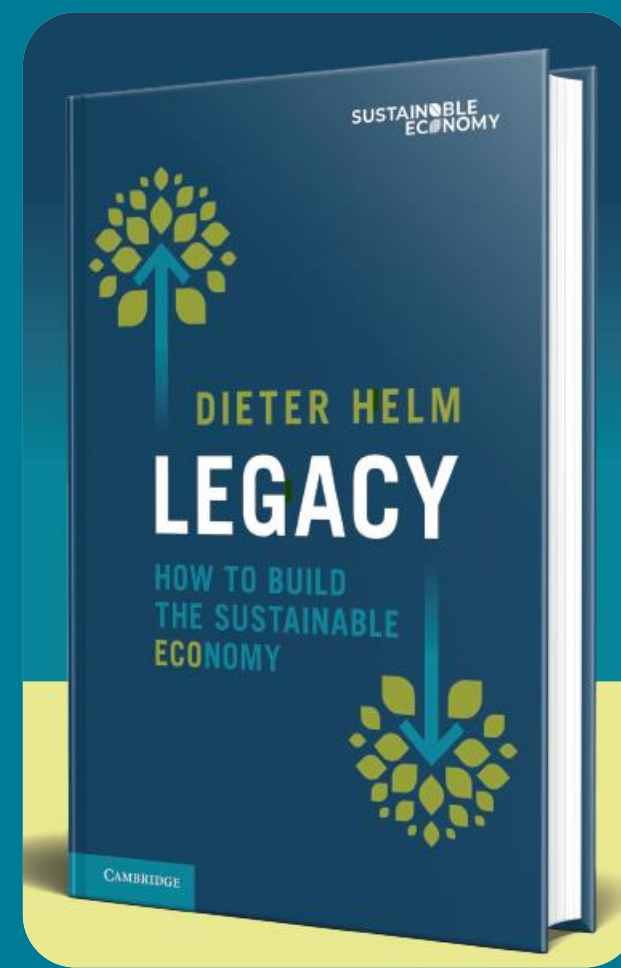


Climate change, biodiversity loss and the macroeconomy of the sustainable economy

Society for Professional Economists

17th November 2023

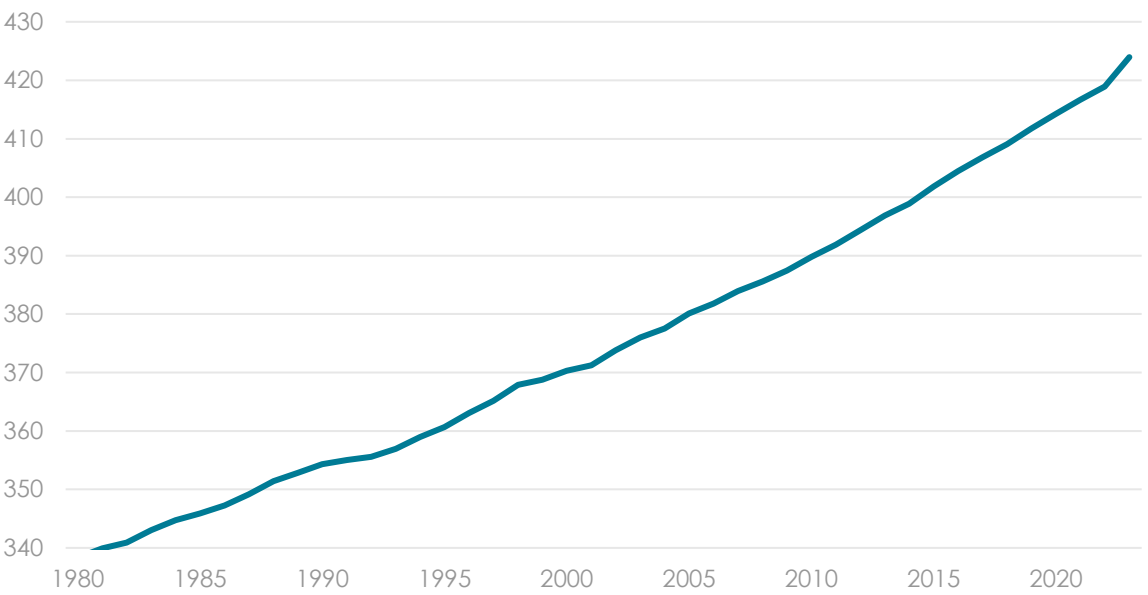
Dieter Helm
Professor of Economic Policy
University of Oxford



