

RISE OF THE RADICAL

by Jeremy Leggett



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THE TIME IS APPROACHING WHEN HANGING ON TO FAMILIAR NOTIONS OF OIL DEPENDENCY, THE BIG BOOK OF BANKING AND GROWTH AT ANY PRICE WILL NO LONGER BE WORKABLE. WE MAY BE OBLIGED TO REWRITE THE RULES – ALL OF THEM

Those who propose alternative ways forward for society often find that if their ideas deviate more than a few degrees from 'business as usual', they are dismissed as radical. If the ideas involve u-turns, then they are dubbed dangerous. But I believe that many supposedly radical ideas currently under public debate are coming close to being inescapable outcomes.

Let me illustrate my argument with alternatives being proposed first to oil dependency, second to the current banking system and third, to economic growth.

WITH OIL DEPENDENCY, THE STATUS-QUO OPERATING MANUAL REQUIRES US TO believe that economies heavily geared to oil consumption will be fine for years to come. At least, that we have the luxury of several more decades before supply becomes tight against rising demand, requiring alternatives to oil on a large scale. But, as I have described before in my column, a growing minority of people no longer believe the comforting narrative of a far-distant peak in global oil production. We believe production will peak soon and then descend, meaning sky-high oil prices and a mad scramble to escape oil dependency.

I would argue that the rolling log of relevant events, as summarised on my website jeremyleggett.net, supports this view. For example, in June the rich nations released 60m barrels of oil from strategic stockpiles for fear of oil prices overheating. Much of this fear centred on the fragility of supply, not least in the wake of the Arab Spring. The *Economist* ran a headline that read: 'Running dry – oil production fails to keep pace with demand'. BP's *Statistical Review of World Energy* had just been published, revealing that world oil consumption exceeded supply by 5m barrels a day in 2010, and that stocks were being run down. In Saudi Arabia, the head of the national electricity company warned that Saudi oil may run out by 2030 on the current trend in rising domestic oil use. The Saudis are so desperate for electricity to feed their growth that they are burning greater amounts of oil in their power plants.

IF THOSE OF US WHO ARE CONCERNED THAT AN IMMINENT SLIDE IN GLOBAL OIL production are correct, and if the advocates of alternatives such as the tar sands and oil-from-coal prove unable to deliver, society will be forced to pursue low-carbon alternatives as a matter of emergency. Radical alternatives such as the deployment of electric vehicles, or 100% electrified transport systems, may well turn out to be unavoidable – for those who can afford cars at all.

A similar narrative applies to the banking system. Even though it came within hours of crashing the world economy in 2008, defenders

of the current banking system argue that we have no choice but to bear with it, or at best bolt on a few minor adjustments.

Today we still live with the aftermath of those unregulated excesses by investment bankers: millions unemployed, and governments struggling under a legacy of debt made more awful by their push to bail out the banks because they were 'too big to fail'. Those who advance alternatives are treated almost like a lunatic fringe. What red-blooded capitalist would want to have anything to do with banks that are servants of society, or with cooperatives, credit unions, mutuals, non-profit companies, peer-to-peer lending and those kinds of vaguely socialistic notions? The suicidally dysfunctional financial system grinds on, primed for its own destruction, I and others believe, by its own intrinsic greed and short-termism.

There are many ways the global financial house can fall. Take Greece. Banks have huge amounts locked up in the debt Greece has had to take on to keep its economy vaguely afloat. If Greece defaults on that debt, those banks will not be able to take the strain. Governments certainly don't have the capital to underwrite them for a second time in a decade. Here is a situation that would lead citizens to all kinds of self-starter resilience-building, from among the rubble created by their governments' failure to take care of them. A number of financial innovations that it would be perfectly feasible to scale up today would become the norm.

WHAT IF WE ARE CLOSE TO THE END OF GROWTH? U-TURN ALTERNATIVES WILL COME INTO THEIR OWN

FINALLY, THERE IS THE QUESTION OF ECONOMIC growth. Conventional wisdom holds that anyone who questions the need for economies to keep growing as a matter of course is, well, *wrong*. Our governments sink or swim at the ballot box on their ability to grow the national economy. Our breakfast news programmes fixate on the latest GNP figures. By common consent, growth equals more jobs and greater chances of personal prosperity, and we all want that.

But dissidents are questioning this dictum too. Investors such as Jeremy Grantham point to the mathematical impossibility of endless economic growth. Writers like Richard Heinburg indicate the increasing resource constraints as we approach 'peak everything'. Thinkers such as Jules Peck warn of the social harm in the quest for growth, and praise the upsides of prosperity built on well-being. Commissions such as the Stiglitz Commission and the UK's Sustainable Development Commission pull all these arguments together in a way that, in recent years, has stimulated the first rounds of an elite debate on the very future of growth-based economics. Meanwhile, countries like Japan have of necessity managed tolerably well on no growth for years now.

What if we are close to the end of growth? Again, u-turn alternatives will come into their own, and, in any case, we may not have much say in the matter.

Herein lies the rub: the three issues I have chosen to address are linked. If you have high oil prices, you can't service the debts that you have taken on, whether as an individual via a mortgage, a bank via leverage or a nation via a bailout. If that happens, you have an across-the-board collapse scenario. And then, perhaps, the social innovators will be taken seriously. ■