

REINVENTING THE NEWSWHEEL in a World of Expanding Markets and Shrinking Resources

A Guide for News Managers
By Vicki Barker



ESTIMATED READING TIME

Introduction + Section Headings	4 mins
+ Summaries	23 mins
+ Thought Leaders' Responses	38 mins
+ Appendices	63 mins
Section 4 only (Conclusions/Action Plan)	4 mins

Cover illustration based on a US Department of Agriculture graph: Grain Stocks in China, 1960-2003

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- Environmental and economic news coverage is converging, as global economic growth places new stresses on natural resources, which in turn destabilize economies.
- There is a revolution underway in economics which may soon affect government policy and global governance, and which the BBC should closely monitor.
- Cross-training of environment and economics correspondents will be crucial if the BBC wishes to safeguard its global leadership in news coverage.

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INTRODUCTION

This report is intended as a resource for news managers as they ponder just where coverage of globalisation and the environment should fit into their overall news agenda. It has been designed to be as user-friendly as possible, allowing for as brief or as lengthy a perusal as the reader has the time or curiosity to give.

It attempts to answer the following question:

What would economics coverage look like if we could reinvent it TODAY, incorporating what we now know (or think we know) about global environmental and economic trends?

The question was prompted by the growing sense that global economic trends and global environmental trends are simultaneously speeding up and converging; and by a growing suspicion that journalism has been slow to catch up with this changing reality.

Twenty-one experts on the environment, the economy, or both, were questioned as part of this study.¹ Most of these “thought leaders” shared a perception of global economic and environmental ferment – even if they did not always agree on whether or how journalists should respond.

Some background, in brief:

By most human reckonings, the past half century has seen unprecedented, and accelerating, change. The population of the world has doubled – while the global economy has grown at least 600%.²

Advocates of free trade and globalisation assert that increased trade and technological advances have created this more prosperous world. Indeed, the past decade of globalisation alone has helped raise more than 200 million people out of poverty.³ Even its supporters, however, acknowledge that globalisation has also left societies and individuals increasingly vulnerable to economic shocks not of their own making. And many societies have seen the gap between the richest and poorest widen sharply.

Environmentalists argue that there has been an additional price to pay. As Sir Crispin Tickell says, “While we have been increasing output of goods of all kinds, we have been running down, despoiling and often wasting the resources from which they are derived.”⁴

Just as economic and political crises increasingly transcend national borders, so, too, do natural disasters and environmental catastrophe. And, as human institutions and natural systems are pushed to their limits in many parts of the world, they begin to have destabilizing effects upon each other: the economist Jeffrey Sachs points out that the combined pressures of population, over-grazing, and climate change, for instance, have meant that every time the rains fail in sub-Saharan Africa, now, there is a war⁵.

The environmental analyst Lester Brown argues that mankind has created a global bubble economy, founded on a fallacy: the assumption that non-renewable resources and life support systems can be consumed and degraded indefinitely. He argues that, instead of thinking of the environment as part of the economy, it is time to start thinking of the economy as part of the environment (For more on Lester Brown's argument, see APPENDIX A, page 43).

But what would that kind of thinking *look* like? And how would it -- how should it -- affect how journalists report on economics, itself?

This report attempts to hazard some answers, by addressing the following questions:

- **THE STAKES** -- Have the environmental stakes been raised to the point where man-made environmental factors have begun affecting economies?
- **THE MEASURING STICKS** -- Have they begun affecting economies in ways which call for new measures of those economies? Is there a new paradigm out there?
- **THE NEW REALITIES** -- Has the ongoing process of globalisation created a new reality which we journalists have not yet caught up with?
- **THE JOURNALISM** -- Is there anything economics journalism in particular can be doing to accommodate the new economic and environmental realities *which it is not already doing*? Does bowing to environmental reality in the context of economics coverage automatically turn that coverage into eco-propaganda?

Each section consists of a summary of current thinking on the subject, preceded by a précis in Q & A form, and followed by insights from the thought leaders, themselves.

There are also nine appendices: readers, I felt, might appreciate a more detailed explanation of some points. In addition, some of the thought leaders advanced such trenchant, provocative arguments that it seemed only fair to allow them freer rein to express them. Thus do a Nobel laureate, a nonagenarian, a trans-sexual Anglican postmodern conservative and a disequilibrium economist sit peaceably side by side. And there are people who say economics, and economists, are boring.

Finally, this report is meant to reassure: if, while grappling with these issues, you have had the feeling that the ground is rapidly shifting beneath your feet – well, it is.

Vicki Barker
January 2005

THOUGHT LEADERS INTERVIEWED FOR “REINVENTING THE NEWSWHEEL”

CHRISTINE ALFSEN-NORODOM, Coordinator, Earth Institute/ UNESCO Joint Program on Biosphere and Society, Columbia University, NY.

TERRY BARKER, Director, Cambridge Econometrics, Cambridge University. Co-founder of HEEDNET (Heterodox Economics for Environment and Development Network), “a network of researchers and policy analysts aimed at expanding the range of economic thinking supporting environment and sustainable development policy making.”

LESTER BROWN, President, the Earth Policy Institute. Founder, the Worldwatch Institute, Washington, DC. Books include: “Eco-Economy: Building an Economy for the Earth”; “Plan B: Rescuing a Planet under Stress and a Civilization in Trouble.”

GORDON CLARK, Professor of Geography/Fellow, Said Business School, School of Geography and the Environment, University of Oxford.

LORD MEGHNAD DESAI, Professor of Economics; Director, Centre for the Study of Global Governance, London School of Economics (retired, summer 2004). One of the framers of the UN’s Human Development Index. Books include “Marx’s Revenge,” 2002.

JOHN ELKINGTON, Chairman, SustainAbility, a UK environmental consultancy. Books include: “Cannibals with Forks,” 1997 (which introduced the concept of “triple bottom line” financial/social/environmental accounting); “The Chrysalis Economy: How Citizen CEOs and Corporations Can Fuse Values and Value Creation,” 2001.

JOHN KENNETH GALBRAITH, Emeritus professor of Economics, Harvard University. Former director, US State Department’s Office of Economic Security Policy; former US ambassador to India. Books include: “The Affluent Society,” 1958; “A History of Economics,” 1987.

PETER GOLDMARK, Global and Regional Air Program Director, Environmental Defense, New York.

GEOFFREY HEAL, Director of the Center for the Economy, Environment and Society, Columbia University Business School. Books include “Nature and the Marketplace,” 2000.

BO KJELLEN, Chief negotiator for Sweden’s Ministry of the Environment at the Rio and Kyoto climate change summits.

JONATHAN KOEHLER, Researcher and “disequilibrium economist,” University of Cambridge and the University of East Anglia’s Tyndall Centre for Climate Change Research. Founding member, HEEDNET (see Terry Barker’s entry).

DIANA LIVERMAN, Director, Environmental Change Institute, Oxford University. Co-author, “World Regions in Global Context” (2002).

WILLIAM MASTERS, Interim Director of the Center on Globalisation and Sustainable Development, the Earth Institute at Columbia University.

DEIRDRE MCCLOSKEY, Professor of Economic History, University of Illinois – Chicago (the former Donald McCloskey). Author, “How to be Human (Though an Economist);” “The Rhetoric of Economics,” among others.

NORMAN MYERS, Honourary Visiting Fellow of Green College Oxford. Former scientific consultant to the White House, the United Nations and the European Commission. Books include “Perverse Subsidies: How Tax Dollars Can Undercut the Environment and the Economy,” (with Jennifer Kent), 2001.

ALEX PFAFF, Environmental economist; Associate Professor of Economics and International Affairs, Columbia University.

KENNETH ROGOFF, Professor of Economics, Harvard University. Former Chief Economist of the IMF. Books include “Foundations of International Macroeconomics” (with Maurice Obstfeld), 1996.

JEFFREY SACHS, Director, the Earth Institute at Columbia University. Architect of “shock therapy” for post-Communist Russia and Poland; engineered the rescue of Bolivia’s economy; served as an economic adviser to Argentina, Brazil, Ecuador and Venezuela. Special adviser to UN Secretary General Kofi Annan on poverty reduction.

JOSEPH STIGLITZ, Professor of Economics, Columbia University; former Chief Economist, the World Bank. Winner of the 2001 Nobel Prize for Economics. Books include: “Globalisation and its Discontents,” 2002; “The Roaring Nineties: Seeds of Destruction,” 2004.

RACHEL THOMPSON, Director, Global Trade and Social Corporate Responsibility (SCR), APCO Europe, an international consultancy. Former diplomat, trade negotiator, for Australia.

SIR CRISPIN TICKELL, Chancellor of the University of Kent at Canterbury; Chairman of the Climate Institute, Washington, DC. Former UK ambassador to the UN. Former Director of the Green College Centre for Environmental Policy and Understanding, University of Oxford; former President of the Royal Geographical Society. As a government minister, he persuaded Margaret Thatcher to take seriously the threat of climate change; Thatcher’s 1989 speech at the United Nations was then instrumental in marshalling the global effort against climate change.

PART ONE: THE STAKES

Q: Have the environmental stakes been raised to the point where man-made environmental factors have begun affecting economies/industries?

A: Yes. Tourism, insurance, fishing and agriculture are among industries already affected by climate change and other man-made environmental factors. Global financial markets, however, remain largely immune – although environmental regulation has created at least one new market, in carbon emissions trading.

The overwhelming mass of statistical data suggests the planet is warming; whether man-made factors account for a minor or major share of that remains a subject of some debate. There is a growing body of data, however, suggesting that human activity is, indeed, affecting regional and global climate patterns.⁶ (For more detail, see the footnotes to this section.)

Insurance companies have been the canaries in the tin mine of climate change: their leaders were among the first to warn of the economic consequences of global warming. In 1998, Munich Re, which insures some of the world's biggest insurance companies, estimated⁷ that the number of natural catastrophes had tripled since the 1960s, increasing the overall cost to the world's economies nine-fold, and the cost to the insurance industry fifteen-fold. Munich Re pointed to a collision between population pressures and climate disruption, as more people settle in coastal regions and flood plains – the areas most vulnerable to storms. It told a recent UN climate conference that extreme weather linked to global warming cost the world more than \$60 billion in 2003.⁸ Munich Re and other leading reinsurers have warned that more extreme weather events should be expected in future.

The effects of that warning will be felt in the power, energy, insurance, transportation, heavy manufacturing and building/infrastructure industries, as well as the crude oil, gasoline, grain, soy and wheat markets, say researchers for the Carbon Disclosure Project, formed in 2002 to encourage corporate reporting of greenhouse gas emissions. In addition, they write, “pension trustees, analysts, bankers, insurers and fund managers have begun to appreciate the implications of climate change and greenhouse gas (GHG) policies in financial terms....

Taking climate risk into account is now becoming part of smart financial management. Failure to do so may well be tantamount to an abdication of fiduciary responsibility.”⁹ (Thus, some industries are being affected, not by climate change itself, but by a changing regulatory climate, as local or national governments impose new restrictions on greenhouse gas emissions.¹⁰)

Tourism, by some estimates the world’s largest industry,¹¹ is also taking the threat increasingly seriously: the first International Conference on Climate Change and Tourism was held in Tunisia in April, 2003; the United Nations has warned that global warming threatens the world’s ski resorts; and tourism authorities in many coastal regions have begun planning for the effects of rising sea levels and ever-more-frequent “freak” storms.

Here are examples of three industries or markets which have *already* been directly affected by human stresses on the environment:

AGRICULTURE Grain and other food commodities prices jumped as much as 40% across the European Union in late 2003¹², after a drought across the length of southern Europe and the former Soviet Union further tipped a world grain balance already tightened by the previous years’ droughts – and by dwindling stores. Four consecutive grain harvest shortfalls have brought grain stockpiles to their lowest level in 30 years. Wheat and corn prices hit 7-year highs in early 2004. Rice prices hit 5-year highs; and the UN’s Food and Agriculture Organization predicted world grain prices overall would be up again in 2004¹³. WorldWatch Institute founder Lester Brown, who trained as an agronomist, says, “Commodities reports keep talking about ‘when the weather returns to normal.’ But there is no ‘normal,’ anymore.”

FISHING -- Consumers don’t need to be told which fish are being driven towards extinction: they see it in the prices they have to pay.¹⁴ Neither do the 40,000 Canadians who lost their jobs in the cod fishing industry when cod populations off Newfoundland collapsed and the Canadian government banned cod fishing in a so-far-unsuccessful attempt to allow stocks to recover.¹⁵ Over-fishing has left more than 70 percent of the world’s marine stocks either fully exploited or depleted¹⁶. Scientists are warning that cod, tuna, haddock, flounder and swordfish, among others, could disappear from dinner plates within a decade if these species continue to be fished at present levels.¹⁷

INSURANCE -- In early 2002, the credit rating agency Moody’s downgraded the credit-worthiness of four of the world’s leading insurance companies; losses due to the high incidence of natural disasters were among the factors which contributed to that action.¹⁸

Of potentially more concern is the status of the *re*-insurance industry. The companies which insure the insurance companies form one of the world's most opaque and complex industries. They are major players in global financial markets. A crisis in the reinsurance industry would be a crippling blow to the global economy – as the powerful Bank of International Settlements is well aware. The BIS, “the central bankers’ central bank,” holds annual Financial Stability Forums, assessing potential threats to global financial stability. The reinsurance industry has been one of the main items on the agenda of recent Forums; however, Forum attempts to encourage more openness in the industry remain in the preliminary stage.¹⁹

REALITY CHECK: MARKETS/ECONOMIES THAT HAVE *NOT* BEEN DIRECTLY AFFECTED BY HUMAN IMPACTS ON THE ENVIRONMENT:

The conventional wisdom among mainstream economists is that environmental pessimists are vastly overstating the part ecological decline contributes to the sum of human misery. They point out, for instance, that manmade environmental degradation may have aggravated poverty in Africa, but did not cause it. Over-fishing may have brought European fish stocks to the point of collapse, they say, but Europe's economy as a whole has largely absorbed the shock. Indeed, the entire human economy and the human race itself could survive the global collapse of fish stocks, argues Bjorn Lomborg, author of *The Skeptical Environmentalist*: he notes that fish accounts for less than one percent of mankind's total calorie consumption and only six percent of its total protein intake.²⁰

Similarly, environmental factors may have affected the stock price of a few individual companies, but have played a negligible role in the movement of global equity and bond markets. Currency markets seem equally immune: but then, the global foreign exchange market, the world's largest financial market, is *ten times* global GDP – so it would arguably take global catastrophe to affect it.

However, several of the thought leaders interviewed for this report argue that the conventional wisdom is wrong. As will be seen, these environmentalists and environmental economists say the markets lie, and that current accounting practice fails to factor in the human and environmental cost of economic growth -- costs which ultimately, they argue, threaten that growth.

A MARKET CREATED BY ENVIRONMENTAL MALAISE: CARBON TRADING

The Kyoto Protocol called for a market-based attempt to bring greenhouse gas emissions under control. Under the system, countries or companies would be assigned permissible emissions levels. Companies which did not use their full quota could then “sell” the excess to those businesses in danger of exceeding theirs. The price would be whatever the market could bear.

Trading began in early 2004 – and by year’s end nearly one million tonnes of emissions were being traded each week. That volume was set to increase after the European Union launched its carbon trading scheme for member states in January 2005.

Indeed, like those habitual gamblers happy to bet on everything from the next day’s weather to the outcome of their children’s rounders game, commodities and derivatives traders have begun to speculate on carbon trading. In addition, market-watchers say carbon trading is likely to influence the price of other commodities, particularly such energy- and industry-related commodities as coal and metals.²¹ Away from the trading floor, the advent of carbon trading – and the emissions controls that underpin it -- has contributed to a rise in the number of businesses involved in renewable energy, as corporations anxious to bring down their emissions levels turn to more eco-friendly fuels and technologies.²²

Supporters of carbon trading say it allows countries to reduce the level of pollutants pumped into the air without the need for extra taxes. They note that a number of the world’s biggest corporations have already used the system to reduce both their emissions and their energy costs.

However, in financial terms, this and other attempts to harness market forces to the service of environmental protection remain very tiny niches in the global market.

Have the environmental stakes been raised to the point where environmental factors have begun affecting economies /markets?

THE THOUGHT LEADERS' RESPONSE

(To a certain extent it is leading environmental thinkers, like Lester Brown, who have set the terms of this debate – but the environmentalists are not alone. A number of economists see cause for concern. Most significantly, Jeffrey Sachs, the Harvard economist who helped former communist economies make the transition to capitalism, now believes environmental and development issues are the most pressing problems facing human society.)



JOHN ELKINGTON: History shows that a whole series of civilizations have gone down in flames, and very often it is environmental constraints -- either climate change, or over-loading the environment. Felipe Fernandez-Armesto is one of these very big picture historians. He wrote a book called *Millennium...* and it makes for very sobering reading, indeed. Because essentially he says civilizations always over extend themselves, they always bring the natural resource base down. And he feels that we are very far along that trajectory.

LESTER BROWN: I think we have failed to understand that, as the human enterprise expands relative to the size of the host planet, if you will, it begins to press against the limits and beyond some of the limits of that system. And globalisation facilitates the transfer of these effects... Up until now, most of the economic consequences of the environmental trends that we set in motion have had local effects. What happens now, in a globalised economy, is that shortages quickly begin to spread beyond national boundaries -- whether it's forest products or water or seafood. At first, it was just a few fisheries in the North Atlantic being over-fished, and fishing kept moving out from there. Eventually, there weren't any new fisheries to turn to. And as a result, today, 70 percent of the world's fisheries are being fished at or beyond their capacity. So there is an infectiousness of this scarcity.

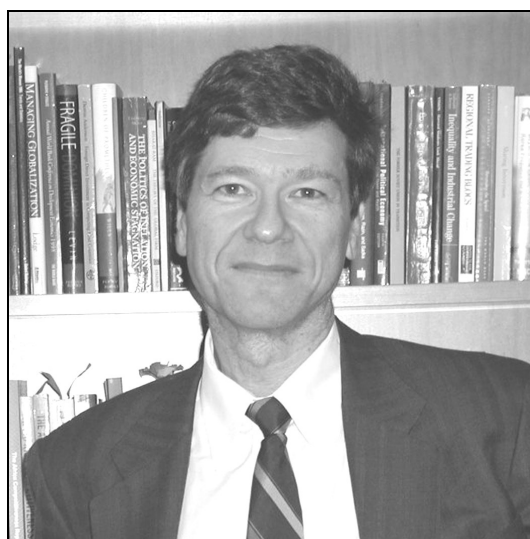
SIR CRISPIN TICKELL: Since the Industrial Revolution, living conditions for most people, measured in terms of material wealth and longevity, have greatly improved. But all change has been at a price. While we have been increasing output of goods of all kinds, we have been running down, despoiling and often wasting the resources from which they are derived.

