



**Speech by John Ashton**

# Our Choice Unchained: Climate Change, Growth and the Baleful Power of a Modern Cult

**New Economics Foundation Alternative Mansion House Speech,  
with Frances O'Grady**

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Archbishop Desmond Tutu tells this story, according to a recent biography.

“When the missionaries came to Africa”, the Archbishop says, “they had the Bible and we had the land. They said ‘Let us pray.’ So we closed our eyes and prayed. And when we opened our eyes again, we had the Bible and they had the land”.

You can surrender a valuable asset without even noticing until it's too late.

Our most valuable asset, what makes us human, is the gift of will. Our collective will, expressed through politics, gives us the power to choose the future we want.

But my generation has done a terrible thing. We closed our eyes and surrendered our capacity to build the future. We surrendered it not to missionaries from afar, but to a modern day secular cult our own forebears nurtured at their breast, on the milk of Enlightenment reason.

It's time to take our future back.

The cult has no single name, only labels that identify sectors within its sphere of influence. Labels like neoliberalism, Washington Consensus, Chicago School, rational choice, radical individualism. Those outside the cult call it market fundamentalism, though if it needs an “-ism” market supremacism might be better.

Cults flourished in classical times. This modern day cult is distinctly neoclassical. If there is an intellectual foundation on which it plants its flag, it is neoclassical economics.

The cult's high priests can be found in political parties, of left as well as right; in boardrooms, financial exchanges, editorial pages; in the academy. But their citadel is the machinery of government and particularly those parts of it where the levers of macroeconomic power are to be found.

High priests play a crucial role in any cult. They control access to the oracle. Only they know its language. Only they can interpret its utterances, and tell us what to do as a result. That gives them enormous power. As long as the cult maintains its hold on the public imagination, it's impossible to challenge the power of the high priests.

The oracles of this cult are its models of the economy, based on the neoclassical theory. We compete but don't cooperate. We strive constantly for gratification, usually instant. All outcomes can be reduced to a monetary value, to be traded off against each other to compute what's best for us all.

The high priests crank the handle and the oracular computer says yes or the computer says no.

A commandment of the neoclassical cult is: *"The State shall not intervene in the operation of the market in such a way as to predetermine the structure of the economy. The forces of the market shall be allowed to create for the common good the most efficient and productive of all possible economies."*

Now, we need, in a single generation, to build an energy system without carbon emissions. Every major economy must do that, otherwise the pillars of food, water and energy security on which the global economy stands will crumble under the stresses of climate insecurity.

That means electricity largely from renewables not coal or gas, unless we bury the carbon from their combustion. Transport fuelled largely by electricity not liquids derived from oil. Domestic heating from electric devices not gas boilers. And, on the demand side, less wasted energy.

Modern Britain could not have been built without electricity. We were world leaders in the early application of electric power.

For me a childhood hero, as I was growing up on Tyneside, was local inventor Joseph Swan, who demonstrated incandescent electric light before Edison. Swan's friend, the great Novocastrian engineer Sir William Armstrong, built at Cragside near Rothbury the first home in the world lit by electric light, generating his own hydropower from a nearby stream.

Dealing with climate change is all about electricity. It's about using electric power to do more things in smarter ways, while taking carbon emissions out of its production.

And it's about taking control over energy from remote utilities and giving it back to people. Germany is on track to get a third of its electricity from renewables by 2020. Over 40% of

this burgeoning capacity is currently owned by citizens through community energy cooperatives.

Meanwhile China is investing \$1.6 trillion in public funds to boost the industries that will drive the transition, like solar power and electric cars.

The real global race is the race to rebuild the economy around a carbon neutral energy system.

For Britain, the low carbon race is not merely an attractive prospect. It's a prospect so inspiring it could put a spring back in the step of our dispirited nation.

But the high priests of the neoclassical cult want us to run the race with our legs tied together.

The energy system is at the foundation of the modern economy. It has been since the industrial revolution, which was all about energy. If you change the energy system, you change the growth model.

We need a growth model that is low carbon, and efficient in its use of energy and other resources, a growth model that protects the economy against shocks whether they arise from financial instability or price spikes in oil, food and other resources.

Our current growth model is high carbon, resource intensive, and vulnerable to shocks. To change it would be an act of will.

But that would be heresy. The power of the market to fix the structure of the economy would be usurped. For the cult, it is axiomatic that the less we constrain the operations of the market, the more growth we will get, so a low carbon growth model is a contradiction in terms.

The high priests know they can't completely block the effort to build a low carbon economy. Instead they try to make us do as little as possible, as slowly as possible. That is a recipe for incremental change within the old growth model not transformation to a new one.

