diagnoses of systemic challenges to policy answers, NAEC is establishing **Government Economists for New Economic Systems (GENESYS)** as a platform for debating, experimenting and discussing policy alternatives and the analytical approaches which underpin them.



The [launch meeting of GENESYS](#), on 4 November, was opened by the President of the Eurogroup, Irish Finance Minister, [Paschal Donohoe](#). The Minister highlighted the need to recognise that “*just as our economic system is dynamic and adaptive, policymaking has to be, too*”. DSG Knudsen provided opening remarks for a roundtable discussion on lessons from the Covid crisis for new economic thinking and acting, chaired by *Financial Times* Associate Editor [Rana Foroohar](#). Interventions by panellists from NAEC's partners and leading institutions promoting new economic thinking, focused on the current state of the debate in economics about models, frameworks, narratives; whether economics has changed since the Global Financial Crisis; lessons from Covid about how we consider the economic system; and what should governments be doing differently. Bill White, former Chair of the EDRC noted the problems of speaking truth to power, group think and conventional wisdom in policy. Representatives of the IMF, ECB, and UN contributed to the discussion and the Chief Economists of the UN, ILO and WTO have expressed interest in engaging in the network. Ambassador Prevelakis concluded that GENESYS could provide “*a modest contribution to an intellectual renewal*”.



COP26 and the Economics of Climate Change



On 2 November, NAEC made a presentation at COP 26 organised by Beyond Bretton Woods as part of its workstream on New Economic Thinking and Acting. The Beyond Bretton Woods initiative seeks to lay the foundations for an international financial architecture that services people and enhances prosperity by

focusing on fair, equitable, nature-centric, and regenerative transactions. The initiative seeks to trigger a radical paradigm shift in the purpose, principles and practices that underpin the systems and institutions that collectively make up the international financial architecture.



NAEC's [Neuroscience Inspired Policy Initiative](#) recommended that [brain science be included on the COP26 agenda](#) and earlier argued that [Our Brains are accelerating the Climate Catastrophe](#). Overcoming evolutionary cognitive biases can both improve brain health and equip us to deal with climate change.



On 29 September, Professors [Steve Keen](#), UCL and [Matheus Grasselli](#), Fields Institute, reviewed the empirical work on the economics of climate damages and asked "[Are the Estimates of Economic Damages from Climate Change Erroneous?](#)". They reviewed the empirical work in economics on climate damages and discussed the extent to which economic sectors are exposed to climate change and how to incorporate important features such as tipping points. Climate scientist Professor [Tim Lenton](#) joined the discussion and Simon Buckle, of the Environment Directorate acted as a discussant.



NAEC is contributing to the horizontal project on Economic and Climate Resilience. This includes preparation of a paper specifically for the project "*Economic Systems and Environmental Stressors: Why we need a Systems-Based Approach to Environmental Disruption of Economies*", which focuses on how economic and natural systems behave, how they interact and how to contain and manage systemic stressors. The paper is under review by the project co-ordinators in ENV and will also involve GOV. NAEC presented elements of the paper on 9 September to Members and contributing Committee Chairs at the Committee Leadership Group (CLG), chaired by the EPOC Chair.

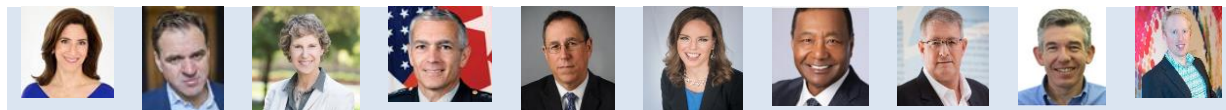
Continued collaboration with ENV on systems approaches has included a contribution to the report published in November on [Transport Strategies for Net-Zero Systems by Design](#). This follows NAEC's presentations to the [Resilience and the Ocean-Climate Nexus](#) Expert Meeting co-hosted by OECD and Portugal in April and to the Working Party on Climate Investment and Development in May.



