

Multi-Tasking to Counter Short Selling in the Greenhouse

How environmental wisdom can be used to counter economic downturn

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Emissions are to the environmental crises of the past 30 years what short selling is to the current financial crisis. Greed, subprime mania, risk without responsibility and smug banker thinking: The financial crisis and the climate crisis are driven by a mindset that purposely gives no thought to the consequences of unrealistic and unreasonable growth. The buy-now-and-pay-later mentality and the notion that we can pass on the costs of environmental damage to future generations are both attitudes that fuel short selling in the greenhouse. The unbridled nature of this crisis is endlessly annoying. It breeds doubt about all previous concepts for a sustainable economy. The worst annoyance, though, comes from those who are not at all annoyed by this crisis.

In October of last year, we were told that the global economy was on the brink of collapse. The economic crisis had forced environmental and climate protection from its leading position on the international agenda. It was thus highly appropriate that at the World Economic Forum in Davos the Executive Secretary of the UN Framework Convention on Climate Change, Yvo de Boer, and the Danish Minister for Climate and Energy, Connie Hedegaard, joined Lord Nicholas Stern in reminding participants that annual green investments of some \$515 billion are required in order to achieve efficient energy use, smart grids, energy storage systems and carbon capture and storage (CCS) by the year 2030. This is three times more than the current trend – and it illustrates the hesitation of policymakers. To make matters worse, due to extremely vulnerable investment structures, the financial market blip is threatening to expand disproportionately. The short selling in the greenhouse is causing significant damage.

Our Share of the Problem

Basic common sense dictates that we need a criminal code and traffic regulations in order to tolerably coexist within a community. But we have failed to apply the same principle to the international financial sector. US President Barack Obama speaks of "our collective failure to make hard decisions."

The state must use its power to rein in the financial industry. Official bans and threats of penalties against companies and individuals are necessary in order to construct a new system for the financial industry. We need a powerful banking and financial regulatory agency and laws on the minimum allowed ratio of equity capital. The list of banned practices should include balance sheet tricks, trading in illegal securities, speculating on the falling value of shares owned by third parties, and taking shelter in tax havens and areas beyond the control of regulatory agencies. The reason is simple: The prosperity of the world's nations cannot simply be equated with the riches of the affluent.

It is infuriating enough that government budgets and taxpayers will have to foot the bill for the debts of greedy and smug losers, and we risk losing sight of our objectives for ecological modernization. Nevertheless, it could be even worse: The most foolhardy thing that one can do in a crisis is not to seize the occasion to introduce fundamental changes.

Rescuing AND Planning Ahead

The financial, economic and climate crises are a sign that the business models of the past can no longer be trusted. If we fail to tackle this lack of confidence, then all government-sponsored bailout and economic stimulus programs will prove ineffective, despite all good intentions.

Across-the-board tax relief and scrapping selected products does not engender trust. Such bewildering political initiatives only heighten people's mistrust. Replacing old cars with more of the same is not convincing when we actually need different cars. An economically useful momentum can only be developed if there is a growing sense of confidence that another car will help solve the climate crisis.

Money doesn't drive economies. They are fueled by courage, ambition and people's trust. The New Deal and the Marshall Plan were not effective because of the sheer amount of money invested, but rather because they unleashed new social forces. They gave form to ideas that people could identify with. As long as economic policies attempt to get by without bold ideas, they will remain unsuccessful. Such bold ideas are lacking today.

One (!) such idea would be multi-tasking: Every borrowed euro that is invested must serve both the economy as well as the growing sustainability market. There is no doubt that this can be done. Environmental protection has long since (also) become an environmental business sector. Germany has a 16-percent share in the global trade of environmental protection goods. Now we have to use the crises to make a quantum leap.

It is, however, misleading to focus solely on our output. The economic fallout of the astronomical bailout and spending programs will be horrendous. No thought is being given to how we and our children will ever be able to work off this mountain of debt. The amount of debt has reached record new highs and, moreover, it appears immeasurable. New concepts are needed here.

In the long list of environmental crises, no crisis resembles the previous one, and yet they all share certain similarities. Sulfur deposits in forests, fields contaminated with cadmium, lead in children's blood, hydrocarbons in North Sea seals, estrogen in fish, tetracycline in groundwater, wines laced with diethylene glycol. Today, we have to learn the principle behind short selling just as quickly as we once had to comprehend how wine is laced with diethylene glycol, so that we could prevent this practice in the future.

