THE POLITICAL ECONOMY OF CLIMATE CHANGE

- Is Climate change a real threat?
- What is causing climate change?
- What obstacles threaten to prevent us from acting to prevent climate change before it is too late?
- Strategy: What needs to be done at the international, national, state, local, and personal levels?

Climate Change Denialism

- How can someone who is not a physicist, atmospheric scientist, meteorologist, oceanographer, or climate change scientist KNOW if climate change is real?
- Find out if there is a consensus among the scientists who should know: You will find that *the consensus among scientists is broader and stronger than on almost any subject you can name!*
- Find out if dissenters are reputable and/or in the employ of the fossil fuel industry: You will find that *they lack reputation and their publications and livelihoods are paid for by the fossil fuel industry.*
- Suggestion: Invite scientists who argue that climate change is a serious threat to debate those few who say differently.
- Or, ask the US Armed Forces!

CAUSES OF CLIMATE CHANGE

- If it hurts us why do we do it?

  Economists' answer: **Externalities**.
- If we know it hurts us why don't we stop?

  Economists' answer: **Perverse Free Rider Incentives**
- Why do we keep making bad choices?

  Economists' answer: **Prices Matter!**
- Notice what is NOT the problem:

  Humans are greedy by nature

  Population growth

EXTERNALITIES

- When I drive my car, who do my emissions damage?
- When the UK emits greenhouse gases, who does it damage?
- When the US emits GHGs, who is damaged?
- When China emits GHGs, who is damaged?
- Conclusion: **It is individually rational to emit more GHGs than is socially rational**.

THE FREE RIDER PROBLEM

- When I bike instead of driving, who does this cost and benefit?
- When the UK reduces GHG emissions, who does this cost and benefit?
- When the US reduces GHG emissions, who does this cost and benefit?
- When China reduces GHG emissions, who does this cost and benefit?
- **Conclusion: It is individually IRRATIONAL to reduce GHG emissions by as much as is socially rational**.

WHEN THE PRICE IS WRONG

- According to the Environmental Protection Agency what is the “social price of carbon?”
- What are carbon emitters charged for emissions?
- Conclusion: The price for burning fossil fuels has been far less than the social cost of burning fossil fuels for 400 years… Aren’t we simply seeing the cumulative damage?

WHAT DO WE NEED?

We need:

1. An effective, equitable, efficient international climate treaty.
2. Advanced economies must immediately launch a Green New Deal.
3. Poor countries must find a path to development *not* fueled by coal and oil.

TREATY GOAL 1

An Effective treaty means reducing global GHG emissions enough to reduce the risk of raising the average global temperature by more than 2 degrees Celsius to an acceptable level.

TREATY GOAL 2

An Equitable treaty means:

Reductions must be according to *differential responsibility and capability*.

- This is necessary to avoid denying 4 billion people the right to enjoy economic development
- AND because if burdens are not perceived as fair countries will not honor them.

TREATY GOAL 3

An efficient treaty means irrespective of who pays for them, reductions should take place wherever they are cheapest.

- Because distributing reductions efficiently can reduce the global cost of reductions by between 30 and 50 percent.
- And this will lower political resistance to the amount of reductions necessary.

Treaty Provision 1

The size and speed of global reductions must be chosen based on information provided by scientists. Right now scientists say:

- By 2020: Global emissions must be *no more* than 19% above global emissions in 1990.
- By 2030: Global emissions must be down *at least* 33% below the level in 1990.
- By 2050: Global emissions must be down *at least* 80% below the level in 1990.

Treaty Provision 2

The distribution of national reductions must be done in accord with differential responsibility and capability as calculated by "equity specialists."

- Use the Climate Equity Reference Calculator at www.ecoequity.org.
- *You and your students* can use their calculator to see why the recent Chinese proposal is fair, while the recent EU and US proposals are roughly half our fair shares.

Treaty Provision 3

Country governments should be allowed to certify emission reduction credits for sources within their territories who apply for credits to sell in an international carbon market.

- If countries wish to do so
- With help from experts provided by the UN upon request

Treaty Provision 4

When calculating whether or not a country has met its emission cap under the treaty, any credits purchased by anyone within the country will be added to the country's cap, and any credits sold by anyone within the country will be subtracted from the country's cap.

Why will this work?

- It is difficult to determine how many credits to award an applicant for reductions that are additional to what would have occurred in any case. However, it is relatively easy to measure national annual emissions.

- This proposal relieves the treaty organization of the burden of policing the international carbon market so it can concentrate on enforcing treaty obligations and establishing penalties for violators.

Why will this work?

If a country government makes a mistake and awards more credits than it should, *as long as national emissions are capped and compliance with national caps are enforced*, the mistake can*not* possibly undermine global reductions.