PETER GOLDMARK: Look at stuttering grain growth in China, where water levels are falling, and deserts have advanced to within 100 kilometres of Beijing, I'm told. Look at the collapse of many of the the world's 17 major fisheries; look at particulate matter from Asian air pollution falling in the

western United States... The economic consequences of 'unsustainable development' are all around us.

NORMAN MYERS: Last summer (2003), because of the decline of the grain harvest, grain products like cereal, beef, soft drinks and beer, prices (in the European Union) went up between 7 and 12 percent. And that was after only a mild increase in temperatures. These prices are already turning up in supermarket checkout lines. But the difference is so small, and most people are so wealthy, that they don't notice -- or, if they do notice, they don't really mind. But if we have a string of summers like that, and each year if the impact becomes more severe, then who knows? In half a dozen years, we might be paying 50 percent more.

JEFFREY SACHS: Are we going over [an environmental] cliff? My own take on that is that it is a quite complex answer, it's not a yes or no answer... Are some places going over the Malthusian edge right now? No doubt about it, but not on a global scale. We have enough food on a global scale, but I know a lot of places where people don't have enough to eat. Are we running out of physical resources in general? The answer is no. Are we destroying our fisheries? Yes. Are we running out of fossil fuels? No. Are we threatening the climate? Absolutely no doubt, in a reckless way! Are these illustrations of an unavoidable bubble, and therefore what we really need is a decisive cut [of the consumption of energy and natural resources in] our societies? I doubt it. I think there really are probably ways to continue this level of energy use and not go over the cliff. But markets alone aren't going to find it.



RACHEL THOMPSON: I am not a skeptical environmentalist [but] I also don't think it is an immediate doom scenario. I think that, in two or three areas, we are perilously close to the brink, one of them being the state of the world's oceans, rather than the state of fossil fuels. I tend to think that we have got another 60 or 70 years to buy and R&D [Research and Development] our way to ... the kind of economy that we have at a global level while also looking for efficiencies -- some of which are being forced on us.

(However, much of the debate has been marked by an intellectual disconnect between economists and environmentalists, with each side accusing the other of misunderstanding some fundamental realities about their respective fields. The environmental "doomsayers" come in for sharp criticism from the political right and from Chicago School and other free market economists, who believe that because of market forces many of these problems will be self-correcting. These critics also include Lord Desai, who considers himself a neo-classical economist AND a Marxist – "because only a Marxist can truly understand capitalism!"²³ At the same time, environmentalists level a stark accusation at

economists: that they fail to understand that, once a nonrenewable resource is gone, it's gone – a disquieting prospect when the resource concerned is, say, water.)

GEOFFREY HEAL: The odd thing about climate change is that, although we know a lot about science -- there doesn't seem to be much doubt the climate is changing, and will continue to change -- we don't know very much about the consequences. In other words, no one has a very clear picture of what will be like to live in a world where the global climate is 5 degrees centigrade higher. So, I think on the economic level, people are still somewhat in the dark.

LORD DESAI: About Lester Brown's idea about the way we have been consuming the interest on our natural capital... If you [apply economic terms] to nature, you have to then say, OK: which species are worth keeping, which are not worth keeping? At what price will you exchange one bird species for more timber? [But] environmentalists don't want to talk like that! The environmentalists are against that kind of market argument -- in which case, they should not use notions of capital and interest! I'm sorry to be pedantic about this, but environmentalists don't really know neo-classical economics.

DEIRDRE McCLOSKEY: What do you suppose, I ask you, as an informed, alert person, is the share of national income earned in, say, Britain, from all of what Ricardo called "the original and indestructible properties of the soil?" I mean land rents, oil and gas, coal, agricultural land, blah blah blah. Add those all up; what share of the national output pays for those? Well, it turns out that in the developed countries like Britain and the United States or Japan, it's about 2 or 3 percent of national income. What share of national income, on the other hand, is produced by *human* capital, which depends for its exercise on political institutions and social institutions that can go wrong and have, spectacularly, in our lifetimes? In modern countries, maybe *two-thirds* of national income is dependent on human capital!



NORMAN MYERS: [Economists say] that if global warming wrecks U.S. agriculture, as it well might, so what? Agriculture is only 2 percent of the U.S. GDP. And my answer to that is, well, and if the United States cannot grow any more food, what are people going to eat? They can't eat dollar bills! It's like saying that the heart represents 2 percent of the volume of the human body, therefore it's trifling, it's marginal, don't think about it.

PART TWO: THE MEASURING STICKS

Q: Has the human impact on the environment begun affecting economies in ways which call for new measures of those economies? Is there a new paradigm out there?

A: Many environmentalists answer ‘yes’ to both questions; so does a small but growing number of economists, whose challenge to mainstream economics is beginning to be heard outside the Academy. International momentum towards “Green” accounting is building; and sophisticated legal challenges mounted by environmental groups may eventually reconfigure entire industries.

Forests, croplands, fisheries and rangelands – the four ecosystems which feed the world’s peoples – are under varying degrees of threat around the world; yet this barely registers on existing economic seismographs.²⁴ In fact, if a country were to cut down and sell all its trees, the action would actually register in the “plus” column of the national balance sheet – essentially rewarding, environmentalists argue, a potentially fatal failure of economic foresight. As the Canadian activist and author Patricia Adams puts it, “People who come into an inheritance and sell off the family treasures for imprudent investments or extravagances might appear to be successful to themselves and to outsiders. But if the sales don't generate new wealth, such people become destitute when there's nothing left to sell.”²⁵

A company which employs 40,000 people issues a profit warning. The European Central Bank lowers interest rates. The dollar rises on global foreign exchange markets. The British government releases its third-quarter GDP figures....

These are some of the instruments which measure the economic vital signs of companies and countries. They are the compasses by which billions of people, consciously or unconsciously, navigate. Trillions of dollars surge across the globe in response to the tiniest changes in these and similar indicators. Indeed, one of the most striking developments in journalism on both sides of the Atlantic in the past decade or so has been the “de-ghettoization” of economics and business news, as general news editors recognize that changes in stock prices, interest rates and other major indices are as important and relevant to their audience’s lives as the Middle East crisis or the government’s latest policy paper.

Yet few economists or analysts would argue that those numbers tell anything but a flawed story about a nation's or a firm's economic health. And environmentalists charge that traditional accounting practices fail to make clear the social and environmental costs of economic growth: the environmental thinker Norman Myers asserts, for instance, that the marketplace costs of obesity are greater than the profits of the fast food industry in the United States – amounting to what he calls a “perverse subsidy” on the industry.²⁶

- How does one measure the full cost of the forest fires in Indonesia, which forced schools and businesses as far away as South Korea to close for days at a time?²⁷
- What price has been paid for the dust storms, caused by overgrazing and over-plowing in northern China, which have blanketed areas from Canada to the southwestern USA with a layer of dust?²⁸
- What value can be assigned to the crops which were never planted, because of the erosion caused by over-plowing, and the resulting spread of deserts around the world?
- How does one tally an arid country's decision to introduce irrigation – which will yield income from crops in the short term, but which will also aggravate existing water shortages?

Many of the thought leaders interviewed for this report advocate some form of “Green Accounting” or “Green GDP.” Businesses, they say, should incorporate the principles of environmental sustainability into their practices, and governments should learn how to tally environmental and social costs. As environmental economist Will Masters said: “Gross National Product is always reported. *Net* National Product is never reported! The difference is that Net National Product is Gross National Product minus the depreciation of natural capital. But no one ever talks about that.”²⁹

However, some are advocating an even more fundamental shift, a broader reinvention of economics, itself: Jonathon Porritt, co-founder of Forum for the Future and chairman of the UK government's Committee on Sustainable Development, says the challenge is “to try and shift the focus off economics as growth, productivity and competitiveness into economics as wellbeing, resource efficiency and meeting people's needs.... There's no reason why economics (if interpreted literally) shouldn't be able to take on board that challenge.”³⁰

To the neo-classical economists whose vision has dominated economic policy and thought since the 1970s, this thinking is, at best, Utopian; at worst, a fatal step back down the slippery slope towards communist-style planned economies which, they assert, sap human initiative and lead to financial and moral bankruptcy. They charge (with

some justification, some environmentalists will admit; see APPENDIX B, page 46) that much of what represents itself as environmental policy is actually a wealth redistribution or other social reform agenda in disguise. They argue that you can no more wish away the laws of supply and demand than you can rewrite the laws of physics. They point out that predictions of impending environmental doom have always been proven wrong in the past – sometimes because the warnings were heeded, but more often because human ingenuity has been able to come up with a solution to the problem.

Nevertheless, momentum for a new economics, or a new interpretation of traditional economics, seems to be building on three overlapping fronts (although the thought leaders consulted for this project were divided about whether this constitutes a new paradigm):

- **GREEN ACCOUNTING** -- The momentum towards publishing environmental balance sheets continues to build, on the company and country level.
- **LEGAL CHALLENGES** – Legal challenges mounted by social and environmental groups appear to be entering a new phase, and one which may ultimately reconfigure entire industries.
- **THE NEW ECONOMICS** -- Some academics have, indeed, begun to rewrite – or at least to challenge – the laws of supply and demand. They assert that the 19th century methodologies of mainstream economics can no longer cope with such 21st century complexities as climate change and technological innovation.

GREEN(ER) ACCOUNTING

The campaign to incorporate environmental sustainability into economics, and into business, has been gathering pace since the Rio Earth Summit of 1992, although advocates concede that progress has been fitful, and results, inconclusive.

It is estimated that around ten countries now practice some form of Green accounting. The UK was one of the first to do so, under the previous, Conservative, government. Since 1999, the Labour government, as part of its stated commitment to sustainable development, has posted environmental indicators alongside indicators for social progress and economic growth. (An attempt to introduce a Green GDP in the USA died under political pressure during the Clinton administration.)

Yet visions of Green accounting can sometimes seem to be as numerous as their advocates (for examples, see footnote).³¹ Several thought leaders pointed out that “sustainability” itself is a highly elastic term which can be made to serve many masters. And it should be noted that publishing information on sustainability, and actually implementing environmentally sustainable policies can be two very different things.

Sir Crispin Tickell, the man who persuaded Margaret Thatcher to take climate change seriously, acknowledges that the logistical challenges are formidable. But, he says, “The price we’re paying in the pursuit of growth is clearly absurd: we’re using resources at a rate which is increasingly out of tune with our environment, which we’re damaging... We have to realize we’ve been misled for more than half a century and using the wrong measurement index.”³²

On the company level, about 700 companies (including the BBC)³³ now publish some form of Green or Corporate Social Responsibility accounts, worldwide – a sevenfold increase over the past decade³⁴ but, supporters concede, a small fraction of the world’s corporations. Practitioners tend to be those wealthy multi-nationals able to undertake an expensive public relations exercise – which, its critics suggest, is all that Green accounting really is.

However, the pressure of public opinion, and the changing legal and regulatory climate, may slowly be putting more teeth into Green accounting: several countries have made Green or CSR reporting (also known as “triple bottom line” -- economic/environmental/social -- reporting) a precondition to any company seeking to be listed on their stock exchange³⁵; and, as suggested in Section One of this report, corporations and financial institutions are being put on notice that failure to take climate change risk into account may some day leave them open to litigation. Most significantly, the United Nations is in the final phase of creating what could become the global template for Green accounting: completion could come as early as 2005.³⁶

If or when Green accounting becomes universal, it could redraw the league tables of local and national economies: the first Chinese province to calculate a Green GDP, for instance, found that the environmental costs wiped out all but a fraction of the financial gains the province had made during two decades of economic expansion.³⁷

SHIFTING LEGAL SANDS

Environmental organizations have been using lawsuits as a weapon against polluters for as long as there have been anti-pollution laws. Recently, however, social and environmental campaigners have been breaking new legal ground:

Since 1999, the tobacco industry has paid over \$250 billion (£138 billion) to US states to settle suits aimed at recovering some of the costs of treating smoking-related diseases.³⁸ Two major fast food chains active in the UK announced in early 2004 that they would reduce the portion size and the salt content of their more popular meals, in an apparent bid to ward off similar legal action in the European Union.³⁹

Now, the first shots have been fired on the environmental front. Among other things:

- The UK think tank the New Economics Foundation has called on the EU to tax imports from countries which have failed to ratify the Kyoto Climate Change Treaty, arguing that countries which haven't imposed expensive environmental regulations enjoy an unfair trade advantage over those which have.⁴⁰
- Eight US states and New York City are suing five of the USA's biggest power companies, demanding that they cut carbon dioxide emissions linked to global warming.⁴¹ Indeed, although successive US administrations have refused to sign the Kyoto Protocol, no fewer than 20 individual US states and 141 municipalities have instituted action plans aimed at lowering their greenhouse gas emissions.⁴²
- International law experts now suggest island and other low-lying nations may soon sue the countries and companies they deem responsible for climate change, should the predictions of rising sea levels prove correct.⁴³

It appears citizens' groups and some government bodies are beginning to acknowledge, and to challenge, the existence of "perverse subsidies."

REVOLUTION IN THE ACADEMY

On a warm, damp evening in May, 2004, about forty economists and civil servants gathered in a conference room at the Department for Environment Food and Rural Affairs in London for a seminar launching a new clearinghouse of economic information. HEEDNET -- Heterodox Economics for Environment and Development Network -- was described by its founders as "a network of researchers and policy analysts aimed at expanding the range of economic thinking supporting the environment and sustainable development policy-making."⁴⁴ Speakers at the seminar included the head of Environmental Policy at the Environment Agency; a member of the Council of Economic Advisers at HM Treasury; a director of Cambridge Econometrics, an economics consultancy; a director of OXERA, an Oxford-based economics consultancy; and the president of the European Society of Ecological Economics.

Put plainly, on that evening in May, the geeks had the ear of the policy wonks. And their message was that it was time policy-makers opened up to a new way of practicing economics -- one which its advocates assert will supplement, or even replace, economics as it has been practiced for more than a century.

Climate change and the mind-boggling pace of technological innovation, they argue, have together created realities too complex and fluid for the General Equilibrium Models which have underlain

economics since the late 19th century, and which served as the theoretical underpinnings for Reaganomics and Thatcherism. The new, “heterodox” or “disequilibrium” economists argue that their methodology takes a more complex, dynamic approach to complex, dynamic reality – and produces exciting new results when applied to such questions as economic planning for climate change. For instance, they say, conventional models support the conclusion that combating climate change requires so high an initial expense for so far-off a benefit that it is in a country’s economic self-interest to put off payment as long as possible. The “disequilibrium” economists claim their models support the opposite conclusion: that technological innovation is producing cost efficiencies so quickly, now, that the sooner a country or company invests, the faster it will reap the benefits. (For a detailed apologia for “disequilibrium” economics, see APPENDIX C, page 48.)

This section began with an anecdote because the evidence, so far, is anecdotal. It is too early to call this a war between two paradigms: the “heterodox” or “disequilibrium” economists have so far been largely shadow-boxing, publishing in a few sympathetic specialist economics journals and preaching to the converted at academic symposia; “the neo-classicals” who have dominated the academic and political firmament for so long have, for the most part, refused to engage the enemy.

Certainly, modern, neo-classical economics – the intellectual system born out of the 19th century drive to distill all physical or economic reality into a few elegant equations – has been under siege on a number of fronts in recent decades, as critics charge its simplicities create more problems than solutions to economic questions. At the same time, some argue that the new, alternate economics err too far on the side of complexity; as Lord Desai has said: “The problem with the disequilibrium economists is that nobody can understand them!”⁴⁵ (For a more detailed description of neo-classical economics, see APPENDIX D, page 52.)

Nevertheless, as the seminar at DEFRA last May suggests, the voices of the heterodox economists are beginning to be heard in government circles – with potentially profound implications for future economic and environmental policy.

This change in the intellectual climate should not be seen as something of interest only to academics. It is worth remembering that as late as 1970 major US newspapers like *The New York Times* or *The Washington Post* did not even bother to review new books by Milton Friedman. At the same time, British disciples like Keith “Mad Monk” Joseph were seen as figures of fun. Within ten years, Friedman’s ideas were being put into practice by Margaret Thatcher and Ronald Reagan, with immense implications, not only for the US and UK economies, but for the whole world.

The general public never understood the intellectual underpinnings of Thatcherism and Reaganomics, because they were so woefully under-reported by the mainstream media.⁴⁶

Has the human impact on the environment begun affecting economies in ways which call for new measures of those economies? Is there a new paradigm out there?

THE THOUGHT LEADERS' RESPONSE

(With the implosion of communism and socialist economic models, the only navigational aids we are left with is neo-classical economics, with its sometimes messianic belief in free markets and the forces of supply and demand. A number of leading economists – from both left and right-- see no alternative, or feel that the alternatives are muddle-headed.)

LORD DESAI: My view is that nothing has happened either on the environmental or globalisation front that makes me think, my God, I must rewrite the rules of economics, we need a new economics. These arguments are intimately connected to neo-classical economics -- because you haven't got any other kind of economics at all, unfortunately! It's very difficult to come up with alternate economics -- practically impossible! I know about 10 or 15 heterodox economics running around -- all totally ineffective. The reason is because, to talk systematically about the economy, you have to make equilibrium assumptions. Otherwise you can't talk about it systematically.... New paradigms are very difficult. Nobody has succeeded in creating a new paradigm.



KENNETH ROGOFF: About the environment, and there being a change in paradigm...I think [they] have that all wrong. I think that, actually, nothing ever changes, that there are waves... For example, in development, there was a wave at the beginning of the '80s that everybody thought everything was the countries' fault. You know, the poor countries had corrupt government, everyone's a crook, and socially, they don't work, they're not growing. Then in the '90s it was the oppression of the rich countries forcing their policies on the poor countries. And now it's come around again to [the contention that] the poor countries' institutions and stuff are the big problem. And you can find this cycle again and again.... I think in economic thinking, things change, there are constant innovations. But most of the issues have been around in six cycles and aren't out of the blue.

JOHN KENNETH GALBRAITH: [Thinking of the economy as part of the environment] is not a productive way of thinking, because economics is concerned with measures of economic *performance*, what depresses or stimulates economic growth. (For an interview with John Kenneth Galbraith, see APPENDIX H, PAGE 65.)

(But the limitations of conventional economics are considerable. Put simply, mainstream economics fails to measure large areas of economic activity, which are simply left out of its calculations.)

NORMAN MYERS: Is it not of interest that the environment out there is worth, in dollar terms, as much as what goes on in all the stock exchanges of the world? What we get from the stock exchanges is only a modest part of 'the economy,' as understood in conventional terms. GNP takes no cognizance of household work, child care, charity work, the black economy: put all this together and it's worth at least half or nearly two-thirds of what we are told is the real economy... You know, I'd have thought that these were all worth journalistic stories -- but apparently not!

