

# Must we choose between saving the planet and exiting the crisis?

By [Xavier Timbeau](#)

It is up to our generation and those that follow to find a way for 10 billion people to live decently and sustainably on a planet with finite resources and capacities. As a decent standard of living requires a mode of consumption closer to that of our Western societies than the deprivation that afflicts a large part of the world's inhabitants, the task is immense – but failure is unacceptable. All this requires us to curb climate change, to anticipate falling agricultural yields, to prepare for the impact of rising sea levels, to adapt, and to halt the destruction of biomass and biodiversity while taking into account the depletion of natural resources, whether renewable or not. The list of constraints is long, and unfortunately it does not stop with these few examples (the interested reader can profit from reading the [OFCE's previous work](#) on this subject).

Yet the crisis facing the developed countries ([the Great Recession](#)) is often put in opposition to the environmental emergency, suggesting that any ethical concern for integrating human society into the limits imposed by the environment is a luxury that we can no longer afford. As we are obliged either to hope for a return to growth or to prepare the liquidation of our economies, *décroissance*, or de-growth, out of a concern for nature would be an idle fantasy, an option that only the most idealistic – and thus someone freed from the constraints of reality – could take “seriously”. How could societies that are experiencing record rates of unemployment, which need to get back to work in order to absorb the excesses of yesteryear (!), societies threatened moreover by emerging powers that

will hasten the decline of anyone who fails to comply with the rules of the new world – how could they allow themselves to become absorbed in saving the planet?

The idea that these two priorities (ending the crisis, saving the planet) have themselves to be prioritized (one realistic, the other idealistic) is a very poor way of addressing the challenge of our times. It can only lead to bad policies, to increasing the future cost of the environmental realism so necessary today and prolonging the economic crisis we are going through again and again. Three arguments are often advanced that lead to neglecting environmental issues in favour of economic issues. These arguments are especially questionable.

The first argument is that the solution to the environmental issue has to be postponed – but it can't be. Indeed, and as an example, the capacity of the global ecosystem to absorb carbon dioxide has long been exceeded. Continuing to emit carbon because oil is cheaper than other energy sources [\[1\]](#) on the pretext that there is no other choice is a dead end. Every time a gas plant is built (shale or not), it has to be worked (to be profitable) at least 50 years. But after 10 years we will take fright at the level of carbon emissions and realize that climate change is threatening not just our comfort, but the very survival of the human species, and it will be obvious that we must reduce CO<sub>2</sub> emissions. So in addition to new investments to change the way we consume energy, it will then be necessary to add the scrapping of the still-unprofitable gas plant. Putting off doing what is needed does not save money – on the contrary, it increases the cost, simply because the environmental constraints cannot be put off. This is currently the diagnosis, for example, even of the [International Energy Agency](#), hardly a den of hard-core ecologists. To stop the planet's climate from heating up by more than 2°C (relative to the pre-industrial era), it is necessary to immediately take the path of reducing CO<sub>2</sub>

emissions by around 2t of CO<sub>2</sub> per year per capita (down to 5 to 10 times less than current emissions in the developed countries). Not doing this today means investing in poor solutions that will have to be mothballed before they have become profitable, and resigning ourselves to limiting the increase in the planet's temperature to 3°C or even more. It therefore means paying more for a worse level of climate stabilization that will then cost even more to adapt. Making the reduction of public debt the priority on behalf of future generations is completely hypocritical if it is done at the expense of future generations. In other words, investing in the decarbonisation of the economy, if it is done well, would have a future social profitability well above interest rates on the public debt. Not doing this means impoverishing future generations. Not doing this because cash constraints prohibit it amounts to a denial that we will not be able to justify to future generations.

