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## NAEC WAS ESTABLISHED TO LEARN LESSONS FROM CRISES...

OECD Members established the New Approaches to Economic Challenges (NAEC) initiative in 2012 to better understand the interconnectedness and complexity of the global economy. From its early days the Initiative recognised that the economic system is inherently intricate and interlinked through financial markets, global supply chains, social networks and a shared ecological foundation. Complex interactions at the individual level give rise to unstable properties at the macro level. Such a system is subject to crises and cascading failures, which can emerge from a variety of sources including financial crises, natural disasters, geo-political tension, cyber-attacks and pandemics.

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## ...TO PROVIDE NEW INSIGHTS, FRAMEWORKS, TOOLS AND TECHNIQUES AND POLICY NARRATIVES...

These risks are amplified by several overarching trends: the intensification of inequality, financial instability, the rise of digitalisation, market and wealth concentration and environmental emergencies such as climate change and biodiversity loss. These are not only boosting the frequency and intensity of certain shocks, but also enabling their impacts to cascade from system to system. Since 2012, NAEC 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. This involves upgrading models, tools and techniques for analysis and refining the narratives we use to convey policy to decision-makers and the public.

NAEC 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 citizens and policymakers.

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## ...NAEC IS CENTRAL AND INDEPENDENT BUT WITH STRONG CONNECTIONS TO MEMBERS AND COMMITTEES...

A recent assessment by Oxford Said Business School suggests that NAEC *“plays an important and unique role in the international policy landscape”*. NAEC is anchored in Ministerial Council Meeting and Council decisions and its institutional arrangements, mandate and governance were established by the Council [C(2012)109/REV1]. It is in the Office of the Secretary General, as in order to provide a space for reflection, exploration and experimentation, it must be central but independent of specific policy communities. To govern the initiative, Council established the NAEC Group, Chaired by the Secretary General, and composed of Ambassadors, Committee Chairs and directors, in a multidisciplinary effort. It relies on a very modest budget and seeks to leverage support through internal and external networks and partnerships. It also has on ongoing influence on OECD flagship publications and analytical work promoting innovation and openness to debate policy alternatives in Committees.

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## ...AND HAS EVOLVED THROUGH THREE PHASES...

Since its establishment, NAEC has catalysed a debate across the OECD and beyond on how to revise, update and improve policy thinking and action. The Initiative involving Committees, Directorates and representatives of Member Governments 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 citizens and policymakers. This has evolved through three phases.

The first phase was the horizontal project phase focused on Lessons from the Financial Crisis (2012-16). Phase Two, Systems Thinking, Anticipation and Resilience highlighted the interconnectedness, complexity and fragility of human-made systems and developed resilience frameworks to manage shocks as part of policies and strategies for Averting Systemic Collapse. The OECD-IIASA Task Force on Systems Thinking, Anticipation and Resilience brings together scientists and social scientists to tackle systemic challenges while the NAEC Innovation LAB was established with the Chief Economist's Office to experiment with the development and application of analytical tools.

- 1.) Promoting new economic narratives and paradigms
- 2.) Building systemic resilience of human-made systems
- 3.) Developing new analytical tools and techniques to simulate crises.

## ...MOVING FROM ANALYSIS TO POLICY ALTERNATIVES...

Phase three, developed in consultation with Members, launched as part of the recovery from Covid-19 with the NAEC Group on Confronting Planetary Emergencies, which focused on moving from analysis and diagnoses of systemic challenges to policy alternatives. This involves tightening the links between NAEC and Committees, Directorates and Members. It builds on the key strengths of NAEC in 1.) Promoting new economic narratives and paradigms, 2.) Building systemic resilience of human-made systems and 3.) Developing new analytical tools and techniques to simulate crises. This agenda has great potential to transform OECD policy thinking and acting.

## ...PROMOTING A SYSTEMIC RECOVERY...

In April 2021, NAEC promoted the search for *A Systemic Recovery* bringing to bear innovative scientific and multi-disciplinary findings to craft policies and strategies to help OECD Members exit the current crisis and build back better. In addition to technical-level discussions, there was a high-level event chaired by Rana Foroohar with Mark Carney, Paul Krugman, Gita Gopinath, Mariana Mazzucato and Kenneth Rogoff. The research generated features in a special issue of the *Journal of Risk and Financial Management*.