TERRY BARKER: Economies, as measured by conventional statistics (GDP, consumers' expenditures), are hardly affected by environmental factors. First, welfare is entirely measured by discounted (often private) consumption – so collective goods (education, security, esteem) are ignored, and many other important contributors to happiness involving interpersonal behaviour are excluded. Second, economies have developed to insulate humans from the environment (houses, cars, etc.), and so environmental factors are much less important as incomes rise. [Is there a new paradigm out there?] Yes, one which does not monetize everything, and which accepts other non-economic values as valid.

(The failure of existing economic systems to account for social and economic changes is leading to calls for a new kind of economics – a call which may already be causing a tectonic shift within the profession.)



SIR CRISPIN TICKELL: Any assessment of our impact on the biosphere must include a rethink of most current economic theory. It simply does not take proper account of sustainable development. We should ask ourselves what value we place on the environment.... Without a healthy environment, there can be no healthy economy. But there is a real difficulty on how to assess health. The ideologues of free trade like to suggest the price mechanism. But as

another distinguished economist once remarked: "Markets are superb at setting prices, but incapable of recognizing costs."

GEOFFREY HEAL: [The environment] provides a whole range of very important services to human societies, many of which we probably couldn't do without. Until very recently, we somehow hadn't realized that. Economists now refer to environmental systems as "natural capital." We think of them as capital assets, the same way we think of this building or this computer as an asset, but they are natural as opposed to human or man-made. Countries have very rarely, until quite recently, valued their natural assets, or even taken

account of the depletion of their natural assets. But they are beginning to do that.

DIANA LIVERMAN: At this point, it's more a critique that is evolving, rather than a new paradigm. Economics, the way we run our global economy, is being attacked or critiqued or modified on a number of fronts. I think of the new paradigm as what comes after the critique.

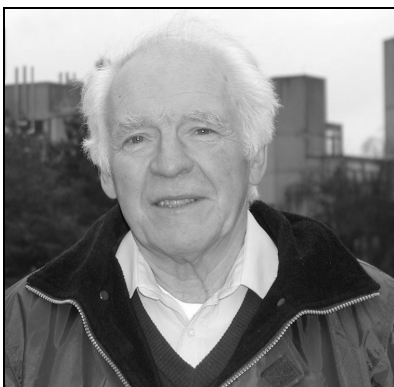


Within the Academy, debate about the role of neo-classical economics is not resolved. You've got the professional economists in the Academy,

some of them using pure neo-classical economics in their work. And you've got a whole group of people around them

who are modifying the models of neo-classical economics. But then there are whole sets of people outside economics who are saying, no, no, you can't just modify your assumptions, you've got to rethink.

LESTER BROWN: You may remember in the summer of 1998, there was extensive flooding in the Yangtze River basin. And it went on for many weeks. During the early part of the summer, the Chinese government kept saying, this is an act of nature, there is nothing we can do about it. But by mid-August or so, they decided to announce that this was more than an act of nature, and that there was a human contribution to this in the form of deforestation in the upper Yangtze River basin. And the government issued a ban on all tree cutting there. They justified it by saying that trees standing are worth three times more than trees that are cut. Now, the market values trees according to the amount of lumber, the quality of that lumber. And what the government was saying was that this does not reflect the real value to society. The *real* value to society of those trees, and the higher value, is flood control. And what that represented was, one, that the market was not telling the truth because the market was greatly undervaluing those trees and, two, it was recognizing that these environmental trends can be very costly.

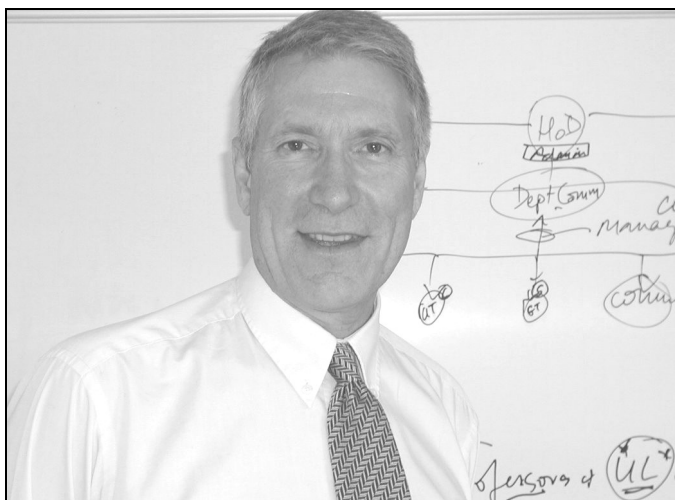


BO KJELLEN: Economic theory is not actually coping with the problems of the environment, in particular as regards the global framework. Because here I feel very strongly that we are approaching a completely new situation... because we are up against absolute limits.

[When I led Sweden's negotiating team at the Rio and Kyoto climate change talks] I used to say that you can negotiate *about* climate change, but you can't negotiate *with* climate change! There is no one on the other side of the table we can tell, hey, wait 50 years until we have sorted out the problems between us. And therefore I think it is so important that this possible, and I'm sure, unavoidable, paradigm shift in economic analysis will also support this argument.

(The tectonic shift in economics is also a generational shift, as the profession attracts more and more young people whose values and intellects were not shaped by the Cold War considerations which preoccupied their elders.)

GORDON CLARK: I was taught economics in the early to mid-1970s. At that time, economics was embroiled in ideological conflict: upholders of the free world and principles of democracy and capitalism against, basically, communism and versions of socialism. And the terms of the debate were very well-defined and exclusive: you were either in or you were out. You were either doing General Equilibrium Theory and pricing theory or you weren't. And if you didn't, you had to leave the profession. I think now, with that debate largely lost in the economics profession, it's not really the debate that organizes people's research – or, it's not a mechanism for excluding people and including people. On top of that, there's a significant group of younger economists who came in from engineering and maths backgrounds who are not that interested in ideological questions, to be honest. And they're not interested on two levels: on one level, they're not interested in driving theory as an ideological weapon; and they're not interested in using ideology as a means of excluding what's an important problem. So some of the younger economists I deal with are very inventive people who are trying to invent new theories and explanations of societies. And they're really interested in a diversity of questions. And they're much more empirical than they were, 20 years ago, as well. So that you get some of the best economists interested in questions of corruption, interested in questions of the environment, interested in the question of pensions and pension welfare. And they're not putting it into the box which is 'liberal capitalism must be protected against communism or socialism, which must be excluded.' They're asking genuine questions about prospective welfare, global welfare.



PART THREE: THE NEW REALITIES

Q: Has the ongoing process of globalisation created a new reality which we journalists have not yet caught up with?

A. The reality of globalisation is constant flux. The “losers” are visible; the “winners” are invisible – a fact which has skewed coverage. Globalisation has created complexities which pose an unprecedented challenge to journalists, particularly broadcast journalists, whose unwritten law until now has been: “to clarify, simplify.” In coming decades, globalisation may also create a profound shift in the world’s balance of wealth, power and influence.

Gopa, 74, widowed and illiterate, begs outside an Indian call centre. The alms which passing employees drop into her bowl are the closest she’ll ever get to making money from her state’s foray into globalisation.

To observers born into societies in which both christian and socialist values have informed political debate, the very existence of the poor is a constant rebuke to the rich. When those observers are journalists, it is important that they bear in mind that this is a moral position, and not necessarily an objective statement of causality.

The call centre did not cause Gopa’s poverty. It merely accentuates it.

Many of the thought leaders approached for this study offered unsolicited, largely positive, feedback about the BBC’s coverage of globalisation. Few of them felt *any* news organizations were doing a flawless job; nevertheless, most seemed to feel the BBC was out-performing its competitors in both Britain and United States.

That said, several experts felt all coverage was inevitably skewed because of the nature of globalisation, which is complex, and the nature of journalism, which aims to simplify. If there was a common criticism of BBC coverage, it is that over-simplification – about the many causes of poverty, about the nature of globalisation itself – has sometime led to imprecise or even misleading journalism.

In all, six months of interviews and correspondence with environmental and economic experts yielded three main criticisms:

1. A failure to understand what globalisation is – and what it isn't.

Part of the problem, of course, is that there is no one single phenomenon known as "globalisation." This "mega-trend" is made up of myriad, interlocking trends, so many tributaries joining a great, global river, a process *New York Times* columnist and author Thomas Friedman has called, "the inexorable integration of markets, nation-states and technologies to a degree never witnessed before."⁴⁷ (For a brief summary of the status of some of these trends-within-trends, see APPENDIX E, page 54)

In economic terms, globalisation is the impetus towards the universal lowering of trade barriers and the consequent freeing up of the flow of goods, services and ideas across national borders. Many of the thought leaders argued that globalisation is an economic force of nature: it is the natural momentum of market forces, which constantly surge towards the strongest demand, the best prices. One can no more be "against" globalisation, they said, than one can be "against" rivers flowing to the sea. What one *can* question is how globalisation is being handled – how governments and international bodies have been channelling or damming those titanic economic forces.

Indeed, many of the "anti-globalisation" demonstrators at Seattle resisted that description because they were actually protesting practices which are, strictly speaking, *anti*-globalisation: the protectionist agricultural policies of the US and Europe, for instance, which subsidize American and European farmers – thereby bankrupting producers in the developing world who cannot compete with those artificially-low prices. In that sense, the *real* anti-globalisation protesters at Seattle were the Teamsters and other western trades unions worried that falling trade barriers will accelerate the outsourcing of jobs to cheaper foreign labour markets.⁴⁸

Several thought leaders made the point that much "anti-globalisation" is actually anti-Americanism; the confusion of targets is understandable, they say, since the US wields so much power at the great bargaining tables of the world, and since the IMF, the World Bank and the US Treasury have routinely required that economically-troubled nations adopt American-style free market policies as a precondition to aid or loans. This state of affairs may not always prevail: if current trends continue, for instance, by 2050 China may have overtaken the US as the world's biggest economy, with potentially profound implications for global governance:⁴⁹ The children and grandchildren of today's anti-globalisation campaigners may stage *their* protests outside the Chinese or Brazilian embassies.

2. A failure to distinguish between the winners, the losers – and those being left behind.

As 2005 dawned, it was indisputable that subsaharan Africa remained mired in extreme poverty. Some East Asian nations – Cambodia, Laos, and Papua New Guinea, among them – were unlikely to meet the 2015 poverty reduction targets called for by the UN’s Millenium Development Goals. The poverty and the suffering in those and other regions were very real. Nevertheless, the World Bank has noted that, overall, 2004 was in fact the healthiest year for developing countries in three decades of international campaigns to combat global hunger.⁵⁰

Much of that improvement was due to trade, not aid: the World Bank has calculated that a 10% rise in world trade in 2004 helped the economies of the world’s poorest economies surge a record 6.1%, contributing to what its economists called a continuing and “spectacular” decline in poverty in Asia, and to smaller declines, elsewhere.⁵¹

Indeed, there is broad agreement that globalisation – that is, the liberalization of trade -- has raised 200-500 million people out of poverty in the past ten to fifty years.⁵² The problem for journalists is that there tends to be one place only where winners make for more compelling copy than losers -- and that’s the sport section. Nevertheless, thought leaders from both the left and the right wings of the globalisation debate felt the media in general, and the BBC in particular, could do more to convey the fact that, if a country’s decision to open up to global trade deals dramatic set-backs to some of its citizens, it helps raise the standard of living of many, many more.

And tallies of the losers tend to confound stereotypes and expectations: in the United States, for instance, where the outsourcing of jobs has become a political issue, government statistics suggest that outsourcing accounts for, at most, 2.5% of the unemployment rate.⁵³ Other studies have suggested that those most likely to be adversely affected by globalisation are not the poor but the middle classes, particularly in societies where the decimation of public sector jobs has accompanied the economic opening to the global marketplace.⁵⁴

If globalisation has created more winners than losers, another one to two billion people on the planet, like Gopa, are leading lives which have been entirely untouched by any momentum towards a global marketplace. It would be a misrepresentation of their plight and of their possible future to classify them as victims of globalisation.

Many countries touched by globalisation have seen the gap between richest and poorest widen dramatically – not always, as has been shown, because the poor have grown poorer, but because the rich (or, more accurately, the educated or skilled workers) have grown richer. The causes of Gopa’s poverty are many and complex: that she was born

female; that she was born poor in a poor country made even poorer by a large foreign debt and, arguably, a legacy of colonialism; that she remained childless in a society where one's children are one's old age security; that successive droughts linked to climate change meant that in recent years she could only grow enough food to eat, and not enough to sell, and thus had no savings to fall back upon.⁵⁵ (For some of the current thinking on poverty in the developing world, see APPENDIX F, page 55.)

As Jeffrey Sachs says, "When you're so poor that you have nothing, and you are in the interior of a continent with no market power, and you can barely stay alive, you're not part of globalisation... Very well-functioning, global competitive markets can easily bypass tens of millions of people who are starving to death. And there's no mystery about that, because markets aren't supposed to respond to people that have no purchasing power."⁵⁶ As special adviser to UN Secretary General Kofi Annan on poverty reduction, Jeffrey Sachs does not hesitate in drawing a moral line impelling the haves to do more for the have-nots. As an economist, he would back away from any bald statements that the haves are directly to blame for *all* of the have-nots' poverty.

3. A failure to evoke the complexities which globalisation is creating.

Globalisation has created a "butterfly effect:" more than ever before, an individual's actions or choices in one country can now affect the lives of people 10,000 miles away. And, since globalisation is a cultural, social, technological, political and environmental phenomenon as well as an economic one, an action in any one of those spheres can impact some or all of the others. Although the thought leaders generally felt the BBC was doing a good job covering the different phenomena that are the by-products of globalisation, there was a sense that more effort could be put into covering these linkages.

For instance, environmental thinker Norman Myers draws a straight line linking China's economic growth to the accelerated destruction of the Amazon rainforest. Lester Brown shows how the rise of a consumer class in India could threaten food security worldwide.⁵⁷ As the Earth Institute's Will Masters put it: "So here I am, buying stuff, and it's being produced somewhere else, and they're pouring all sorts of crap into the Gulf of Thailand or wherever... Trade is wonderful for production. But it is also eminently distancing... The [challenge] is to notice, and maybe the BBC can be a part of this, that the set of consequences of my activities are now not only here, they are everywhere: I beat on water in Thailand, and I beat on social and health outcomes in Thailand, by my consumption in the US."⁵⁸

Has the ongoing process of globalisation created a new reality which we journalists have not yet caught up with?

THE THOUGHT LEADERS' RESPONSE

(There is a perception among economists that coverage of globalisation has been skewed because the benefits of falling trade barriers are shared by large numbers of people, while the costs are paid by much smaller, but more easily identifiable, groups of people. Some see a liberal bias at work in such coverage. Others blame journalistic ignorance, or the particular demands – and shortcomings – of daily journalism.)

WILL MASTERS: In Indiana, a broom company that employs 12 people goes out of business because of NAFTA. And in exchange for that, every single person -- every one -- who walks into a Wal-Mart gets to buy a slightly cheaper broom, it's ten cents cheaper. Now, what happens to that ten cents? Some of it gets saved against a mortgage, but you don't know who's saving. Some of it gets spent in a restaurant on a slightly bigger tip, but you don't know which waitress. So you can always put the guy who loses his job on television, but you can never put the guy who gains.

RACHEL THOMPSON: Part of what is missing is the growth story of capitalism, and the reminder that, while it isn't perfect, it is better at generating growth than anything else that has been tried... It does need to be judiciously managed, with a number of safeguards, both to ensure growth and to ensure inclusion in the growth. I think that basic story is often missing in the globalisation debate.

KENNETH ROGOFF: I feel coverage of globalisation has been spectacularly captured by the left in recent years. When somebody invented the automobile, it threw people out of work redoing horse and buggies. Is the world better off for having the automobile? I'd say mostly yes. But it's very easy to find stories of the poor family, you know, they were thrown out of work, the father was an expert horse-shoe maker, and now, thanks to the fact that the government's building roads, it's supplanting the horses, isn't it horrible. It's a colour by numbers story: write about the horrible life somebody in India has or somebody in China has which was ruined by trade. And they don't emphasize the fact that a lot of people benefit... If you look at where you live in the United Kingdom, or where we live in the United States, it is because of markets. And some people lost, and a lot of people gained. And that's how it's going to be. And somehow the press is not as good at communicating what's gone well as opposed to what's gone badly.



LORD DESAI: I think some people are attaching to globalisation the old anti-Western idea, anti-multinational idea that the West exploits the South. But the whole outsourcing [of jobs] controversy shows that the North has panicked about globalisation in the South, and why? Because globalisation is changing the balance of power between North and South... The North's capital and South's labour is creating a whole new economy, and some of the vested interests in the North are panicking that their jobs are being exported. I happen to think that is a fallacy. But those kinds of fears show that we are not all living in an economy like it was 25 years ago. It's a totally different scene now.

(Several thought leaders felt strongly that journalists should do more to explain the environmental and social costs of globalisation – costs which, some said, are now being borne disproportionately by the poor, but which might ultimately affect everyone on the planet.)

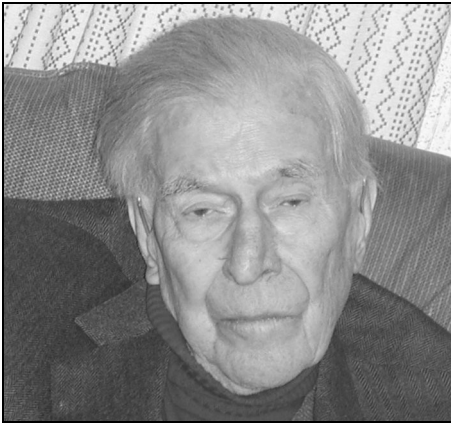


CHRISTINE ALFSEN-NORODOM: Globally, it is probably true that 150 million people have been lifted out of poverty [by globalisation] in the last 10 years -- most of them are Chinese, of course! But at what cost? I mean, when you look at China, it is at the top of all the tables -- but at what cost? The environmental crisis there is a symptom of the disease. It's accompanied by huge migration, huge crises in areas like infant mortality, all the other statistics... [Journalists must] establish these connections. Make them visible in terms of A leading to B leading to C: a subsidy on

unsustainable rates of consumption in [the USA] leading to major migration in Mexico, and then looking at the real consequences of migration, for instance. There is merit for journalists to establish the connections that government statistics won't establish.

PETER GOLDMARK: One of the big problems is how to report something this slow, this fundamental, and for which the next paradigm isn't clear. But I believe that if journalism on this subject does not improve then history will judge the profession very harshly, indeed. Is there an analog? Yes. It is terrorism. All the pieces were out there. There was a major report issued by a distinguished national panel on US vulnerability to terrorism, issued three months before 9/11. The New York Times barely mentioned it... Every head of government in the western world received regular briefings saying this was a huge problem and the danger was imminent, real and potentially catastrophic. But did the press cover it? No. The same thing is true of the environment. But it's all lying out there; it doesn't take a rocket scientist to discover it.

