

Europe's Determination to Decline

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SÃO PAULO – In a heroic case of finding a silver lining in the bleakest of all situations, the European Union climate commissioner has concluded that the global economic crisis and recession actually provided a lucky break for everyone.



Commissioner Connie Hedegaard says that the slowdown in economic activity will make it easier for the EU to achieve its 2020 goal of ensuring that greenhouse-gas emissions are 20% below their 1990 level. In fact, Hedegaard believes that cutting emissions has become so easy that European leaders should be more ambitious and unilaterally aim for a 30% reduction below the 1990 level – an idea that has won support from David Cameron's new British government.

This may seem like good news, but it is not, because there is a strong correlation between economic growth and carbon emissions. For almost all countries, higher emissions come from higher growth rates. And if you restrict carbon emissions without providing affordable alternative energy sources, GDP will falter. In other words, by advocating even deeper cuts in emissions, Hedegaard is, in effect, calling for an even deeper recession.

It's worth noting that even before its current economic difficulties, Europe was unable to keep up with the growth rates of the United States, not to mention the emerging economies of India and China. To stay in the game, the EU acknowledged a decade ago that it needed to become uniquely inventive. Hence, the European Council's Lisbon Strategy of 2000, which centered around a pledge to increase general research-and-development spending by 50% over the following decade. Unfortunately, Europe has done no such thing; if anything, R&D spending has actually declined slightly since then.

This is especially regrettable because R&D in green energy technologies is really the only viable long-term strategy for reducing fossil-fuel consumption without crippling the world economy.

European politicians instead seem to have become increasingly committed to the notion that global warming is the world's most urgent problem. Some conspiracy-minded commentators even suggest that this is related to Europe's lack of competitiveness: instead of trying to keep up, they say, Europe has decided to find a way to slow everyone else down.

One needn't accept this Machiavellian view to recognize that trying to cut back on the use of fossil fuels in the absence of practical alternatives is a recipe for economic stagnation.

This seems to be a driving factor behind China and India's refusal to go along with Europe's plans at last December's global climate summit in Copenhagen. The German magazine *Der Spiegel* recently got hold of a tape of the final negotiating session. It is instructive to hear the baffled reactions of European leaders like Germany's Angela Merkel, France's Nicolas Sarkozy, and Britain's Gordon Brown as their developing-country counterparts served notice of their refusal to consign their populations to continued poverty in order to solve a problem that the rich countries created.

Attempts in 2010 to rekindle commitment to a global carbon-emission deal have failed. Both the outgoing head of the UN climate-change secretariat and Commissioner Hedegaard have admitted the obvious: a deal is extremely unlikely to be reached at the next major summit in Mexico at the end of the year.

Nonetheless, Europe has continued to pursue its quixotic course, even without a global treaty on reducing carbon emissions. And make no mistake about it: the EU's unilateral emission restrictions are not only economically destructive – likely to cost Europe an estimated \$250 billion a year by 2020 – but are also astonishingly ineffective.

Climate models uniformly show that that for all the economic havoc that such carbon cuts would likely wreak, they would have a negligible impact on global temperatures. The widely used RICE climate-economic model shows a miniscule drop of 0.05 degrees Centigrade over the next 90 years. Despite the huge outlay, the difference in climate by the end of the century would be practically indiscernible.

Unfortunately, it seems as if Europe has decided that if it can't lead the world in prosperity, it should try to lead the world in decline. By stubbornly pursuing an approach that has failed spectacularly in the past, Europe seems likely to consign itself to an ever-dwindling economic position in the world, with fewer jobs and less prosperity. Even the most optimistic-minded would struggle to find a silver lining in that outlook.

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