The Green New Deal: ‘Climate Capitalism’ or Eco-socialist Future?

绿色新政： “气候资本主义”还是生态社会主义？

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Hopkins-Nanjing Center
Nanjing, China
04 April 2019
The “New Deal”: 1933 response to Capitalism’s failure

1931 Christmas Day breadline in New York

- 25% unemployment
- 50% of U.S. families below subsistence level

Soup kitchen handouts

FDR’s Three R’s: Massive governmental response

Selected Legislation

RELIEF
- 1933 Emergency Banking Act
- 1933 Federal Emergency Relief Act
- 1933 Public Works Administration
- 1933 Civilian Conservation Corps
- 1933 Tennessee Valley Authority
- 1935 Works Progress Administration

RECOVERY
- 1933 National Recovery Act
- 1933 Agricultural Adjustment Act
- 1933 Home Owners Loan Corporation
- 1934 Federal Housing Administration
- 1937 Agricultural Adjustment Act

REFORM
- 1933 Glass-Steagall Banking Act
- 1934 Securities Exchange Act
- 1935 Social Security Act
- 1935 National Labor Relations Act
- 1938 Fair Labor Standards Act

罗斯福新政

救济
复兴
改革
“New Deal” critics see Socialism!

“...much of [FDR’s recent New Deal legislation] would have suited the picture perfectly had it originated on the basis of the platform of the Socialist Party rather than the platform of the Democratic Party.”

-- J. Shouse, President, American Liberty League, July 1, 1935

Quote from Shouse’s “The Return to Democracy” speech at: https://nyx.uky.edu/fa/findingaid/?id=xt7wwp9t2q46#fa-heading-ref1; cartoon: https://blogs.baruch.cuny.edu/his100spring2011/tag/fdr/
A “Green” New Deal?

First proposed by Tom Friedman in the *New York Times* in January 2007....

but quickly developed an international following:

7/2008: UK report
9/2009: UNEP

UK MPs propose Green New Deal bill

Published on 26/03/2019, 6:03pm

A private members bill would compel the UK government to decarbonise the economy and “eradicate inequality”

Creation of a Green New Deal, with the goals of:

- Achieving net-zero greenhouse gas emissions;
- Establishing millions of high-wage jobs and ensuring economic security for all;
- Investing in infrastructure and industry;
- Securing clean air and water, climate and community resiliency, healthy food, access to nature, and a sustainable environment for all; and
- Promoting justice and equality.

A 10-year national mobilization effort to accomplish these goals

Mobilization efforts include building smart grid; upgrading existing buildings; cleaning up waste sites, etc., etc.
GND critics see Socialism too!

Why the GND?: No time to lose!

Royal Society & NAS, February 2014

IPCC, October 2018

The GHG problem

http://www.newsmax.com/LarryBell/climate-warming-temperature/2016/03/14/id/718934/; RCP=Representative Concentration Pathways
The GHG problem (cont.)

"我们在这儿！"

stilised global mean temperatures 1850-2200;
design by @alxrdk based on warming stripes from @ed_hawkins

What is needed: Three step ‘deep decarbonization’ approach
深度脱碳

1. Make it energy efficient;
2. Electrify;
3. Decarbonize the electricity.

DDPP
DEEP DECARBONIZATION PATHWAYS PROJECT

16 countries analyzed

http://deepdecarbonization.org/countries/
Trump is going in the other direction

The Guardian
Trump administration scraps Obama-era regulation on coal emissions
Plan would boost output from coal-fired plants and lead to as many as 1,400 premature deaths a year

Oliver Milman in New York

The Trump administration's plan has been called 'a disaster for public health and the climate'. Photograph: J David Azia/AP

Trump climate deregulation could boost CO2 emissions by 200 million tonnes a year: study

# Engineering vs economic approaches to pollution control

## Goals

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<th>Engineering</th>
<th>Economics</th>
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<td>EQ Standards</td>
<td>MAC = MSB</td>
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## Regulatory Means

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<th>Technology-Based Standards</th>
<th>Economic Mechanisms</th>
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<td>Input/Fuel Stds.</td>
<td>Pollution Taxes (Price-based)</td>
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<tr>
<td>Design Stds.</td>
<td>Pigouvian taxation</td>
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<tr>
<td>Emission Stds.</td>
<td>Emissions Trading</td>
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<td>Performance Stds.</td>
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</table>

- **Pollution Taxes (Price-based)**
- **Pigouvian taxation**
- **Emissions Trading**

- **庇古税**
- **排污交易**
For economists, climate problem represents market failure

“The Thus, climate change is an example of market failure involving externalities... on the greatest scale the world has seen.”
-- Stern Review, 2006, p. 27
Microeconomic approach to pollution externalities

P vs. Q: Pigouvian (carbon) tax or ‘Cap & Trade’

Adam Smith

Thomas Malthus

David Ricardo

Marxism

Karl Marx

Neoclassical School

Alfred Marshall

Micro-

Arthur Pigou

Macro-

John Maynard Keynes

庇古税 or 限额与交易
P vs Q debate!
定价还是定量?

