



New Approaches to Economic Challenges (NAEC)

Update – January – July 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 first 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.

A Systemic Recovery

The COVID-19 pandemic reveals the interconnectedness, complexity and fragility of our global system. Once this health and mental-health emergency is under control, we need to build a more resilient system to protect ourselves from such systemic events in the future. NAEC has looked at [Systemic Collapse](#) and [Confronting Planetary Emergencies](#) with some of the world's leading economists, and has now facilitated a debate on policy approaches to develop the resilience necessary for a [Systemic Recovery](#).



The NAEC Group met for [A Systemic Recovery High-level Panel](#) on 28 April, which featured a discussion, chaired by **Rana Foroohar** and **Martin Sandbu** of *The Financial Times*, on avoiding a stagnating post-COVID economy and how to transform our economic and financial system to achieve environmental and social goals, with speakers **Mark Carney**, **Gita Gopinath**, **Paul Krugman**, **Mariana Mazzucato** and **Kenneth Rogoff**. It provided a platform for views from Committee Chairs (with interventions from **ELSAC**, **CSSP**, **CTSP**, **DAC** and **EPOC**) and Directorates on the recovery and how this could be accelerated through new thinking and new approaches.



Mark Carney



Rana Foroohar



Paul Krugman



Gita Gopinath



Kenneth S. Rogoff



Mariana Mazzucato

Mark Carney suggested that a fundamental crisis of values were manifest in three crises: credit (undervalued resilience); Covid (solidarity) and climate (sustainability). He argued that such values were “*very much in the NAEC spirit*” and the challenge is to reinforce these values while retaining dynamism needed to solve our greatest problems. Gita Gopinath, Chief Economist of the IMF, questioned whether the recovery policies might have an adverse effect on the macroeconomic stability of emerging markets. Paul Krugman, who previously referred to NAEC as a “*skunk-works for economics and policy*”, said that recovery efforts, particularly in the United States, were good relative to expectations but bad relative to the scale of the challenges.

A session moderated by **Jo Swinson**, Director of Partners for a New Economy, discussed NAEC's inter-disciplinary, cross-Directorate projects. **Admiral Bill McRaven**, Professor of National Security at the University of Texas, supports the [Neuro-science Inspired Policy Initiative](#) which emphasises how investments in brain health and brain skills are critical for post-COVID economic renewal, re-imagination, and long-term economic resilience. Former Commanding General of the Army Corps of Engineers **Lt General Bostick** explained how our capacity to plan, absorb, recover and adapt is essential to achieve long-term [Systemic Resilience](#). **Barry Lynn**, Director of Open Markets Institute, looked at [shock-](#)



William H. McRaven



Jo Swinson



Thomas B. Bostick



Barry C. Lynn

[proofing global production systems](#) and highlighted how ever-increasing monopoly concentration and “*putting all our eggs in one basket*”, presents a serious threat to the resilience of the economy and democratic societies.



Rebuilding
Macroeconomics

NAEC is working with [The Fields Institute](#) and [Rebuilding Macro](#) to place new analytical tools and approaches at the service of recovery plans and strategies. A joint [Symposium on Systemic Recovery](#), on 26-27 April, brought together world-leading experts on new analytical tools and techniques to help design and develop systemic recovery strategies. **Ambassador Chenette** engaged in the agenda and Canadian institutions contributed to the preceding [Extended Problem-Solving Workshop](#) where graduate students and postdocs worked together to solve policy problems related to the recovery posed by **OECD, Bank of Canada, Finance Canada, Canadian Securities Transition Office** and **Scotia Bank**.



Journal of
*Risk and Financial
Management*

The events featured in a [special issue of the Journal of Risk and Financial Management](#) which brought together a collection of articles focused on (i) lessons from the pandemic, in particular the effectiveness of policy responses in different countries, (ii) new integrated modelling approaches that have emerged from the crisis; and (iii) recommendations to build a more resilient system to protect ourselves from such events in the future.

NAEC Collaboration with OECD and Partners on Systems Thinking and Resilience

NAEC has engaged the [Reform for Resilience Commission](#) on its resilience work. They have now issued their interim report which contains strong recommendations to develop the NAEC framework on resilience:

*“The OECD model of resilience by-design and by-intervention must be adopted as a framework for accommodating resilience. The Commission will take forward a body of work with the **OECD New Approaches to Economic Challenges** to produce a policy framework for resilience by-design and by-intervention”.*

Reform for Resilience
Healthy Growth



This approach to resilience is also being implemented with **ELS** on health system resilience. NAEC is supporting the [Healthcare resilience project](#) (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 provided a chapter outlining concepts, approaches and ideas for advancing resilience and chapter two is structured using the NAEC resilience framework based on plan, prepare, absorb, adapt and recover. NAEC was invited by ELS to present the framework for health systems to a meeting of the **Health Committee** on 28 June.

