



## Questioning the system ...

Our current social and economic model is not sustainable. Not only natural scientists, but also economic and financial experts have stated this in many publications.

It is also the fundamental conviction of the Mouvement Ecologique, which has been accompanying the work for years.

We need a new social consensus on the pillars on which we want to build our economic system in the future, while respecting the ecological limits of the planet and ensuring global distributive justice.

We therefore need an exchange and discussions about fundamental questions, such as how we imagine tomorrow's world and what kind of Earth we want to leave to future generations.

Above all, positive visions for the future are needed. Today, no one can say what a 'sustainable' economic system will ultimately look like in detail, there are too many adjustments to be made. But important steps towards this goal are known.

That is why the Mouvement Ecologique was once again very active in 2024, enriching the discussion with a phased transformation of the current system.



## Befunde zur finanziellen Nachhaltigkeit des luxemburgischen Pensionssystems

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### CHALLENGING THE DEPENDENCY OF THE PENSION SYSTEM ON PERPETUAL ECONOMIC GROWTH!

The belief that the economy will continue to grow as it has done in recent years or decades is based on shaky ground.

The COVID crisis with its supply chain problems, the energy crisis and geopolitical tensions amply demonstrate this. However, the fact is that the pension system, as it is financed today, depends on continuous growth. It is based on the number of workers steadily increasing, productivity increasing quite sharply, and so on. If these developments do not occur, the financing will collapse.

So is the current model of financing the pension system a growth driver?

Yes and no. Thanks to reforms, it could be designed independently of growth, but only if the political will exists.

Since clinging to the dogma of growth would be devastating from an ecological point of view, the Mouvement Ecologique 2024 has broken new ground. A study was conducted to examine the extent to which clinging to the pressure to grow poses problems from both an ecological and an economic-social point of view.

The Austrian Institute of Economic Research (WIFO) was therefore commissioned to analyse the extent to which it is plausible that the Luxembourg economy will continue to develop in such a way that the financing of the pension system is ensured.

The institute has examined the assumptions of the aforementioned technical balance sheet of the 'Bilan technique du régime général d'assurance pension - 2022' and the so-called 'Ageing Report' in terms of their plausibility and financial viability until 2070.

The authors' conclusions are revealing: knowing full well that "economic and demographic developments over a period of five decades are characterised by considerable uncertainties", the financing of the pension system according to the current model is by no means on a firm footing. The authors explain this in detail in a detailed statement (available at [www.meco.lu](http://www.meco.lu)). Among other things, it is by no means certain that in the coming years the number of employees from the border region will continue to grow to the extent assumed. Nor is it certain whether the necessary increase in productivity will take place.

The analysis allows only one conclusion: the dependency of the pension system on constant growth must be questioned. Otherwise, we will not only be leaving the climate and biodiversity crises to future generations, but also an unsustainable pension system.

### GROWTH IMPERATIVE AND DEMOCRACY – HOW CAN THE SOCIAL AND ECOLOGICAL TRANSITION SUCCEED?

Conferences help shape opinion in Luxembourg. They are particularly important in times of upheaval. It is obvious that events related to the growth and system question are of particular interest to the Mouvement Ecologique.

In February, for example, Mathias Binswanger, one of Switzerland's most influential economists, visited Luxembourg and gave a lecture on the topic 'Steady growth: a fallacy, without alternative or are there "new visions for the future"? Unfortunately, the planned exchange between M. Binswanger and U. Herrmann, TAZ journalist, could not take place because Ms Herrmann had to cancel at short notice. As a result, the event took on a different focus, with M. Binswanger's lecture being discussed in a lively and critical manner in the subsequent question and answer session and at the 'patt'.

'The climate and biodiversity crises consistently affect us in a socially unjust way: what are the prerequisites for this? How can the transition succeed!', is the fundamental question of a conference cycle that the Mouvement Ecologique, together with partner organisations and thanks to financial support from the Ministry of the Environment, launched in 2024. Six high-profile speakers were recruited for the event.

The first of these, in December, was the highly renowned anthropologist, speaker and author Jason Hickel, whose book 'Less is More: How Degrowth will save the world' was listed as Book of the Year by





both the Financial Times and the New Scientist. It is worth noting that 250 people found their way to the conference. The breadth of the audience was particularly revealing: the event was attended by stakeholders from business, trade unions, non-governmental organisations, local authorities, some politicians and interested private individuals.

Jason Hickel knew how to explain in a very compelling and lively way why our current economic model is not sustainable.

He emphasised that the following question should shape our social and economic model: What should continue to grow in the future and why? Focusing on growth across the board would be the wrong approach. The economy would be there to ensure access to a good life and not to maximise corporate profits.

## CREATING THE RIGHT INCENTIVES FOR A SOCIAL-ECOLOGICAL TRANSITION!

This government took office with the aim of promoting the energy transition and thus also electric mobility, among other things, with more socially selective funding. Unfortunately, this has not yet been achieved to the necessary extent.

Shortly before the Autofestival, the government had decided to restructure subsidies for electric cars and to reduce financial aid quite sharply and unselectively.

The Mouvement Ecologique critically questioned these changes in terms of e-mobility and responded with a statement entitled: 'More selective funding of e-mobility – have the courage to ask big climate killers to pay!'

In doing so, the Mouvement Ecologique pointed out that e-mobility has not yet gained a sufficient foothold in Luxembourg and that further financial support from the state would be necessary. Otherwise, the targets of the national climate and energy plan risk being missed. There is a lack of calculations to prove that reducing financial aid would not lead to a slump in the purchase of electric cars (so-called analyses of the steering effect of state aid).