- Requires “revenue recycling”
  - Tax/rebate
  - Tax/dividend
  - Offset income taxes, etc.

- Politically very unpopular

Price-based approach results in massive wealth transfer from private to public sector
Q-based approach provides political flexibility

- Q-based systems can match P-based revenue to government with 100% auctioning of allowances;
- Can move wealth shift in other direction with 100% “grandfathering” of allowances;
- Most Q-based markets now provide mix, with general trend towards auctioning;
- Q-based approach utilizes markets, brokers, exchanges, etc., encouraging entrepreneurs, start-ups & new tech development
- Key point: Q-based money doesn’t have to move through the government!
"The ideological issue raised [in P vs. Q] in some ways is as deep and as old as the question of socialism versus capitalism."

Carbon pricing currently uses both

World Bank survey:
- 28 years after 1st IPCC report
- 25 emissions trading systems
- 26 carbon tax programs
- Represent ~20% of GHGs

P vs. Q
- Haites (2018) reviewed 18 carbon tax jurisdictions and 55 GHG ETS jurisdictions (w/17 ETS programs);
- Emissions covered in ETS 2.4x greater;
- Both instruments can reduce emissions;
- ETSs “perform better than carbon taxes on the principal criteria of environmental effectiveness and cost effectiveness.”
The problem with P:
Strong political resistance, all around the world!

Washington votes no on a carbon tax — again

A New Green Deal goes down to defeat in the Pacific Northwest.

By David Roberts | @drvox | david@vox.com | Updated Nov 6, 2018, 12.13pm EST

Maine Becomes The Most Recent Blue State To Reject A Carbon Tax

NEW POLL: 80% OF FRENCH OPPOSE MACRON’S CARBON TAX

Date: 30/11/18 | Daily Express

The problem with Q:
Very low prices, not enough for significant change

Source: World Bank, with Ecofys support; May, 2018; prices from 1 April 2018
If neither delivers, back to ‘Command & Control’?

Canadian case study:

**British Columbia** has Carbon Tax
- Largest carbon reduction: BC’s “clean electricity” regulation
- BC carbon tax: ~C$30
- Implicit regulatory price: C$80-120

**Ontario** had Carbon Market
- Largest carbon reduction (in all of Canada): governmental ban on coal-fired power; 19 units shut down
- Market carbon price: ~C$18
- Implicit regulatory price: C$100-130

*Forget P vs Q? Back to engineering ‘command/control’?*

“These policies will... be less economically efficient. But if the efficiency cost is modest, it may well be worth it if the costs of continued ineffective policy are considered.”


**Neo-Keynesians** tend to be leftist mainstream economists; governments play a key role in addressing recessions, utilizing both fiscal and monetary policies.

**Post-Keynesians** are heterodox economists, focusing on risk, irrational behavior and inherent instability of financial sector; skeptical of traditional monetary policies, they believe governments should play a very aggressive role in the economy.

*Source: For neo & post-Keynesian classifications, see reporting by Dylan Matthews, Graphic by Marianne Seregi/ The Washington Post February 17, 2012*
GND: Refocus economy on jobs and inequality!

....with environmental crisis as chief target

https://www.nrcan.gc.ca/careers/87
Macroeconomic effects of ‘deep decarbonization’

- “Deep decarbonization of the U.S. economy has a net positive impact on the overall economy in terms of jobs, GDP, and income per household”;

- Significant benefits for U.S. macro-economy even without counting avoidance of severe climate change;

- Modernizes American infrastructure, fostering ‘re-industrialization’;

- Seven of the nine Census regions show positive economic gains;

- U.S. energy costs actually decrease as % of GDP (from ~7% today to ~6% in 2050).

“The ‘paradox’ indicated by our analysis is that people should have higher expectations of a decarbonized energy system, not lower ones.”

U.S. workers have suffered in recent decades

Palley’s ‘Neoliberal Policy Box’

FED focus (interest rates rather than full employment)

Corporate globalization

Labor market flexibility (e.g., attack on unions, min. wage, etc.)

‘Small’ government

Workers

Productivity and average real earnings

**Globalization pressures:**
*Branko Milanovic’s ‘elephant’ curve*

Graph showing global income growth, 1988-2008, with labels indicating rising incomes in emerging economies, mainly China, and the decline of the developed-world middle class.
Greens see plenty of money available for wars & the rich...

Obama
- Wall St., banks, AIG, etc. received bailouts;
- Main St. & home mortgages didn’t;
- Jobs & infrastructure spending blocked by Congress because of “deficit threat”

Bush Jr.
- Received budget surplus;
- Paid for two wars + ‘big pharma’ handout with borrowed money;
- VP Cheney: “...deficits don’t matter”;
- Turned over economy in free fall

Trump
- Immediate ‘sugar high’ tax cut at top of cycle;
- Added $1.5-2.0 trillion to deficit;
- Record year for stock buybacks.