As part of the **CFE high-level workshops with EC** on [Productivity Policy for Places](#), NAEC moderated a session on the policy implication of the productivity-resilience discourse on 9 June. The workshop examined the link between productivity and resilience and whether the pursuit of productivity/efficiency has undermined the ability of places to withstand various types of shocks and what regional policy can do to boost both productivity and resilience or to find “the right” balance).



Lord Sedwill, **UK G7 Envoy on Economic Resilience**, and Chair of the independent G7 Panel on Economic Resilience, joined [an inter-disciplinary panel](#) on 11 May, organised with Rebuilding Macroeconomics, to discuss “[Socio-economic Resilience: what is it and how can it be enhanced?](#)” They looked at how to build and manage more resilient systems that place economics in relation to other critical fields such as the environment, engineering, science and politics. Fundamental uncertainty has to be embraced if we are to truly build capacity to anticipate, absorb, recover from, and adapt to a wide array of systemic threats. Some uncertainties can be managed by building pre-emptive buffers, monetary and fiscal policies and government support programmes. Deeper uncertainties require recognising that the social system underpins our economic system and must have the institutional capacity to respond accordingly.

In the context of the forthcoming **WTO World Trade Report 2021** on “Trade and Economic Resilience”, NAEC was invited, on 29 April, to speak on the “Rationale for international cooperation in supporting economic resilience” at a WTO discussion of how systemic risk is affecting international co-operation and the role of trade-related co-operation. NAEC was also asked by the **WTO Chief Economist** to comment on a draft of the report which explores why economic resilience has moved to the top of the global agenda and to what extent and under which conditions international trade can contribute to building and supporting economic resilience.





As a contribution to the **OECD Horizontal Project on “Climate and Economic Resilience in the Low-carbon Transition”**, NAEC gave a presentation at a session on Climate Impacts and Resilience in the Ocean Context at an Expert Workshop on 13 April, organised by the Environment Directorate and the Portuguese delegation on “[Resilience and the Ocean-Climate Nexus](#)”. As part of the initiative, NAEC is also contributing a paper on “A systems approach to integrating climate and economic resilience”.



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. The joint OECD-IIASA publication of [Systemic Thinking for Policy Making](#) made the case for a systems approach which will now be applied to critical global issues.

A fourth meeting of the **OECD-IIASA Task Force** on 24-25 March, with members from 9 OECD Directorates and Programme Directors from IIASA, and joined by **Swedish, Austrian and Dutch** government representatives, discussed several critical projects requiring a closer integration of science (IIASA) and economics (OECD), including: Improving the coherence of policies for recovery from the pandemic; Restructuring systems for a just transition to sustainability; Reorienting globalisation onto a more equitable and sustainable path; and Managing the financial implications of the transition to low-carbon economies.

As part of the Directorate’s reflections on mainstreaming environmental and climate considerations in development co-operation, NAEC was invited by the **Development Co-operation Directorate (DCD)**, on 12 February, to discuss applying a systemic approach to planetary emergencies.

There is now a need to build resilient power to shock-proof our most important human-made systems, and to make it all but impossible for any natural or political disaster to ever trigger any potentially catastrophic cascading collapse. 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 NAEC report by the Secretary General’s Advisory Group on a New Growth Narrative - [Beyond Growth – Towards a New Economic Approach](#) - has been published in **German** by the [Heinrich Böll Foundation](#). The launch of “[Jenseits des Wachstums - Auf dem Weg zu einem neuen ökonomischen Ansatz](#)” took place on 15 February at an event featuring a presentation by the report’s author, Michael Jacobs, followed by a discussion with Dennis Snower (member of the Advisory Group), Katharina Beck (Alliance 90/The Greens) and Christoph M Schmidt (RWI Essen).

Neuroscience and Policy



NAEC is working through the [Neuroscience-informed Policy Initiative](#) on the concept of “[Brain Capital](#)” which considers brain skills and brain health as an indispensable part of the knowledge economy. NAEC promotes this concept as an approach for thinking about the economy and how it works in new ways and is laying some of the groundwork, looking at relevant metrics and building up a network of interested actors in the medical field, neuroscience, philanthropy and business.