In a discussion on [Values: Building a Better World for All](#)", on 1 September, Economist and former bank governor Mark Carney discussed the radical, foundational change that is required if we are to build an economy and society based on human values. Carney sought to "*build out a narrative in the spirit of NAEC*" on the radical, foundational change that is required if we are to build an economy and society based on human values of fairness, health, the protection of our rights, economic security from poverty, the preservation of natural diversity, resources, and beauty. He believes that NAEC can "*make a major contribution*" to this narrative and endorsed the initiative: "*It's great to be back with NAEC. I'm in awe of the breadth of what you're doing but fully supportive because of the need for the analytics at a time of great change and great challenge. But to go from the analytics to the narratives, this is the real policy interface and it's essential. And we can only get to the narratives and get to the right analytics by robust debate of different approaches*"

NAEC is working on a number of papers under review for publication in scientific journals. Published papers include [Exploring the Convergence of Resilience Processes and Sustainable Outcomes in Post-COVID, Post-Glasgow Economies](#), MDPI (3 December 2021) of its paper: [Building resilience will require compromise on efficiency](#), Nature Energy (20 October 2021), while "*Systemic Resilience in Economic Systems: By Design or by Intervention?*" is currently under review at Nature Physics.

NAEC Inter-disciplinary Strategy Group on Policies for Systemic Resilience



Rana Foroohar

Niall Ferguson

Anat Admati

Wesley Clark

Barry Lynn

Megan Greene

Tom Bostick

Albert van Jaarsveld

Angus Armstrong

Harris Eyre

Following the NAEC Group on [A Systemic Recovery](#) and several discussions on [Systemic Resilience](#), NAEC has put together an inter-disciplinary Advisory Group to advance the thinking and acting on systemic resilience, with Members including military leaders, scientists, economists and historians. The Group will explore three central themes: 1.) Resilience of the International System ; 2.) Resilience of the Economic System ; and 3.) Resilience of the Democratic System The findings of the group will be synthesised in the NAEC publication *Systemic Resilience* and contribute to the resilience thinking in OECD collaborative projects on healthcare resilience and economic and climate resilience. The Group is supported by researchers from OECD, the US Army Corps of Engineers and the Open Markets Institute.

The first meeting on the Resilience of the international System, on 15 October, focused on new proposals to address supply chain issues. While there was general support for the NAEC work on resilience metrics, conceptualising/quantifying efficiency-resilience trade-offs and complexity/networks approaches, there was robust arguments on the role of deconcentration and competition policy in addressing supply chain issues. Niall Ferguson suggested the answers would not be found using outdated analytical tools, traditional trade, anti-trust and industrial strategy and highlighted the costs associated with building buffers. General Clark was sympathetic to the idea of



distributing production networks but cautioned that nations which would benefit would still be subject to the influence of China. Albert Van Jaarsveld provocatively suggested that China had been more effective at deploying “strategic globalisation”. Anat Admati highlighted the importance of corporate governance and western corporate power in strengthening the position of China in value chains and concentrating economic activity. The “rule of four” – that *no more than 25 percent of the international capacity for any component or finished product be located within the borders of any one nation* – described by Barry Lynn of the Open Markets Institute, featured in the [Financial Times](#) article of 17 October of the Group’s Chair, Rana Foroohar.

The second meeting, on 17 November, looked at Resilience of the Economic System and featured introductory presentations on economic/financial resilience from Alan Kirman and Professor Anat Admati (Stanford). Igor Linkov (US Army Corps of Engineers) acted as a discussant. The discussion of issues of efficiency and resilience, how to better design economic systems and implement resilience used NAEC papers as background: one on efficiency/resilience trade-offs in energy systems recently published in [Nature Energy](#) and a second on economic resilience by design and intervention under review at *Nature Physics*. Panellists shared their perspectives on how we conceptualise, model and integrate resilience in economic policymaking.