(The author of A History of Economics: The Past As Present calls globalisation a term which the present age has invented to avoid taking responsibility for past injustices.)



JOHN KENNETH GALBRAITH: I have, so far as I know or can remember, never advocated globalisation as a term. It is because, to an unfortunate degree, it is a design of the fortunate of the globe for their own income protection. Income and property protection... You cannot identify the economic problems and disparities and hardships of the United States or Britain or Western Europe with those of Africa, large parts of Asia, Indonesia and elsewhere. The remedial action is very different in the

rich countries, as they are called, for what it is in the countries of general, even complete, deprivation. So I separate myself from what I believe to be excessive generalization.

(The author of Globalisation and Its Discontents argues that journalists spend too much time talking to Wall Street, and not enough time talking to workers who have been thrown onto the street by the mishandling of globalisation.)

JOSEPH STIGLITZ: When Argentina was collapsing, the IMF kept saying they had huge deficits and they were mismanaging their economy. But in fact, if you looked at their deficit, it was only 3 percent of GDP -- which wasn't much less than the U.S. deficit under Bush in 1992! And all of their deficit came from privatization of Social Security. If they had not privatized their Social Security system, they'd have had a zero deficit. As far as I know, not a single reporter ever covered that. So who did they call up? They called up the IMF, they called up American banks, who were all worried about Argentina defaulting on their debt. Their concern is, is Argentina having enough money in their reserve to pay the debt? Good reporters try to get two sides to the story, but in the economic area it is harder to do that; there aren't that many people on the other side who are what you might call media savvy... If I were to give a recommendation, I suppose what one should try to do is to build up a coterie of critics, economists, social thinkers, other people that you can turn to on issues, [who are] aware of the different perspectives that are going to have to be conveyed. (For Joseph Stiglitz's full critique of globalisation coverage, see APPENDIX G, PAGE 57)

(A Chicago economist says it is important that journalists understand that, in a globalised world, there are no local stories.)

DEIRDRE McCLOSKEY: There are economic forces over which no one government has any control. And that's the new story that I think journalists are becoming more and more aware of: you can't do some kinds of journalism, especially economic journalism, nationally. And that's where I agree with my environmentalist friends. There are spillovers. But they are spillovers of all kinds: they're not just physical, biological spillovers. They are social spillovers... It's not just simple contagion. It's an ongoing political conversation which has become international. In the 1950s there was a strong feeling that you can do economic policy and political conversation about Britain alone, or about France alone. And it's terribly implausible now. It just doesn't make any sense. Of course, you can force it to make sense,

like the former Burma, and just put walls around the country. But if you have an open economy and open polity and open intellectual, scientific, artistic life, you're going to be in a world conversation. A world conversation. That's what we have.

PART FOUR: THE JOURNALISM

Q: Is there anything economics journalism in particular can be doing to accommodate the new economic and environmental realities *which it is not already doing*? Does bowing to environmental reality in the context of economics coverage automatically turn that coverage into eco-propaganda?

A: A cogent case can be made for a shake-up of economic news; a possibly more compelling case can be made for a shake-up of environmental reporting. The BBC can and should attempt to push back the programming envelope without distorting the journalism. The BBC cannot afford to do nothing.

It is apparent that economics and environmental reporting are converging, as global economic growth places new stresses on societies' "natural capital," that is, their forests, croplands, water and other resources -- stresses which, in turn, can then have a destabilizing effect on economies. Although many of those campaigning in the name of environmental sustainability also have politically-liberal social agendas (see APPENDIX B, page 46), Green accounting is emphatically not some tree-hugger's hobby horse: it has high-profile advocates in both liberal and conservative circles, and international attempts to develop a system of national (and corporate) accounting which tallies the environmental costs of economic growth are well-advanced.

At what point in a paradigm shift should the journalism shift, as well?

Journalists are understandably uncomfortable with the thought that their work should be seen to be part of any mission – however worthy -- beyond the mission to inform. Yet, as a public service broadcaster, the BBC itself routinely fine-tunes its output to meet stated social aims.

Since 2000, the BBC has published annual environmental accounts which, among other things, tally how much output has been devoted to the environment and sustainable development. The 2003/04 Environment Report was also coupled with the BBC's first Corporate Social Responsibility report. *Living Public Value: On Air, Online and Beyond* presented an overview of the BBC's "responsibility as a corporate citizen

to audiences, businesses, communities, offices and the environment.”⁵⁹ It identified the Corporation’s CSR priorities as, among other things, “to develop a human rights and ethics policy appropriate for a media organisation working in the public interest.”⁶⁰ As part of that vision, the BBC planned a series of programmes devoted to Developing World poverty in 2005. In all of its writings on Green and CSR commitments, the BBC has said that any themed programming is consistent with its guidelines on impartiality: the aim is information and education, not advocacy.

It should be stressed that, with the possible exception of Norman Myers, none of the experts interviewed for this study believed the BBC should reduce its current output of economic and business news; they acknowledged that home-owners, workers and consumers need to be kept abreast of movements in interest rates, stock markets and other indices on a daily basis. However, there was a clear sense that current newsgathering practices are providing an incomplete picture of what they readily admit is a constantly-evolving, increasingly complex world.

In addition, a new generation of economists is questioning some of the methodologies with which most capitalist economies have navigated for the past century or so: among other things, their work is challenging the conventional wisdom (as accepted in the US, anyway) that the longer a country puts off spending to reduce greenhouse gas emissions, the better off, economically, it will be. And the heterodox economists’ work may soon be informing government policy in the UK and elsewhere in the European Union.

The BBC can, of course, wait until the UN’s guidelines for Green accounting have been finalized, possibly in 2005, before deciding whether to incorporate such principles into its own reporting; it can wait until the intellectual skirmishes between the neo-classical and the heterodox economists end in either decisive victory for one side or a negotiated settlement between the two. The BBC can wait, in other words, until today’s revolutionary movements become tomorrow’s status quo.

However, several of the thought leaders made the point that the BBC could become, as Will Masters says, part of “a responsible signaling network” about the environmental and social costs of economic growth. It is a point which the BBC, as a public service broadcaster, would do well to seriously consider.

To some extent this is a question, not of “if” or of “whether,” but of “how”: it can be argued that the BBC is already the world’s leading provider of news on environmental trends, and is closing the gap with those English-language broadcasters⁶¹ who were quicker to spot that financial market movements and globalisation were playing an ever-more-important role in the lives of ordinary people. However, stories about the environment and globalisation tend to run in “the back of the

book,” in feature slots which rob them of a sense of urgency. In addition, several thought leaders felt environmental coverage in particular has been turned into, as one of them put it, “a morality play,” in which rather simplistic moral equations (oil companies/USA = bad; environmental campaigners/Europeans = good) substituted for dispassionate exposition.

Several of the thought leaders also shared their impression that the majority of journalists they encounter seem to have a humanities background, and have little awareness of the statistical and scientific methods with which economists and environmentalists make sense of the world. Rachel Thompson’s comment was typical: “Journalists cannot be effective translators,” she said, “because they don't know the language” of economics. The communications gap seems to exist within the World Service, as well: economics and environmental correspondents can encounter difficulties “selling” a story to a programme editor whose news priorities may well have been formed in a time when economic and financial news, like sports events, took place in a separate journalistic universe which rarely impinged on “real” news.

The BBC can easily address any deficiencies in the knowledge base of its journalists with its existing, excellent, seminars and training attachments, and by making it clear that bringing more depth to environmental and economic coverage is a management priority. However, this, alone, will not make the BBC part of “a responsible signaling network.”

The BBC’s stated mission is “to inform, educate and entertain. Its vision is to be the most creative, trusted organization in the world.”⁶² The BBC is widely trusted, which should give it the leeway to be more creative.

While it may be premature to report all economic developments in an environmental context, there is room for edgy, imaginative programming which can pave the way towards any new paradigms. There are ways of pushing the programming envelope without in any way distorting the journalism, and the BBC can and should explore them.

Here, then, is a list of the top five items which should be on the BBC’s environmental/economics to-do list -- and some recommendations on how the BBC might do them:

1. NEEDED: More inter-disciplinary coverage, to better convey the complexity of a world where economic and environmental developments affect each other.

PROPOSED ACTION:

- **Create a combined environmental/economics “beat.”⁶³ If editors fear such an overlap could result in some stories falling through the cracks, and others turning into turf wars, then**

reconfigure the environmental beat, making it clear any environment correspondent must have a firm grounding in economics.

- Create an annual year-end “State of the World” programme, in which a presenter looks back on all of the major economic, environmental and social developments of the past year, tallying progress, set-backs – and inter-connections. For that one- or two-hour period, in other words, the BBC could be reporting from within the emerging paradigm, giving its audience a taste of this new world. This could work as a bi- or tri-media production (radio, television, online).
- Make environmental/economic/social inter-connections one of the World Service’s ongoing “Big Themes.”
- Create a regular feature on Newshour and other flagship news programmes chronicling the linkages created by changing environmental and economic realities. This could be a simple two-way with an environmental or economics reporter; or it could be more elaborate: perhaps all one week economics/business cut-ins could come from “the diminishing world:” a reporter on pastureland in China hands off to a reporter in the Amazon, where swathes of rainforest are being felled to grow the soy-beans that feed Chinese cattle... then hand back to the reporter on the pastureland, which is about to be paved over for yet another factory, which will employ Chinese workers who will then be able to afford more hamburgers...

2. NEEDED: An understanding that globalisation (correctly understood) has created more winners than losers; while the mishandling of globalisation has moral, political and economic consequences.

PROPOSED ACTION:

- More coverage of globalisation’s ‘winners.’

3. NEEDED: An understanding that current numbers/economic reports are flawed or incomplete – an argument, not for LESS economic coverage, but more.

PROPOSED ACTION:

- More coverage of the different trains of economic thought. This can take the form of a lively series of

personality profiles (yes, personality profiles of economists *can* be lively: see appendices C, G, H and I).

4. NEEDED: More understanding of basic economics, statistics, on the part of producers and programme editors.

PROPOSED ACTION:

- **One-day “crash courses” on economics/ environment for producers and programme editors.**

5. NEEDED: More discussion, less confrontation, in coverage of the environment and globalisation.

PROPOSED ACTION:

- **More “discos” and “triscos” involving experts whose expertise complements, not contradicts, fellow panelists’.**

Responsible journalism reports on the world as it is, not on the world as it should be. Richard Sambrook⁶⁴ has asserted that it is not the BBC’s job to stop people smoking; it is the BBC’s job to report accurately and fairly scientific research into the links between smoking and lung cancer, to allow individuals to make their own informed choices about their lives. The environmental thinker Norman Myers believes broadcasters should report on the environmental and health implications of rising oil consumption at least as often as they report on the latest price of a barrel of oil. Is he advocating reportage on the world as it is, or as it should be?

What is journalism’s relationship to the status quo? Must it always reflect the values and the views of the majority? The editors of the *New York Times* and the *Washington Post* now wish they had asked Bush administration officials tougher questions in the months and years after 9/11⁶⁵; but US public opinion seemed overwhelmingly united behind the White House and the Pentagon, and American newspapers and broadcasters had no desire to alienate their readers, viewers or advertisers. They chose not to report, or to downplay reports, of international criticism of the rationales for war in Iraq; of the cost to America’s famed civil liberties exacted by the war on terror.

Peter Goldmark, of Environmental Defense, has said he believes history will judge journalism very harshly if it does not better convey the scale and the complexity of the threat posed by climate change and mankind’s ongoing despoliation of the environment.

Again: at what point in a paradigm shift should the journalism shift, as well?

Is there anything economics journalism can be doing to accommodate the new economic and environmental realities *which it is not already doing*? Does bowing to environmental reality in the context of economics coverage automatically turn that coverage into eco-propaganda?

THE THOUGHT LEADERS' RESPONSE

(Not surprisingly, the environmentalists in particular thought there should be more and better coverage of the economic consequences of environmental degradation. However, none believed the media should be turned into platforms for environmental advocacy. Instead, there was a strong sense that the journalistic status quo needed to be reexamined – that current reporting on the environment and the economy fails to capture crucial inter-connections. There was a call for journalists to be more skeptical about the numbers and indices churned out by government agencies; and more open to viewing those numbers in a broader social and environmental context.)

LESTER BROWN: Eco-propaganda? No: eco-education! I think one of the things that your exercise underlines is the importance of interdisciplinary input in analyzing economic trends... Environmental trends don't get incorporated into the analyses and into the reporting in a way that would provide much more accurate and informative discussions of [economic] trends.

WILL MASTERS: What is the [official] value of women working in the home? What is it in [current economic indices]? Do you know what is? It's zero! Do you think that's correct? The fact that it is zero is bull! You are saying that if I choose to report [economics in an environmental context], it's a conscious [biased] choice. I agree. It is also a conscious choice to report a number that gives women's work in the home zero, that gives ruining the water zero. Those are no less conscious choices. It's an undeniable factual statement that [prevailing economic indices] have eliminated sets of consequences, and sets of people. When you say, 'This is what happened in the country,' and you leave out a bunch of things, that is no less advocacy journalism. It's just advocacy of the current status quo... It would almost surely be overkill to every day say, 'The stock market went up and the air is still dirty.' But what if, once a month, rotating, say, around regions of the world, you say, 'This is what the jobs change was, and in the last year, as best we can tell, the resource base went up or down, the fish went down, the trees went down...'? That seems to me to be straight reporting!



ALEX PFAFF: You ask what you would report differently? I would say you want to expand the scope of what economics is doing and you also want to

expand the [explanation] of to whom.... For instance, an African country invested in irrigation, and GNP went up because banana output went up. Well, your typical BBC report would say, 'Hey, this country's doing fabulously.' Unfortunately, the irrigation will blow away all of this soil which grows by a tiny fraction per year; it blows away a quarter inch of topsoil a year. And if you value that as your natural factory – well, if we just blew up a bunch of factories in the US, people would say this is not so clever. But if you blow away topsoil, no one pays attention. There was an estimate that these people had actually *decreased* the potential for living in that country. But no one was counting that.

If you say: 'This is what happened in terms of bananas and this is what happened in terms of soil,' that is purely a fact. And you can point out that soil, by the way, is part of the production process for tomorrow's bananas. You have not done anything sensational, anything with a social agenda -- those are all facts.

JOHN ELKINGTON: I think you're going to have a degree of schizophrenia: I mean, yes, you have professional standards, but you have concerns as a human being.

(In addition to the sense that coverage of globalisation and the environment should be more inter-disciplinary, there was also a call for less confrontational coverage: point- and counter-point debates, it was felt, generated more heat than light. The stakes are too high: the BBC should try to be part of a "responsible signaling network" about the problems – and about possible solutions.)

RACHEL THOMPSON: I think this is an area where institutions like the BBC can help to create or grow markets, if you were to find the dispassionate commentators who can talk objectively and fairly about the environment and the economy. The opportunities need to be created. At the moment, the coverage is still very pro and con, and people almost have to choose where they are going to position themselves in a debate... Media leadership can help grow a market for this [more integrated] kind of thinking...It's almost as if you've got to evolve a checklist: what is the social and environmental angle on this story? But then, also, when there is a social or environmental activist-led story, ask, what's the growth angle on this? So that coverage starts to be more balanced and integrated.



GEOFFREY HEAL: You rarely get in the press an intelligent discussion which joins the economic and the environment. It tends to be presented almost always as a conflict: on the one hand you have these guys who are committed environmentalists, who think it is absolutely awful that we are destroying this, that the other. And then there will be a counter-posed interview with some fairly conservative economist who says, but we need the jobs, we need the

income, we need the timber for cutting down forests or whatever... Specifically in the environmental area, that's not the way the great majority of economists and even environmentalists think. There is a huge, growing group of people who think that, in fact, environmental conservation is an integral part of economic growth. But that's not a perspective that ever gets represented.

WILL MASTERS: I ask my students, why do we have to study economics to study the environment? The answer is, all this degradation is coming from regular old consumption and production. So the BBC could make the choice to say, we want to be part of the responsible signaling network.



NORMAN MYERS: I've got fed up with appearing on the BBC in debates about global warming. Because the scientists who say that global warming is on its way and is due to human activities total something over 2,000. The number of good climatologists who say that's a fairy story totals 14. But what does the BBC do? It gets two from the 2,000 and two from the 14, because that makes for good television. They want ketchup all over the carpet, a real good ding dong battle, and the heck with whether that represents the real world.

(There should be more economic literacy on the part of journalists, at the same time that there should be an acknowledgement that current indices do an imperfect job of measuring the world, and that "in economics there is no one right answer.")

DEIRDRE McCLOSKEY: I'm often surprised, when I speak to journalists, that they seem to be -- now, maybe this is just part of a wide-eyed act to evoke sympathy -- they seem to be very naïve. They don't see that there's no there, there: they don't see that there is no foundation from which you can see the world... Be more skeptical. I know that journalists are paid to be skeptical, so I know that they can do it! It's like the way American journalism shifted after Watergate. Before, journalists just felt it was their duty to report the handouts from the White House. And afterwards they said, now wait a second, we don't have to put on TV every lie that this government puts out... So: more skepticism, more probing of conventional opinions. Now, of course, it's an odd situation, because, how are conventional opinions formed? What's the convention? Well, it's what you guys say! That's what most people have in their head about current history and the economy, what you've told them. It's sort of asking you to be more skeptical about yourselves. (For a full version of Prof. McCloskey's argument, see APPENDIX H, PAGE 61.)

CHRISTINE ALFSEN-NORODOM: I think the mistake is to think there is any kind of objectivity in economics reporting. Just because you report the interest rate doesn't mean that you are objective: you're not. You are actively favouring one view of the world. It is a myth, the objectivity of economics. There's no such thing. Establishing the connection between the decision of one country to change its interest rate or its trade policy and the consequences of that on poverty and environmental sustainability, it's

considered a leftist political act. But it's not more biased to do that than to just isolate the issue.

LORD DESAI: The important thing is that the BBC ought to reflect the variety of views on economics: there is no one right view; even my own ideas are not the only right view! Therefore, go to the people who feel strongly about the environment, about globalisation, anti-globalisation, whatever it is: let them have a platform. Because, basically, the BBC should be a forum. It is not a pulpit. It's a forum in which people should be allowed to speak. In economics, there is no one correct answer, in my view.

(And finally, a plea from this Harvard economist: make economics fun.)

