

How can we make our lifestyles sustainable ?

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What is sustainability ?

- **Welfarist definition**: maintain the future distribution of happiness just as good as the current one
- Issues of time horizon of the future, of solidarity across generation (legitimate ?)
- Welfarism: allows for compensation (we may destroy completely some valuable resources provided that we find some way of increasing the amount of other resources so as to maintain social welfare constant)

What is sustainability ?

- **freedom of choice based-definition:**
maintain the freedom to enjoy – availability of – resources to individuals in the future
- Idea of **intrinsic value** of some resources or objects (tigers for instance)
- No compensation: The disparition of a resource from earth is believed to cause an uncompensable damage

Why some lifestyles may not be sustainable (in either definition) ?

- Pollution, destruction of imperfectly renewable private or public resources at a faster rate than that of renewal.
- Problem in the case of public resources, less so in the case of private one.
- Public resources: resources which can be consumed jointly by several individuals.
- Classical (but hard) problem in public economics: the user of a resource does not contribute enough to the maintenance of the public good (free riding).
- More severe when benefit of the public good concerns other (not yet born) individuals.

Important information problem

- Impact of human activity on environment (biodiversity, global warming) is hard to appraise
- So is the economic and welfare consequences of these impacts
- Yet such a knowledge is of key importance for the design of policies aiming at making our lifestyles sustainable
- Uncertainty

3 policies to help us in making our lifestyles sustainable

- Eco-labeling (organic, GMO, green fuel)
- well-informed taxation
- Legal regulation

Eco-labeling

- Labeling is a useful signaling device
- **Advantages:** Easy, decentralized, spontaneous, respectful of individual preferences, transnational
- **Disadvantages:** Value of the information conveyed by the label (GMO, astrology ?), insufficiency of contemporary individual preferences for public goods and forward looking decisions

Well-informed taxation

- Theoretically superior if based on good information
- **Advantage:** If the environmental impact of a particular lifestyle is known, life style can be taxed at an appropriate rate (makes the individual internalize the consequence of his/her lifestyle on current and future well-being)
- Tax receipts do not have to be used on environmental protection for the remedy to work (European example of post world war fuel taxation)

Well-informed taxation

- **Disadvantage 1:** Well-informed taxation may not be politically feasible, given standard behavior of politicians and bureaucrats
- **Disadvantage 2:** Many sustainability issues are global while taxation is national (problem of tax competition). We need international taxation.

Legal regulation

- Inferior to well-informed taxation because more costly
- Unavoidable if one adopts a freedom-based approach to sustainability (saving tigers require tight legal restriction of poaching and forest destruction behavior).
- Has been quite effective in some case (Delhi for instance).