

## A World Climate Bank: A response

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John Broome and Duncan Foley's paper discusses several important and interesting questions regarding how we can handle the climate crisis. It is also innovative on the institutional level with its proposal of a World Climate Bank. This is indeed valuable; we need much more creative institutional thinking about the challenge of the climate crisis. All too much thinking has been focused on individual behaviour instead of collective solutions and institutional change.

It is a rich paper with many ideas so I won't be able to do justice to all of it. Let me just bring up a few issues. As the title indicates, the main idea is to describe and argue for a World Climate Bank (WCB) which would "...finance loans to national governments to support specific expenditures tied to decarbonization... and compensation at economically realistic prices for the loss of value of fossil fuel reserves". This indeed seems a good idea that is likely to be easily defended on pragmatic moral grounds as one important tool in for dealing with the climate crisis. Broome and Foley are however quite sceptical to appeals to morality. As they write, "...the moral appeal has not proved powerful enough to bring climate change under control". They correctly note that this need not be because too few people are moral but because individual actions must be coordinated. For example, as long as it costs much more to take the train to Paris than to fly, people will fly. So we need big changes in the economic infrastructure through government action.

So why don't governments act? One partial explanation, they note, is the power of the fossil fuel interests (there are of course other reasons, such as the lack of coordination on the international level). They conclude that as long as "...there are powerful interests opposed to controlling climate change, governments will not act as they should".

What is their solution? Rather surprisingly, they claim that the "...only way we can achieve a satisfactory outcome is to make sure it is [in] no one's interest to oppose action" such that we can "harness the strong motive of self-interest to drive action on climate change". Even more surprising, as they acknowledge, they think such a solution exists and is feasible since greenhouse gas emissions are an externality which yields a Pareto inefficiency. And with such an inefficiency, "...it is possible in principle to change things within the economy so that at least one person ends up better off without anyone's ending up worse off".

Here I think Broome and Foley are wrong. Firstly, and luckily, they are wrong that the only solution to some oppositional powerful interest is to find a course of action that is in no one's interest to oppose. That is indeed one solution but a rather far-fetched one: no big changes and reforms in humanity's history, such as universal suffrage, has been underpinned by such a unanimity of interests among everybody concerned. Rather, much closer at hand and in line with changes in the past, it will do with sufficiently many powerful individuals and organisations on the right side to push through necessary change. That's how politics works. Luckily, since it not feasible, we don't need everyone onboard.

Still, as Broome and Foley correctly note, that might mean that we must make some rather unpalatable decisions such as, in a sense, "bribing" some leaders of the fossil fuel industry to get their hands off the levers of power. That means rewarding people "who tell lies about climate change, and pay others to tell lies, in order to preserve their unjust advantage. They have lavishly funded climate denial and relentlessly lobbied governments." Albeit morally repugnant, we might have to do this to avoid the catastrophe of run-away climate change.

This buy-out of the fossil fuel interests could be done by a WCB as Broome and Foley suggest. However, one wonders why it couldn't also be done by already existing big and rich national governments, or coalitions of governments. Moreover, national governments have an advantage over a WCB since in addition to carrots (buy-out), they can provide sticks, such as a threat of nationalization or adverse legislation. This will make the price of the buy-out lower. It is not clear to me why a WCB is needed for this purpose and what advantage it would have over already existing governments.

Secondly, as Broome and Foley are aware, the standard notion of inefficiency in welfare economics only applies to populations consisting of the same people. But future alternative populations will consist of different people and different numbers of people, depending on what we do and how we tackle climate change. So the standard notion of inefficiency is not applicable. They try to remedy this by providing a new notion of inefficiency: "a situation is inefficient if it is possible to change things in the economy so that some existing people are better off, no existing people are worse off, and the resources that are left to future people are at least as good as they were before".

This is a rather strange creature that mixes considerations of welfare with considerations regarding resources. It is far away from the standard notion of inefficiency which is in terms of people's preferences. The standard notion has the advantage that no one seems to have a reason to complain if we move to the efficient outcome which Pareto dominates the other outcomes: At least one person prefers A to B and no one prefers B to A. However, whether future people will have a complaint depends on how we work out the idea of "resources that are at least as good as they were before", which is left undefined in the paper.

One way would be to spell it out in terms of total resources in some manner, which Broome has suggested in another paper.<sup>12</sup> However, future populations could be much bigger than the current population so that per capita resources would be dismally low although these future populations would have the same total amount of resources that the current generation enjoys. It could be so low per capita that future people would have bad lives and suffer a lot. Hence, it cannot plausibly be claimed that this notion of efficiency "...requires no one to make a sacrifice... [n]one of them need [to] suffer".

One can try to spell out "resources that are at least as good as they were before" in terms of per capita resources or in terms of what would give future generations sufficiently good lives or in some other terms. However, the choice between these different alternatives for how to aggregate resources would need a moral argument regarding what combination of resources and number of people is at least as good as another one. Hence, we cannot dispense of morality as Broome and Foley had hoped. Moreover, we would run into problems analogous to those in population ethics where a number of paradoxes and impossibility theorems shows that we are far away from a consensus on how to value populations when both the quality lives and the number of people varies.<sup>13</sup>

Although we cannot use the arguments from standard welfare economics to support the idea of a WCB, there are many other promising arguments for such a bank, some of them presented in Broome and Foley's paper, which I, for reasons of space, unfortunately cannot discuss here. We need more work in this area and Broome and Foley's has done us a great service by starting the discussion of this important idea.<sup>14</sup>

## Biography

- **John Broome** is Professor of Moral Philosophy at the University of Oxford. He is also a visiting Professor at Stanford University and an adjunct Professor at the Australian National University.
- **Duncan Foley** is the Leo Model Professor of Economics at the New School for Social Research in New York.

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