A dual approach is required to cope with every crisis. Imminent dangers must be averted and they must be prevented from happening over the long-term. Threats from BSE and dioxins or subprime mortgages and short selling can only be successfully averted if impositions made against established interests can be justified based on reliable and lasting precautionary measures. Anything else is nothing more than frantic activity driven by borderline panic: expensive, ineffective and hardly credible. That is the lesson that comes from environmental policymaking, and it is still every bit as true today. Former German Chancellor Helmut Schmidt summed it up well: "If we stick to the humdrum routine of financial and banking

regulatory practices, then a return of confidence in the reliability of the financial markets remains nothing more than an illusion."

How Clean Is Clean?

Contaminants in the soil pose an enormous danger to people and the environment. Owners are liable for these hazards. But that wasn't always the case. For many years, Germany had contradictory legal limits for toxic substances, particularly with regard to maximum amounts of naturally occurring substances. To make matters worse, there was a lack of regulations. The state only managed to clearly delineate liability limits and preventative measures for soil contamination when it finally defined how clean is clean.

Do we really need a bad bank for the financial industrial toxic waste, now that there are already so many bad banks in the German financial sector? Contaminated sites and toxic financial products have one thing in common: They need to be defined and inspected by public authorities. If the owners define this, then every banker's messy backyard is likely to become a toxic waste dump. If the state fails to define "how bad is bad," then it is beyond help.

Nothing Is Too Big to Fail

The assumption that an institution, country, company or social culture is too big to fail is a delusion, no matter how often it is repeated with regard to banks and financial institutions. Throughout history there have been many examples of entire cultures that also perceived themselves as big right up until their ultimate decline. They were often relegated to the annals of history because they ignored changes in their environment. Ecological systems are never characterized by their sheer size, but rather by their qualitative cross-linking. This is what makes them vulnerable. It is patently obvious today that no one who presents the argument "too big to fail" is precisely defining what he means by size, and how this can be transformed into quality. This vagueness bears a dangerous potential for blackmail, which can be countered, however, by pointing out that what appears to be "too big to fail," is actually upon closer examination "too big to save."

No Magic Cure

Words can be effective. The German government guarantees the savings of all German account owners. The word "guarantee" has a soothing effect, even if it cannot actually be redeemed, if worse comes to worse. This serves as a declaration guaranteeing the status quo of the entire lifestyle and consumption level of our society. That is how it is perceived. This is thus something that we yearn for, something that allows us for one brief moment of self-delusion to forget the messages of the past few years and sweep aside those voices of doom and gloom that spoke of climate change, demographic challenges and the risks of globalization. This "business as usual" approach is unproductive, uninspired and clumsy.

Scrapping Instead of Recycling?

The latent automotive industrial adaptation crisis has been exacerbated by the collapse of the financial markets. Following the long and difficult process that our society went through to finally embrace the principles of a recycling economy – and the successes of the world's highest recycling rates and efficiency standards – the scrapping bonus marks a return towards pre-ecological levels. The recycling economy – a sector that boasts cutting-edge innovations

and top-notch specialized knowledge – deserves better than the scrapping vocabulary of the 1970s. A new sustainability system is required in the mobility economy.

Sustainable Investments

Energy and material efficiency that was appropriate yesterday is not wrong today. A multi-tasking euro would transform short-term savings into long-term market positions. Sustainable investments in renewable sources of energy, fair trade and environmentally-friendly business practices have proven to be an enormous success over the past few years. More investments in sustainability funds, also made by the state, would yield dual returns for the environment and society.

Economic and financial policy still needs a clear sustainability compass. This would change the economic system and enhance our ability to steer towards a sustainable future.

That is easier said than done. Averting dangers may also turn out to be no less perilous than the dangers themselves. But there may be a solution on the horizon if society finds the courage to collectively make tough decisions and embark on courses that some would still say are nothing more than fantasy, illusion or utopia. This is yet another situation governed by the general principle: The virus of unattainability lurks in every hope. But one could also say: The virus of hope lurks in every unattained reality.