NAEC Collaboration with OECD and Partners on Systems Thinking and Resilience



NAEC was invited to deliver a keynote speech at the Euro-Mediterranean network for Economic Studies (EMNES) Annual Conference on 09 December 2021. The speech focused on key aspects from the book [Origins, evolution and future of global development cooperation](#), published by the German Development Institute, on the origins, evolution and future of global development co-operation, while providing new avenues for thinking and research on new models for economic development based on systemic resilience and post COVID-19 recovery.

NAEC acted as a discussant at a postdoctoral seminar on the US, Europe and World Order, hosted by the [Johns Hopkins SAIS Henry A. Kissinger Center for Global Affairs and Foreign Policy Institute](#) on 3 December. The session examined what systemic changes are needed to manage such interrelated security and social conflicts as economic inequality, climate change, ideological polarization and resource scarcity.



NAEC was invited, on 29 November, to discuss the OECD and new approaches and systemic thinking in economics with a group of actuaries who are reviewing the economics syllabus of the Institute and Faculty of Actuaries.



Institute
and Faculty
of Actuaries



On 26 November, NAEC gave a keynote address at the [2021 Humanistic Management Conference](#) on the theme of “Solutions”. The conference sought to give examples of policies, organisations and individuals that deliver solutions aligned to Humanistic Management principles. NAEC gave its perspective on the challenges we face and the systemic solutions NAEC is developing to address them.

• Young Scholars Initiative

An initiative of
Institute for
New Economic Thinking

NAEC acted as a discussant at the launch, on 18 November, of the report by [INET's Young Scholars Initiative](#) on the challenges encountered by alumni in transitioning into academic and non-academic careers.

NAEC is working with the Swiss government on a joint project on **Legal Requirements for Resilient Power** to promote a constructive integration of the new thinking on systems with legal frameworks. It aims to provide a forum for working with governments, private sector and representatives of civil society to facilitate dialogue between legal experts with experts from a range of other disciplines so as to distil actionable policy recommendations.

The project was launched in Berne on 9 November with Ignazio Cassis, Foreign Minister of Switzerland, at a discussion which focused on the contribution of international law to the resilience of states and the international community. The event showed that international law does not only play a static role in the case of major risks, but that it can also actively strengthen the resilience of a state like Switzerland and the international community in general. NAEC is collaborating on this concept with Uri Friedman from the Atlantic Council (who wrote about NAEC's resilience work and its relevance to resilient power in [The Atlantic](#)) and Igor Linkov from the Army Corps of Engineers. The objective of the project, funded by the Swiss, is to produce a report on the legal implications of resilient power.



NAEC was invited to speak on new approaches at [a session of the Forum New Economy workshop](#) on 28 October, discussing why economics needs to change and what it takes to design an overarching economic paradigm.



Economy Studies

The student movement and broader economics education debate remain important themes for NAEC and we have encouraged and provided opportunities for students (including co-hosting the Conference [Forecasting the Future for Sustainable Development](#) with the Young Scholars Initiative of INET last June). Along with Martin Wolf of the Financial Times, NAEC [took part in the launch of](#) *Economy Studies: A Guide to Rethinking Economics Education* developed by students in the Netherlands, on 28 October. NAEC also wrote a chapter with two young scholars on the Economics of Resilience which was [presented in Trento](#) on 18 October and will be published in an edited volume called *The New Global Challenges and Comparative Economics*.



NAEC is supporting the ELS [Healthcare resilience project](#), a horizontal activity involving STI, GOV and TAD, which aims to provide an overall assessment of the resilience of health and other relevant social and economic systems to respond to shocks. Policy briefs, events and blogs will be produced during the project and a final report will be released in 2022. NAEC presented a brief review of health system resilience concept and the NAEC framework, on 22 September, in *The Health System Resilience Seminar Series* of working sessions dedicated to progressing the OECD work on health resilience. The series will work towards achieving a common understanding of resilience concepts and provide an open space to share approaches, guided by the main contributors to the health system resilience work as they advance in their respective projects.



