

Speech – Rt Hon David Miliband MP, Secretary of State for Environment, Food and Rural Affairs

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Winston Churchill once said that “the inherent vice of capitalism is the unequal sharing of blessings; the inherent virtue of socialism is the equal sharing of miseries.”

For much of the last century, our debate about the economy was viewed in such stark terms. We could have wealth creation or we could have social justice but we couldn't have both.

Over the past 5 years, the companies featured within FTSE4Good have proven that this distinction is false: economic dynamism can be combined with environmental and social responsibility. High financial returns can go hand in hand with respect for human rights, and the preservation of the planet's natural resources.

Today, I think the debate is moving on again. Ethical and environmental concerns are becoming core business – not as an alternative to making profit but as a route to it. They are reshaping business strategy and operations, not just marketing and corporate donations. It is becoming necessary rather than optional to incorporate ethical and environmental objectives. The reason is that people are changing – becoming more demanding, more conscious of the consequences of their decisions, and in many cases also becoming better off.

That explains why the same is happening in government. Climate change is no longer just a matter for the Environment Department. Climate change has become an economic issue, social issue, and security issue.

This evening, I want to talk about why and how we must develop a new British model of economic growth that adapts to new social and environmental responsibilities.

When the Government was elected, our unashamed focus was economic stability. Our history as a party and country showed the dangers of neglecting the basics. The tough decisions on public spending in our first term were necessary to lay the ground for low interest rates and sustained economic growth.

10 years on, we see unprecedented economic stability and prosperity. But at the next election, we cannot rely on gratitude for past achievements. We need to build on it. We need to build our wealth in a world tougher and more competitive, but we also need something more than that – and the two are linked.

Three major concerns are emerging. Each of which reflect a growing awareness of our interdependence. Each of which will affect politics and business profoundly.

First, climate change. At the next election, climate change will be a threshold issue, like the economy, security and public services. But citizens do not just want to voice their opinion through formal politics. They want to express their commitment in everyday

actions, whether recycling their rubbish, choosing greener cars and household appliances, or investing in companies that do least environmental harm. Political parties won't be electable, and companies will not be profitable – or at least they will be less profitable - without credibility on environmental issues.

Second, inequality and fair trade: concern is rising that the rewards of globalisation are not being shared fairly domestically or internationally. The popularity of Jubilee 2000 shows the level of awareness and concern about aid, indebtedness and development. The National Minimum Wage has shown that labour markets without protection for those at the bottom are neither morally justifiable nor economically effective. As with climate change, people want to express their political concerns not just through the ballot box, but through day to day decisions. They want increasing reassurance that the products supplied from across the globe are meeting minimum standards – in human rights and animal welfare. They want a fairer balance of rewards between producers, and retailers, and between employers and employees.

Third, domestically, there is increasing debate about how our economy can support greater wellbeing and quality of life. Research suggests that above a certain level, economic growth does not improve societal wellbeing and quality of life. To be honest, I represent a constituency where it you cannot forget that prosperity remains out of reach for many people; they want more; but they also also want an economy that can grow in a way that promotes wellbeing, an economy that serves a wider purpose, from flexible working practices that balance work and caring, and work cultures that give people more autonomy, fulfilment and opportunity for personal development.

Unless we address citizens' fears and aspirations around climate change, inequality, and quality of life, business and governments face major risks. In the short term, any business or political party that is not credible on the environment, faces losing out in the market for votes or products. In the long term, the risks are still worse. Globalisation has brought unprecedented wealth and opportunity. If we fail to manage the environmental and social risks of globalisation, we face the risk of citizens and governments being lured into the false comfort provided by protectionism.

The environmental risks are clear – as the Stern Report argued, the economic impact of climate change will be worse than the Great Depression and two World Wars put together. The social risks also threaten to undermine support for globalisation. Unless we can minimise the risks from the free movement of capital and labour, we will not be able to secure support for a trade deal which is critical to the future prosperity of all nations. Unless we can help farmers in Europe develop new comparative advantages, we will struggle to secure the CAP reform that is critical to the developing world. Unless we can create more socially inclusive and cohesive communities, will not be able to continue to benefit from the migration that has fuelled our economy.

A focus on social and environmental responsibility is therefore essential to our short and long term financial self interest. The question is whether we can forge a distinctive British model of economic growth that meets today's challenges and opportunities.

The conditions of success in today's global economy are clear: flexible and open labour, capital and product markets; strong global links; a premium on creativity and knowledge-intensive service industries; a focus on productivity, both of labour and natural resources; real opportunities for empowered citizens and communities to make their way.