The Initiative was launched with a [discussion on 27 January](#), featuring the Secretary General and Admiral Bill McRaven with Francesca Colombo, Head of the Health Division. Several papers and short articles articulating the concept and ideas have been published including in the top neuroscience academic journal [Molecular Psychiatry](#), and influential outlets such as [Neuron](#), [Psychiatric Times](#), [RSA Journal](#) and [RSA Comment](#).

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. It is guided by a Steering Committee with representatives from the Milken Institute, Johnson and Johnson, Gates Ventures and Fondamental Foundation. This is mirrored by an OECD group with initial consultations with staff from **ELS** (mental health), **STI** (neuro-technology), **OSG** (gender) and **EDU** (neurodiversity) who have expressed interest in exploring neuroscience and policy in general and specifically in their respective policy areas.

A seminar on 10 June on [Rethinking Productivity: Insights from Neuroscience](#) explored how the latest innovations in neuroscience can help us unlock insights into how to optimise productivity. A [transdisciplinary group of speakers](#) approached the topic from diverse perspectives such as neuroscience, global mental health, economics and finance.



March on Gender
EMPOWERING THE RECOVERY
THROUGH WOMEN'S LEADERSHIP

The COVID-19 crisis has exposed sex and gender differences in brain and mental health disorders, with an increase in depression and suicide, particularly among women. As part of the [OECD March on Gender](#) initiative, a seminar on [Innovations to Address Women's Brain Health Inequalities](#), on 25 March, looked into differences in neurological outcomes between men and women, supported by NAEC's [Neuroscience-informed Policy Initiative](#). An article in *Psychiatric Times* (5 May 2021) focused on [Highlighting Brain-Based Inequalities for Women: From Bedside and Boardroom to Policy](#).



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 25 June, Damon Acemoglu, Institute Professor at MIT, looked at labour markets and inequality in a post-covid world in a discussion on ["Remaking the post-Covid World"](#). Gillian Tett, financial journalist and anthropologist, discussed how anthropology can help explain business and life at a



discussion of ["Anthro-Vision"](#) on 17 June. A discussion with Directors also looked at how insights from anthropology could help and practical ways to improve cross-sector analysis and collaboration. This follows up a discussion in 2015



on how organisations can break down silos to unleash innovation. We do not know what the future will hold, particularly in the midst of a crisis, but we must make decisions anyway. Economist John Kay examined such ["Radical Uncertainty"](#) in decision-making at a seminar on 17 February. Stephanie Kelton, of Stony

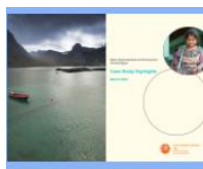


Brook University, offered a timely analysis of the effects of deficits on the economy in a seminar on 25 February on ["The Deficit Myth"](#) which debated, with Steve Keen, Honorary Professor, University College London, whether deficits matter and how we think about government spending today and the implications for



future generations. At a seminar on 11 March on ["The Plague Cycle"](#), Charles Kenny, from the Centre for Global Development, showed how climate and population fluctuations and aspects of our prosperity such as global trade have left us more vulnerable than ever to newly emerging plagues.

A Case Study of NAEC



The Friends of NAEC meeting on 4 March featured a presentation to Ambassadors by the authors of the case study ["New Approaches to Economic Challenges for the 21st Century"](#) prepared by Oxford's Said School of Business with pfc Social Impact Advisors. The report is based on careful analysis of NAEC reports, papers and activities, and interviews with several stakeholders including Ambassadors, Directors, OECD Staff and economists independent of the NAEC process. It draws heavily on the [Rejuvenating the Debate](#) paper presented at Council last September.

The report highlights that NAEC plays an important and unique role on the policy landscape and that its achievements are often under-recognised, not least in the OECD itself. Constraints such as budget, political reaction from Members and internal factors were highlighted. The NAEC unit also examined the extent to which NAEC work of recent years influenced analytical work and flagship publications. It found that NAEC is one of the most influential and collaborative initiatives and is well cited in papers and reports produced across the OECD.

NAEC Innovation LAB



The [NAEC Innovation LAB](#) is developing innovative projects drawing on talents from across Directorates and mixing different skills, including as part of the OECD Smartdata Framework. As a platform for collaboration with wider communities, the LAB is helping develop links and make use of expertise and data outside the organisation, including in national governments, academic institutions, think-tanks and the private sector.