As part of the University of Oxford Saïd Business School Social Finance Programme, NAEC led sessions with students, in September and October, on NAEC as a case study on new approaches to economics: "A Case Study: Flying Blind—Hunting Down New Economic Theories in Times of Crisis". It is expected that the case study will now be used in the curricula of other courses in other business schools and other academic institutions.

A priority of the [Strategic Partnership established by the OECD and the International Institute for Applied Systems Analysis \(IIASA\)](#) includes the formulation of systems-based strategies to address global issues, disseminating systems thinking through education and training, and extending the systems approach across the OECD. At the March



meeting of the OECD-IIASA Task Force, there was a suggestion to illustrate a systems approach through a specific country case study. IIASA have suggested South Africa and a specific request has come through the Presidential Climate Commission (through Albert van Jaarsveld). The Task Force will contribute to formulating an integrated strategy for South Africa to achieving a just and inclusive transition to a net-zero society (by 2050). The case study will derive and outline a coherent systems-based policy framework for a just transition, integrating the domains of emissions reductions, access to clean energy, health, education, poverty reduction and social cohesion. (ENV and GRS have both advised on the proposal).

Neuroscience and Policy



Neuroscience-inspired Policy Initiative (NIPi)

BRAIN CAPITAL BUILDS SYSTEMIC RECOVERY AND RESILIENCE

NAEC is working through the [Neuroscience-informed Policy Initiative \(NIPi\)](#) on the concept of "[Brain Capital](#)" as a new approach for thinking about the economy and how it could work. It is building up a network of interested actors in the fields of medicine, neuroscience, philanthropy and business.

The Initiative examines the application of ideas from neuroscience and medicine to economic and social policy including topics such as productivity, gender equality, mental health and education. NAEC has engaged ELS, EDU, CFE and STI in the work, produced numerous papers (including articles in [Molecular Psychiatry](#) and [Neuron](#)), built an interdisciplinary and global network, established working groups around specific policy issues and featured in [Bloomberg](#), [Financial Times](#), numerous contributions to [Psychiatric Times](#) and promoted in a testimony to the Congress [House Select Committee on Economic Disparity and Fairness in Growth](#).

NAEC shared its work on brain health with WHO's Brain Health Unit at a consultation meeting, on 17 November, to inform a position paper on "Optimizing brain health across the life course." The paper will serve as a technical complement to the action plan for the World Health Assembly resolution on Global Actions on epilepsy and other neurological disorders, which requested the WHO Director-General to develop a related intersectoral global action plan in consultation with Members States.



NAEC presented its work on brain capital focused policies and investments at a session on "Build brains better" at the [European Brain Summit](#) on 13 October. Under the overarching theme, "United for Brain Innovation", the Brain Innovation Days brought together key opinion leaders and stakeholders from the ever-growing brain innovation ecosystem to create synergies and showcase the importance of brain innovation in Europe and the world.

The *Financial Post* in Canada published an [article](#), on 20 September, on why the fight against Covid-19 won't end with a high vaccination rate, which includes discussion of NAEC's neuroscience initiative and references NAEC's article on [The Brain Economy](#):

"As noted by the [OECD](#), business leaders (and governments) need to recognize that 'economic and business activity are modulated by the mental capacity of their people.' Indeed, the OECD's New Approaches to Economic Challenges group has established a [Neuroscience-inspired Policy Initiative](#), which aims to use insights from brain science to influence policies supporting productivity, education and innovation".



NAEC presented its work on neuroscience and policy at a discussion broadcast in August 2021 on the "Thriving Minds" podcast of the Research Leader at the Neuroscience, School of Clinical Sciences of *The Queensland University of Technology*. Ahead of COP-26 NAEC published an article highlighting how [Brain Science Must Be on COP 26 Agenda](#) (*Psychiatric Times*, 27 October 2021).

