

Climate change discussions must move away from the green growth model and focus more on political and social change

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*The 2013 United Nations Climate Change Conference took place in Warsaw from 11 – 23 November. **Nikolas Scherer** writes that while most proposals to address climate change have been based on economic solutions, the issue also involves important political and social factors. He argues that the discussion must shift away from economic arguments to a more comprehensive approach to our relationship with the natural environment.*



Climate change is not a problem or governance issue ‘out there’ that is waiting for a ready-made and global one-size-fits-all solution. On the contrary, [how we think](#) about climate change and ourselves as human beings decisively shapes our solutions to dealing with climate change. The EU portrays climate change as a primarily [economic or technical problem](#) and views human beings as being driven by economic incentives. Consequently, it has put forward market solutions like the EU Emissions Trading System (EU ETS), introduced taxes on high-carbon technologies and promoted energy-efficient technologies through subsidies. This underlying view is increasingly shared globally, as statements on the other side of the Atlantic and the global diffusion of these “green” market solutions suggest.

While some might appreciate the growing relevance of the European way of dealing with climate change, this development must not be celebrated but problematised. Europe’s predominant understanding of climate change builds upon some unquestioned beliefs that downplay important scientific, political and ethical considerations. The increasing dominance of this economic understanding circumvents much more critical questions regarding what climate change has actually put on the table: our values and attitudes – how we live, our lifestyle of consumption and our relation to nature and future generations. Questioning our economic model and our way of living could lead to much more innovative and potentially more effective answers to our changing climate.

Green growth – is it really possible?

The “green” growth model is built upon the belief that economic growth, the increase in output of goods and services and environmental protection are not contradictions, but can be combined into ‘sustainable growth’. This would be a form of economic growth that does not endanger the ecosystem, as it reduces both material and energy input and secures the needs of future generations. Yet, this belief can be challenged by looking at the data.



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Even Europe, with its dramatic efficiency gains in terms of material and energy inputs (Europe is [world leader in eco-efficiency](#)), has seen its *total* material and energy requirements increase over the last thirty years. In absolute figures, Europe [extracted](#) 6 per cent more natural resources in 2008 than it did in 1980, despite at the same time

reducing the material resources needed to produce one unit of GDP ('material intensity') by a remarkable 77 per cent. It is important to emphasise that the (material intensity) figures are still very favourable for Europe, given that they measure only domestic resource extraction. They do not capture Europe's increasing substitution of its own raw materials with imports from other world regions, and they do not account for Europe's increasing 'outsourcing' of material-intensive economic activities to Asia, in particular to India and China.

Moreover, total electricity net consumption in Europe has risen from 2,006,044 billion kilowatt-hours in 1980 to 3,369,749 billion kilowatt-hours in 2010, as a [recent study](#) from the US Energy Information Administration shows. That means, in total numbers, Europe needs more energy today than ever before. If energy consumption is connected to GDP growth ('energy intensity'), it turns out that since 2005, energy use grew faster than GDP growth – this applies at least to some European countries, amongst them the biggest European economy: Germany. Between 1980 – 2005 [energy consumption in Germany](#) remained stable relative to average GDP growth of 1.7 per cent per year. Since 2006, energy consumption has risen faster than GDP growth.

All these numbers indicate that the relative gains in resource productivity and energy efficiency have been offset by the total need of material and energy for the increase in output and services, namely economic growth in GDP. [As Gabor Zovanyi emphasises in his book](#), it does not require advanced mathematical skills to understand that the more we produce, the more energy and resources we need. A reduction in material or energy requirements by say, 50 per cent, is negated by a doubling of the economy at the same time. Moreover, it is worth mentioning that the largest decline in greenhouse gas emissions occurred in 2009, when the global economy went into recession. Contrary to the current *Zeitgeist*, sustainability and economic growth might indeed be conflicting goals – at least, as long we do not refine what sustainability and economic growth mean.

The underlying economic understanding of climate change

The "green" growth model is mainly informed by thoughts around what climate change would cost the economy (and not, for example, nature itself) if we do not act right now. Central to such a way of thinking is what is commonly referred as 'cost-benefit analysis'. In cost-benefit analysis, potential policies are weighted in monetary terms, by comparing the economic costs and with their economic benefits (in US dollars/euros). The solution which is relatively more beneficial – meaning cheaper – is preferred and should then inform the political decision. A 'typical' example of such a way of thinking is [the Stern Review](#), published by the UK government in 2006. Based on a cost-benefit analysis, the Stern Review argues that it is much cheaper to deal with climate change right now – meaning implementing policies that reduce carbon dioxide emissions – rather than later – meaning dealing with damage caused by carbon dioxide emissions.

Cost-benefit analyses exclude other considerations (e.g. loss of species or whole landscapes) and assume the loss can be compensated for with money. The economic understanding of climate change is also reflected in the outlook that climate change creates new 'business opportunities' for firms producing low-carbon technologies. It is connected to the desire to stimulate further 'green investments' and create 'green jobs', thereby restoring Europe's long-lasting growth problem and avoiding the costs of hard regulation.

