The Social Dimensions of Carbon Trading: Contrasting Economic Perspectives

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Outline

- carbon trading & economic perspectives
- the environmental economic perspective
- the ecological economic perspective
- the institutional economic perspective
- the property economic perspective
- conclusions
Carbon trading and economics

ISSUE & APPROACH

- carbon trading as policy instrument
- economic conventional rationale
- monolithic vs. pluralistic position
- different perspectives ↔ different diagnosis
- review of economic perspectives
Environmental Economics

PERSPECTIVE

- neoclassical framework
- externalities, internalisation & monetisation
- monetisation limits (complexity, time scales, irreversibility)
- ecological boundaries & environmental policies
- market as cost-effective env. policy instrument
Environmental Economics

DIAGNOSIS

- cap & trade principle
- rationale: GES reduction at lowest cost
- carbon market & commodity creation
- emission allowances & offset credits
- debated issues
- theoretical perspective unquestioned
Ecological Economics

PERSPECTIVE

- departs from mechanistic epistemology
- ecology-economy interactions (biophysical appraisal)
- econ. process: energy-matter transformation
- throughput & qualitative differences (entropy)
- ecological sustainability & entropic degradation
Ecological Economics

DIAGNOSIS

- fossil vs biotic carbon: no ecological substitutes
- hybrid trading: ecologically senseless & perilous
- fossil vs biotic carbon: no economic substitutes
- CO$_2$ emissions control: strategic
Institutional Economics

PERSPECTIVE

- market: socially embedded *(institutionally delineated)*
- institutional diversity
- dual nature & triadic relations
- normative nature & formal responsibility
- cost frontier & institutional strategies
- power asymmetries $\rightarrow$ asymmetric governance
Institutional Economics

DIAGNOSIS

- market extension & commodity expansion
- vested interests’ institutional compatibility
- exclusive rights’ corollary: social exclusion
- global market, CO₂ control & competition
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- Property: constitutive institution of capitalism
- Property title, security & capitalisation
- Proprietor's cumulative enrichment
- Capitalist requirements *(solvency, profitability, time pressure)*
- Capitalist normative hierarchy *(economic rationality)*
Property Economics

DIAGNOSIS

- temporary rights & institutional lock-in
- carbon commodities as income security
- capitalisation value & capital attraction
- carbon control-based econ. growth
- capitalising commodities: carbon finance
- carbon finance instability & vulnerability
Conclusion

- **standard perspective:**
  *CT shows limitations but is overall reliable*

- **alternatives perspectives:**
  *CT seen as an institutional innovation that shows compatibility with the industrial & capitalist development mode (potentials, constraints & limitations)*

- growth-inducing, ecologically perilous & socially inequitable tool

- different perspectives ↔ different solutions