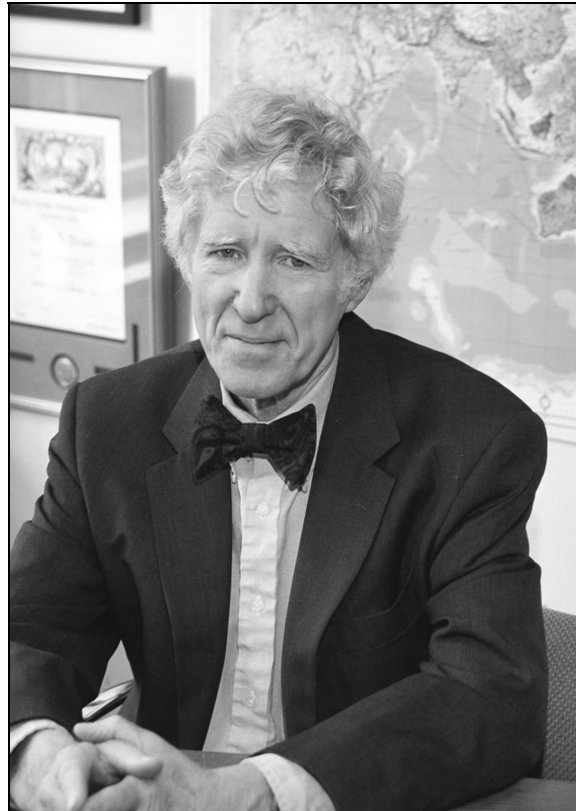
KENNETH ROGOFF: When you're talking about economics coverage, I think the question is how to turn economics into better entertainment without just the need to do sports scores. And that's the challenge. And I think it can be done. I really think it can be done. And it would be incredibly welcome to have that. I hope that things move in that direction, and the BBC has an extraordinarily erudite audience compared to everybody else! So if you can't do it, nobody can.

APPENDIX A

LESTER BROWN:

“ECO-ECONOMY:” BRIDGING THE INTELLECTUAL DISCONNECT BETWEEN ECONOMISTS AND ECOLOGISTS

(A pioneer of the concept of sustainable development, Lester Brown has been called “one of the world’s most influential thinkers.”⁶⁶ As a young agronomist with the US Department of Agriculture on assignment in India in the Autumn of 1965, he overheard a guest at a cocktail party complain that his regular duck hunting lake had dried up. Taking this and other seemingly-unrelated facts, Brown correctly predicted that the harvest was about to fail. His quick action allowed food aid to be shipped in time to save many thousands of lives. It can be argued that Brown’s subsequent career, as president of the Worldwatch Institute and, more recently, as president of the Earth Policy Institute, has been one long attempt to sound a similar warning, on a global scale: The human race, he asserts, is in danger of depleting or destroying the natural systems upon which its survival depends.



His critics charge he overplays the risks posed by population growth, deforestation, over-fishing and other phenomena; his supporters point out he was charting such trends as the depletion of the world’s fisheries years before they became matters of general public knowledge and concern. Certainly, Brown’s highly-controversial 1995 warning that China’s growing wealth, falling water tables and accelerating destruction of croplands threatened its ability to feed itself appears to be coming true – although the resulting global food shortages he predicted had not materialized as this report was being written.⁶⁷

*Brown’s most recent books, *Eco-Economy and Plan B: Rescuing a Planet under Stress and a Civilization in Trouble*, have attempted to show how an environmentally sustainable society can be built. The following is an excerpt from *Eco-Economy*.)*

“In 1543, Polish astronomer Nicolaus Copernicus published “On the Revolutions of the Celestial Spheres,” in which he challenged the view that the Sun revolved around the earth, arguing instead that the earth revolved around the Sun. With his new model of the solar system, he began a wide-ranging debate among scientists, theologians, and others. His alternative to

the earlier Ptolemaic model, which had the earth at the center of the universe, led to a revolution in thinking, to a new worldview.

“Today we need a similar shift in our worldview, in how we think about the relationship between the earth and the economy. The issue now is not which celestial sphere revolves around the other but whether the environment is part of the economy or the economy is part of the environment. Economists see the environment as a subset of the economy. Ecologists, on the other hand, see the economy as a subset of the environment.

“Like Ptolemy's view of the solar system, the economists' view is confusing efforts to understand our modern world. It has created an economy that is out of sync with the ecosystem on which it depends.

“Economic theory and economic indicators do not explain how the economy is disrupting and destroying the earth's natural systems. Economic theory does not explain why Arctic Sea ice is melting. It does not explain why grasslands are turning into desert in northwestern China, why coral reefs are dying in the South Pacific, or why the Newfoundland cod fishery collapsed. Nor does it explain why we are in the early stages of the greatest extinction of plants and animals since the dinosaurs disappeared 65 million years ago. Yet economics is essential to measuring the cost to society of these excesses....

“These differences between ecology and economics are fundamental. For example, ecologists worry about limits, while economists tend not to recognize any such constraints. Ecologists, taking their cue from nature, think in terms of cycles, while economists are more likely to think linearly, or curvilinearly. Economists have a great faith in the market, while ecologists often fail to appreciate the market adequately.

“The gap between economists and ecologists in their perception of the world as the new century begins could not be wider. Economists look at the unprecedented growth of the global economy and of international trade and investment and see a promising future with more of the same. They note with justifiable pride that the global economy has expanded sevenfold since 1950, raising output from \$6 trillion of goods and services to \$43 trillion in 2000, boosting living standards to levels not dreamed of before. Ecologists look at this same growth and realize that it is the product of burning vast quantities of artificially cheap fossil fuels, a process that is destabilizing the climate. They look ahead and see more intense heat waves, more destructive storms, melting ice caps, and a rising sea level that will shrink the land area even as population continues to grow. While economists see booming economic indicators, ecologists see an economy that is altering the climate with consequences that no one can foresee.

“As the new century gets under way, economists look at grain markets and see the lowest grain prices in two decades—a sure sign that production capacity is outrunning effective demand, that supply constraints are not likely to be an issue for the foreseeable future. Ecologists, meanwhile, see water tables falling in key food-producing countries, and know that 480 million of the world's 6.1 billion people are being fed with grain produced by over-pumping aquifers. They are worried about the effect of eventual aquifer depletion on food production.

“Economists rely on the market to guide their decision-making. They respect the market because it can allocate resources with an efficiency that a central planner can never match (as the Soviets learned at great expense). Ecologists view the market with less reverence because they see a market that is not telling the truth. For example, when buying a gallon of gasoline,

customers in effect pay to get the oil out of the ground, refine it into gasoline, and deliver it to the local service station. But they do not pay the health care costs of treating respiratory illness from air pollution or the costs of climate disruption...

“We have created an economy that cannot sustain economic progress, an economy that cannot take us where we want to go. Just as Copernicus had to formulate a new astronomical worldview after several decades of celestial observations and mathematical calculations, we too must formulate a new economic worldview based on several decades of environmental observations and analyses.”

--From *Eco-Economy: Building an Economy for the Earth*

Lester R. Brown

W.W. Norton & Company 2001

APPENDIX B

HIDDEN AGENDAS IN ENVIRONMENTALISM

Environmentalism and social justice have become indivisible.

--George Monbiot⁶⁸

(Bjorn Lomborg, the author of "The Skeptical Environmentalist," calls it "the Litany." It is promulgated, he says, by a few environmental doomsayers, and unthinkingly echoed by the media. The Litany, he says, holds that environmental deterioration is inexorable; that population growth is out of control; that we're running out of natural resources, energy and food. Lomborg's assertion is that, in fact, the people of the world have never been healthier or more prosperous than they are today; that there is no danger of the world running out of fossil fuels or minerals or food.

The reality lies in the vast gulf between those two positions: Canada's fish stocks may have collapsed, but Iceland has managed to keep its fishing industry alive through imaginative, market-driven conservation techniques⁶⁹; nevertheless, the overall trend is that commercial fish stocks worldwide are plummeting. There's enough oil in the ground to last another 1,000 years – but it's becoming increasingly difficult and expensive to extract, as oil companies are driven to ever-more-remote, ecologically- or politically-fragile regions to find new reserves; and that's not even considering the health and environmental impact of rising oil consumption. Despite numerous predictions of an impending world food crisis, of shortages driving prices up, food and other commodities prices continue to fall – but the result is that millions of farmers in the developing world have been pushed into destitution by the market's downward pressure on prices, and the underlying reality is that much of that food has been produced using unsustainable practices.

Many environmental organizations see an inextricable link between responsible, sustainable use of natural resources, and the importance of sharing those resources equitably; the mission statement of the Washington-based Worldwatch Institute, for instance, reveals that the organization is dedicated to "independent research for an environmentally sustainable and socially just society." Not all are comfortable with this moral and intellectual intertwining of missions; indeed, some critics – environmentalists among them – charge that the global environmental debate has been dominated, even hijacked, by people whose real agenda is wealth redistribution and social reform. It seemed a point worth posing to the thought leaders interviewed for this project.)

Q: IS THERE A SOCIAL REFORM AGENDA UNDERLYING THE ENVIRONMENTAL DEBATE?

DIANA LIVERMAN: I think that is an interesting and important question. Because if you look at the roots of the environmental movement, it emerges in the '60s, along with the antiwar movement, the women's movement, the consumer rights movement. So there is a sort of genetic relation in the '60s, in the people who found a great sense of community in trying to change the

world... And there is money that moves. There is definitely money moving to support causes from people with particular social agendas. But, for the most part, I don't think there are explicit social agendas driving much of what is going on with the environment. I do think that a lot of people working in the environmental area are working from an ethical perspective that sees links between environmental degradation and social injustice.

CHRISTINE ALFSEN-NORODOM: The NGOs have their own agenda, most of them, religious or environmental or feeding the poor, whatever. But they are not accountable in any sort of way... In Kenya, for example, a coalition of western environmental NGOs blackmailed the government into having a ban on hunting, which was the traditional way of life for the Masai. So now the population of elephants is growing out of control, and they have to have culling programs. They can kill the elephants, but not sell their hides, so they are deprived of their traditional livelihood.... [The western NGOs should] deal with environmental issues [at home] in America -- except they would be killed!

DEIRDRE McCLOSKEY: I think there are indeed ethical divisions between the environmentalists and people like me who are not environmentalists, or are anti-environmentalists. I'm not against the environment: I'm against environmentalists! It's really the difference between a fundamentalist and a liberal view of Protestantism. This goes back to the Church of England vs. the Calvinists. And the Calvinists are the environmentalists. The environmentalists believe in evil. They think that's the main problem. They are pessimists in exactly the same way and the same spirit as the Puritans. They are eager to form a theocracy, and above all, they are believers in the imminence of the Second Coming: they believe the world is about to end. And they keep saying it, and they believe it's about to happen.

APPENDIX C

DISEQUILIBRIUM ECONOMICS: THE NEW ECONOMIC PARADIGM?



**(Jonatha
Koehler**

**n
is a**

macroeconomist involved in climate change policy analysis. Like a number of economists of his generation, his background is in engineering: he spent several years designing aircraft carriers before deciding to change fields. He is now a researcher at the University of Cambridge and at the University of East Anglia's Tyndall Centre for Climate Change Research. He is one of the founding members of HEEDNET, the clearinghouse for "heterodox" economics. This is his explanation of "heterodox" or "disequilibrium" economics.)

"You can separate this conversation, or your question, into two parts: what are the environmental problems today, and what does economics have to say about them? I am an economist, not a specialized scientist in the field... There's a scientific consensus out there that there's a big problem; that's as much as I have, really, to say about the science.

"From the economics point of view, you then say, 'OK: do we want to do anything about this, what sort of policies can we imagine that would address this problem, and, of course, being economists, how much is going to cost?' And this is where it gets interesting.

"Because there is a fundamental split in the profession at the moment.

"There is a fundamental split for various reasons, but at least partly political. It is, potentially, a question of a shift in paradigms. And so what I'm going to do very briefly is going to the history of economic thought -- but only very briefly!

"Since the second world war, economics has become a much more mathematical subject than it was before, to the extent where mainstream

economics has now become something that concentrates on proving mathematical formulae, arguably at the expense of trying to model the world out there as it really is. That's certainly my point of view, and it's shared by quite a lot of people.

"But the mainstream is built on things called 'general equilibrium models.' And this is a paradigm that's been around for over 100 years, arguably started by [French economist] Leon Walras, who applied the ideas of Newtonian physics to systems of economic behaviour, and markets in particular. And this leads you into a modelling paradigm which has, firstly, a model of people as individual agents with individual preferences coming together and buying and selling in the context of a so-called perfect market, where everyone knows everything and everybody can know the future, and all these markets work perfectly. And you then get a so-called optimal solution, which maximizes the sum of human good, which is called welfare in these economic type models.

"That leads you to do climate change economics in a particular way, because if you have your general equilibrium model, [you] say, 'Let's have this optimum, we'll find this optimum, project it forward for 100 years into the future,' and that starts as your baseline. You then impose a carbon tax, carbon trading, whenever it may be, and then see how the optimum shifts. But of course, because you're starting from an optimum, it automatically defines your shift as a cost. This has informed, in particular, the American position on Kyoto, which says that, really, we don't get involved in climate change policy, because it's terribly expensive.

"There is also the corollary argument to this, which says that, if you have modelled something 100 years into the future, you have to weight money and value in the future compared to now. And so what these models do is they apply a discount rate of about between 1 and 2 percent per year into the calculations, to calculate this optimum. Now, of course, if you apply a discount rate of even 1 percent a year, by the time you're 50 years out in the future, any sum of money becomes very, very much smaller than the current sum of money.

"So what you end up doing is saying, you're taking these policy actions now, which you have to because they take a long time to work, they cost you money now, but the benefits only really start rolling in 50 to 100 years time, therefore, they're not really worth very much. Therefore, it's not worth doing anything now, you should wait. Do something in the future, because it will cost you less, according to the calculations of these models.

"So that's the American position, and it's supported by what you would call mainstream economics: doing anything really serious about climate change is going to cost you, A: a lot of money, and, B: you don't want to do it now, anyway, you want to put off doing anything about it for quite a long time, potentially.

"This paradigm is currently being changed, or at least challenged, in all its aspects.

"Certainly, we at the Tyndall Centre, led by the group that I'm with at Cambridge Econometrics, say, basically, no, this is a fundamentally flawed way of looking at macroeconomics in general, but also climate change in particular.

"What you have to do instead is say, firstly, do you really want to discount the future that much? And that is not something that an economist arguing as a scientist can really say, that's really a problem for society in

general. So you might choose to discount, if that's what everybody, the politicians, the people, everyone in general wants to do, but it's not necessarily what you want to do. That's the first thing.

"The second thing is ... if you think *back* for 100 years, instead of thinking *forward* for 100 years, and you think what the economy, what the world was like 100 years ago -- well, it is evident, self-evident, certainly, to me, that it's not the continuous process of change, that you're moving on a slow optimal, an optimal path. It is instead a process of industrial revolutions, fundamental and ongoing and continuous changes in economic structure. So the idea that you want to model these processes as an equilibrium, as a moving equilibrium, is, frankly, fundamentally flawed.

"What you need is a model that treats the world as a dynamic system, and tries to capture those dynamics in the model. So what that leads you then onto is models where you remove all the assumptions of these computable general equilibrium models. Instead, you build detailed models of countries, of different industrial sectors, you try and combine them together, you try and put some assessment in of how these dynamic changes take place. And then, rather than running optimization calculations, you just simulate forward, having tried to match your model to the historical data.

"So rather than saying, 'We've got this theoretical view of how the world works, we build the model this way, therefore it's a correct view of reality,' we say, 'The world is a very, very complicated place, we build these rather more complicated models and we try to match them to the real world as best we can.' And then you try and match some understanding of how the dynamics takes place, and then run the model forward.

"And it gives you a completely different answer.

"The other big element of this is technology. And this is the third, interesting element of the story, which you may even call a paradigm shift: the idea that the world in the long-term is characterized by fundamental ongoing changes which are at least partly driven by new technology, new ways of doing things.

"The process of technological change -- and this is beginning to be accepted also by the mainstream, the neoclassical people -- is one where the assumptions inherent in these computable general equilibrium models break down.

"The idea is, if you start with small technology, you're building a few, let's say, wind turbines. Initially, they're expensive compared to your conventional power plants. But as you build more and more and more of them, they get cheaper.

"And if it's a new technology they get cheaper more quickly than the conventional forms of technology.

"So the sooner you start, the sooner you get these increasing returns, the sooner it will become cheaper. So you get the completely contrasting policy result to the conventional models, the neo-classical models, because you're also seeing that the earlier you start your policy action, the better off you'll be, whereas the conventional models say the later you start your policy action, the better off you'll be.

"And the interesting thing is that the Americans have traditionally placed a heavy emphasis on technological development. They'll say, 'Humankind is really smart, you've got a problem, we'll chuck a lot of money at it, we'll get our smart engineers and scientists together, and we'll sort it out.'

And that's true! And that's also accepted by the new people, in fact it's the fundamental part of this alternative paradigm.

"But what it means, then, is that the traditional neoclassical models are then stuck in a contradiction: Where the policy-makers and everybody in the society around them is saying, technological changes are really important -- but the commonly understood processes of technological change are not compatible with these computable general equilibrium models.

"So at the moment, they're trying to introduce these new ways of understanding technology into their [old] models.

"Now, this is a personal opinion, so you can discount as if you like. But in my opinion, that leads them into a contradiction in their models.

"If you're going to model something as a dynamic system, you've got to have a dynamic model. And I'm not going to go into technical details, because it would take too long. But you've got yourself a big problem. They're only just beginning to address this. And it therefore remains open as to how successful their attempts will be.

"Increasingly, however there is a group, including the current UK research managers, the ESRC, which has just issued a call for research groups looking at processes of socioeconomic technical change in the long run. There is a strand of literature which was started off by the International Institute of Applied Systems Analysis, which is an internationally funded organization just outside of Vienna in Austria, who have done more detailed work for the energy sector about these technological changes, and shown that there are these increasing returns of scale, and they've put some numbers on them. And that again is literature that's accepted throughout the whole economic community, including the neoclassical people.

"So, there's an alternative paradigm here that's going to lead to the macro economic model, I would suggest, having to model in a different way. And that's why this period of time is really interesting, why I would have thought the BBC or some other news organization would have a great story to tell. Because you've got this two-sided story: the conventional macro economic models, the neo-classicals ... the alternative ways of doing macro economics which are beginning to be at least talked about more ... *and* this possibility of bringing the two together through the analysis of technical change that they both agree about. And at the moment it's an open story.

"This situation has only existed for the last four or five years. You're talking about a paradigm shift; it's quite possibly a generational thing because there are all these people out there who made their whole careers doing neo-classical economics. And getting them to give up is very difficult. But there's a long history of social science and natural science which says, paradigm shifts only occur very rarely and are very difficult when they happen.

"So there's a great story for you, to be honest. And it's a good time to be doing it."

