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Environment and employment

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Cancerous pollution

Everywhere we see examples of the damage caused by atmospheric pollution and consequent climate change. And if we don't change our habits pretty quickly, we shall suffer a great deal more damage.

Last October, an agency of the World Health Organization published a report showing that 'outdoor air pollution' is a major cause of cancers, predominantly in the lungs but also in the bladder. The report states that the main causes of this pollution are diesel fumes, industrial and agricultural emissions, and energy generation.

In September, the Intergovernmental Panel on Climate Change issued a summary of its report *Climate Change 2013*. Among its conclusions are :

In the Northern Hemisphere, 1983 – 2012 was likely the warmest 30-year period in the last 1400 years.

The rate of sea level rise since the mid-nineteenth century has been larger than the previous two millennia.

It is extremely likely that human influence has been the dominant cause of the observed warming since the mid-twentieth century.

Limiting climate change will require substantial and sustained reduction of greenhouse gas emissions.

Earlier, in 2006, the famous *Stern Review of the Economics of Climate Change* warned that *climate change presents a wide-ranging challenge for economics; it is the greatest market failure ever seen.*¹ 'Market failure' is economists' jargon for what happens when Adam Smith's invisible hand throws the wrong switch and plunges the whole building into darkness. Or when a free labor market sets wage rates that are less than enough to live on. Or when free markets in houses and mortgage loans drive house prices up to ridiculous levels, leading to a resounding crash. Or, as in our present case, when the energy market obliges us to use fuels that ruin our atmosphere.

Sir Nicholas Stern warned in his review that *our actions over the coming few decades could create risks of major disruption to economic and social activity...on a scale similar to those associated with the great wars and the economic depression of the first half of the twentieth century.*

Later, in January 2013, at the World Economic Forum in Davos, Sir Nicholas said: *Looking back, I understated the risks...Some of the effects are coming through more quickly than we thought then...This is potentially so dangerous that we have to act strongly. Do we want to play Russian roulette with one bullet or two?*

At the same meeting Jim Yong Kim, president of the World Bank, observed that *We have to find climate-friendly ways of encouraging economic growth. The good news is we think they exist...There is a lot of money to be made in building the technologies and bending the arc of climate change.*²

The need for action

So, we have an urgent need for action. But what, in practical terms, are we doing about it? The Chinese supreme court has decreed capital punishment for the worst pollution offenders, but few countries will want to go to such extreme lengths.

The development of non-polluting energy sources, which should be accelerating, is in many places slowing down. The Spanish government is reducing its support for renewable electricity generation.³ In France, installation of solar power generators has fallen back sharply in the past two years, following reductions in the prices paid for solar electricity.⁴ Germany, turning away from nuclear power, is burning more coal; and the new government proposes to reduce its target for offshore wind generation.⁵

Why is this happening? Largely because renewable power development often needs government support; and governments, as we all know, are under pressure to cut back. The free-market dogma, that state spending is a 'burden' that needs to be lightened, still seems more powerful than the fear that climate change may wreck our ecosystem.

Yet most of the firms that generate our electricity are now partly, if not wholly, privatized; they can raise capital on the Stock Exchange, they are not obliged to go to the government for it. So why do they not get on with the job of building enough wind turbines and solar power farms to cut drastically the need to burn coal, oil or gas?

The answer is simple. In general, renewable power is 'not competitive' with fossil fuels. It is still usually more costly to generate electricity by renewable methods (wind, sun or water). Generating companies compete with each other; this competition obliges them to use the cheapest available energy sources. Too bad if that means ruining our environment. According to conventional economics, competition is an absolute virtue, while its absence is a capital sin.

Gérard Mestrallet, president of GDF Suez, the leading French producer of natural gas, puts the matter bluntly: *the 27 [member states of the European Union] must not support only the most costly means of production, which would damage our competitiveness.*⁶

Obstructive theories

The British government, for example, could in theory (despite likely objections from Brussels) say 'to hell with competition in electricity'. It could fix a national wholesale price per kilowatt-hour, high enough so that companies would find it profitable to generate by renewable methods. And it could levy stiff taxes on hydrocarbon-fuelled power stations, so that the companies would have nothing to gain by persisting with their dirty old methods. But would the British public tolerate the consequent higher prices? And would British politicians, clinging to their age-old faith in free markets, even consider such interference therewith?

Beyond those difficulties lies another problem. If this policy made British electricity more expensive than electricity generated on the Continent, then British businesses that use a lot of energy could well find themselves 'uncompetitive' with continental businesses. This suggests that the problem would be better tackled at the European level. Co-operation among European countries to hold electricity prices, and taxes, high enough to motivate us all to use clean energy: there, surely, is a good argument for European integration! But the europhobes will never swallow it. They stick to Hayek's view: *through competition, not through cooperation, we gradually increase our efficiency.*

Moreover, clean but costly electricity in Europe would tend to make European businesses 'uncompetitive' with businesses in America, China, Brazil...unless those countries followed Europe's good example. To ensure the survival of its industries, Europe would need a strategy of compensatory tariffs against countries that persist in using cheap, dirty electricity. But that would fly in the face of orthodox theory, which dictates that we must

practice global free trade; that protectionism is an 'absolute evil', as economist Charles Wyplosz puts it.

Thus, at every turn, conventional economics obstructs the large-scale, rapid energy clean-up that we urgently need. Economists, of course, tell us that the market will solve the problem: as oil, coal and gas reserves shrink, prices of these fuels will rise, till it is cheaper to use renewables. But will that happen fast enough? There is no logical link between the quantities of coal, oil and gas available to burn, and the quantities that can be burnt without wrecking our climate. It is perfectly possible that, before hydrocarbons are priced out of the market, irreversible and catastrophic damage will have been done.

Practical solutions

We need not only to *bend the arc of climate change*, as Jim Yong Kim put it. We need also, equally urgently, to *bend the arc of unemployment*, which in many countries is still either rising, or falling very slowly from very high levels. The solutions to both problems coincide: we need to step up our investment in climate-friendly infrastructure. To employ more people to create non-polluting energy systems, better-insulated buildings, non-polluting transport networks. And we must do this mainly through private-sector industry, since our over-indebted governments lack the necessary spending capacity.

Two French economists recently estimated that, in France alone, a twenty-year development programme for renewable energy, thermal insulation, energy savings, recycling and relocalisation could generate up to a million jobs.

If our obsessive yearning for competitiveness gets in the way, then the message is clear: we must break this obsession. If universal competition obstructs vital strategies, it is competition that must give way to more cooperative and usefully productive behaviour.

Many scientists fear that global warming, if it is allowed to go too far, may get completely out of hand, damaging the ecosphere so severely that human life would become impossible. Free-market economics sees the human economy as a Darwinian jungle in which only the competitive survive. But ecological science suggests that we are now in a position where cooperation, rather than competition, is what we need for our survival.

¹ Executive Summary of the Stern Review (2006).

² Report in the *Guardian* (London), 26th January 2013.

³ Andrés Cala, *New York Times*, 8th October 2013.

⁴ Frédéric de Monicault, *Le Figaro*, 18th June 2013.

⁵ Thibaur Madelin, *Les Echos*, 11 November 2013

⁶ Interview with Jean-Michel Bezat, *Le Monde*, 7th February 2012.