



Society for
International Development

Netherlands Chapter

SID-NL Lecture Series 2011-2012

“The State in a Globalizing World.
Problematic, yet indispensable”



Lecture: **The State and global common goods: the challenge of interdependency**

On Monday 26 March 2012, **James Cameron**, founder and Vice Chairman of Climate Change Capital, held his lecture ‘The State and global common goods: the challenge of interdependency’ in the 2011-2012 SID-NL Lecture Series, ‘The State in a Globalizing World’.

Summary

The role of the state

Cameron argued that the main role of the state is to provide security. Not only in a military sense, but also in the sense of providing for basic needs such as energy, water and food. We have a craving for government to assert confidently its capacity to deliver the public good. But we have also lost a lot of confidence in government to actually implement this. And in the Western democratic world, we have moved considerable amounts of power into private hands. Cameron urged us to find that confidence again. However, not in the form of the state that we currently have. We need innovation and creativity to think about the structures of government. He suggested less direct action and more indirect action by government. This means using the law to incentivise and encourage the engagement of the public in the delivery of public goods. He further argued that the idea of interdependency has been around for a very long time, but it is really acute when one focuses on scarce resources. And especially when looking at the sheer scale and speed of transformation that is taking place in our use of resources. There is a widely held consensus that we will be living amongst 9 billion people in the next 20 to 30 years. The per capita income of for example Indians and Chinese, is growing at a speed we have never experienced before in human society. The 19th century industrialisation was a transformative moment in the global economy. But the current growth is a hundred times faster than that what has happened in industrialising England, and two hundred times the scale.

All this is happening at a time when we do not adequately price, or protect by other means, our resources. We have struggled to create a sensible, rational global price for carbon. Our global commodities markets do not price water nor do they price the underlying assets upon which all commodity trade is in one way related. Cameron referred to historian Neil Ferguson, who looked at hundreds of years of commodity price spikes. Now, if you only look at long run trends in commodity prices, then you would assume that we are in the middle of World War III. These are the kinds of price spikes that only happen in times of armed conflict. When resources get scarce, there is a tendency towards autocracy, towards simplistic political doctrines on identity, status and nationality. But what is stopping us from being at war? According to Cameron, it might be some of those rigidity international institutions or markets that we are so quick to criticise. He stressed that doing business together is a very good way of keeping peace.

Climate Negotiations: Multilateralism vs. Messy-lateralism

Cameron argued that we need to cooperate with others to conserve the way of life that we wish to have. Multilateralism is an essential part of protecting the national interest. Climate change might be the ultimate example of why we need international institutions. But he argued working on the subject for over 20 years is plenty to tell him that international cooperation on this matter is not working. However, alternatives offer promise. We are at stage where we have to be less high bound by the structures of a particular form of multilateral agreement. We have to accept that power has already devolved. He argued that what amusingly has been called messy-lateralism, is also a way of recognising the diversity of response that is required to deal with a problem of this kind of complexity.



According to Cameron, we are going to have to run a lot of experiments. He stressed that what is working will frequently be culturally specific. This messy-lateralism may actually be a strength rather than a weakness. Then, how do we create space to maintain a commitment towards a multilateral agreement that is binding whilst accepting that we might find better answers in other forms of agreement. He indicated, referring to the trade system, that we could create plurilateral agreements between a smaller group of countries that are willing to move faster. He suggested to create space in the multilateral process for what he calls 'show-and-tell'. Display what is working in your domestic or regional politics and invite those who have experience to do it together. Cameron suggested that we should create the space where policymakers and implementers can gather. A space where we can see the cooperation and the competition that is necessary for a big transformation of society transcending the role of governance. The state will still be there and would still be essential, but not sufficient. Technological, financial, social and cultural resources need to be brought together to resolve the problem. We could use the processes that we already have, but we have to radically reform these.

Enterprise for the Public Good

James Cameron is looking for the ideal structure to create wealth worth having. According to him we are nearly there. There are already great initiatives such as the experiment with social bonds in the UK and the green investment bank. These are institutions designed to deliver the public good, but working closely with private sector investment power. We need to use all the ingenuity, creativity, investment power, technological competence and managerial skills that is available to solve these complex public goods problems. He wants the multilateral process, and the domestic regulation that surrounds it, to increasingly provide performance related incentives to deliver the public good. Here, we have to find ways to engage people, people that now feel disconnected from politics and have lost trust in the private sector.

We have arrived at a point where we have left a generation behind with spectacular levels of financial and economic debt, but not left them the resources to solve the ecological debt. Cameron argued that we have to re-imagine the role of the state and the role of multilateral institutions. We have to create space for show-and-tell of what works where social networks, privately held power, governments, and specifically designed institutions,

which he calls Public Good Enterprises, can work together. This process would take some of those necessary steps to solve the outrageous debt we have left behind.

After Cameron's lecture, Jochem Wiers of the Netherlands Ministry of Foreign Affairs (Climate, Energy, Environment and Water Directorate), shared his comments. He remarked that he already sees processes in which the government is transforming its role into that of a facilitator. For example by finding people who are working on resource scarcity - from government, the private sector and NGOs – and by putting them together. He noted that Cameron argued on the one hand for an ambitious transformation focusing on bottom-up processes that are flexible and by using social media and crowd sourcing, but on the other hand stated that he does not want to give up the international negotiation process. Then how can we bring these two worlds closer together, Wiers questioned. If you have a sufficiently attractive and flexible regime, how will you still have enough sense of obligation for all the parties to trust that there will be something in common that you can count on and base your investment decisions on?



Discussion

Ton Lansink, Director Effectiveness and Coherence at the Dutch Ministry of Foreign Affairs, led the debate with the audience. A member of the audience remarked that China is stating that there is only a G2: China and the US. Will this be the new paradigm for the next

decade? Cameron replied that China wants to be a full member of the international club, but that it will always be much more concerned with the China empire; with the internal harmony of China. Nothing will deflect them from that priority. Multilateralism is terrific if it aids this interest, but it is a distraction if it does not. We should remember that China is only just emerging as such a power, and it has not yet learned how to behave in multilateral situations. Cameron argued that we can expect some evolution in the Chinese position. Their economic priorities are already shifting, among other things, in order to cope with resource scarcity.

He then stressed that Chinese investments in renewables is spectacular. Yes, they are investing heavily in traditional fossil fuel generation. But on the other hand they are already creating the largest renewable energy market in the world. It is quicker and cheaper to establish renewable energy systems, than it is to build out vast grids from Eastern seaport located coal fired power stations. This provides a massive service to us: costs come down, technology becomes more available, and they run experiments at a scale that we cannot do. The US and Europe have great intellectual property on renewable energy, but lack the large scale manufacturing that China has. China needs to learn a lot from the US and Europe on design, and managerial skills to operate globally. There is still a lot to gain for China, the US and Europe in building collaborative relationships. And they need a multilateral system with matching institutions for this. Here, Public Good Enterprises can play a vital role in leading the way forward.