APPENDIX D

THE NEO-CLASSICALS, THE NEO-LIBERALS, AND THE NEO-CONSERVATIVES: A FIELD GUIDE

Economics for the past 150 years or so has been driven by two powerful forces: the mathematical and the ideological.

Just as 19th century scientists were searching for the formulae which could explain or unlock the secrets of the physical universe, so, too, were contemporary economists⁷⁰ seeking a mathematical explanation for how prices, wages, interest and profits are determined. Building on the classical tradition of such predecessors as Adam Smith, David Ricardo, and Thomas Malthus (the men who first began to anatomize free market capitalism, explain its attractions and, more often than not, justify its inequities), theirs accordingly became known as the neo-classical system.

The sum of their separate efforts, which has come to be known as General Equilibrium Theory, was, it can be argued, the $e=mc^2$ of economics. It is what many of us unwittingly refer to when we speak of “the laws of supply and demand.” Very broadly, it states that prices are set in an ever-moving equilibrium between supply and demand, an equilibrium which can be expressed – and even predicted -- mathematically. It is the foundation upon which modern economics was built.

There was another by-product of the formation of General Equilibrium Theory: the assertion – indeed, in many cases, now, the assumption -- that economics is a mathematical, rather than a social, science and, as such, that it concerns itself with objective reality rather than with moral, ethical or political judgments. This position has been robustly challenged by, among others, the US economist and statesman John Kenneth Galbraith⁷¹ and the economic historian Deirdre McCloskey⁷². Nevertheless, it has allowed the neo-liberals (in American English, the neo-conservatives) to make the case that their politically conservative philosophy is based on economic laws as true and as fixed as the law of gravity, and that they are in a straight line of descent from the classical and neo-classical Greats, with their argument *for* self-interest and free trade – and *against* any attempt by Monarch or Parliament to interfere with that trade.

If economics did not deal in moral judgments, this was not to say that moral judgments could not be made *about* it; and, certainly, in the Cold War, such proponents of classical orthodoxy as Friedrich von Hayek, a founding father of neo-liberalism, argued that freedom and free

market economics were inextricable, while communism and its paler cousin, socialism, were, by nature, the enemies of liberty.

If communism represented the ultimate example of government intervention in – indeed, of government control of – the economy, so did the brand of capitalism espoused by von Hayek (whose writings deeply influenced Ronald Reagan and Margaret Thatcher) hold that smaller government and less regulation together create rapid growth, encourage an entrepreneurial class and economically empower millions. Indeed, von Hayek fiercely opposed old age pensions, unemployment compensation and social welfare spending as pernicious impediments to the market – a stance von Hayek’s most famous acolyte, Milton Friedman, continues to uphold with vigour.

But of course capitalist America did, indeed, institute unemployment compensation, old age insurance and social welfare programmes, just as a free (or black) market flourished on the margins in Soviet society, and enjoyed a peaceful co-existence with socialist policies in the “mixed” economies of postwar western Europe. Underlying much if not most debate about the shape of the state in the post-war, post-communist world has been the question: how *much* government intervention in the economy is appropriate; where should it be focused, and, crucially, how much (tax-payers’) money should be spent?

Such thinking, of course, allows such “externalities,” as economists call them, as political, moral and social agendas to enter the economic equation; and it is in this spirit that environmental campaigners call for (and frequently win) tighter air pollution laws, taxes on fossil fuels, and congestion charges on cars in smog-filled urban centres. By these lights, a Green GDP, or ever-more-expensive energy conservation regulations, are far-from-impossible dreams.

Yet proponents of an economy planned around environmental constraints, and those dissident environmental economists who are challenging the continued usefulness of General Equilibrium Theory, are up against a formidable obstacle.

Christianity, and then Islam, spread as far and as fast as they did because their adherents kept winning wars. Communism collapsed because it was economically and politically unsustainable: it lost the war; capitalism, that particular brand of capitalism practiced by Ronald Reagan and Margaret Thatcher, won.

Free market economics has succeeded because it has shown a proven ability to create wealth around the world; an economic philosophy aimed at safeguarding or even limiting wealth may prove a much tougher sell.

GLOBAL TRENDS WITHIN GLOBALISATION

Despite Thomas Friedman's characterization of globalisation as an inexorable process, some of the trends within it may be reversible. Several authors have noted that the last era of globalisation, which ran from the mid-1800s until the 1920s, was ended by forces which are once again afoot: protectionism; a breakdown in international relations, and economic instability. Terrorism may force some nations to restrict the flow of people across their borders. If rich nations come to feel that cheaper, foreign competition has cost too many jobs at home (particularly in an election year), then those nations may well try to further restrict the in-flow of foreign goods and foreign labour, in the form of tariffs on foreign producers or subsidies for domestic producers, or both. Or, they will strike separate deals with individual trading partners – a blow to ongoing attempts to create and enforce global trade rules.

Other trends appear irreversible, for now.⁷³ For better or worse, the Internet continues to erode borders and barriers to the exchange of ideas and information. Technological advances will continue to make communications and computations faster and cheaper. Non-governmental entities – NGOs and multi-national corporations – will continue to play an ever-more-powerful role in channelling or manipulating public opinion, on a domestic and international level. The massive, arterial flow of people from poor regions and countries towards the rich may be slowed, in coming years, but not stanch: if legal immigration is curtailed, the market for illegal immigration will likely grow.

With such international institutions as the International Criminal Court and the World Trade Organization, several observers have noted that the world now has global governance without global government. Neither the US nor China, the world's current and future biggest economies, respectively, have shown much inclination to hand over any sovereignty to existing international institutions, let alone any future bodies with possible enforcement powers; but then, the success of the G-20 countries has shown that sweeping alliances of small and medium-sized countries can push through changes in global trade policy; the same may, someday, be true of global governance issues, as well.

APPENDIX F

NEW THINKING ON POVERTY IN THE DEVELOPING WORLD

Development economics has a jargon as airless and abstract as any of the social sciences. But when it came to defining poverty for a lay audience, World Bank analysts turned to concrete reality:

“Poverty,” they wrote, “is hunger. Poverty is lack of shelter. Poverty is being sick and not being able to see a doctor. Poverty is not having access to school and not knowing how to read. Poverty is not having a job, is fear for the future, living one day at a time. Poverty is losing a child to illness brought about by unclean water. Poverty is powerlessness, lack of representation and freedom... Most often, poverty is a situation people want to escape. So poverty is a call to action – for the poor and wealthy alike.”⁷⁴

Increasingly, that call to action is a call to rally market forces – the now-familiar cry of “Trade, Not Aid.” And advocates are not restricted to those whom Joseph Stiglitz derides as the “market fundamentalists.”⁷⁵ In the 1970s, the UN’s agency for trade and development, UNCTAD, had a reputation for castigating bankers, finance ministers and other bastions of capitalism. Now, it is drawing on free-market economics to try to help poor countries climb out of the poverty trap.⁷⁶

This is not to say that destitute nations and conflict states are now expected to pull themselves up by their bootstraps. Jeffrey Sachs, the man charged with ensuring that the UN’s anti-poverty Millennium Development Goals are met, says the wealthy world must dramatically increase what it spends to fight poverty, disease, hunger and illiteracy in the developing world. But charity is not enough. Trade liberalisation and increased investment, he says, are also needed to fulfill UN Secretary General Kofi Annan’s promise that “globalization becomes a positive force for all the world’s people.”⁷⁷

Today, any credible study of poverty requires at least as detailed a study of growth.

For instance, breakthroughs in communications and transportation technology have helped power the global economic engine which has pulled so many out of poverty; similarly, development experts say, the best way to help individuals feed themselves is to make it easier and cheaper for them to get their goods to market – whether that market be in the next town or across the world. At the same time – and here they depart from Washington’s more ardent free traders -- many say young and vulnerable economies should be protected against the hurricane-blasts that can sweep the global marketplace. They point out that most of

the world's richest nations got rich by fiercely protecting their own fledgling industries until they were healthy enough to compete on the international stage.

This is a time of soul-searching at the World Bank, which was formed for the express purpose of fighting poverty.⁷⁸ There is a growing acknowledgement that many of its attempts to eradicate poverty have failed; that many poor countries which faithfully followed World Bank and IMF prescriptions did not, as promised, find themselves on the road to prosperity and international integration. In recent years, World Bank and other economists have been working to develop and apply a more sophisticated understanding of how societies and economies develop: as the Harvard political economist Dani Rodrick told a conference of World Bank country directors recently, the World Bank/IMF "one-size-fits-all" approach simply isn't effective.⁷⁹

Thus, just as the new century is seeing new ways of measuring economies, so, too, are economists and development experts reaching for new ways to measure poverty, wealth and well-being.

If you could board an express train through the landscape of international aid and development, these are some of the stations you would see, in a blur, along the way:

Institution-building. Pro-Poor growth. Transparency. Failing states. Corruption. Infrastructure. Social Capital. Export-Led Development. Growth strategies. Good governance.

However, international aid and development agencies are converting to the cause of trade and growth just as a number of environmental advocates have declared war against it.⁸⁰ And developing nations desperate to raise their standards of living can sometimes bark their shins on international donors' requirements that recipients adopt environmentally sustainable practices.⁸¹

Many of the poor nations are crying foul. They ask why their economies must be hampered by environmental, social or labour regulations which the rich economies never had to suffer at a similar stage in their development.

For their part, the environmentalists argue that the planet simply cannot withstand too many more factories belching pollutants into the atmosphere; too many new roads built for too many new automobiles; too many more forests being razed for pastureland. They point out that successive studies have shown it is the poor who pay the highest price for environmental degradation; that environmental protection benefits rich and poor, alike.

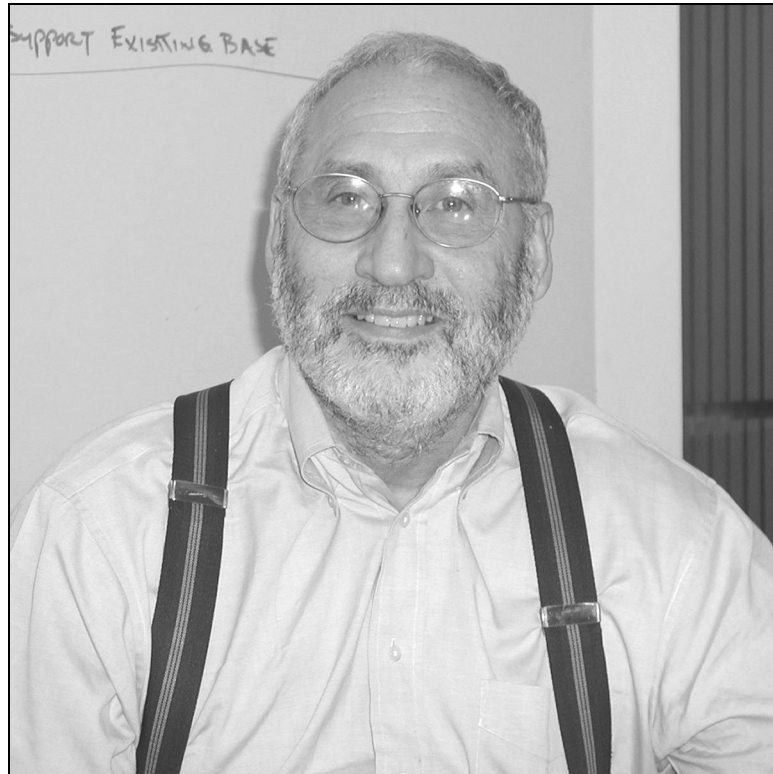
It would be misleading to say that the environmentalists would like global economic growth to come to a screeching halt: were you to board an express train across *their* landscape, one of the biggest and newest stations you would pass would be "Sustainable Consumption." They are hoping the wealthy world's consumerism can be reined in just enough to

allow resources to be shared more equitably with the poor nations – without bringing about ecological collapse.

Nevertheless, if global economic growth and global environmental decline are two accelerating trains on a collision course, it is hard to outrun the mental image of the world's poorest as so many helpless captives, strapped to the tracks.

APPENDIX G

JOSEPH STIGLITZ ON GLOBALISATION COVERAGE



(Joseph Stiglitz rushes between his cluttered office at Columbia University and a conference room down the hall, juggling the appointments and interviews which are stacking up like 747s over JFK airport. World leaders have converged on New York for the opening of the 58th session of the UN General Assembly, and every member of the traveling press corps seems to want a quote from him. With his 2001 best-seller, “Globalisation and Its Discontents,” the former chief economist of the World Bank detonated a bombshell in the centre of the political and moral debate about globalisation, writing in support of many of the protesters at Seattle... and against his former colleagues at the World Bank and the IMF. His argument: that rightwing “market fundamentalists” at the IMF and the US Treasury have, among other things, imposed ideologically-driven “rescue” plans which all-too-often have served western interests at the expense of the poor and the middle classes in the countries which appealed to them for help. Stiglitz is not shy about telling the IMF and World Bank how they should conduct their business – and is just as happy to volunteer his thoughts on how the BBC could rethink its business and economics programming.)

“One of the problems with economics coverage is that most people are only interested in what’s happening today. So who do you talk to? You go to Wall Street, the chief economists at the Wall Street banks, or you go to U.S.

government officials, or IMF officials, or World Bank officials. And they all have a particular *schtick* on the world, a particular view on the world. And it is an important view because, in fact, they move the world in many ways, they move markets. And if they think certain things you will see the consequences.

“On the other hand, much of what they say is utter nonsense, and is not approached as critically as it should be.

“Let me give you an example of what I mean: If you ask, for instance why the dollar gets weaker, or is growing stronger, the stories don’t add up. That is, if you trace them over time, they have no predictive power. There are nice little rationalizations that you can tell, and they become part of the vocabulary that people use, they want an answer to what has happened, and there are certain pat answers that you give, but they aren’t very forceful explanations. I mean: ‘People lose confidence.’ Well, *why* do they lose confidence?

“Or, let’s say the dollar got weaker because of the deficit; but if you remember, back in the beginning of the ‘80s, everyone said the deficit was leading to a *strong* dollar, because the United States had to borrow so much abroad, and that was pushing up the dollar.

“Well, those are examples of contradictory statements.

“I don’t really blame the press too much, other than that they haven’t talked to enough people, and particularly to enough economists. The financial people are in the business of selling stories. Not selling stories to you, but selling stories to their clients. So they’re looking for the kinds of pat answers that their clients can understand. (In reality) there are more uncertainties than they would admit to.

“Also, often Wall Street looks at the world from a narrow perspective. They focus on what happens to financial markets, and financial markets *are* important to much of the rest of the world: the business sector, labour. And the people that you call up all the time are chief economists at the financial houses, because they have the ready answers. There’s nobody in the labor union you can call up for a ready answer.

“What would be nice would be that, say, the Fed raises interest rates, and you would get all of these Wall Street guys who would say, yes, it’s going to be quelling inflationary pressures. And you call up a labour union guy and he’ll say, yes, and it’s going to cause more unemployment. So you get both sides of the picture. They both may be true, do you follow? It’s not denying that the Wall Street view isn’t an important part of the economy. But it’s only one part of the story.

“Let me give you a more dramatic example: when Argentina was collapsing, the IMF kept saying they had huge deficits and they were mismanaging their economy. But in fact, if you looked at their deficit, it was only 3 percent of GDP -- which wasn’t much less than the U.S. deficit under Bush in 1992! And all of their deficit came from privatization of Social Security. If they had not privatized their Social Security system, they’d have had a *zero* deficit. As far as I know, not a single reporter ever covered that.

“So who did they call up? They called up the IMF, they called up American banks, who were all worried about Argentina defaulting on their debt. Their concern is, is Argentina having enough money in their reserve to pay the debt?

“Good reporters try to get two sides to the story, but in the economic area it is harder to do that; there aren’t that many people on the other side who are what you might call media savvy.

“Or take the story of the pressure on the renminbi, on China to appreciate its currency. How many people are pointing out that the *overall* trade deficit in China is shrinking to something like 6 to 10 billion dollars? That’s minuscule! It has a big bilateral trade deficit with the United States, but a very small one overall. And it’s the overall one which is determined by the exchange rate! And that would make the commentary that there is historically -- this is controversial -- but a historical connection that when you run a large fiscal deficit, you want to run large trade deficits, like Reagan. So if that’s the case, whatever the U.S. does with China, it’s going to have a trade deficit! And it’s just picking on a convenient guy. So the press really ought to be bashing Bush on this, in my mind.

“If we mismanage globalisation, as to some extent we have been mismanaging it, people in the developing world will turn away from market economics. There are certain facts that you just can’t deny: that there has been an enormous amount of volatility in the global economy. That the trade agreements have been terribly unfair. That the developing countries cannot get access to the Western countries for agriculture. Some of these are symbolic issues, most of these are real issues. But they are so symbolic at the current point, and there’s enough reality to them, and there is certainly reality to the hypocrisy -- even if you don’t have to parse out how much is it costing them -- it gives enormous fodder to those who say, ‘lookit, this market system of globalisation is really a new venue for the United States and Europe to exploit the developing countries.’

“I think [the 1999 anti-capitalist protests in] Seattle marked the beginning of a new era. I think what Seattle did was to bring to the wider attention of the advanced industrialized countries that something was wrong with globalisation. People in the developing world had noticed for a long time. It just wasn’t known in the United States and Europe. I think the response that my book has received is indicative that there’s actually the strong chord in the developed as well as the developing countries: one of the interesting things is, a lot of people on Wall Street really liked it, even though it was very critical of them. They’re worrying, are they doing the right thing? They’re trying to figure it out -- life is much more complicated, people now see themselves as part of a broader social context.

“So who do you journalists turn to in this very complex world for information? And you have a particularly difficult problem because the information that is most available to you comes from people who for the most part have one particular view. So the IMF starts repeating their Argentina mantra, the financial markets repeat the mantra, and you guys, that’s the only source of information that you have. It takes a few academics to sort of look at the other side. But we don’t normally interact with the press.

“I blame both sides in that sense: the academics just are churning out their work and are quite happy so long as they get tenure. But there isn’t this more jaundiced view of what is going on, that a more skeptical press ought to have.

“Something like Argentina, you don’t have natural contacts with the people in Argentina who are being raked over the coals. And many of them would only be able to be inarticulate in their anger. And so it makes it very, very difficult. So if I were to give a recommendation, I suppose what one should try to do is to build up a coterie of critics, economists, social thinkers, other people that you can turn to on issues, aware of the different perspectives that are going to have to be conveyed.

“I think the real problem is getting the breadth in economics discussion, and the links between economics and politics. Let me give you another example: it has become almost standard writing that everybody accepts that an independent central bank is a good thing. But there are some people who are very much critics of independent central banks, who believe that there should be a certain degree of accountability. When Britain set its bank up to be more independent there wasn't really as much criticism of that as there should have been. And that is testimony to how the financial markets so control the media.