It only harms others within the country who will have to make up the difference if excessive credits are awarded.

Why will this work?

Negotiations over climate reparations, climate debt, technology transfers, and adaptation funds will inevitably yield much less than what is deserved -- because charity and guilt are far less powerful incentives in today's world than self-interest.

BUT… if national caps are set fairly self-interest will drive sources in developed countries to purchase CERs from sellers in less developed countries, yielding the largest flow of payments from North to South in world history.

For More Information See

Robin Hahnel:

"Left Clouds Over Climate Change Policy," *Review of Radical Political Economics (44, 2),* June 2012: 141-159

"Desperately Seeking Left Unity on Climate Change Policy," *Capitalism, Nature, Socialism (23, 4),* December 2012: 83-99

"An Open Letter to the Climate Justice Movement." *New Politics 56*, Winter 2014: 76-83.

The Great Transformation

- Replacing fossil fuels with renewables, transforming transportation, industry and agriculture to be energy efficient, and rebuilding our entire built infrastructure to conserve energy will be an immense, historic undertaking.

- It must be the greatest technological “reboot” in economic history, transforming what we should think of as *Fossil-fuel-estan* into *Renew-conserve-estan*.

- This is the only way to avoid climate disaster, *and* the only way to re-employ the tens of millions who lost their jobs in the Great Recession and the hundred million young people who will need jobs over the next two decades.

GND Policies

- A large GREEN fiscal stimulus – NOT deficit reduction!
- Massive government intervention in the credit system to redirect investment away from asset bubbles and environmentally destructive luxury goods for the wealthy, into renewables and energy conservation.
- The transformation of the US and European economies in response to WWII is the relevant precedent.

LDCs must develop differently

- Even when granted more lenient emission caps because of their lesser responsibility and capability, LDCs will discover their best route to development is reducing emissions to sell CERs for more than they cost, not fossil fueled development.

- The point of the Greenhouse Development Rights Framework developed by Ecoequity is to prevent climate change *without* denying anyone the opportunity to achieve economic development.

Why a Social Movement?

- Are our government leaders and global elites moving toward accomplishing what I have just described as both necessary and perfectly feasible?
- If your answer is “no” then it follows that they must be forced to do so. Only a massive global climate movement can possibly do this. Which leads us to…

- **THE MAJOR OBSTACLES WE MUST OVERCOME**

Waking up too late

This is the famous GHG momentum problem.

Reducing emissions before it is too late is like stopping the Titanic before it hits the iceberg. You have to put engines in reverse before you can see the iceberg through the fog or you will sink.

A powerful enemy

- The fossil fuel industry -- long the most powerful industry in the world – dominates energy policy, with great influence on foreign policy as well.
- The fossil fuel industry will lose a great deal of wealth if most of the carbon it owns is left in the ground. It has everything to fight for, and plenty of money and political influence to fight with.
- The divestiture movement launched by 350.org has finally recognized that this obstacle must be prioritized and overcome.

Squabbling between radicals and reformers

In all progressive reform movements there are always tensions between radicals and reformers. However, success hinges on cooperation. Why?

- Only if radicals participate full heartedly will they have access to recruits.
- Reformers are a much bigger threat when radicals are active in the movement. Radicals provide strength, tactical diversity, and a credible threat – if you don't negotiate with reformers you will have the radicals to deal with!

The ideological divide between social movements and corporations

- Progressives and corporations are not usually allies. But the massive global movement necessary to force politicians to do what is necessary to prevent climate change before it is too late they will have to be.
- Only if both learn not to expect the other to always see things as they do will the degree of cooperation necessary be possible.

North South gridlock

Differential responsibilities and capabilities:

- The intellectual problem: How to make responsibility and capability operational. www.ecoequity.org.
- The political problem: Convincing countries they must do their fair share.
- Northern countries “don’t get it”… and even when they do they simply refuse.

Neoliberal opposition to government intervention

- Neoliberalism defends property interests: But climate change cannot be prevented without destroying fossil fuel wealth in the ground.
- Neoliberalism opposes government intervention: But a GND requires massive government intervention.
- Without eradicating the neoliberal mindset climate change cannot be averted.

Historic divide between the labor and environmental movements

- It is no secret that these two movements have often been at odds, and mistrust one another.

- The GND offers the best chance to overcome this divide because it is very much in the interest of both movements.

Knee jerk left opposition to emission trading

- Ironically the CJM denounces carbon trading even though it is the only realistic way to win significant payments from North to South.

- Without an international carbon market the cost of preventing climate change rises by as much as 50% -- greatly strengthening opposition to necessary reductions.

- Just because the root cause of climate change may be the global market system, does not mean that creating a carbon market is not an effective mechanism to solve the problem. Do leftists oppose minimum wage laws because they don't believe in wage slavery at all?