Just to remind you how unsustainable the economy is – climate change

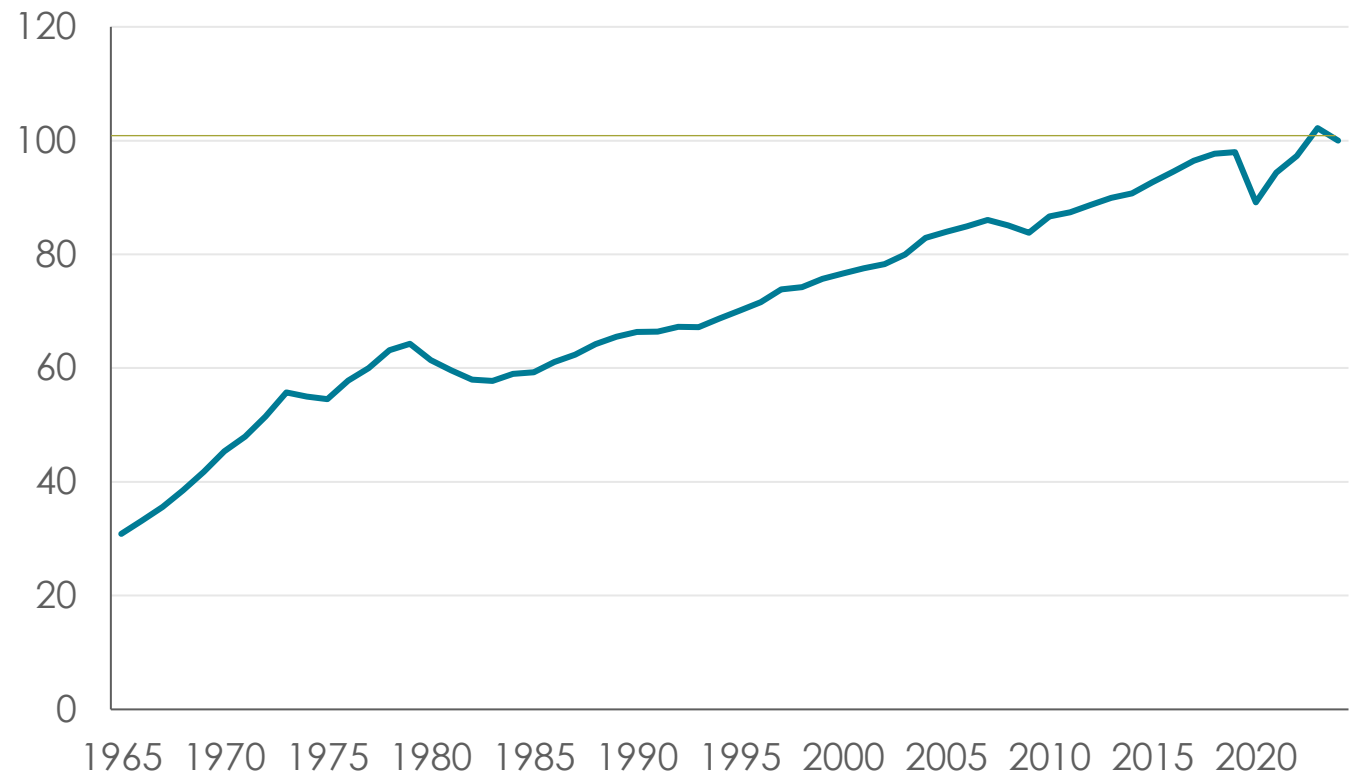


CO2 monthly average, 1980–August 2023



Source: <https://gml.noaa.gov/webdata/ccgg/trends/co2>.