“Again, you need to get a set of economists perhaps that you could e-mail, and say, you know, this is the story today, who should we be talking to? So think much more of the press as being a networking phenomenon, in trying to get out these other views.

“The BBC does this tremendously better than the mainstream US media. It is so clear that [you] are just so much more on top of the big stories.”

APPENDIX H

VIEW FROM THE RIGHT: AN INTERVIEW WITH DEIRDRE MCCLOSKEY



(The

economic historian Deirdre McCloskey describes herself as “an Anglican post-modern economically conservative cross-gendered economist.” She is University Professor of the Human Sciences at the University of Illinois in Chicago, and the author of nine books, including How to be Human (Though an Economist) and Crossing, the memoir of her transition from Donald to Deirdre at the age of 52. In her current post, as well as from her previous vantage points on the faculties of Chicago and Iowa Universities, Prof. McCloskey has been a tart, eloquent and thoughtful critic of her fellow free-market economists in particular and of the economic mainstream in general. She spoke over breakfast in her Chicago loft.)

Q: Why do you dismiss the assertion that mankind is depleting some of the resource bases and eco-systems on which human life depends?

A: Look, I am an optimist. And I regard the next 100 years as bringing the biggest change in the human condition since, oh, coming out of Africa, in 50,000 B.C. or so. Am I a cock-eyed optimist? Well, you can't change gender without being an optimist, in my view! But as an economist, I'm very suspicious of the Malthusians, as I insist on calling them -- because that's what they are. Of course, I'd agree that there are things we need to do: If you're driving a car, and it seems to be going into the ditch if you continue on the present course, you can adjust. But what these physical and biological scientists never understand, they never understand it, in their training and

their souls, they can't understand it -- even ecologists don't understand it very well -- is the self-adjusting quality. The same discussion [of diminishing resources] was going on in 1867, on the coal question in England. The great English economist Jevons wrote a book called "The Coal Question," in which he said Britain would run out of coal. He actually made the calculations and said, well, we have 400 years before we run out of coal, and then it will be the end of industrial civilization. And that was about the same time as the beginning of the commercial exploitation of petroleum! In the Select Committee of the Parliament that discussed the coal question in the 1870s, one can find actual testimony where someone says, well, do you think this petroleum might be a substitute for coal? And the person says, no, no, the problem is that oil comes in barrels, and they can't stand to be carried very far, they get broken apart, it's very awkward to fill barrels, it's just not going to work. And this has happened over and over and over again.

Now, you say, what about the environment? Well, you know, how many times can you cry wolf? When I was young they said Lake Erie was practically dead. The river in Cleveland burned. And now, no longer is Lake Erie not dead, on the contrary it is teeming with fish, and you can swim in the river. So, over and over again.

Q: And yet, mankind was destroying its immediate environment thousands of years ago: among other things, Dartmoor in Devon was created by ancient deforestation...

A: True.

Q: So, if we have a history of crashing our systems, is it really that far-fetched to say, well, this isn't happening in an infinite system, it is happening in a finite, closed system, our planet...?

A: That's the trouble! That's the physicists' view. That's the physical scientists' view. Entropy, closed systems, that's how they are taught to think: 'Ah, you see, it's a closed system, there isn't any other source of energy, it's going to run down...' But the trouble is that there's another system involved that is not running down, and that's called what's between our ears!

So that's where I would look for the dangers, not in the physical world. It's the human world that's made us rich. Not resources. And it's the human world that can make us poor. Not resources. And I'm prepared to argue this in a speculative way about any resource you want to talk about.

I understand the point about aquifer depletion. Let's take the Ogallala aquifer under the Midwest, Kansas and so forth. It's going to be gone in, I don't know, 20 years. It's on its way down, they have to go further and further to get it. It's going to be gone. So? So people move out of small towns in Kansas. Yeah, that's hard for them, and I'm sorry about that. But, as the man says, look, you over-exploit this, you're eventually going to have to leave. The first Chicago economist thing is to say, well, so what?

Q: Do you, then, advocate 'Green' accounting?

A: Yes, yes, because what is the problem is not the functioning of capitalism but the failure to apply it. As I was explaining to my undergraduates just yesterday: if they priced the aquifer correctly, then these automatic mechanisms that have worked so well in the last couple of centuries would be brought online.

I had a very good lunch just yesterday with a colleague of mine in urban planning. He and I both turn out to be by origin transportation specialists. We agreed on the solution to the urban transport problem, which has been tried in London, which is to price the roads. It's been done

somewhat crudely, but still, it's a start. It's so obvious to us that is the long run solution.

So if you draw from the aquifer, you can either say, well, screw it, I'm prepared to throw it away; or you're going to say, look, I've been using this to grow cotton; there's a pretty big world market for cotton; do I really want to be growing cotton in Aden? And then you'll say, well, maybe not.

Q: *There appears to be a growing consensus among economists about the credibility of Green accounting...*

A: Oh, I'm in favour of it! I want people to pay...

Q: *But then you get politicians campaigning for office saying, well, this is dragging down our productivity...*

A: George Bush is a jerk! You can quote me on that! I'm not a Republican! I'm not a country club person: you know, I don't have that attitude the British would call 'I've got mine, I'm all right, Jack!'

Q: *But isn't there a contradiction in what you just said? On the one hand, you're saying there's this case to be made for Green accounting. As one of the environmental economists at the Earth Institute at Columbia University said, "We always talk about the Gross National Product; we never talk about the NET National Product..."*

A: I agree.

Q: *But at the same time you're saying that you don't subscribe to Malthusian reality, which is that this is all taking place with non renewable resources which eventually will be run down.*

A: A footnote: which is false. I mean, they aren't closed systems. They're not. Because it is not resources that are closed. It's the human mind that is open. And so there is an unlimited gain possible through the world becoming smarter. My optimism holds... We'll be able to find substitutes for water, for example. I mean, how far down the pike is desalinization? It can't be that far. And if that's not too far down the pike, how about energy from hydrogen? That seems to be just around the corner. If I knew for sure I'd be rich. But, right there, put those two together and you'll never have another problem with clean water ever again. And there's the sea. I mean, come on, eventually the seas will dry up. But let's get reasonable here: that's in millions and billions of years! You can't keep pulling these things into the present as concerns.

Q: *Isn't some of this dialogue a moral dialogue?*

A: Absolutely: it's a moral dialogue.

Q: *The rich countries, perhaps, will always manage to get their water; so couldn't you argue that the price will actually be paid by the poor?*

A: I don't put it that way. Although that's the standard way of thinking about it on the left. I don't mean the crazy left, I mean the Democrats.... And it's not very plausible. It's not going to happen. What's going to happen is that countries like China are going to get a larger and larger share of the world's income, which is as it should be as they develop. I think the danger is to put too much emphasis on the country club mentality of people like George Bush. I mean, yeah, that's what they would like to do. But I don't think they can get away with it. I don't mean because people will be ethically outraged, although that's beginning to happen, I hope. But because there are economic forces over which no one government has any control. And that's the new story that I think journalists are becoming more and more aware of: you can't do some kinds of journalism, especially economic journalism, nationally. That's, I think, the most important. And that's where I agree with my environmentalist

friends. There are spillovers. But they are spillovers of all kinds: they're not just physical, biological spillovers. They are social spillovers.

Q: Now I'm going to ask two questions that are so wide-eyed that perhaps it is best if you think of me as a space alien....

A: That's what I'm used to doing -- this is such a valuable conversation for me! It's clarified a lot of my thoughts.

Q: I spent half an hour in [former IMF Chief Economist] Kenneth Rogoff's office at Harvard last week, hearing him say that he gets furious at the BBC and the New York Times, because they always find one poor family in India or wherever that lost its job to globalisation --

A: I agree!

Q: He says it's harder to report on the benefits...

A: Yes: it's off stage.

Q: ...And then I am sitting in Columbia University, with [development economist] Christine Alfsen-Norodom hearing her say it is completely wrong that the media never reports on the contribution that U.S. administration policy has made to the misery of the developing world --

A: I agree.

Q: So are these competing assessments both correct, the way paradoxes so often can be, or is one more internally coherent or more objectively correct?

A: Well, I think they are both correct insofar as -- and I think you'll find very substantial agreement on this across the political spectrum, among students of these matters -- that the farm policy of the developed world is a catastrophe for the Third World. It's just absurd. It's just crazy that in Europe we subsidize Irish and French farms and screw the farmers of Ghana. It just makes no sense at all. We do the same thing here [in the US], on an even larger scale. So there is a clear case where the Third World is being impoverished by the First.

But imagine the condition of India without the existence of Europe. Suppose, as some of these people seem to wish, the First World was simply vaporized: just vanished tomorrow. Well, they would still be poor. They wouldn't be any richer than they are now. Not a rupee. In fact, probably they'd be somewhat poorer. Not a great deal, I think, but somewhat poorer. I don't think there's a large impact. I think what explains Indian poverty is India. Not the Raj or whatever. It's the Indians. It's what they essentially do to themselves. I mean, it's not their fault: we were poor, too, once. Was it our fault that as Norwegians or Irish people we were unspeakably poor in 1800?

We hear a lot about Chinese trade. But most of Chinese prosperity comes from improved education and improved economic freedom. It comes from being able to make deals that they weren't able to under communism.

I don't blame the journalists for this. Some of my best friends are journalists! I'm in favour of journalism, I think the First Amendment to the American Constitution is just great. In fact, I'm arguing in my new book that it is free journalism, essentially, that creates the modern world. So it's not the fault of some media conspiracy. But it's very hard to tell an abstract story without personal example....

Q: OK, now an even more wide-eyed question: can it be argued that even by presenting raw numbers a news organization is making a subjective judgment?

A: Yes!

Q: And, if so, on what side?

A: I've got whole books on the subject! Because I'm a student of rhetoric. That's what I did for 15 or 20 years, from 1980 until five years ago. That was my main concern. The argument is that everything is rhetoric, that everything we say is persuasive, almost everything we say. And there's no view from nowhere that constitutes objectivity. Nowhere. Nobody...

I'm often surprised, when I speak to journalists, that they seem to be -- now, maybe this is just part of a wide-eyed act to evoke sympathy -- they seem to be very naive about this point. They don't see that there is no foundation from which you can see the world.

Q: So there is no analogy to be made, for instance, that reporting on a country's interest rate or money supply or budget deficit is in some way the equivalent of, say, reporting on a person's blood pressure or circulation or heart rate?

A: Well, no, it is strictly analogous. But those indicators, those indices of health, are controversial. There is a theory of how the body works that goes with all of those measurements. You have to know there's a circulation to the blood before you think of finding out what a person's blood pressure is. And until we knew that blood circulates we have no idea that there was any such thing as pressure, in fact the whole thing made no sense to us.

Q: But now we do know there is such a thing as blood pressure...

A: Except we often have wrong theories about blood circulation. And a spectacular example of this is the coverage of interest rates. Now, these are somewhat idiosyncratic theories; I'm not an expert, but, as I said, I'm right and they're wrong! Here's the point: to report on the money supply of Germany, or of the Common Market, for that matter, is to adopt the Friedmanite, Schwartz version of monetarism. Which is, as I've argued to Anna [Schwartz] and Milton [Friedman] in detail, without having any influence on them, crazy. There aren't any national money supplies. Because, under fixed exchange rates, which is the regime that we largely have most of the time, and have had for centuries most of the time, money is money is money. If you want more dollars, you go abroad and get more dollars. So the whole notion of Milton's -- of there being an American demand for money balances, which is then supplied or not supplied by the government, is wrong.

Q: How, then, do journalists do their job? How do they report developments in an economic perspective, or put economic developments in the context of, for instance, sustainability?

A: In a way, they can't do anything but what they are now doing. There is no secret clue to all this, except to call me up a lot! But, you know, they'll all say that, how does that help?! So far as the actual stories are concerned, it's so hard to get beyond the conventionalities.

There is this terrible hysteria, right now, about the balance of payments with China. And it's going to have substantial political effects. It's a real dumb story. Because it's the same story as the one we had thirty years ago about the balance of payments with Japan; and, what do you know: nothing happened! The Japanese came and they bought a lot of dollar-denominated assets. Everyone was terribly frightened -- there were books about it, always of course with racism involved: the bastards are taking over the United States... Turns out that we sold them dollar-denominated assets that, A., were subject to a massive depreciation of the dollar by comparison with the yen, so straight off the bat they lost half of what they gained by this; B., a lot of the things that they bought turned out to be worthless; and, C., we Americans got the benefit of their investment and their ownership, and they got nothing.

So, I mean, it's just completely silly to be worried about it, yet here it comes again. And it's because of this racial thing. If it was a bunch of Dutch people, as it had been for two centuries without any comment, people wouldn't even notice it.

I suppose what I would like journalists to do is to stop being journalists -- but that's unreasonable. You're called journalists: you know, (the French) *journal* : 'daily.' You can't be philosophers and journalists and the same time, I don't think.

Q: So what should journalists do? On the one hand you're saying journalists should be better educated in economics. And at the same time you're saying that all economic theory is rooted in some subjective decision, and therefore—

A: That doesn't mean it's nonsense. It is *selectively* nonsense. The story of the interest rate, for instance, it's an artifact. Everyone thinks that Alan Greenspan sets the interest rate in the United States. Lots of economists do. It's complete nonsense: Alan Greenspan doesn't have a large enough portfolio to affect the interest rate in the world. The interest rate is a *world* phenomenon. It goes up and down, exchange rates aside, as a result of supply and demand for funds in the world. Alan Greenspan's assets, the ones that he can buy and sell, the ones that he controls... He's like Farmer Brown. Farmer Brown can't affect the price of soybeans. He's too small in the market. He can rail against it. And he can come out and have a news conference, and say, 'I think the price of soybeans is going to go up.' And all the journalists can say, 'Well, Farmer Brown says the price of...' and put that in the newspaper, and that will have a small effect, because people get fooled. Because talk is so important, because so much of national income is persuasion. But, on the overall contours of the interest rate, no way, Jose, no way does he have any effect at all. Now you're saying, she's obviously *patzah*, she's out of her mind --

Q: No, I'm thinking of a line from an Auden poem: 'We are lived by powers we pretend to understand.'

A: That's a wonderful quote! I have got to read more Auden.

Q: But if we are lived by powers we pretend to understand, how do we report that?

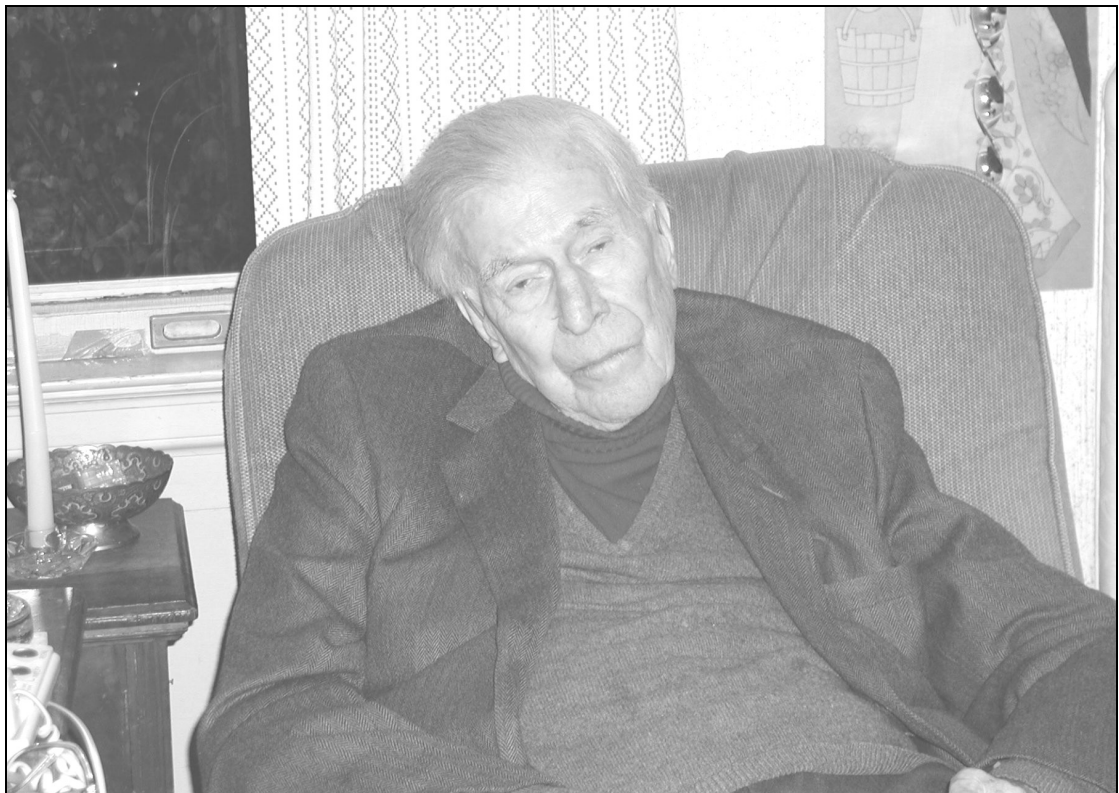
A: Well, it's the problem Steinbeck had in the "Grapes of Wrath" [about the impoverished Oklahoma farmers who faced prejudice and deeper poverty when they fled to California during the 'dustbowl' years]. In fact, he was wrong about the Okies. They actually prospered in California. I know people who are the grandchildren of the Okies. And they did very well almost immediately after 1939, when the book came out.

I think the way you do it is: be more skeptical. I know that journalists are paid to be skeptical, so I know that they can do it! If you want to refresh the coverage of journalism, a big dose of good old-fashioned journalistic cynicism is your best bet, in my opinion.

APPENDIX I

VIEW FROM THE LEFT: AN INTERVIEW WITH JOHN KENNETH GALBRAITH

(John Kenneth Galbraith apologizes for not getting up to greet a visitor: at 95, the economist and statesman rarely leaves the Arts and Crafts style house near the Harvard University campus which has been his home for many decades. A friend and adviser to John F. Kennedy, whom he served as US ambassador to India, Galbraith was arguably one of the most influential economists of the twentieth century. Through such witty, learned books as The Affluent Society, American Capitalism and History of Economics: the Past as Present, Galbraith has made economics accessible to millions. A political liberal, he has been one of the leading critics of the neo-conservatives in America. Galbraith has the manners and the references of an earlier age -- he can refer to electricity as 'that most agreeable of innovations' -- but his knowledge of world events is up-to-date; his intellect, undimmed: his most recent book, The Economics of Innocent Fraud: Truth for Our Time, appeared in the UK in the summer of 2004.)



Q: What would economics look like if, instead of thinking of the environment as part of the economy, we saw the economy as part of the environment?

A: That is not a productive way of thinking, because economics is concerned with measures of economic performance, what depresses or stimulates economic growth.

Q: Could you expand on that? Why do you find this an unproductive way of thinking?