There was a debate inside our government in 2011 about the so-called fourth carbon budget. The independent Climate Change Committee under Lord Turner, Adair Turner, had proposed a carbon budget for our economy for the period 2023-27. Some government Departments, including the Treasury, wanted a weaker budget, on the grounds that Lord Turner's proposal would harm output in the mid 2020s.

The Committee's proposal was eventually agreed. But at the insistence of the Treasury this was made subject to a review next year.

More recently, the Chief Economist at the Energy and Climate Change Department, Stephen Fries, proposed an independent study of the vulnerability of our economy to climate and resource insecurity.

In a message to Dr Fries, Dave Ramsden, his counterpart at the Treasury, wrote:

*“in response to your request for an external review on resource scarcity, climate change and growth, I can’t offer Treasury support at official level. I can see that doing work in this area would be interesting, but it would be better for it to be internal.....given the limited resources we are all dealing with, we would need to be confident that we want to prioritise this work....If a decision is taken to go ahead with an external review...it should be....decoupled from UK growth issues.”*

The most revealing thing about these examples is not the suggestion that the Treasury sees aggressive climate policies as a threat to growth. It is legitimate for the Department most concerned with our macroeconomic condition to have its own view on such a question.

What should cause concern is the implication of the Ramsden email, that “growth issues” as he called them are a matter for the Treasury and nobody else. That, you must admit, is a little bit cultish.

The examples also suggest, curiously, that the Treasury does have the resources, even in these hard times, to assess the damage that climate policy would do to growth, not least by reviewing the carbon budget, but that it does not consider the damage arising from climate change itself worthy of the same attention.

Our path in Britain to a low carbon growth model is blocked on behalf of the neoclassical cult by what you might call the modern Treasury view.

Its exponents claim the high ground of reason. Their method is “evidence-based”, they say. It can tell us how the policies we are proposing will affect the output of our economy, not just next year but nearly 15 years hence in the case of the carbon budgets.

Really?

Models based on that same theory were projecting five years ago that our national output would now be nearly a quarter more than it actually is.

The Office for Budgetary Responsibility has been less skillful at forecasting growth to come than it has at explaining why each previous forecast turned out to be so wide of the mark (often, interestingly, because oil, gas or food were more expensive than expected).

Nobody should be surprised. Even neoclassical economists admit their theory of growth is incomplete.

It cannot explain clearly let alone predict the impact on growth of innovation, either in technology or policy and institutions. And it cannot deal in any rigorous way with shocks and the value for growth of building resilience against them.

That's a pity, because the shift to a low carbon economy is all about driving growth through innovation, not just in one sector but simultaneously across the economy. And it's about avoiding damage to growth through shocks.

But perhaps it's from the specific steps we would need to take that the threat to growth arises. Let's have a look.

Energy upgrades of our building stock, some of the least efficient in western Europe.

Good for growth actually, especially with so much unemployment in the construction sector. Also good for the deficit, for fuel bills, and for energy security.

An investment surge in our creaking energy infrastructure.

Good for growth, actually, as the Treasury itself now apparently accepts.

By means of that investment, a faster shift towards renewables in electricity and towards electricity in heating and transport, helping to get us off the oil hook and the gas hook.

Not obviously bad for growth, at least inasmuch as it reduces the risk of price shock recessions. Good for inflation too, and good again for energy security.

All of this would drive low carbon innovation through the economy. That too would have benefits for growth, especially if it helped make up ground we are losing to competitors like Germany and China in the low carbon race.

When it comes to carbon, the theory is bankrupt. Its models spin pointlessly round and round. They tell us everything about the economy inside the model and nothing useful about the one we actually live in.

Let me be very clear here.

I'm not saying that anyone can prove conclusively that moving quickly to a low carbon growth model would get us more growth in the short term than not doing so.

I am saying that nobody can show that it would give us less growth.

I'm not saying that the necessary policies can only be justified if we give up the goal of growth - if we go for "prosperity without growth" as Tim Jackson has put it.

Expansion in output as defined conventionally is a deeply flawed measure of progress. There is an overwhelming case for finding a better way to understand how the economy is doing.

But even if you don't do that, even if your aim is just to keep maximizing regular growth in the short term, you cannot justifiably use a growth argument to block the low carbon path. Even if you accept its goals and its language, you do not have to obey the cult.

Moreover, the cult cannot distinguish between different types of growth. Between growth that contains the seeds of its own destruction, and growth that nourishes its own roots. Between growth that recognizes resource and ecosystem limits and growth that pretends they do not exist. Anyone who tries to make such distinctions is committing the heresy of “directionality” - something of which an official from the Treasury once accused me - and can be safely ignored.