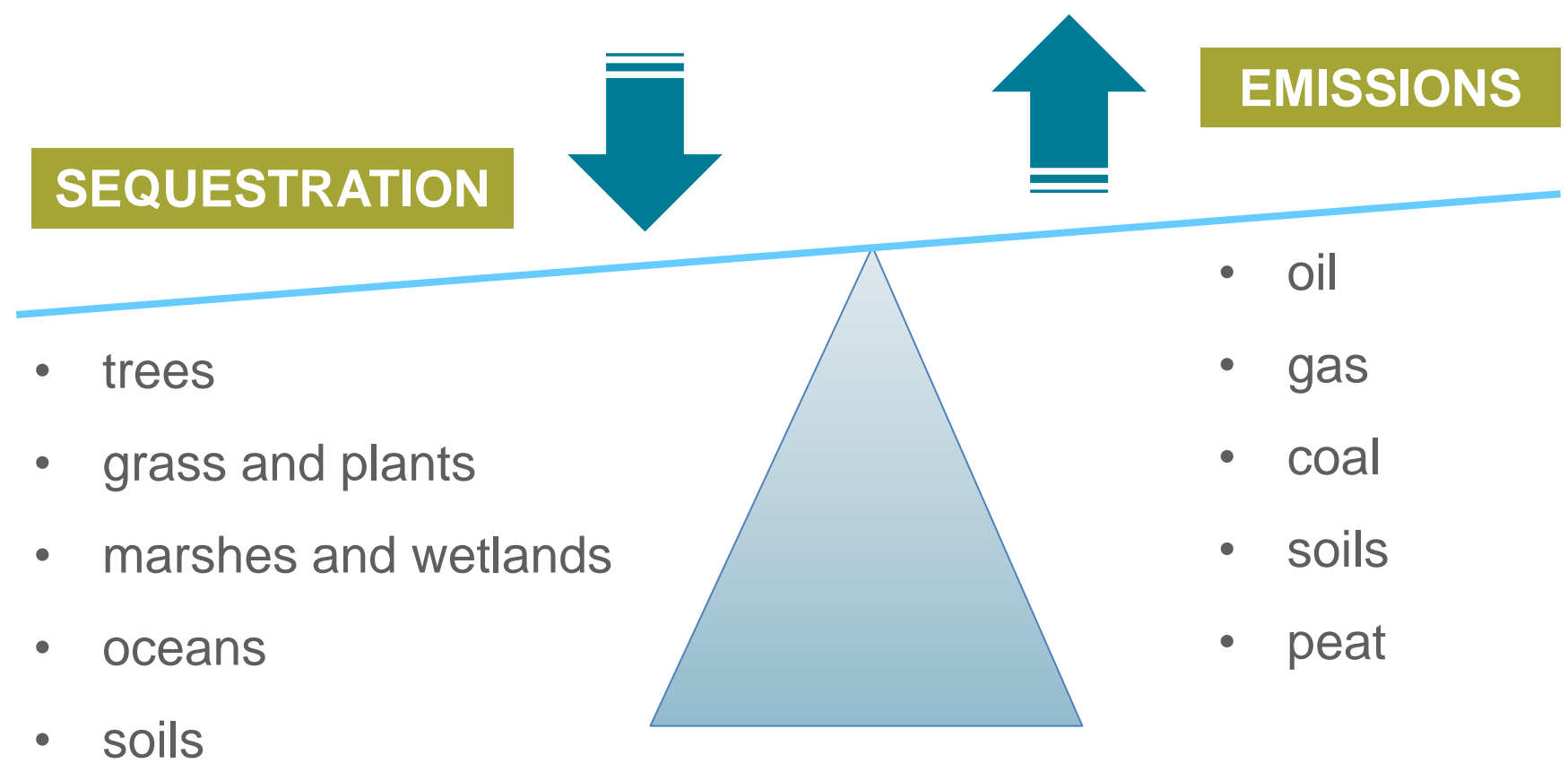
Oil demand (mbd), 1965–2024 (est.)



Source: "Energy Institute Statistical Review of World Energy", 2023; * Estimates for 2023 and 2024 taken from IEA (2023), "Oil Market Report - August 2023".



And then there are the declines in biodiversity



Amazon rainforest



Nickel-mining in Indonesia

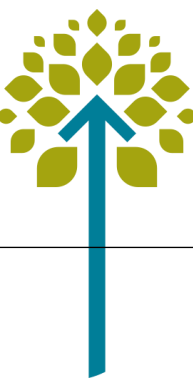


The question is...

What would the sustainable economy look like?