A: Because you must think of particular and relevant issues; and that begins with the distribution of income and well-being in the fortunate countries, and the terrible privation and suffering in the poor countries. You cannot identify the economic problems and disparities and hardships of the United States or Britain or Western Europe with those of Africa, large parts of Asia, Indonesia and elsewhere. The remedial action is very different in the rich countries, as they are called, for what it is in the countries of general, even complete, deprivation. So I separate myself from what I believe to be excessive generalization.

Let me take globalisation, a word that has come into common currency, for example. That assumes a certain unity of well-being or deprivation, a common economic concern or policy affecting all countries, with some surrender of national policies to a global command. I have never identified myself with globalisation, with the language of globalisation, because a great many socially important things must be done by national governments. Some of the discussion of globalisation is, in fact, an escape from practicing national responsibility; perhaps quite a bit.

Q: And yet, couldn't you argue it the other way? The United States, for instance, would argue that its national responsibility is to protect American steelworkers, American cotton farmers, when the outside world is saying, 'No, you must look beyond the immediate national interest.'

A: I believe certainly that there must be an international concern for human well-being. And that is the responsibility, the special responsibility, of the fortunate and rich countries such as the United States. But much of the talk of globalisation involves a surrender of that responsibility to a nonexistent or very limited internationally responsible entity. I have, so far as I know or can remember, never advocated globalisation as a term. It is because, to an unfortunate degree, it is a design of the fortunate of the globe for their own income protection. Income and property protection.

Q: In your History of Economics, you make the point that prevailing economic theory at any time always seems to be an objective expression of reality when in fact it has always been a product of its time. And I was just wondering if in this time, in the life of people on this earth, as the environment is becoming more and more endangered -- air quality declining, water tables falling, particularly quickly in China -- whether it is time to perhaps reinvent economics or come up with economic measures that include environmental costs as well as any financial benefits?

A: Mention of China at this moment is for me a source of pleasure: those who most opposed communist demand socialism are now advocating protection from its greater efficiency and its effects on foreign trade! I say that, not as a part of the problem of globalisation, but simply to say that economics, and economic belief, can have a wonderfully bizarre consequence: the United States industry and the present government seeking protection from communist trade efficiency...! But let us go back to globalisation: I paused only to cite a momentary source of amusement, a source of bizarre amusement – and no one who has spent a life with what has been called 'the dismal science' should be immune to ironic developments! But back to globalisation...

Q: And the environment.

A: Yes...I do not see that as a global issue. It is global in its effect, but not, as a practical matter, in the required action.

Q: How so?

A: Because only national governments have the authority and means for correction. We know what needs to be done as regards industry, and what needs to be done as regards consumer products. There is no mystery as to the effects of either coal-consuming electric plants or CO² production. There will be no remedy of a practical sort except that which comes from national action, that which affects the legislative and administrative powers of national governments. So I react to global warming or atmospheric pollution as a responsibility as a practical matter of national governments.

I have been a lifelong supporter of the United Nations and other international entities. But air pollution must be controlled from the United States government in Washington, rather than from the United Nations or its entities from New York. That is the practical matter.

Q: *I'm getting the feeling that, although you acknowledge that there are some serious environmental problems, as an economist you are not comfortable with in any way changing how we tabulate or track economic performance to take into account environmental cost, environmental depreciation, as it were.*

A: That is not so. I don't spend my life protecting economic efficiency and achievement! I do accept that there are central aspects of it which are solved, not by the social instinct of the owners, but by the legislative and administrative action of the state. And that is possible. I have lived as a practical matter a large part of my life in Switzerland. And there I live in a highly developed country, some of it densely populated, and with a working system of environmental controls. They are not perfect. But they do show what an intelligent and concerned people can do.

I like to think that my commitment on economic policy has an effective, or, as some might say, practical aspect. I want to see positive improvement within a lifetime -- brief, in my case, as that will be! For that reason, on all important policy matters, I bend to the practical possibility and the achieved result. I have no doubt as to what well-designed and effective global government would do, or could do, for human well-being. I am not prepared to wait for it. (VB laughs.) What's the matter with that?

Q: *Well I suppose it is true, isn't it, that a lot of people writing about this imply in their solutions the perfectibility of human nature...*

A: I think that's very true! But I continue to believe that there is a better side to human nature that can be mobilized, socially exploited. I am not optimistic about that: I am forced to that conclusion because there is no alternative.

Q: *But if I can take ten steps back ... I get the feeling that you're saying, as an academic, that there is no connection between economics and the environment.*

A: I'm not saying that for a moment! I am conceding that the problems of the environment are the products of economic development, notably industrial development. Wheat and corn and butter and eggs, and even clothing, can still be provided without grave environmental damage. Electricity, that most agreeable of innovations, and which extends its support to cultural life, is by nature an environmental threat, and its production must be controlled. That is why I position myself to judge immediate, practical results.

If, in some afterlife, which at my age is not all that remote, I can design and help enforce and help establish a new social regime that is responsible to

all common interests, both of the present and the future, I will indeed be very happy. Even in moments of extreme optimism I find this prospect improbable. Accordingly, and reluctantly, I urge what can be done as a practical matter, today.

FOOTNOTES

¹ Although the pool of interviewees was, to some extent, self-selecting (only those economists and environmentalists who had strong feelings about the question were willing to engage with it), it is striking that the respondents came from many sides of the ideological and political divides which run through contemporary economic and political thought. Limitations of budget and geography also meant that the experts approached were drawn almost exclusively from western academic, scientific or financial institutions; however, it is largely those institutions which have the resources to monitor the global trends examined here.

² European Commission figures, 2002. See also: *Plan B: Rescuing a Planet Under Stress and a Civilization in Trouble*. (W.W. Norton & Co., 2003), by Lester R. Brown. It claims a 700% increase in the global economy, citing Mathias Wackernagel, et al, "Tracking the Ecological Overshoot of the Human Economy," *Proceedings of the National Academy of Sciences*, 9 July 2002, pp. 9266-71.

³ *Globe and Mail*, 24 February 2004: "Rapid Globalisation Benefits 200 million." Citing figures from the International Labour Organization.

⁴ "The Ecological Challenge in a Global Context." Lecture given to M.Sc. in Responsibility and Business Practice Course, U. of Bath, 2 March 2004. All quotes from Sir Crispin drawn from this lecture and from a 9 March 2004 interview.

⁵ Jeffrey Sachs, speaking at a World Bank seminar, Washington, DC, 28 April 2004

⁶ Among recent studies: "Scientists Claim New Evidence of Warming," *Guardian*, 6 May 2004; reporting on new data in the journal **Nature** revealing that temperatures in the troposphere (the lower atmosphere) are rising much faster than previously thought -- and at precisely the rate predicted by scientists modeling the projected effects of human activity; "Detection of a Human Influence on North American Climate," Karoly, et al, **Science** Vol. 302, 14 November 2003; "Human Impacts on Climate," a position paper adopted by the American Geophysical Union, asserting that "human activities are increasingly altering the Earth's climate," December, 2003. Peter Goldmark, of the NY-based Environmental Defense, notes that almost all of the studies linking man-made factors to climate change have been peer-reviewed; while almost none of the studies questioning that link have undergone similar scrutiny. And several observers have pointed out that most of the thinktanks which attempt to debunk the evidence for human factors in climate change are supported by the energy industry and other interested parties. See "Blinded by Science: How 'Balanced' Coverage Lets the Scientific Fringe Hijack Reality," by Chris Mooney, *Columbia Journalism Review*, Nov/Dec 2004 issue, p.26.

⁷ Munich Re's 1998 year-end report

⁸ "Insurers Grapple with Surging Weather Claims – UN". Reuters, reporting on a Kyoto follow-up conference in Milan, 10 December 2003.

⁹ *Carbon Disclosure Project Report No. 2 (CDP2)*, May, 2004.

¹⁰ Among others, the journal **Environmental Finance** (subscription: UK 269/year) serves this constituency, providing its 6,000 readers monthly updates on the impact of environmental issues on the lending, insurance, investment and trading decisions affecting industry.

¹¹

¹ The World Travel and Tourism Council (WTTC) estimated that the economic value of all goods and services generated through tourism amounted to \$3.6 trillion in 1996; 10.6 % of Gross Global Product, and directly or indirectly accounting for 10% of the world's jobs.

¹²

¹ HGCA's **MI Prospect**, Volume 6, Number 19: "Price Events Since 1970," 22 March 2004. (The Home Grown Cereals Authority "is a Non-Departmental Public Body established under the Cereals Marketing Act 1965, with the purpose of improving the production and marketing of cereals and oilseeds grown in the United Kingdom.") The 40% figure refers to UK cereal prices in the second half of 2003.

¹³ FAO "Food Outlook" No. 1, April 2004

¹⁴ At least, where those prices rises aren't disguised by direct or indirect government subsidies.

¹⁵ *Eco-Economy*, by Lester Brown, p. 51. W.W. Norton & Company, 2001.

¹⁶

¹ UNEP *Global Environmental Outlook 2003*

¹⁷ “High-Tech Fishing Is Emptying Deep Seas, Scientists Warn” *National Geographic News*, February 26, 2002

¹⁸ “Disaster and Its Shadow,” *The Economist*, 12 September 2002. It should be noted that losses from 9/11 also contributed to that downgrading.

¹⁹ BIS press release: “Financial Stability Forum Holds Its Eleventh Meeting.” 30 March 2004.

²⁰ *The Skeptical Environmentalist: Measuring the Real State of the World*, by Bjorn Lomborg. Cambridge University Press 2001. Pg 106. Lomborg’s sources for those figures are: *The Global Economy: Resource Use, Locational Choice and International Trade*, by Brian Berry, et al; and the FAO’s 1996 *Sixth World Food Survey*. In a footnote, Lomborg notes that the FAO also calculates that fish accounts for 5.5 percent of protein intake, and 23 percent of animal protein intake, in the developing world. Lomborg attacks Lester Brown and other Malthusians, charging that they selectively report those statistics which most support their agenda. This is a fair point. However, the same charge can be leveled at *The Skeptical Environmentalist!* Lomborg seems to ignore evidence for environmental decline; there is, for instance, no mention of desertification in his book.

²¹ “Cashing in on Climate Change: Trade in Carbon Credits Takes Off,” *Financial Times*, 22 October 2004.

²² *Ibid*

²³ Quoted in the BBC World Service documentary, “Hope I Die Before I’m Old: The Global Pensions Crisis,” March, 2003.

²⁴ *Eco-Economy*, p. 7.

²⁵ *Odious Debts*, by Patricia Adams, published by Energy Probe Research, 1991. Excerpt from Chapter 3, internet edition.

²⁶ Interview with Norman Myers, 23 February 2004. See also “The No-Win Madness of Perverse Subsidies,” by Norman Myers and Crispin Tickell, *Financial Times*, 28 July 2003; “*Perverse Subsidies: How Tax Dollars Can Undercut the Environment and the Economy*,” by Norman Myers & Jennifer Kent; Island Press, 2001.

²⁷ Interview with Lester Brown, 21 June 2004.

²⁸ NASA scientists at NOAA 18 April, 2001

²⁹ Interview with Will Masters, 25 September 2003.

³⁰ Jonathon Porritt E-mail, 7 June 2004.

³¹ A number of Green GDPs have been developed to try to incorporate sustainability and welfare issues. Among them: “Ecological Footprints,” developed by the World Wildlife Fund, the United Nations Environmental Program and others’ :the Environmental Sustainability Index” developed by the World Economic Forum; “the Total Material Requirement,” developed by the World Resources Institute. “The Human Development Index,” developed by the UN Development Program, combines indicators of health, education and income.

³²

¹ Crispin Tickell interview, 9 March 2004.

³³ “The BBC Takes Responsibility,” *Guardian*, 20 December 2004.

³⁴ Information provided by the Association of Chartered Certified Accountants, based on a draft report, July 2004.

³⁵ *Ibid*

³⁶ “Integrated Environmental and Economic Accounting 2003 (SEEA 2003)” ; the final draft can be seen at the UN Statistics Division’s website. <http://unstats.un.org/unsd/envaccounting/seea.htm>.

³⁷ “Shanxi Admits Meagre ‘Green GDP,’” *Financial Times*, 19 August 2004.

³⁸ “Scales of Justice: a US bill aimed at stopping overweight people suing fast food restaurants and food manufacturers.” *Guardian*, 12 March 2004.

³⁹ “McDonalds Bows to Critics and Slashes Salt Ration.” *The Observer*, 7 March 2004.

⁴⁰ “Free Riding on the Climate: The possibility of legal, economic and trade restrictive measures to tackle inaction on global warming” New Economics Foundation report, 6 December 2003.

⁴¹ “US Power Giants Face Landmark Climate Lawsuit,” *The Guardian*, 22 July 2004.

⁴² “Acting Locally: In Curbing Greenhouse Gas Emissions, States Go it Alone.” **Scientific American**, June 2003

⁴³ “Lawsuits May be Next Weapon in Climate Change Fight.” *Reuters*, 6 March 2002.

⁴⁴ HEEDNET website: www.heednet.org.

⁴⁵ Lord Desai interview, 31 March 2004.

⁴⁶ This and the preceding paragraph contributed by William Cran, Producer/Director of the six-part television documentary series on the global economy, *Commanding Heights*.

⁴⁷ *The Lexus and the Olive Tree: Understanding Globalisation*, by Thomas Friedman; 2000 Anchor edition, p. 9.

⁴⁸ The protesters managed to unite under a single rhetorical banner: that they were pushing the WTO to make its priority, not free trade, but fair trade; just how each side defines fair trade was left to the side, for the moment.

⁴⁹ Indeed, some economists argue that, of the current G-6 countries, only the US and Japan will still rank among the world’s six biggest economies by 2050. See Goldman Sachs **Global Economics Paper No. 99**, 1 October 2003.

⁵⁰ **Global Economic Prospects 2005**, published by the World Bank.

⁵¹ *ibid*

⁵² The 200 million figure is an estimated tally for the past decade; the 500 million figure, for the period from the end of World War Two to the present.

⁵³ Based on a US Labor Department study of the first quarter of 2004.

⁵⁴ “Winners and Losers: Perspectives on Globalisation from the Emerging Market Economies;” Carol Graham, **The Brookings Review**, Fall 2001 Vol. 19 No. 4. Published by the Brookings Institution, Washington, DC.

⁵⁵ If Gopa’s poverty has nothing to do with the call centre, it may have rather more to do with the man in the late-model SUV who speeds past her: the local land-owner, who evicted Gopa from her smallholding after her husband died. It can be argued that land reform, not trade liberalization, would make the biggest and fastest improvement to the lives of hundreds of millions of the very poorest in the developing world who have not reaped any of the benefits of globalisation.

⁵⁶ Jeffrey Sachs interview, 25 September 2003.

⁵⁷ *Plan B*, pp 49-50: Brown argues that, as more people in developing countries can afford cars, more roads and parking lots will be created – usually on what had been crop- or pastureland: “More and more of the 11 million cars added to the world fleet of 531 million are being added in the developing world. This means that the war between cars and crops is being waged over wheat fields and rice paddies in countries where hunger is common. The outcome of this conflict in China and India, which together contain 2.4 billion people, will affect food security everywhere.”

⁵⁸ Interview with Will Masters, 25 September 2004.

⁵⁹ For a link to the 2003/04 Environment Report, and to the BBC’s CSR report, visit:
<http://www.bbc.co.uk/info/environment/2004/>

⁶⁰ **Living Public Value – On Air, Online and Beyond**. The BBC’s Corporate Social Responsibility report, December 2003.

⁶¹ In particular the US financial news service Bloomberg, which also pioneered multi-screen programming, allowing multiple images and texts to appear simultaneously – possibly the most significant breakthrough so far in the ongoing attempt to convey complexity.

⁶² BBC website.

⁶³

¹ Something the BBC's Doreen Walton has proposed.

⁶⁴ Richard Sambrook, speaking at a King's Fund seminar, "Health in the News: Risk, Reporting and Media Influence," 23 October 2003.

⁶⁵ "The War on Bias," *The Guardian*, 23 August 2004; "...as the US's top papers admit they failed in the run-up to the invasion of Iraq..."

⁶⁶ *The Washington Post*

⁶⁷ *Who Will Feed China? Wake-up Call for a Small Planet*. Lester R. Brown. WW Norton & Company, 1995. Also: "China Fears Reliance on Food Imports," *Financial Times*, (front page), 23 August 2004; "China's Farmers Cannot Feed Hungry Cities," *Guardian*, 26 August 2004.

⁶⁸ *Guardian* Comment page, 6 April 2004

⁶⁹ "Fish Quotas Ready for a Sea Change: adopting some of the measures taken by Iceland could help turn the tide for the troubled [UK] white fish industry," *Financial Times*, 17 August 2004. For info on Canada/global fisheries, see footnotes 14-16.

⁷⁰ Among them, William Stanley Jevons in England, Karl Menger in Austria, John Bates Clark in the US and Leon Walras in Switzerland.

⁷¹ Galbraith wrote, "The pretension of economics that it is a science is firmly rooted in the need for an escape from blame for the inadequacies and injustices of the system with which the great classical tradition was concerned." (*A History of Economics: the Past as Present*, 1991 Penguin edition, p 125.)

⁷² McCloskey asserts that economists are essentially writers of fiction, and their terms are not mathematical or scientific but rhetorical. For more on McCloskey, see APPENDIX G.

⁷³ IE, in the short- to medium-term; projections generally range from ten to fifty years. As John Maynard Keynes noted, in the long term we are all dead.

⁷⁴ World Bank's PovertyNet website: <http://www.worldbank.org/poverty/>

⁷⁵ Joseph Stiglitz, *Globalization and its Discontents*, 2000.

⁷⁶ "UNCTAD Urges Developing Nations to Focus on Production and Export," *Financial Times*, 11 June 2004.

⁷⁷ UN Development Program website, <http://www.undp.org/mdg/campaign.html>

⁷⁸ This observation is based on private conversations with World Bank economists.

⁷⁹ Dani Rodrick, delivering the keynote address at the World Bank's Poverty Reduction and Economic Management conference, April, 2004.

⁸⁰ "Growing, Growing, Gone: If the West is Serious About Reversing the Threat to the Planet's Species it Must Alter its Economic Growth." By Tony Juniper, Executive Director, Friends of the Earth (UK), writing in the *Guardian*, 1 December 2004.

¹ See, for instance, "Expensive Free Trade," by Marian Tupy of the free-market Cato Institute, writing in *Investor's Business Daily*, 26 November 2004. Tupy writes that outgoing EU Trade Commissioner Pascal Lamy proposed to open European markets to imports from the developing world – but only if they first adopted 27 international conventions on sustainable development and labour and environmental standards.

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Cover illustration based on a US Department of Agriculture graph: "Grain stocks in China, 1960-2003."

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