

# Some thoughts on sustainable solutions

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# What does a political economist do anyway?

We study politics to understand how groups formally manage power, i.e., making policies that affect everyone or redistributing from one group to another. The result is equity (fairness) if done well, the opposite if not.

We study economics to understand how people voluntarily allocate their scarce resources (time, money, environment). The result is efficiency (happiness) if done well, but waste if done poorly.

We study political economy to understand how policies and actions interact with each other, e.g., “what to do if my consumption pollutes you.”

## Concepts (1/4)

	excludable	non-excludable
rival	private good	common-pool good
non-rival	club good	public good
	markets <i>economics</i>	gov't or community <i>politics</i>

## Concepts (2/4)

Congratulations! You have a framework (or paradigm) for understanding “the good” and whether to use markets or politics to manage it.

Now you need to consider choices and/or policies in the face of:

- ▶ Path dependency and loss aversion
- ▶ Incumbents and special interests
- ▶ Transaction costs and institutions

## Concepts (3/4)

Can't we just count on people doing the right thing?

**No. The 20/80 rule.**

## Concepts (4/4)

Can't we just manage the problem with clever science, engineering or bureaucracy?

The energy-water-climate-food-poverty-gender nexus, for example?

**No. Hayek's "Use of Knowledge in Society" (1945)**

## Examples (1/2)

Energy policies:

1. Carbon policy (cap and trade vs carbon taxes)
2. Peak oil (vs solar innovation)
3. Energy subsidies help the rich (not the poor)
4. A CO<sub>2</sub> tax would be cheap (\$0.01/kWh or €50 year for meat) but still effective (average vs “on the margin”)

## Examples (1/2)

Water policies:

1. Water storage underground (commons) v dams (owned)
2. Grey vs green infrastructure (engineers vs nature)
3. footprinting vs water scarcity
4. Human rights vs water rights (institutions!)



# Questions?

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