The three core foundations

- citizens not consumers
- uncertainty and resilience not expected utility
- assets not flows



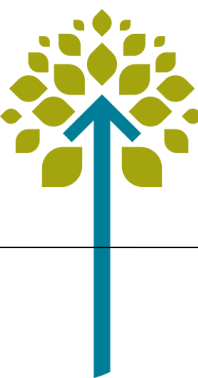
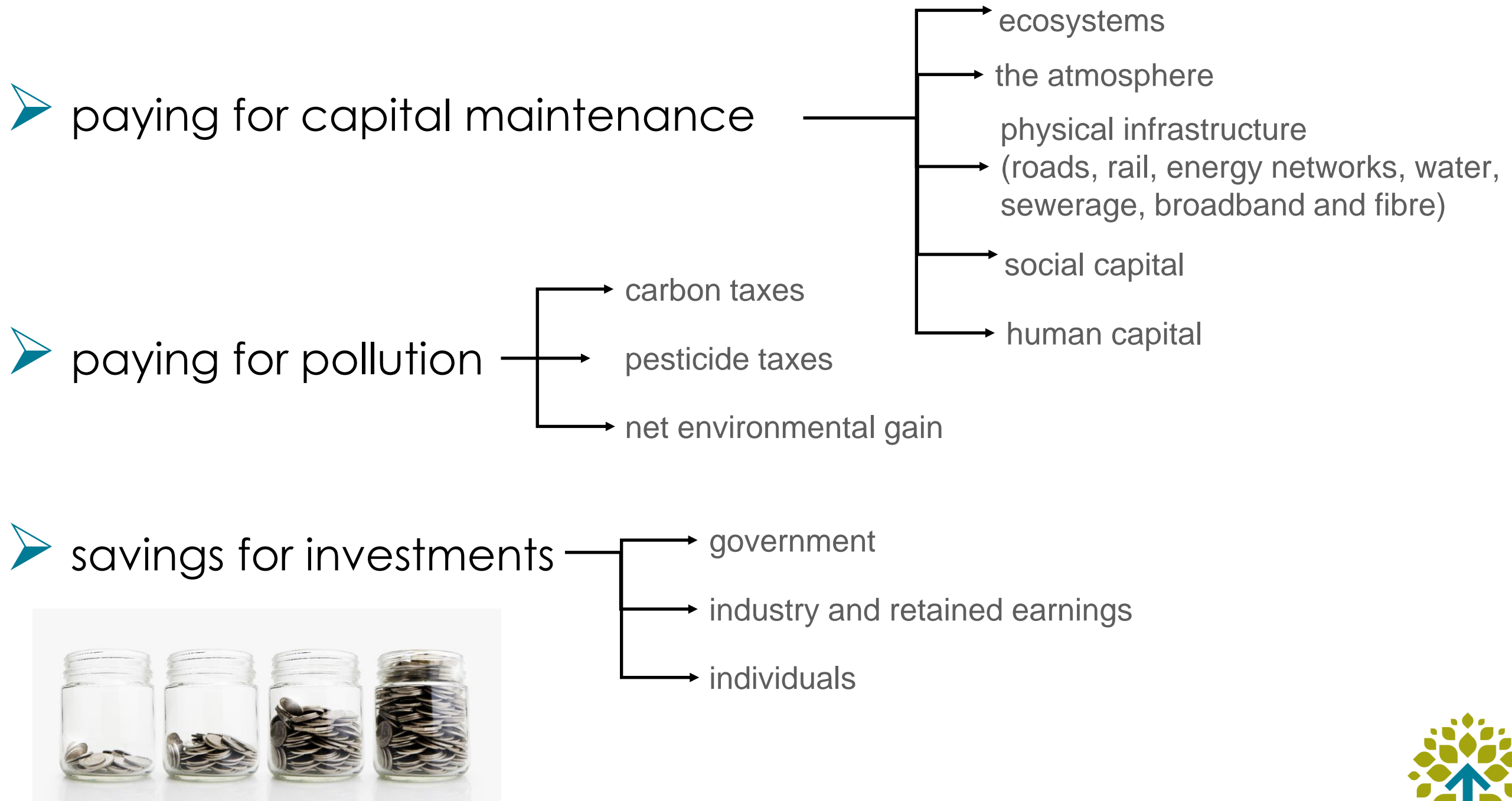
The objective

Leave the next generation with a set of assets so that they can choose how to live their lives

