

the 'Citizen's Initiative' as anticipated in the Lisbon Treaty, may contribute to consolidating the European public space.

In our search for the new global governance that we desire, European integration as a post-national institution will be a reference point, without, however, it leading to the disappearance of the nations, states or regions of Europe.

1 March 2009

1 Zaki Laidi, *La norme sans la force*, Sciences Po, 2005.

2 There is an abundance of literature in this regard but see particularly the recent work by Thomas Ferenczi, *Pourquoi l'Europe?*, André Versaille, 2008.

3 Mark Mazower, *La Démocratie-Monde, Complexe*, 2005 (orig. pub. 1998).

4 Ulrich Beck, *L'Europe cosmopolite*, Aubier, 2006.

LOCAL AUTHORITIES AND THE EUROPEAN INVESTMENT BANK TO SUPPORT GREEN CONVERSION

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The green conversion of the economy will not succeed if we content ourselves with mimicking the Fordist new deal by seeking to boost the economy through the consumption of green products. On the contrary, we need collective agreements between local authorities to reduce their overall environmental footprint. European financial institutions such as the Central Bank and the European Investment Bank can help them. Alain Lipietz presents a concrete solution for responding to the social and environmental crisis that caused the financial crisis.

What diagnosis can we make from an environmental perspective of the current crisis and the link between the financial, economic and environmental crises?

What is underlying the current economic crisis is not the financial crisis but the environmental and social crises. All the talk about the real economy being overtaken by the financial economy is ridiculous. The financial crisis began with the subprime crisis, not in August 2008 but in August 2007, when the environmental and social crises were at their height. The subprime crisis broke out for directly social and environmental reasons. At the outset it was a well known phenomenon: American employees who were on low incomes or in precarious jobs were offered access to housing by lenders. However, their inability to repay the loans was accelerated

by the explosion in the price of oil and raw materials. The banks that lent money to them went bankrupt, as did their underwriters. The house of cards of the debt economy that was constructed over the last decade collapsed. This was certainly speeded up by the desire to set an example by not saving Lehman Brothers, but the historians of the future will not burden themselves with this type of detail. They will recount 20 years of neo-liberalism, which have resulted in even the workers of the leading global power not being able to buy their homes, when that was a fundamental benefit of the Fordist period of the 1950s to 1970s. They will also say that the inability to repay loans was speeded up by the environmental crisis and by the fact that the earth can no longer satisfy everyone's needs, particularly the needs of the world's poor, to quote the definition in the Brundtland report. When the Greens met for their Global Conference in 2008, they were not talking about the subprime crisis. The presentations were all about the rocketing oil prices and the food riots, which were also an expression of the palpable and permanent beginning of climate disturbance, as many cereal-producing countries were affected by drought. Then we began to clearly see the environmental and social impact of the extension of income distribution across the world. This translated into mass impoverishment of the Chinese working classes, who became extremely precarious workers producing exports for the United States, which simultaneously had the effect of creating considerable wealth for the richest Americans and the new Chinese middle class and substantially impoverishing the poorest Chinese as well as the American workers. The overall result was that everyone in the world is still eating rice and peas, but there is a considerable increase in those who are eating meat instead of peas. In other words, by increasing global income distribution, liberalism has created rich people as well as poor people, but the rich people have a much greater environmental footprint. This change is being accelerated by the way in which productivism works against the ecological crisis, through the dramatic rise in the use of ag-

ricultural fuels, the rich continuing to drive around in 4x4s and having increasing energy needs. The polarisation of incomes on a global scale as a result of globalisation is clashing strongly with the earth's limitations, specifically its load capacity, whether in terms of oil needs or in terms of conflicts regarding land use, which have become staggering since the first half of 2008. Finally, the opacity of financial arrangements that deferred the crisis accelerated the collapse of the house of cards of global finance. I stress, however, that everyone who remembers the first half of 2008 knows that the crisis began with the real economy and not with finance. The climax of the crisis in 2008, with a barrel of oil at nearly 150 dollars, followed by the collapse in the second half of the year, was the result of a capitalist model of development that was established at the beginning of the 1980s.

Does that mean that there were other types of capitalist development previously?