In each of these areas, our recent policies and historic characteristics create comparative advantages.

Our colonial links and the English language are vital as India becomes the dominant economic superpower, and the web becomes the dominant economic infrastructure.

The strength of our science base and elite universities are critical when knowledge is our main comparative advantage.

The combination of a minimum wage, tax credits, the New Deal, extended parental leave and a massive expansion of childcare are critical if we are to manage the risks from more flexible labour markets.

But if we are to maintain economic progress, we must address some critical social and environmental challenges – about productivity and opportunity.

But above all, I believe we have to address the climate challenge. Global warming means that all economies must be transition economies – from high-carbon to low carbon development. The question is how we manage the transition in a way that minimises the economic and social costs, and maximises the opportunities. Environmentalists who push for punitive measures on business must not forget that without a stable and prosperous economy, the public appetite for green measures will dwindle. But equally business must also recognise that without addressing climate change, they face short term and long term impacts that will undermine economic growth.

Many businesses are already leading the way. Last week, the media headlines focused on the Intergovernmental Panel on Climate Change report that warned us of the scale, impact and urgency of climate change. But last week also saw two business-led reports that focused on the economics of climate change rather than the science. The Lehman Brothers report "The business of climate change" and the UBS report "Climate Change: beyond whether" reveal that businesses face huge opportunities and risks from mitigating climate change and adapting to the climate change already in train. The lesson from both reports is simple: climate change is not an add-on to your business or matter of corporate social responsibility; it will change your business and is a matter of financial self interest.

Over the next year, Government must look at how we can maximise the economic benefits from moving to a low-carbon economy. The Climate Change Bill will mean that the UK is the first country in the world to create a binding legislative timetable for moving towards a low-carbon economy. The Bill will create the long term clarity for investors and business.

Over the next year, as we develop measures to implement the Bill, I believe we must focus on four main areas.

First, as the issue of climate change moves from the margins to the mainstream, we must shed some of its traditional associations. In particular, we will not secure the support of India and China, if we appeal through a traditional green, anti-materialist, anti-aspiration message. The choice is not between development or no-development, it is between high-carbon growth and low-carbon growth. That is why the major mainstream institutions in civil society, in particular business and financial institutions need, to champion and re-frame the climate change challenge.

Second, climate change is the biggest example of market failure, but the answer is not to replace markets, but deepen them and enable them to work more effectively. Markets work effectively when consumers are informed, and prices reflect the full value of the product or service. If we are to uncover the most efficient carbon reductions, the long term aim must be for carbon pricing to cover the whole economy, with the EU Emissions Trading scheme covering a wider range of sectors and gases, and becoming linked to emerging carbon markets around the world. It means much richer information for citizens, through real-time energy metering, eco-labelling of products, and ensuring citizens are offered the choice of green energy tariffs, green pensions or offsetting their emissions at the point of sale. Where pricing and information is insufficient to address market failures, it means government using subsidy and regulation, whether this is setting a long term trajectory to get to zero carbon homes, or using subsidy to bring new renewable technologies to market.

Third, it requires strong European and International Action. The UK is just 2 per cent of global emissions. We can only tackle climate change if we do so with other nations, in particular through the European Union. By using the power of Europe as a single negotiating block, we can help forge a post-2012 framework. By extending the European Union Emissions Trading Scheme, we can make it the basis of a global carbon market. By reforming the CAP to focus it on subsidising environmental public goods, we can remove the trade distortions that keep farmers in the developing world poor, and improve the environment.

But European and International engagement is not just a role for government. In many countries, businesses and financial institutions are ahead of the politicians in understanding the risks and opportunities of climate change. The global reach of our financial services industry and major businesses can have a critical role in forging an international framework. We need business to play a role internationally in climate change, and in forging a new vision for the European Union.

Fourth, tackling climate change will require tough decisions and trade-offs. I believe we can tackle climate change and secure economic and social progress. Indeed, I believe they can be complimentary. However, I believe there will be difficult trade-offs between different environmental goals. In the context of climate change, environmentalists will have to question some of their traditional positions, whether this is on nuclear power or the impact of expanding wind power on the countryside.

In the late 18th and 19th century, the UK was a pioneer of the industrial revolution. Today, the UK must be the pioneer of a new model of economic change, that integrates social and environmental consideration. This is not just a question of values and moral duty. It is about our economy's capacity to sustain itself. Unless the latest period of globalisation can manage the social and environmental tensions it creates, we will suffer the retrenchment and crisis last seen at the beginning of the twentieth century. The question is not whether our economy can afford to have ethical concerns at its heart. It is whether it can afford not to.