ELEVEN OF THE PAST 12 YEARS WERE the warmest on record, atmospheric concentrations of carbon dioxide (CO2) are higher than at anytime over the past 650,000 years and glacier melt threatens the availability of water to 500 million people in South Asia and 250 million people in China. So reports the Chairman of the Intergovernmental Panel on Climate Change (IPCC). Yet the world has failed to act despite such outcomes having been predicted for 20 years or more. Could part of the reason be that economists have been fiddling to produce figures recommending inaction while the planet gets set to burn?

Although economists first applied their craft to climate change in the early 1970s, “greenhouse economics” has been a minority interest until recently. Those conducting economic studies tended to believe control costs matched or outweighed the benefits of avoiding damages. This changed in October 2006 when a UK government backed and funded report by Sir Nicholas Stern, an ex-Chief economist of the World Bank, concluded international action to reduce emissions was economically justified. Economic Nobel laureates clamored to make statements of support. Does this apparent awakening of mainstream economists offer hope, a case of better late than never?

Well, we’ve been here before. Major international political attention was first paid to climate change in 1988. At a meeting in Toronto, governments agreed to 20 percent cuts in CO2 emissions by 2005. The same year, the Hamburg World Congress recommended 30 percent cuts by 2000 and 50 percent by 2015 (with some dissenters). However, instead of government action, we only saw the IPCC established to “study” the issue further. A decade later, Kyoto’s few percent emissions cuts for developed economies were still seeking ratification. Businesses in the US spent $100 million fighting the Kyoto Protocol, claiming it would hurt the economy. The highest per capita polluters, the US and Australia, withdrew and remained outsiders in the international consensus of concern. Underlying this government backtracking, delay and timid target-setting is economic power politics.

For corporations, the consumer society is a marketing dream come true with low product durability, built-in obsolescence, rapidly changing fashions, fads, and advertising media in every household, all dependent upon cheap fossil fuel energy. Powerful vested interests gain money and control by keeping the economic system un-

changed and running full steam ahead. This requires ever-greater throughput of materials and energy as if there were no physical reality, limited resources or laws of thermodynamics.

However, science and physical laws only point to the implications of human actions, they do not make ethical choices for us. The size of population, the pressure humanity places upon ecosystems, the time allowed for change and the rate at which humans impose change are all matters requiring serious political and public attention and debate. Instead, throwing ourselves head-first down the helter-skelter seems to have precedent over standing back and using some judgment.

Neoliberal politics and free market economics does not tolerate questioning consumption, knowing that consumer society is erected on moral quicksand. Should luxury items be produced using energy which others need for basic food production? Should fuel be burnt so people can sit outside restaurants and bars in winter, run cars on trivial trips around town or fly off for a weekend break? Suggesting limits to frivolous resource use means confronting how wants contrast with needs. For mainstream economists, unlike philosophers and social psychologists, human motives go unquestioned so that spending on pure luxuries for the rich is just as important as spending on basic subsistence by the poor. In the market system, democracy is people voting with their money – assuming they have some.

Orthodox economists, like Stern, enter this fray in a very particular way. Stern’s report warns that “if we are not ‘green,’ we will eventually undermine growth.” This quote is telling because it makes growth the priority goal. Such economists believe all humans are utilitarians who can only be made happy by having more to consume. The complementary myth is that ever-increasing economic growth is “the way” to solve all problems. However, social psychologists, such as Nobel prize winner Daniel Kahneman and others, have shown how material well-being is soon divorced from life satisfaction once basic needs are met. More stuff does not mean increased well-being. In addition, a bigger cake may provide more crumbs for the masses, but redistribution is the direct means of alleviating poverty. Still, mainstream economists hold to their faith: “development is consuming more.”

For such economists, pollution control is only a worthwhile, or “efficient,” project if it generates positive returns. This is where cost-benefit analysis enters the picture: to
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Chapter 1: Economics needs fundamental revision if human-induced climate change is ever to be addressed.

Many environmentalists have been tempted to take Stern’s report as a clarion call for action, without recognizing this as the same flawed, value-loaded economics which has been used in the past to prevent urgently needed action from being taken. Stern’s assumptions mean accepting global warming in the order of 2–3°C, and forgetting about the potential for catastrophic impacts at lower greenhouse gas concentrations. Stern’s “solution” is a big new carbon market, some technology and adaptation. Most importantly, we must all remember this is a profitable business investment with positive rates of return.

This whole financial framing of the problem is not rigorous and sober analysis: just wrong-headed. Preventing human-induced climate change is no more about profitable investment and good rates of return than one person’s golfing is another’s compensation for poverty and death. We are still being told there is no need to change the economic system or the expectations of those who want to consume regardless of the consequences for other people in other lands and future times. Economics needs fundamental revision if value conflicts are to be exposed and debated, and if human-induced climate change is ever to be addressed as a serious matter relating to how humans have structured their political economy.