There have been different models of capitalist development at different times and in different places. After the Second World War we had a model that was well regulated by politics, collective agreements, the welfare state and non-currency and non-market contracts, which ensured regular growth and full employment. However, it is also a very productivist model, the aim of production being to consume and to sell. Between 1975 and 1985 there was a long period of crisis succeeded by a new model of development symbolised by the replacement in 1987 of Volcker by Greenspan as the head of the American Federal Reserve. A period of destruction of the Fordist compromise and the globalisation of the production of manufactured goods began. While up to that point globalisation had been limited to trade in raw materials, the workers of Asia began to produce for a salary of 50 times less what the workers of the North West used to be the only ones to produce. This led to a major

decline in the salary share of global production and an increase in the environmental impact of the middle classes of the emerging countries and the former middle classes of the North West, who had easier access to credit. The subprime crisis is only an extreme continuation of the trends of this model, which could be described as liberal-productivist. In other words, the crisis is both a crisis of liberalism and a crisis of productivism, as the two are inextricably linked, as demonstrated by the example of agricultural fuels and oil. Agricultural fuels are a productivist solution to the crisis of productivism, which simultaneously causes famine among the poorest and considerable financial difficulties for poor workers and those in precarious jobs in developed countries (including Belgium), who are faced with dramatic rises in their energy bills. The environmental crisis is caused by the rich and mainly experienced by the poor. Environmental and social factors are therefore inextricably linked.

But if the poor have so far been victims of productivism, why have they placed so much value on it?

In the case of Fordism, there was an escalator effect, in other words the normal consumption of an engineer was that of a technician two years later and that of a specialised labourer two years later than that... When the engineer was buying a Peugeot 203, the technician was buying a 4 CV, the specialised labourer a moped and the labourer a bicycle, but two years later, the last one in the salary hierarchy was accessing the level of consumption of the one above him. Consumerist productivism attracted the poor because they thought that they would get rich... The middle rich were the model of consumption for the poor. Today, this hope has been partly curbed, and labourers are rarely pro-green because they are desperately seeking to maintain the productivist model. They think that they are going to keep their jobs, even if they pay less and less, with sometimes frightening manifestations of despair, such as workers threatening to pour chemicals into rivers to save their

jobs. As for those in precarious jobs and the unemployed, some are faltering between resignation and trying to imitate the model. The unemployed who buy branded products are no longer in a Fordist mindset of gradual advancement, but seeking to show that they are nevertheless in some way within the consumption model. For example they buy Nike shoes that are in fact produced in Vietnam for almost nothing, on which Nike has simply put its logo.

This is not the same thing as someone who is dreaming of buying a car. When Mr Jospin very successfully boosted the economy in 1997-1998, the poor of Villejuif began to enter production and buy cars. The hiccup was that they were not used to driving, and this was reflected in the road safety statistics in the Easter holidays of 1998, and the same thing occurred when East Germany was absorbed by West Germany. I propose deleting this passage, which is not very politically correct, or at least rewriting it, because I think that its content is crucial to ecological conversion and specifically for an understanding of social promotion of good behaviour.

On the basis of this assessment, what are the solutions that need to be implemented?

From a liberal point of view, the solution is quite obvious: we just need to boost consumption. If the poor were less poor, they could buy goods and re-establish full employment. This is the attraction of expressions such as 'new deal' and 'boost'. Although the boost was entirely inappropriate for the crisis of 1980, which was more a crisis involving profits drying up, now we have a crisis of insufficient incomes. Therefore distributing added value between the rich and the poor at local, national and global level is a way of getting out of the crisis. However, we see straight away that there are two major differences from Roosevelt's new deal. Firstly, boosting the economy should not under any circumstances result in a massive

boost in consumption of goods that have a large environmental footprint. Secondly, we do not have the necessary institutions. The Roosevelt new deal already had institutions in place to make it happen, (nation-state and embryonic welfare states and collective agreements). In Fordism, there was a need to prevent everyone waiting for the boost to happen for others, as a boost in salaries for some means a boost in markets for bosses. This is why collective agreements and the minimum wage were invented. We now do not have an equivalent at the appropriate level, which is at global level. The other fundamental difference is that the green boost will happen essentially through public services, specifically local public or collective services. In response to the energy crisis, we need to boost public transport, insulate all buildings, new and old, and convert all agriculture to organic. We therefore need to use local groups as much as possible (tenants or joint owners) in order to do this, and with regards to agriculture, completely change the common agricultural policy.

