

Global challenges demand more sustainable lifestyles

Jeremy Wakeford

Several items making news headlines over the past few days may seem unconnected: the oil price breached \$80 per barrel for the first time ever; stock markets across the world took a significant knock; and Britain has experienced its worst floods in the past 60 years.

But these events are symptoms of three deeper, interconnected global challenges that are bearing down on us. These are: financial imbalances and the risk of a stock market collapse and severe economic recession, triggered by a credit crunch in the United States; an oil price shock resulting from the peaking of global oil production; and the impacts of a changing climate.

Firstly, the United States is arguably running unsustainable 'twin deficits'. The Federal Government has been running a large and growing budget deficit as a result of tax cuts and financing the wars in Afghanistan and Iraq. As a result it has built up a staggering national debt of over \$7 trillion. Household saving has shrunk to zero over the past few years. Last year the US's imports of goods and services exceeded their exports by a whopping \$800 billion dollars.

Effectively, other countries – notably oil producers and Asian exporters like China and Japan – have been bankrolling American consumers and their Federal Government by stockpiling dollars and US Treasury Bills (essentially low-interest loans to the US government). What has allowed this unbalanced economic dance to persist is the status of the dollar as international reserve currency. Should confidence in the dollar as a store of wealth erode sufficiently, its value could plummet and trigger a 1929-style stock market crash, followed by a global economic recession and rising unemployment. If the current problems in the US housing and credit markets worsen, this could tip the scales.

On a smaller scale, South Africa is emulating the unsustainable consumption pattern of the US. Over the past few years, consumers have taken advantage of historically low interest rates and aggressive credit extension by banks. Our trade imbalance – imports minus exports – has continued to grow as our population consumes more than it produces.

The consumption-driven booms in the US and South Africa cannot continue indefinitely. Their unsustainability will become apparent when the oil crisis hits, if not before.

Like every modern city, Cape Town depends on cheap fossil fuels. Our transport system is overwhelmingly reliant on a finite resource: oil. Most people assume that oil will not 'run out' in their lifetimes.

The critical issue however is not when oil will run out, but rather when the global rate of oil production reaches its peak and begins to decline year after year – as it will inevitably do. There is mounting evidence that the world oil peak is imminent; many independent experts are predicting it could occur as soon as 2010, or even before.

As the world passes the oil peak we can expect a rising oil price trend along with greater volatility, as well as physical shortages of liquid fuels. A dramatic price shock – similar to those experienced in the 1970s – seems highly likely given the difficulty of substituting for oil in the short term and the hoarding behaviour that characterises the oil market when supply falls below demand. An oil shock could be triggered before the actual peak by geopolitical factors, for instance if growing tensions between the US and Iran build up to military conflict, or if Nigeria descends into a civil war.

An oil price spike and fuel shortfalls will have extensive adverse effects on our local economy. It will push up the prices of petrol and diesel and all goods and services that rely on transport by ship, truck and aeroplane. The costs of goods that are produced using petroleum feedstock (e.g. plastics, pesticides, pharmaceuticals and synthetic fabrics) will also rise. Food prices are likely to climb dramatically, compounding recent hikes. Standards of living will decline for everyone, but poor people will suffer disproportionately as a large share of their expenditure is on food and transport. Businesses will feel the pinch of rising costs and may respond by laying off workers, further raising the unemployment rate.

The transport-dependent tourism and hospitality industries – so important to Cape Town's economy and employment – will be especially hard hit. The relative value of houses far from public transport networks (railways and bus routes) will decline. Rising inflation will likely prompt the Reserve Bank to raise interest rates, putting an additional squeeze on indebted consumers and home-owners.

Our over-reliance on fossil fuels has another negative consequence: carbon dioxide emissions have been identified by the Intergovernmental Panel on Climate Change as a major cause of global warming.

Climate change will most likely affect Cape Town in three main ways. First, climate models predict a decline in rainfall in the Western Cape with an increased probability of severe droughts, leading eventually to critical shortages in our water supply. Second, crop yields are expected to decline as average temperatures rise, threatening food security. Third, in the longer term the city will feel the effects of rising sea levels, which will eat away at the margins of the Cape Flats and may threaten our aquifers with salination.

These three challenges are deeply interconnected and will reinforce each other. Perhaps the most serious threat to our society is that rising food prices and food shortages, along with increasing unemployment, may catalyse a worsening spiral of crime and social instability. Government will come under mounting pressure to subsidise basic foodstuffs and transport at the same time as it faces rising costs and lower tax revenues.

How can Cape Town prepare for and mitigate the effects of looming economic shocks and climate change? Action will need to be taken by government, business, civil society and individuals alike.

Perhaps the most important preparation is an educational campaign to raise public awareness about the nature of the challenges and what responsive actions society can take.

Government at all levels should lead the way. It should accelerate the upgrading and extension of public transport facilities. It should use incentives and regulations to increase

investment in renewable energy sources like wind and solar power. It must resist the temptation to go for apparent quick fixes that will compound our problems in the longer term. Bio-ethanol fuels will exacerbate food insecurity, although biodiesel production should be encouraged where it does not interfere with food production.

Nuclear power is expensive to set up and relies on a non-renewable feedstock, uranium. Moreover, there is a substantial risk that the resources and expertise may not be available when the time comes for the nuclear plant to be decommissioned.

Businesses will need to become more flexible and less dependent on road transport, such as by encouraging flexible work hours and telecommuting (working over the Internet). Goods will have to be distributed in more energy efficient ways. Economic activity will by necessity become more localised. Local agriculture will need to shift to organic farming methods.

Car-owning Capetonians will have to adapt to oil shocks by driving less, car-pooling, and using public transport. City dwellers may have to learn to grow food in their gardens, if they are fortunate enough to have them.

Perhaps the most fundamental change required will be a reverse of the urbanisation process, as more workers are needed on farms and the human carrying capacity of the city diminishes.

The coming years promise to be a time of great challenges and changes. The citizens of Cape Town will need to alter their mindsets and interrogate their core values to bring them in line with the emerging reality of resource depletion and climate change. We will need to cooperate more. We will have to share resources more equitably. The middle and upper income brackets will need to change their attitudes about work, travel and material consumption. We will need to strengthen community bonds. We should lengthen our time horizons and show respect for future generations.

The definition of a “world class city” needs to fit environmental and social facts as well as economic aspirations. If Cape Town wants to be a leading city in 2010 and beyond, we must embark immediately on a coordinated, crash programme to make our economic and social systems sustainable. Our collective future depends on it.

*Jeremy Wakeford is a Senior Lecturer in **UCT's School of Economics**, and is the Research Director of the Association for the **Study of Peak Oil South Africa**.*

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