In the context of NAEC's [Neuroscience-Inspired Policy Initiative](#), researchers from the Brain Health Project (US), Women's Brain Project (Switzerland) and OECD have developed the concept of the brain health gender gap, which featured in an article, in August 2021, at Oxford University Press [Closing the Brain Health Gap: Addressing Women's Inequalities](#). The effort draws on experts from medicine, neuroscience, gender analysis, economic policy, philanthropy, and business and adds an important inter-disciplinary dimension to the OECD gender work.

Exit Strategies and Learning from the COVID-19 Pandemic

A virtual seminar series provided an opportunity for a range of speakers to discuss with NAEC the latest thinking on the likely trajectory of the crisis, paths to safely opening up economies, and longer-term implications.



[On 24 November](#), Barry Eichengreen of the University of California, Berkeley, discussed the future of post-pandemic public debt and its implications for the global economy. Alvaro Pereira of ECO, acted as a discussant. [On 29 October](#), Columbia History Chair and Director of the European Institute, Adam Tooze, showed how social organisation, political interests, and economic policy interacted during the pandemic and shook the world's economy with devastating human consequences.



NAEC Papers



NAEC has contributed to a number of articles in leading journals, these include:

[Exploring the Convergence of Resilience Processes and Sustainable Outcomes in Post-COVID, Post-Glasgow Economies](#), *Sustainability* (3 December 2021)

[Building resilience will require compromise on efficiency](#), *Nature Energy* (20 October 2021)

[Brain Science Must Be on COP 26 Agenda](#), *Psychiatric Times* (October 2021)

[Closing the Brain Health Gap: Addressing Women's Inequalities](#), *Oxford University Press's Academic Insights for the Thinking World* (21 August 2021)

[Women's Brain Health: It's Time to Invest Brain Health, and Recognise Gender Differences](#), *Chief Finance International* (Summer 2021)

NAEC in the media

[New Approaches to Economic Challenges \(NAEC\): The Critical OECD Think](#)

[Tank](#), *Forbes* (8 October 2021)

[Why the fight against COVID-19 won't end with a high vaccination rate](#) *Financial*

Post (Canada) (20 Sept 2021)

[Boosting brain health is key to a thriving economy](#), Megan Greene, *The Financial Times* (12 August 2021)



FORTHCOMING EVENTS

Brain Capital Day at OECD, 28 January 2022

As part of its [Neuroscience-informed Policy Initiative](#) (NIPI), NAEC will host a roundtable on the European Brain Initiative in the morning of 28 January. Representatives from the fields of medicine, neuroscience, philanthropy and business will discuss elements of the European Brain Initiative and the possible contribution of "[Brain Capital](#)" - a new approach for thinking about people and the economy.



Having followed NAEC's work on [Beyond Growth](#), [Systemic thinking for policymaking](#) and [Institutional innovation](#), the [Human Development Report Office at UNDP](#) has contacted NAEC to exchange ideas and explore synergies in preparation for the next Human Development Report.

The joint HDRO- NAEC consultation, in the afternoon of 28 January, will assess the need for institutional renewal geared towards empowering people to face uncertain times, discussing the features of policies and institutions which may be responsive to advance transformational change while committed to the protection and promotion of human rights. The consultation will discuss how expanding analytical frameworks for decision-making at individual and collective levels may broaden the policy scope in a context of uncertainty.

The NAEC initiative benefits from Ambassadors' guidance through the Friends of NAEC. Our co-chairs, Ambassador Georges Prevelakis and Ambassador Sybel Galvan have been joined by Ambassador Yoshifumi Okamura. We would like to thank them for their support of the new phase of NAEC from analysis to policy alternatives, as outlined in [Rejuvenating the Debate](#), helping us champion new thinking and acting and to ensure that NAEC is connected with Members, Committees and Directorates.

In the spirit of such a collaborative approach, we look forward to hearing the suggestions, support and criticisms from Ambassadors with the continuing aim to increase the relevance and impact of NAEC for the OECD and beyond.

**To find out more please visit the [NAEC](http://www.oecd.org/naec/) website: www.oecd.org/naec/ or please contact:
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