More specifically, what form could this green boost take?

We need to invent a post-Fordist equivalent of the Fordist collective agreement. Instead of agreements between individuals (employers and workers, possibly via businesses), we need collective agreements between the national or European state and towns in order to finance both the restructuring of our economy (the use of existing knowledge to produce something else) and its conversion (orientating our economy towards the type of production for which we currently at most only partially have the skills). In terms of restructuring, local authorities can for example decide to get into debt in order to rapidly develop their public transport systems. After Pearl Harbour, in 1941-1942, Ford took no longer than three months to restructure all of its car production to bomber production. I asked Renault's managers how long it would take them to produce gas-powered buses on their production lines instead of cars. Ford did this, but it then became a subsidiary of Boeing, they

said. But why could Renault not become a subsidiary of Renault-Industrial Vehicles? If, in January, the State orders 300 000 gas-powered buses, which is three times the capacity of Renault's largest bus factory, why would Renault not be capable of restructuring factories that produce 4X4s or Logans? In the case of the building industry, it is more about conversion, because it is true that we do not have the insulation or heat pump installers to equip 2 million homes in a year. However, it is possible to organise ourselves to start training 300 000 young people straight away so that they will be capable of doing it in a year or two. Restructuring and conversion can be done in 2009. This is the challenge of the European campaign.

Yes, but that requires considerable financial resources...

The liberal leaders, such as Bush or Sarkozy, have tried to get out of the subprime crisis in the same way that the productivists tried to get out of the oil crisis, through agricultural fuels, in other words by bailing out the banks. There was obviously a need to prevent the private banks from collapsing, even if only because they are deposit banks. However, the illusion was believing that once they were saved, the banks were going to lend to the economy. This is absolutely not what needs to be done. We need to follow exactly the opposite model, which is to mobilise the economy and draw it along by its final demand, as the economist Kornai would say. The first thing to do is to set ourselves objectives and give ourselves the resources to achieve them: reducing CO₂ emissions and developing public transport, insulation and organic farming. We then need to identify which institution can finance restructuring and conversion. Finally, this institution needs to be financed by the European Bank, which in turn needs to be financed by the European Central Bank. The European Investment Bank is already worth two and a half times what the World Bank is worth and would be only

too pleased to be worth four or five times as much. In order to do this it needs to have priority for refinancing from the Central Bank, which has just refinanced increasingly bad debts to prevent bankruptcies. Why, in the future, could it not refinance the loans allocated to achieving the European Union's political objectives, like its energy independence or fighting climate change?

Is this monetary creation?

Yes, but after validation of the loan by the Central Bank. It is in effect well and truly a loan that has to be repaid; it is not simply printing money. The ECB lends to the EIB, which lends to the local authorities that buy the buses or give subsidies to social housing associations to convert their properties into positive properties.

How will they repay the debt?

Now we come to the third level, that of the institutions. There are several ways of having the collective expenditure paid back. The first could be an individual customer who decides to travel by bus rather than by car. The second is to look to local taxation. But as with Fordism, there is the risk of local freeriders. This time, it is no longer employers who are refusing to increase their workers' salaries (which collective agreements were made for at the time), but the local authority that is going to want to benefit from the effort to reduce greenhouse gas emissions made by other authorities. How can this be avoided? Montesquieu and all the sociologists tell us that first of all the right behaviour needs to be seen as virtuous. It is about showing that collective expenditure is better than private expenditure, a public service is better than 'a car for everyone'. The word conversion refers to moving from the individual aspect to the collective aspect. It is about making people consider once again, because that has been the case in the past, that the collective level is better than the individual level. We have no need to have a car in the garage all the time that we only use from time to time, if there is a constant flow of buses passing by. There is a change in mental-

ity that needs to take place. The other collective tool is regulations. Like Paul-Marie Boulanger, I think that we need to prevent the rebound effect. We therefore need a global framework in the form of quotas to allocate to the local authorities. This was to an extent the idea of the decentralised Agenda 21s. We could envisage the European system of transferable quotas also being applied to towns. Such a system would be both collective and decentralised, allowing the local authorities as much freedom as possible as to how to fulfil them. In the same way as the quota market encourages businesses that want to go further and discourages those that do not make any effort, a local authority that was in debt to the EIB could have its repayments partially reduced if it went faster than the others who were not in debt for financing public transport or insulating homes. This is an example of the transposition of the principle of collective agreements to local authorities.

