

# A World of Scarce Resources 2006

## Closing Statement of Les Rencontres Economiques d'Aix-en-Provence of Le Cercle des Economistes 2006

Scarcity is back but in different areas. Contrary to what may suggest the present circumstances, notably the oil situation, this scarcity isn't exclusively related to energy but, increasingly, to water, food-processing resources, health and environment. This scarcity calls for a renewal of global management and multilateralism.

A future demographic shift could alleviate the pressure on resources but it shouldn't be a pretext to underestimate the current and future tensions. In the short term, even if the global economic growth rate remains exceptionally high and even if it isn't immediately threatened the 2006 Rencontres of Le Cercle des Economistes in Aix-en-Provence were led to emphasize the degree to which it reveals and exacerbates those scarcities which, in turn, multiply risks and inequalities. Market mechanisms and national redistribution policies will not be enough to smooth the brutal price trends, to correct durable rigidities, to produce positive external factors or even to avoid the risks of conflicts including diplomatic or military ones.

A world of scarce resources demands regulatory progress. At the pace the developing world is consuming its physical and immaterial resources, an adequate management of the production and distribution systems has itself become a scarcity. It is unquestionably a necessity to come up with a new world management by the year 2050.

At a global level, just as world powers were establishing the basis for a new political, economical and monetary order at a time when WWII had not even ended leading to the creation of NATO, IMF, the World Bank and other institutions, likewise the world powers of today and tomorrow must together define the institutions and principles of this new management. It notably means to requalify the missions of specialized agencies such as FAO, AEI, WHO in order to provide a collective answer to the problems of the planet in this century. Presently we call for a G8 enlargement to include the main emerging countries. We also support the creation of an International Agency for Environment and Sustainable Development. But let's never forget that many areas need to be taken over and managed at the local level, as in the case notably of water, agriculture, health, qualifications and innovation.

### An Evaluation

Scarcities generate tensions but they aren't all unmanageable. Some are revealed and solved by price adjustments; among the most characteristic growth scarcities of today we know that the reallocation of investments guided by price mechanisms overtime loosens the constraints related to energy and food production, water control.... But, on the other end, adjustment prices will also lead to an exacerbation of inequalities. Public redistribution policies offer a partial answer to what relative price systems cannot solve. It leaves unresolved the redistribution problem when it is supranational. Whole populations are excluded either because the public management is poor, or because of a lack of infrastructures or essential public services isolate them from globalization or because an administered economy distorts pricing structures.

Managing scarcities that the market and transfer policies don't affect remains to be invented and the question of the geographical location of a new regulation arises. The fields of activities of institutions which intend to manage and eliminate scarcities are obviously too narrow and their coordination poorly implemented.

At a time when bilateralism is prevailing, growth and shortages produce bilateral overbids and economic nationalism. There is a need for more multilateralism, more regulations beyond national borders, more transparency; the need for a greater European role, particularly to handle energy scarcities or to develop research and educational resources, is becoming more pressing.

The geostrategic risks of a world engaged in the fragmentation process of large antagonistic blocks are back. The impact of guaranteed income created by the price increases of scarce resources reopens the question of their legitimacy. This phenomenon implicates nations and companies and underlines an insufficient evaluation of the world repartition and distribution of wealth. It will lead to conflicts that we sense to be unavoidable concerning oil, gas, water access, proteins.

There are other scarcities which make their world management even more pressing because they are durably persistent: those are clearly long-term scarcities and imply to enter into their price or regulation time factors which go beyond one generation; scarcities which are physical and absolute because we don't know what renewable resources can be substituted; scarcities which affect the unequal accumulation of knowledge and human capital; the ones which imply a high level of centralization confronted with non-existent infrastructures; those which interact so strongly that we don't know how to save billions of people from shortages combining physical and immaterial scarcities and who are excluded from and by globalization.

### Our Orientations and Proposals for Action

The 2006 Rencontres économiques in Aix do not put growth on trial. They call for a better management of this growth.

Six broad principles emerge:

● The Emergency Principle:

. The energy situation is currently at a critical stage. Access to hydrocarbons is contributing to a return of energy imperialism well beyond price increases. The management of resources and energetic systems calls therefore for immediate efforts. It concerns the improvement of energy efficiency (particularly in the United States), the diversification of energy bouquets and supply sources and it concerns policies for truth in prices and transparency. From biomass to nuclear energy all sources must be mobilized.

. Climate appears today as a collective public property and, at the same time, a major cause of international dissensions. States, regions and collective institutions are discovering the value of this property but climate management must be handled in a multilateral approach. It is the only way to insure a sustainable development of the planet. At the same time, the necessary renewed recourse to nuclear energy must be accompanied by a reinforced control of atomic nonproliferation.

Agriculture, in its present state and within the framework of Malthusian policies may lead to dramatic scarcities. Solutions include encouraging innovations, always in a transparent way particularly in the case of GMO and agro-ecology.

● The Innovation Principle. A strong and equitable growth is necessarily linked to the production of knowledge and its rapid dissemination. The main objective of innovations in all areas—energy, food production, finances, health— is to fight scarcities. The open source example shows the way toward change in order to accelerate these new mechanisms. From microcredi to risk capital, from regional financial institutions to appeals to local savings, from improvements in hygiene to the distribution of drugs, world growth depends on renewed practices.

● The Transparency Principle also depends on further economic research. It is intended for price systems and competition but also for access to knowledge and quality information. It is intended for open research and for debates on its fair remuneration and copyrights prices.

● The Principle of Sustainable Development must lead to a better management of world public properties notably in the production of innovation and in education. This management mustn't bring the role of states into conflict with the private sector, while recognizing that the latter, alone, is unable to take into account the long-term dimension, the production of positive externalities, the mastery of negative ones or the reduction of waste.

● The Rehabilitation of the Principle of Entrepreneurship. Paradoxically, regulatory progress may discourage risk, create an attrition in the financing of companies and in innovative projects and generate shortages in equity capital.

● The Principle of Institutional Progress. Many multilateral institutions need to be re-legitimized or radically reformed in order to meet the contemporary needs for regulation.

The G8 can no longer pretend to regulate world scarcities when countries with the fastest growth rate or countries excluded from the process aren't represented. It is no longer possible to continue to allow the blatant coexistence of areas of abundance and others of scarcity without running the risk of conflicts. The international concertation club needs to be enlarged rapidly.

Both a sense of urgency and potential remedies emerge from all the areas examined during the 2006 Rencontres in Aix-en-Provence. The fields of possibilities are many and wide open whether for natural or immaterial resources, food production, training or energy. There are prices, markets and investments to consider but public actions have a considerable and legitimate role to play. Growth when it reaches such a high rate is surely manageable. It isn't yet managed. Confronted with the challenge of managing scarce resources Europe must use this opportunity to rebound, to affirm and publicize its coherence and to improve its own governance.

The response to new scarcities doesn't imply to renounce growth on the contrary. It requires, for instance, to accept the revival of nuclear energy and GMO development. But it also assumes a fundamental change in the modes of consumption of developed countries, progress in redistribution and, above all, a radical reform of world governance.