The LAB, which now has a dedicated space on the 6th floor of the Boulogne Building, hosts regular workshops with internal and external experts. As part of NAEC's MOU with Ecole Polytechnique a doctoral student is assigned to collaborate with OECD colleagues on new methodologies for economic modelling.

NAEC was invited to speak, on 17 June, at a session on “Supporting co-creation in collaborative transitions: Exploring new tools and approaches”, a core project of the **STP Working Party on Innovation and Technology Policy (TIP)**.

On 16-18 June, CEST, in collaboration with NAEC and the Young Scholars Initiative @ INET, organised a 3 day workshop to discuss [new approaches to modelling and forecasting towards more sustainable goals](#). The event brought together young scholars and policymakers to discuss a broad range of topics including impact investing, SDGs and ESG impact evaluation, patent analytics, bibliometrics, and foresight methods.



Big data and machine learning techniques have been increasingly used in macroeconomics in recent years. The Covid-19 crisis highlighted the key role of new approaches to track, nowcast and forecast activity. For economists, central bankers and international organisations, these new approaches can provide quasi-real time insights, measure new concepts and provide greater granularity as an input to policy-making. On 8 June the **Banque de France** and the NAEC Innovation Lab held a conference on “[New approaches to macroeconomic monitoring, nowcasting and forecasting](#)”, featuring new research on non-traditional data and machine learning approaches in macroeconomics.

NAEC Papers



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

[Deep Institutional Innovation for Sustainability and Human Development](#), *World Futures - The Journal of New Paradigm Research* (24 June 2021)

[A Systemic Socio-ecological Recovery from Covid-19](#), *Global Social Policy* (6 June 2021)

[Building Brain Capital](#), *Neuron* (5 May 2021)

[The Brain Economy](#), *RSA Journal Issue 3 2020*

NAEC in the media



[NAEC and Neuroscience-inspired Policy](#), *Bloomberg* (2 July 2021)

[Wanted: a resiliency tsar for the US government](#), Rana Foroohar, *The Financial Times* (23 May 2021)

[Jo Biden's experiment could revolutionise economic thinking](#), *The Financial Times* (6 May 2021)

[Comment les économistes tentent de mesurer l'activité en temps réel](#), *Les Echos* (22 January 2021)

[What is the economic impact of the latest round of lockdowns?](#), *The Economist* (16 January 2021)



FORTHCOMING EVENTS

→ 24 September 2021: NAEC/Open Markets Institute (OMI)

THE NEXT GLOBAL SYSTEM


How to Use Competition to Shock-proof Systems, Strengthen Democracy, and Rebuild a Liberal World Order



The International community has made important advances towards building more resilience into international industrial and financial systems. But based on our long work on these threats, the Open Markets Institute (OMI) and the NAEC initiative believe leading democracies need to move much faster and further if we are to avoid potentially devastating disruptions to our economic and political systems.

Convening high-level policymakers along with experts on international relations, industrial and financial systems, competition policy, and political economy to develop a better understanding of why so many international systems have become so fragile, and the nature and full extent of the threats this poses.

The discussion will build on the joint NAEC-OMI roundtable “[Shock-proof: Building Resilient Systems in the 21st Century](#)” and our long and close study of how competition can help stabilise complex and established economic systems, support democratic frameworks, and strengthen national security policies. It will be informed by recent [lessons](#)



[from the Covid-19 pandemic](#), and challenging episodes like disruptions in supply chains, semiconductor shortages, state aid, and surging geopolitical tensions.

Through more effective forms of cooperation, democracies can work together to better manage common risks, boost innovation and technological advances to the benefit of all.

→ 4 November 2021

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 has established **Government Economists for New Economics and Systems (GENESYS)** as a platform for debating, experimenting and discussing policy alternatives and the analytical approaches which underpin them. GENESYS facilitates a discussion on more radical alternatives to policy challenges embracing new economic thinking drawn from a range of disciplines – [Integrative Economics](#). The first meeting will be held on 4 November.

The NAEC initiative benefits from Ambassadors' guidance through the Friends of NAEC. We would like to thank the co-chairs, Erdem Başçı and Irena Sodin, who have been instrumental in launching a new phase of NAEC from analysis to policy alternatives, as outlined in [Rejuvenating the Debate](#).

Ambassador Başçı and Ambassador Sodin have stood down as co-chairs of the Friends of NAEC. They have been replaced by Ambassador Georges Prevelakis and Ambassador Sybel Galvan whom we welcome to help 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](#) website: www.oecd.org/naec/ or please contact:
William Hynes, NAEC Co-ordinator – william.hynes@oecd.org*

