



- In assignment 2 - you have identified the context in the problem-solution space (alignement, disorientation, problem search for solutions)
- We now want to create a rough transformational roadmap
- **What actions/changes have the potential to trigger the process – what policy tools have to be deployed to undertake these actions?**

A WAY TO START

What are the binding constraints which can impede the achievement of your mission and what are the policy implications

These constraints are related to various policy areas: market operation (eg externalities not paid); technologies, social norms, redistributive issues, funding, policy process

The relative weights of these various policy areas are of course different according to the mission. Perhaps additional policy areas are needed

Derive policy implications and challenges

Explore the available policy tools for each problem/policy implications

Policy framework to identify the first pillars of the transformation roadmap

- **Repairing markets and regulating the economy**
 - Fixing negative externalities: regulation, taxation but competitiveness in global competition
 - Supporting new business models (new trade-offs between financial gains and social impacts)
- **Incentivizing technological innovation and adoption**
 - Promoting critical technologies: R&D subsidies, *ex ante* prize, advanced market commitment
 - Diffusion: reward tied to diffusion, adoption subsidies
- **Managing potential losers**
 - Support purchase of the « better » goods (for example electric vehicle), support the emergence of new business models in concerned industries or regions
- **Involving society – social norms**
 - Influencing large-scale behavioral tipping to transform social practices,

Policy framework to identify the first pillars of the transformation roadmap

- **Funding multiple complementary investments and infrastructures**
 - Attracting private investors: financial tools create new ways to share risks,
- **Governance and better rules for policy**
 - Is there any legitimate (local, national, supranational) authority to make decisions?
 - Embeddedness – stakeholders need to be involved – policy making should not be made in an ivory tower – strategic cooperation matters
 - Disciplines devices against abuses
 - Experimentation and learning – policy is a discovery process and a coordinated push
- **Anticipating the next breakthrough**
 - Given innovations accelerating, what is the next breakthrough? Will it make your mission still relevant?

Policy framework to identify the first pillars of the transformational roadmap - readings

- **Repairing markets**
 - *What are externalities* – IMF
- **Incentivizing innovation and adoption**
 - *Adding to the toolkit* – Kremer and Williams
- **Involving society**
 - *Social norms as solutions* – Nyborg et al.
- **Funding multiple complementary investments and infrastructures**
 - *New financial engineering tools to support sustainability* – Foray and Cornet
- **Establishing better rules for policy**
 - *Green industrial policy (section 5)* – Rodrik
 - *Industrial policy with conditionalities* – Mazzucato and Rodrik
- **Promoting transformations at system level – a coordinated big push**
 - *An economic compass for a resilient, inclusive and sustainable world (section 3)* – E4S

Deadline: Oct 25 – a few slides

Use the readings and the presentations + any other relevant documents

One slide on a preliminary structure of the roadmap – involving a small number of interventions

One slide for each intervention

Total – 4 to 6

Happy to receive a preliminary draft earlier to provide feedback