Why are you stressing the role of local authorities so much?

Because putting conversion at local level will make it both more festive and more democratic. If the Council and Parliament go back on December's decision to limit the target for 2020 to 20% and go back to the previous decision, which was 30% for 2020, it should not appear to be a restriction coming from above. Even if Lisbon is adopted, with the strengthened Parliament and more democratic Council, people will not have the impression that they are associated. A democratic structure representing 500 million people will not succeed in drawing people into green conversion without relay structures that will be delegated the task of achieving objectives in the general interest and the freedom to do so. In other words, decentralisation is the democratic counterpart to green conversion. We should remember that 80% of our goods and services are produced less than 20 kilometres from our homes: public transport, public services, buildings, the organisation of daily life and the way it is currently managed by the patriarchy, which could be transferred to the social, supportive economy. We also need to

respond to the fear that arises as soon as the word planning is spoken. As soon as the economy comes out of neoliberalism, people have the impression that it is going to go into interventionism, and they immediately think of Louis XIV, Hitler's fascism and Stalin's totalitarianism. It is therefore extremely important, alongside an interventionist-style public discourse, to have the greatest possible flexibility in implementation and to enable local democracy to grasp hold of it.

Is eco-taxation not another possibility?

The quota system is a form of eco-taxation. It applies well to large units of pollution, but I am more sceptical about its application to small units. We can calculate the emissions for a municipality, but we cannot do it village by village. All agglomerations will not therefore be covered by a taxation system via quotas. Eco-taxation is a system of lump-sum quotas that can be traded and already exists within petrol prices. Buying a quota or buying a litre of petrol is the same thing. One is done wholesale, the other retail. We also need to discuss how countries distribute quotas. Eco-taxation can be used to impact everyone, it is flexible. A social aspect can be introduced, making the first 40 litres free. Eco-taxation is not at all contradictory with a redistribution policy. However, there are risks when Mr Sarkozy abolishes professional tax, which was one of the taxes that financed agglomerations. If we say that we are going to replace it with a carbon tax, every commune has an interest in having the most polluting activities. The solution is therefore to have a European or national tax and to redistribute it to the communes in proportion to their population. Each factory that wants to pay less tax has an interest in reducing its emissions. This avoids the pernicious effects and reduces the capacity of the local authorities to set their budgets. I am in favour of eco-taxation, but we need to realise that it does not fulfil the requirement of decentralisation. It is a powerful tool for inter-communal or inter-regional solidarity provided that it is collected globally to prevent the effects of terri-

torial competition. However, this leaves very little initiative for the local authorities to participate in the fight against climate change.

Does your proposal for conversion to be financed by the local authorities, the ECB and the EIB not require a reform of the Treaties?

No, the City of Lisbon negotiated with the EIB to finance its transport system. With regard to the relationship between the ECB and the EIB, it is different. Currently, the ECB will buy anything. Before, it did not have the right to buy private securities. Now it does. Before it only bought bonds from State treasuries. Now it buys private securities. It can therefore quite easily buy EIB securities. In every way we have gone completely off track from the Stability Pact. We are getting to the point where it is the Greens themselves who are saying that we perhaps need to think about getting back on track. In response to a crisis of the magnitude of the current one, we want to move to a 5% deficit, but we should not waste money. It should really be used for useful things and in particular for reducing the amounts of carbon gas per unit produced. When Mr Trichet last visited the Committee on Economic and Monetary Affairs we saw that they were financing rotten securities with a BB rating. Why would they not be more interested in EIB securities that are rated A?

Interview in Brussels on 12 February 2009