## ...WITH A SHIFT OF FOCUS FROM ECONOMIC FRAMEWORKS TO CLOSER INTEGRATION OF SCIENCE AND POLICY...

NAEC inter-disciplinary analysis involving engineers, scientists, neuroscientists, doctors and economists has featured in some of the world's leading scientific journals and has been extensively profiled in the media. It has a regular pipeline of financial contributions and an active network of collaborating institutions such as the Santa Fe Institute, The Institute for New Economic Thinking, Fields Institute, IIASA, Rebuilding Macroeconomics and others. It acts as a hub for complementing economic logics and frameworks with those from other disciplines, federating and focusing the energies of academics, students, philanthropy, think tanks and policy-making institutions. It is also connecting new thinking to the networks and structures of policymaking and analysis of OECD publications, which suggests that it is one of the most collaborative, cross-Directorate programmes in the OECD with considerable influence on analytical outputs and publications.

*"The big question now is whether the essential systems that keep our societies running are adequately resilient. The answer is no. This is the sort of question the OECD's New Approaches to Economic Challenges Unit has dared to address. Inevitably, it has created much controversy. Yet it is admirable that an international organisation is daring to do so at all. The crisis has shown us why. We cannot afford complacency. We need to reassess the resilience of our economic, social and health arrangements".*

Martin Wolf, *The Financial Times*, 28 April 2020

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*"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"*

[Mark Carney](#), NAEC seminar "[Values: Building a Better World for All](#)" (1 September 2021)

*[NAEC facilitates] "THE MOST IMPORTANT CONVERSATION-BUILDING IN THE WORLD RIGHT NOW"*

[Rana Foroohar](#), Associate Editor, *Financial Times*, at the [Launch of the NAEC publication "The Financial System"](#), 29 septembre 2020

*"OECD HAS BEEN A MAJOR SOURCE OF GUIDANCE AND IT'S BEEN INNOVATIVE IN PARTICULAR THROUGH ITS NEW APPROACHES TO ECONOMIC CHALLENGES (NAEC) INITIATIVE".*

[James J. Heckman](#), Nobel Prizewinner in Economics (2000), NAEC Conference "[Integrative Economics](#)" (2020)

*New insights, concepts, methodologies and tools from a range of disciplines that can help better understand individuals and systems, as [Andy Haldane](#), former Bank of England Chief Economist, stated in [past NAEC contributions](#):*

*"THE NAEC INITIATIVE DOES SO, AND THE OECD'S WILLINGNESS TO CONSIDER A COMPLEXITY APPROACH PUTS THE ORGANISATION AT THE FOREFRONT OF BRINGING ECONOMIC ANALYSIS POLICY-MAKING INTO THE 21ST CENTURY"*

*[NAEC IS A] "SKUNK-WORKS FOR ECONOMICS AND POLICY"*

[Paul Krugman](#), Nobel Prizewinner in Economics (2008)

*"THIS [NAEC] CONFERENCE HAS THE POTENTIAL TO OFFER REAL, TRANSFORMATIVE AND EVEN EMANCIPATORY SOLUTIONS TO SO MANY OF THE ECONOMIC AND INDEED SOCIAL PROBLEMS WE FACE TODAY, THROUGH YOUR EXAMINATION OF ALTERNATIVES THAT PRESENT A RADICAL DEPARTURE FROM EXISTING INSUFFICIENT, DEFICIENT AND FAILED MODELS OF POLITICAL ECONOMY"*

President of Ireland, Michael D. Higgins "[Confronting Planetary Emergencies](#)", 9 October 2020

*"I'M GLAD TO BE CONNECTED TO NAEC; I'VE BEEN DOING SOMETHING LIKE THAT ALL MY LIFE BUT IT'S GOOD TO MAKE THE CONNECTION AND COME TO THE OECD".*

[Robert J. Shiller](#), Nobel Prizewinner in Economics (2013), NAEC seminar "[Narrative Economics](#)" (2019)