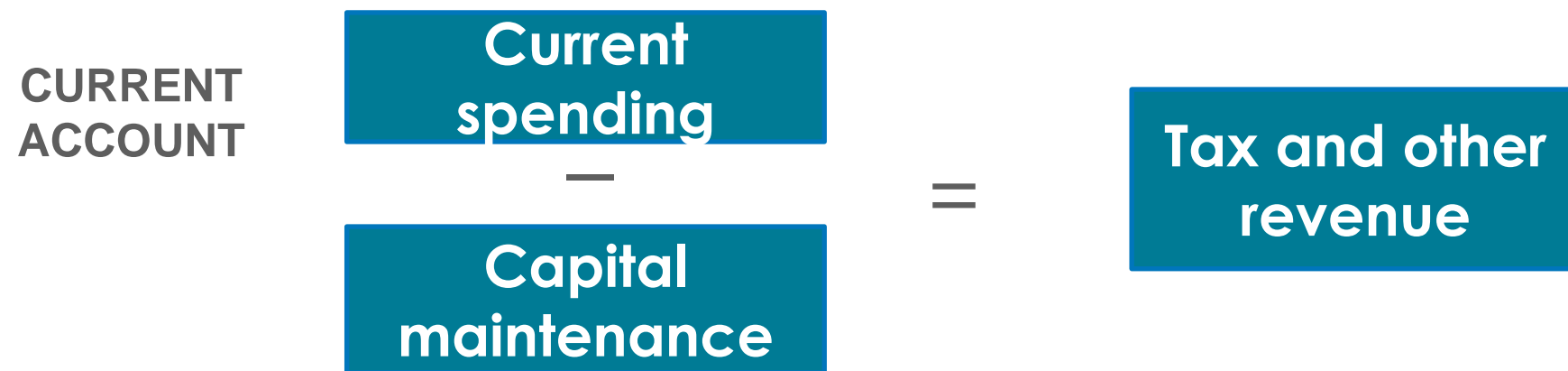
- core assets in perpetuity and balance sheets
- capital maintenance as a current cost
- resilience



Living within our sustainable means



The macroeconomic consequences of the balance sheet



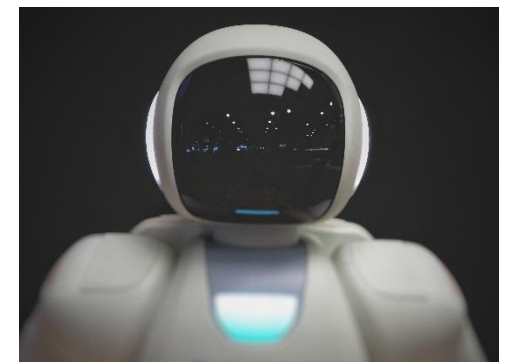
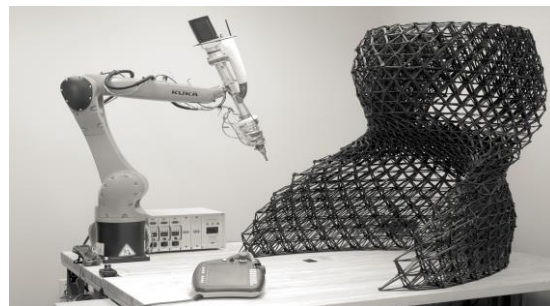
Sustainable consumption + growth

➤ sustainable consumption net of capital maintenance

- no depreciation of core assets
- no net capital consumption

➤ economic growth from ideas and new tech

genetics, digitalisation and AI,
quantum computing, fibre,
etc, etc, etc...



