

[Bastiat and green policy](#) [1]

Written by [David Homer](#) [2] | Saturday 7 December 2013

Nineteenth century French economist Frederic Bastiat described the government as "that great fictitious entity by which everyone seeks to live at the expense of everyone else". This quote may give some insight into the present state of the debate about energy policy in the UK.

The pollsters tell us that the public are in favour of green subsidies and green technology. Reducing our greenhouse gas emissions is seen to be important and worthwhile. But there still seems a large section of the population who think that somehow the big 6 energy companies could or would subsume any additional costs from green energy rather than passing them back to consumers, or that the government would make up the difference.

Evidence seems to suggest that the energy market is reasonably competitive, with margins no higher than other comparable industries, meaning the firms wouldn't absorb the cost?if they did, the public would suffer anyway through their pension funds. And the hope that government could make up the cost ignores the central truth that the government has no money of its own, not due to the economic crisis not but because the state can only ever spend and distribute *our* money. A case in point is the government recently "lowering" our bills by putting the costs of the social levies into general taxation and away from power. This may or may not be a fairer way of spreading the cost of a greener future, but it doesn't magically make the cost of greener energy any lower.

Bastiat has more to add to our appreciation of UK energy policy. He said that good economic decisions can be made only by taking into account the full picture, by examining the full costs and benefits of the short- and long-term consequences.

Employing increasing amounts of green energy has costs. The debate is complex. But in the absence of dramatically increasing our energy efficiency and therefore cutting our energy use together with a reduction in the cost of green power production, employing low carbon technology will lead to energy prices to continue to rise. This rise may eventually be less than using more fossil fuels in our energy mix, if the costs of fossil fuels increase as many including the Department of Energy and Climate Change maintain. Nevertheless, green energy is currently expensive. Defining the benefits of employing low carbon technologies is even harder to evaluate. The UK emits a small proportion of the world's total CO2 output, and emissions are growing in the developing world. The UK's contribution may be important, but alone it cannot make a huge difference.

Whether or not the cost of reducing CO2 is worth it, we must note that it does have a cost, and it must eventually come from the public, either through taxes, higher energy bills, or lower returns to firms also owned by UK citizens. People cannot all live at the expense of one another.

[blog comments powered by Disqus](#) [4]

Source URL: <http://www.adamsmith.org/blog/energy-environment/bastiat-and-green-policy>

Links:

[1] <http://www.adamsmith.org/blog/energy-environment/bastiat-and-green-policy>

[2] <http://www.adamsmith.org/authors/david-homer>

[3] http://disqus.com/?ref_noscript

[4] <http://disqus.com>