

Systematic Short-termism: Capitalism and Democracy

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I am a climate pessimist. I believe (regrettably) that humanity will not meet the climate challenge with sufficient strength to save our grandchildren from living in a climate-damaged world. Humanity (regrettably) will not make what sacrifice is necessary today in order to ensure a better life for our ancestors forty years hence. The reason is that we are narrowly focused on maximum well-being in the short term. This short-termism is reflected in the systems of governance that we have chosen to dominate our lives: Both democracy and capitalism place more emphasis on costs today that on benefits forty years in the future.

The global result of this human myopia is described in my book *2052 – A Global Forecast for the Next Forty Years*, a report to the Club of Rome commemorating the forty year anniversary of *The Limits to Growth*. The *2052* book forecasts a world of plus 2°C in 2050, and the likelihood of run-away climate change in the second half of the 21st century. Its website www.2052.info gives the statistical detail.

Furthermore, I am a *bitter* climate pessimist, because the coming drama is absolutely unnecessary. It is neither technically difficult nor prohibitively expensive to solve the climate problem. If humanity chose to use available technology to reduce the emission of greenhouse gases, the cost would amount to 1 – 2 % of GDP. In other words, a decision to act would postpone income growth in the rich world by half year or so. If we chose to solve the climate problem, we would be as rich in July 2022 as we will now be in January 2022.

So the climate problem will not be solved simply because we will choose not to solve it. Humanity is in the process of postponing action until it is too late. Not so late that the world will come to an end. But so late that our grandchildren will have a harder life than if we acted decisively today.

Why this deliberate procrastination? Because it is cheaper. It costs less – in the short term – to postpone than to act. Not much less, but nevertheless less. And what we are deliberately postponing is a small reorientation of societal investment flows. Away from what is most profitable and towards what is more climate-friendly. We should have directed more money into more insulation of buildings, more electric vehicles, more public transport, more renewable electricity and heat, and more CCS, in spite of the fact that these solutions are more expensive than the fossil based alternative.

Capitalism – the “free” market – is unable to help. Capitalism is designed to allocate investment funds to the cheapest solution, and we currently need capital for slightly more expensive solutions. But can't we regulate the market, to make it more profitable to invest in what are socially beneficial – in this case less polluting - solutions? Yes, we can. But only in

principle. In practice we have been talking in vain for 20 years, since the Rio summit in 1992, to establish a meaningful price on climate gas emissions.

What then about political leadership? Can't we evolve leaders that are able to convince democratic society to act now. Well, I believed so until I saw the fate of Al Gore. Once the voters understood that his crusade for our grandchildren's climate would lead to change – however small – in current ways, his political support evaporated in two short years. The typical rich-world voter is not in favour of more restructuring, more expensive gasoline and higher cost of power, even for a good cause. But can't the voter be educated? I don't believe so, after having spent forty years trying to promote the happy gospel of sustainability, and living now in a country (Norway) where all education has been free for two generations – and one third of the population still does not believe in man-made climate change, and much fewer support higher costs today to give future Norwegians a better climate.

In sum, I don't believe that the free market, regulation, political leadership, or public education will solve the climate problem in time. Capitalism is unable to handle this long term challenge, and democratic society is unwilling to modify the market. In my view, we need something stronger, something that can counter the root problem: Man's short-term nature. **His tendency to disregard the long term consequences of current action.**

What can be done? Can democratic society be modified to solve the climate challenge? Eco-dictatorship may be to go too far. But something is needed to temper the short-termism of the nation state, probably something at the supranational level. For example a global central bank for climate gas emissions, introduced through democratic means – like the normal central banks. This is easier said than done. **But still necessary.**

Otherwise, I predict, it will be the Chinese who solve the global climate challenge - singlehandedly. Through a sequence of 5-year plans established with a clear long term vision, and executed without asking regular support from the Chinese. They are already well on the way, for the benefit of our grandchildren.

Jorgen Randers is professor at the Norwegian Business School BI and co-author of *The Limits to Growth* in 1972, the Report to the Club of Rome, and its two sequels. His most recent book, published in May 2012, is *2052 - A Global Forecast for the Next Forty Years*, also a report to The Club of Rome.