The second argument is that we are not rich enough to be able to save the planet. Complying with environmental requirements and implementing solutions to reduce our impact on the environment would impoverish us, with very few exceptions, at least at first [\[2\]](#). What was once cheap (e.g. producing energy with reserves accumulated underground over millions of years) would now be done with more work and more infrastructure or capital (and thus more work to produce the capital), and thus in a way that is generally less efficient. Designing products that can be recycled completely, and producing and recycling them so that the materials that compose them can be *indefinitely* reused so as not to tap into the stock of the planet's finite resources, will require more work, more energy (and thus more work) and more capital (and thus more work). Choosing to take the path of respect for the environment thus means less consumption (final consumption, or, if you prefer, fewer services from consumption or a decrease in the flow of material well-being drawn from consumption). But that does not mean a decline in production, or even less a decline in

domestic production. Greater concern for the environment will mean a fall in productivity and living standards, but it will also mean job creation (this is the simple corollary). But what happens when jobs are created by reducing productivity in a situation of massive underemployment? It may, though this is not certain, reduce inequality and unemployment. The negative overall effect on income could be compensated for part of the population by the impact on inequality. Since escaping from the rarities of resources (e.g. oil) reduces (or in an extreme case eliminates) the rents associated with those rarities, a reduction in inequality means in particular the primacy of work over property. This is how we can reconcile a reduction in inequality with the environmental transition. Less wealth is consumed, but there is less unemployment, provided that we take the opportunity offered by the environmental transition to reduce inequality, and not just by means of social tariffs but also by the creation of new production.

The third argument frequently advanced is the constraint of international competition. Since our competitors do not choose to respect the environment, their costs remain low. If we insist on burdening our companies with additional environmental costs (taxes, quotas, standards, right-to-pollute contracts), not only do we lose competitiveness and thereby destroy economic activity and employment, but furthermore, because these activities will be relocated to areas where pollution or CO<sub>2</sub> emissions are "authorized", while the environmental degradation will not recur in our country, it will in others, and will thus ultimately increase. In short, the environmental ideal is incompatible with the harsh laws of globalization. Yet it is this argument that is deeply naive and off target, and not the environmental imperative. There are two types of possible answers, both fully compatible with globalization as it is now [little] regulated. The first involves cooperation through applying the same rules on larger and larger spaces. The European Union and its carbon market is one example. This space can be extended, as was tried by the

Kyoto Protocol or as is evidenced by the recent cooperation between the European Union and Australia. But such cooperation cannot be established on a stable basis if there is no possibility of coercion. The second possible answer is thus the environmental tax on imports, which is legitimate under the WTO agreements (protection of the environment is one of the few reasons for an exception to the principle of untaxed free trade). It should be noted, for there to be no doubt about the environmental motivation for this, that the proceeds of such import taxes should be redistributed at least in part to the countries sending the imports, or even reserved for environmental investments. This would remove any suspicion that this is a protectionist tax; it would help promote environmental issues in the developing countries; it would provide a concrete response to the notion of the North's ecological debt vis-à-vis the South; and it would be neutral when establishing an environmental tax system or a market for emissions rights in the countries concerned. It would also make it possible to retain an international division of labour (and the trade flows that go with it), which is a source of productivity and of a better allocation of capital that is still necessary to deal with all the constraints that we need to respect.

The environmental challenge and finding an exit to the crisis are issues that converge, not conflict. The first cannot be postponed without major costs or irreversible damage. The levers to act on the environment must be the same as those that will help put an end to the crisis, in particular because they reduce inequality and increase employment. There is still the issue of the public debt and the need for more manoeuvring room in the future. But submission to cash constraints ("I have to repay my debts right now or I'll collapse") amounts to the panic of a rabbit caught in the headlights of the car that is about to crush it. Yet this is exactly the kind of fiscal strategy that we are endeavouring to follow. And it is this that is inconsistent with the concern for future generations

and for the environment.

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[\[1\]](#) Just like trying to become a little more competitive by exploiting shale gas because it is twice as cheap as average oil, while in the end, and despite the more advantageous ratio of energy to carbon emitted, it leads to more emissions.

[\[2\]](#) Subsequently, the environmental constraints will stimulate the technical progress that will ultimately raise our overall productivity again.