After climate
costs

After natural
capital protection



How it ends

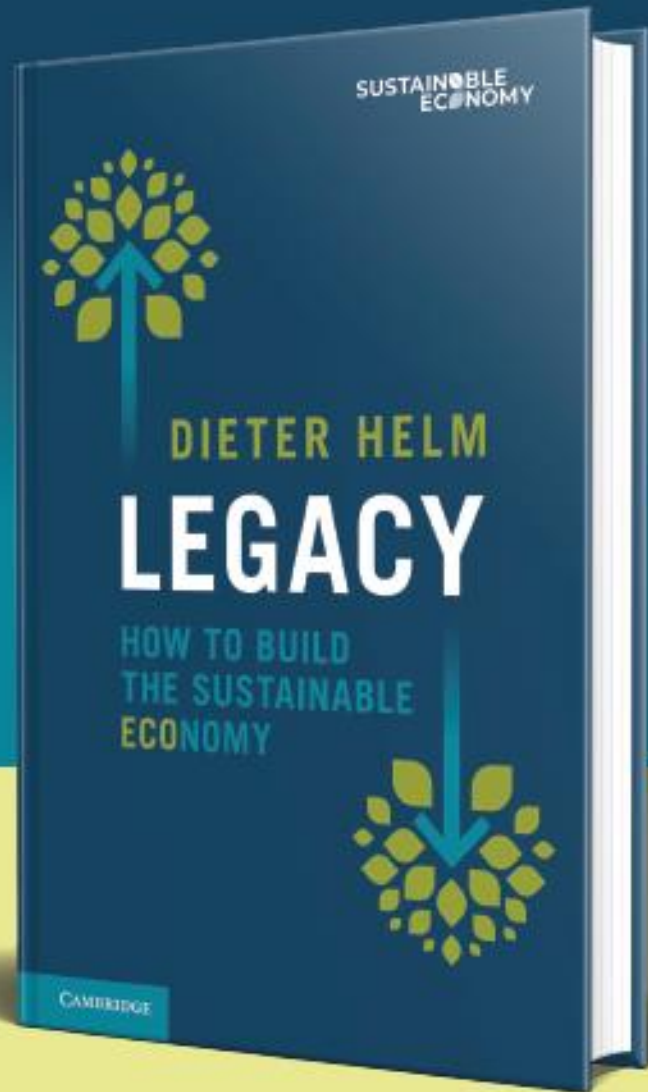
- not on a sustainable path
- not doing enough capital maintenance
- borrowing for capital maintenance
- not paying for pollution

WHAT IS UNSUSTAINABLE WILL NOT BE SUSTAINED

The question is not whether we become sustainable, but whether it is ex ante or ex post



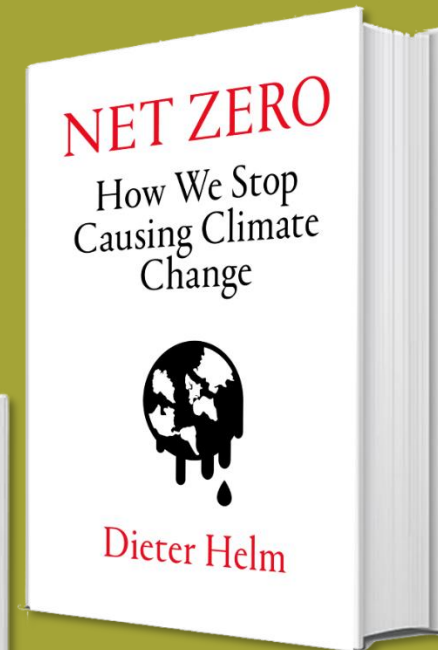
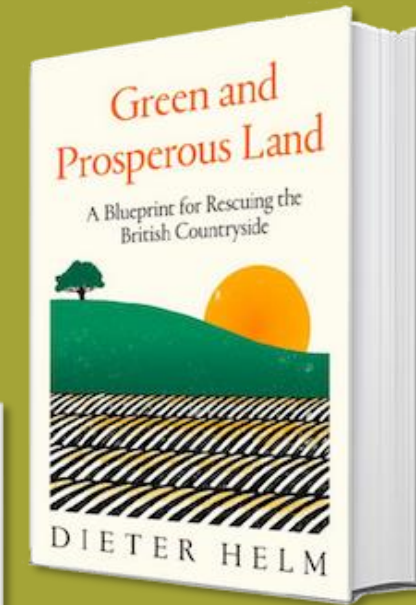
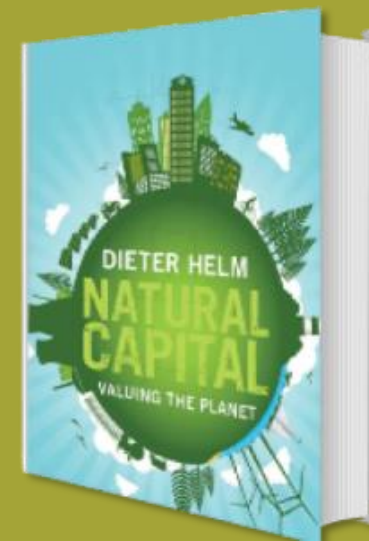
Open
access
available
now



“Dieter Helm does not pull his punches in this **forthright and powerful book**. What is unsustainable can, he insists, not be sustained. To avoid disaster, we must transform how we live. Above all, we must all pay for the maintenance of core natural assets, instead of living well off their destruction. This will demand radical changes in how we live our lives, individually and collectively. Some will assert that the revolution he seeks is impossible. Helm counters that it is inescapable.”

Martin Wolf, Chief Economics Commentator, Financial Times

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