Above all, however, it was pointed out that the government had failed to impose a penalty on buyers of particularly energy-intensive and environmentally harmful cars. A penalty, such as has existed in France for years, would be an important approach here. Buyers of particularly energy-intensive/environmentally harmful cars sometimes pay penalties of several thousand euros so that they at least

partially cover the damage they cause to society. This is also an instrument of social selectivity. But the question of the extent to which 'social leasing' would be useful should also have been discussed more aggressively.

The question of which subsidies are necessary for the ecological and social transition, and in what amounts, and how they can be designed to be selective, is of absolutely central importance for sustainable development. Therefore, it will continue to strongly shape the work of the Mouvement Ecologique in the coming years.



## STATE OF THE NATION SPEECH: SIMPLIFYING PROCEDURES IS GOOD – BUT POLITICS NEEDS TO DO MORE!

In June, Prime Minister Luc Frieden also used the motto in his first State of the Nation address that it is the central responsibility of politics to make decisions today for the future. This may sound banal, and yet it is positive how much the Prime Minister repeatedly emphasised this point. After all, it is often the case that supposed short-term interests stand in the way of longer-term ecological challenges, among other things.

However, the speech also raised a fundamental problem: it gave the impression that this responsible approach to shaping the future could be achieved primarily through optimised and simplified procedures and by reforming existing state aid.

Energy transition, climate and biodiversity protection, sustainable urban development, but also the protection of our water bodies and springs, will not be achieved primarily through optimised procedures. In some cases, more fundamental reforms are also needed. Unfortunately, the Prime Minister does not address these issues.

The Mouvement Ecologique also commented on the speech in detail. It is precisely such pivotal moments in the political debate in Luxembourg that allow the ideas of a Mouvement Ecologique to be brought more into the public eye.



## GOOGLE DATA CENTER – THE ENGAGEMENT CONTINUES

For a very long time, nothing much was heard about the ‘Google data centre’ in Bissen. However, according to Lex Delles, Minister for Energy and the Economy, work on the dossier is ongoing and making progress.

Reason enough for the Mouvement Ecologique to ask L. Delles, Minister for the Economy, SMEs, Energy and Tourism, and S. Wilmes, Minister for the Environment, Climate and Biodiversity, whether there was any new information regarding water consumption and what the next steps in the process would be. So far, there have been no real concrete statements.

The government should be aware that the Mouvement Ecologique is continuing to monitor the situation and will analyse any approval by the government very critically.

If the water consumption turns out to be as high as feared, the Mouvement Ecologique will take legal action.

## PUBLICLY DISCLOSE THE SUSTAINABILITY CHECKS FOR COMPANIES

The Mouvement Ecologique asked the Ministry of the Economy again to be allowed to use the so-called ‘sustainability check’ – ‘compatibility check’ for the approval of companies.

This had been created under the previous government (but unfortunately never published despite requests). This is supposed to have set out criteria for new businesses that want to settle in Luxembourg. The aim is to clarify in advance of a public discussion and procedure the extent to which new businesses comply with environmental criteria. The Mouvement Ecologique asked about this check again and received a detailed answer from the minister.

## IN DIALOGUE WITH POLITICAL STAKEHOLDERS

The challenge of sustainably reorganising our social and economic model requires close dialogue. That is why, among other things, discussions were held with the Minister of the Economy and Energy, Lex Delles (e.g. on the issue of growth, the orientation of Luxembourg’s economic policy, free trade agreements), and with the Minister of the Environment, Serge Wilmes (abolition of counter-productive subsidies, design of the CO<sub>2</sub> tax, implementation of a stress test for Luxembourg’s development... ).



## STOP THE EU-MERCOSUR TRADE AGREEMENT!

On 4-5 December 2024, a summit was held in Montevideo on the so-called Mercosur Agreement - the free trade agreement between the European Union and the MERCOSUR countries - Argentina, Brazil, Paraguay and Uruguay.

In the run-up to the summit, 400 organisations from Europe and Latin America, including the Mouvement Ecologique and Action Solidarité Tiers Monde, mobilised against the Mercosur agreement.

The message is clear: the Mercosur agreement would have devastating consequences for people and the environment. The EU and Luxembourg must reject the agreement outright. The way the agreement has been negotiated behind closed doors for more than 25 years is undemocratic.

Moreover, the agreement would exacerbate the unequal exchange between the Global South and the North and maintain neocolonial trade structures. It would promote destructive agricultural models that displace small farmers and indigenous communities.

Workers in Mercosur countries would suffer job losses and deteriorating conditions. The main thesis: ‘Geopolitics cannot be solved with neocolonial trade agreements’.



## WELL-BEING GDP, GREEN BUDGETING, SUSTAINABLE TAX REFORM, OVERSHOOT DAY

...But 2024 also saw work on numerous other issues that have been on the agenda of the Mouvement Ecologique for a long time. They all represent cornerstones of a reorientation of economic policy.

The following, among others:

- the measurement of a country's prosperity should no longer be calculated primarily by the gross domestic product, but by other real prosperity indicators (PIB du bien-être);
- the national budget would then have to be combed through to see to what extent money is being wrongly invested, fuelling the climate and biodiversity crisis instead of reducing it,
- a sustainable tax reform must finally establish price truth – it is the be-all and end-all of a more sustainable economic policy;
- Overshoot Day dramatically illustrates the problems with our current economic and social model; more future-oriented models are needed.