The shortcomings of an economic understanding of climate change

Such an economic way of thinking is problematic for three reasons. First, estimates on the actual damage and thus the costs of climate change cannot be determined objectively. How can we know and judge the risks associated with an unprecedented event given the great scientific uncertainties involved? The problem is we simply do not know the long-term 'feedback effects' or abrupt and potentially irreversible changes of the climate ('the unknown unknowns'). There is a huge knowledge gap. Moreover, how do we value the dying out of certain species or the demise of the Maldives? Different economists from different countries might attach varying price tags here.

Second, the economic cost-benefit approach does not address ethical or political questions. It is based on the idea that climate change is the result of high carbon emission producing technologies and the wrong incentives are set by

the existing market system. The idea is, if we use 'clean technology' and re-set the economic incentives by promoting and punishing some technologies through subsidies and taxes, climate change can be solved. Thus, it presumes that climate change can be tackled without substantial social and economic transformations.

Such a view circumvents ethical and political questions, as if climate change would not raise serious ethical and political questions about our actions and the sustainability of our economic system. Such a perspective does not bother to consider such questions as 'Should we treat nature the way we do?', 'How much energy and material input do we need to produce "climate-friendly" technology?', 'What role should we give to technology, given the destructive role it has played in manipulating the natural world?' 'Is an efficiently functioning European Emissions Trading System *politically* feasible at all?'

Third, the economic cost-benefit approach is based on a reductionist view of human beings. Cost-benefit analyses build upon the assumption that economic incentives and subsidies provide the main motivation for environmentally friendly behaviour. The implicit idea is that human beings are mainly driven by economic self-interest. But are they really? While I would not deny that people's behaviour is often motivated by an economic self-interest, more often than not, it is not. People's behaviour is also informed by the ideas they hold about what is appropriate, their moral or religious ideals, their ideas about family, friendship, desires and other such considerations. Political scientists, for example, are not doing research out of an economic self-interest – jobs in the private sector are financially far more lucrative.

The problem with an economic view is that it represents an overly simplistic attitude towards the world. It downplays the fact that people value things differently and subsequently often act in ways that contradict the economic self-interested model. People might attach an aesthetic value to nature on its own or perceive it, for example, as their 'mother', (*pachamama*) and thus not as a commodity or resource to be exploited. Such a perception can stem from frequent and positive experiences with nature.

Policies designed to change behaviour through economic incentives might also be part of the problem. They erode moral values and lead to unethical behaviour, as [a recent study](#) from two German economists suggests. In a number of laboratory experiments, they found out that people were [more willing](#) to let laboratory mice be killed in exchange for money than if they were not involved as paid participants. This insight is not entirely surprising – we all know about the morally distorting effect of money. Yet, what we should learn from it is precisely that market instruments turn human beings into self-interested economic actors. They make decisions a matter of money and not of ethics.

We need to question the increasing economisation of all areas of life and re-educate ourselves to alter our lifestyles

While I appreciate the ethical imperative for action that underpins the economic view of climate change, I think this perspective provides at best only a partial answer on how to respond to climate change. The main problems are its implicit conservatism and its potential destructive long-term consequences. An economic approach deliberately does not question the status quo and the way we have come to that very status quo.

Moreover, it assumes that human actions are informed by getting the best economic deal. Market instruments might in turn, however, fuel unethical or irresponsible behaviour. By paying for carbon through a tax, people might feel entitled to use nature and feel free from any further obligation to reduce their carbon consumption or reconsider their lifestyle. I am not making a case against market instruments *per se*, as they have their place in responding to climate change.

Yet, the answer to climate change cannot be limited to mere economic and technical solutions. Coming up with alternatives requires a broader political and social debate about the values we attach to nature, to our consumption practices and our responsibility to future generations. This implies questions such as: how and why have we come to care so much about our standard of living? Why do we desire more and better things even when we know that

they do not make us happier? Why are economic arguments at the centre of the debate? Why do we care more about our own personal economic welfare than about the health of our planet, ourselves and of future generations?

Such an open discussion must not neglect our apparent primary interest in maximising the benefits of our current economic situation and to some extent disregarding the environment. It can, however, lead to greater awareness, a moral standing and maybe to real change – if we actually want to change. An alternative to ‘green growth’ solutions may be the extension and deepening of the ‘[share economy](#)’ idea or ‘collaborative consumption’ models. Examples of sharing enterprises range from car sharing, food sharing and platforms that facilitate the lending and borrowing of idle goods to garden sharing.

Sharing reduces unnecessary consumption and waste and recovers a sense of trust-based relationships. It fuels a sense of community. [San Francisco](#), [Berlin](#) and Seoul are currently at the forefront here. [Seoul is even officially endorsing a shared economy model](#). Sharing might sound very communistic to economists and yes, it is a post-ownership movement which does not have growth and the accumulation of capital at its centre. Instead it is based on a very old value we tend to forget in these times: solidarity. The concept of sharing has been practised in poorer areas of the world. It is not even new. It was quite popular in Europe as well, in the 1950s and 1960s – a time when Europe was not that rich and ethics tamed the economy and not the other way round.

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