Nor am I calling for a command economy. To hate the market is as damaging as to idolise it.

But the market must be an instrument of our will not its gaoler. To use policy to shape it, and to impose on the economy the structure we want, is a responsibility, not a sin. It is in our own material interests as well as our moral ones.

And I am certainly not saying that those inside the machinery of government whom I have described with tongue in cheek as high priests of a cult are bad people.

Britain should be proud of its public servants. They may not be perfect but there are none better anywhere in the world. They are undervalued in politics and the media. As individuals they are of unimpeachable integrity. They are doing a tough and thankless job in difficult circumstances. They really do only have the best interests of our country at heart. Nobody, least of all in the Treasury, gets out of bed in the morning with the intention of harming the economy.

But they are human beings like the rest of us. Good people can fall under the sway of bad ideas and institutional groupthink.

So let's make a start.

Let's scrap the pointless review of the carbon budget.

Let's lift the ban on borrowing by the Green Investment Bank.

Let's recycle the revenue from auctions of carbon permits into low carbon investments that will boost growth.

Let's use the auction proceeds to push down bills for the fuel poor by upgrading their homes, as the campaign for an Energy Bill Revolution proposes.

Let's use unconventional monetary policy with more imagination to boost low carbon investment in the real economy as the New Economics Foundation has just recommended in its call for “Strategic Quantitative Easing”.

Let's reform our machinery of government so that it can better accomplish such goals. I'm not sure I'd go all the way with the recommendation the other day by Philip Stephens to abolish the Treasury. But we certainly need a Treasury reconfigured to be part of the solution not part of the problem.

There are many other things we need to do. But what these policies have in common is that they would loosen the chains, by showing that outcomes in the real economy matter more than Treasury-imposed rules that stop us reaching for them.

And this is not just about carbon. As you have heard this evening, nobody talks more eloquently than Frances O'Grady about the kind of economy our country needs, the kind of economy we could have if we relied on our people to shape it not the market.

Even if there were no carbon imperative, we would need an infrastructure makeover. We would need to get off the oil hook. We would need more innovation, engineering, and manufacturing to offset our lost growth, much of which was an illusion anyway, from financial services and debt-fuelled consumption.

We need, as Frances has written a "recovery programme that creates good jobs, builds affordable homes, and stimulates research and technology." A programme that takes back "control of the financial sector from the professional gamblers who treated the real economy like their own personal roulette wheel".

None of that is incompatible with a low carbon growth model. Indeed by pushing towards such a model we would be bringing all these goals closer.

But there is one even more important reason why the battle to reclaim our economic future will be one of the most momentous ever fought in our country.

In my adult lifetime, we have had the Troubles. We have had Thatcher's strife. We have had Blair's war.

But never, never has our country been more divided than it is now.

Urban Britain and rural Britain. Pampered southeast and our heartlands everywhere else, including a Scotland that could even leave the Union. Those on low pay or benefits and those who still carry home fat bonuses. Those fighting to stop a mansion tax and those struggling to survive the bedroom tax. The included and the excluded.

And above all, a country divided between those over 50, the winners from postwar prosperity, and those under 30, the first generation poised to inherit a future that promises less than the one handed down to their parents.

We need a growth model that brings us together, not one that drives us further apart. Only a future decided together by people not by the market can do that.

Prometheus stole fire from the Gods. Zeus punished him by having him chained to a rock. Every day an eagle tore out his liver. Every night his liver grew back, to be torn out again the next day.

We humans also stole fire. That's why climate change is now a problem for us. But it's not why we are in chains and starting to feel the pecking of the eagle's beak.

I said it was the gift of will that makes us human, but our humanity is only complete when we accept responsibility for the consequences of our acts of will.

By putting ourselves in thrall to the neoclassical cult we have chained our own humanity to a rock. If it is the market that shapes the economy, it cannot be our responsibility if things turn out badly. It cannot be our responsibility if the market drives us apart. And we cannot take responsibility to build ourselves a future that heals the wounded soul of our great country.

The spell must be broken.

Broken when? I say, break it now!

We must unchain the power we have to choose the economy we want.

When should we unchain our power? I say, now. We say: now!

It's time to claim our future back.

When should we claim it back? We say, don't wait. We say, claim it back now!

By closing our eyes and surrendering our will to a neoclassical cult of market supremacism, my generation betrayed those who are young today.

We can redeem ourselves if we open our eyes and claim the future back for them.

Frances, Ruth, friends, let's do it together. Let's do it now.

**John Ashton**

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