....but not much for jobs & infrastructure (despite low interest rates & little inflation)
Post-Keynesian Approach: Modern Monetary Theory (MMT)

• Common view:
  — Tax receipts are revenue source for government;
  — Too much spending results in deficits;
  — Requires gov’t to raise taxes to balance the budget.

• MMT view:
  — Government’s key role is making sure that all resources (people, raw materials, productive capacity, etc.) are being fully employed;
  — The gov’t creates money by fiat;
  — The private sector needs the government’s spending, not the other way around;
  — When spending goes too far, the result is inflation;
  — Gov’t can remove money from the economy by taxes, & also reduce spending to control it.
• At least a dozen inputs for iPhone depended on governmental R&D support;
• Risks tend to be socialized, gains privatized (Apple, Google, Tesla vs. Solyndra)
• Myth: the government is sluggish and inept, and at odds with a dynamic private sector;
• It can drive innovation, and the private sector responds to gov’t spending;
• Markets alone cannot/will not provide sufficient R&D for a green economy;
• Don’t just fix the market (i.e., P or Q for market failure); create the market!
Obvious critics

Green New Deal would cost up to $93 trillion, or $600G per household, study says

The bogus number at the center of the GOP’s Green New Deal attacks

Republicans’ estimates that the climate plan would cost $93 trillion are based on a think tank study that doesn’t endorse that total.

By ZACK COLMAN | 03/10/2019 07:02 AM EDT

**Summary Table (2020-2029)**

<table>
<thead>
<tr>
<th>Goal</th>
<th>Estimated Cost</th>
<th>Estimated Cost Per Household</th>
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</thead>
<tbody>
<tr>
<td>Low-carbon Electricity Grid</td>
<td>$5.4 trillion</td>
<td>$39,000</td>
</tr>
<tr>
<td>Net Zero Emissions Transportation System</td>
<td>$1.3 trillion to $2.7 trillion</td>
<td>$9,000 to $20,000</td>
</tr>
<tr>
<td>Guaranteed Jobs</td>
<td>$6.8 trillion to $44.6 trillion</td>
<td>$49,000 to $322,000</td>
</tr>
<tr>
<td>Universal Health Care</td>
<td>$36 trillion</td>
<td>$260,000</td>
</tr>
<tr>
<td>Guaranteed Green Housing</td>
<td>$1.6 trillion to $4.2 trillion</td>
<td>$4,000 to $12,000</td>
</tr>
<tr>
<td>Food Security</td>
<td>$1.5 billion</td>
<td>$10</td>
</tr>
</tbody>
</table>

- $93 trillion never mentioned in report;
- Addition of ‘worst-case’ figures;
- Most costs associated with jobs & health care, not environment;
- Chief AAF author: “Is it billions or trillions?... Any precision past that is illusory.”

Is the GND eco-socialist?

绿色新政：一种生态社会主义？

Post-Keynesians
- L. Randall Wray
- Stephanie Kelton
- James K. Galbraith

Neo-Keynesians
- Paul Krugman
- Larry Summers
- Joseph Stiglitz

Source: For neo & post-Keynesian classifications, see reporting by Dylan Matthews, Graphic by Marianne Seregi/ The Washington Post February 17, 2012; Marx figure: http://marxiststudent.com/green-marx/
Extensive Eco-socialist movement & literature

Planetary Boundaries

‘Ecological Marxism’s’ Second Contradiction of Capitalism:

“...the combined power of capitalist production relations and productive forces self-destruct by impairing or destroying rather than reproducing their own conditions [i.e., the environment.]”

The current capitalist system is, however, “profoundly unsustainable”:

- “It cannot regulate, much less overcome” the ecological crises it has started;
- “Ecological production under socialist conditions” could do so;
- Eco-socialism would retain the goals of first-epoch socialism

Recognizes failure of “first-epoch” 20th century versions, due to:

- hostility by existing capitalist powers;
- the denial of internal democracy;
- an emulation of ‘capitalist productivism’

...leading to collapse and “ruin of their natural environments.”

Eco-socialist view of GND?

Good points:

“...a definitive break with the Reagan-Thatcher-Friedman ‘capitalism good, government bad’ doctrine”

BUT:

“...not based on a the fundamental understanding that an infinitely growing economy is no longer possible on a finite planet”;

“nationalization via buyouts is the only way to enforce decarbonization while also forestalling capitalist opposition”

The GND is NOT socialist/eco-socialist

- It does NOT revert to ‘command/control’ for environmental purposes; instead uses economic approach;

- It does NOT call for nationalizing businesses, or creating public-sector ownership;

- It does NOT preclude P and/or Q mechanisms:

  “The door is not closed for market-based incentives or a diverse array of policy levers to play a role in the Green New Deal, but it would be a small role in the face of the gigantic expansion of our productive economy…”

  -- AOC, February 2019

Some (e.g., Newell & Paterson) have called for ‘Climate Keynesianism’….

......but GND instead represents a ‘Post-Keynesian’ approach (think Climate Keynesianism on steroids!) to tackle a green capitalist crisis
The alternative could be attractive to the young...

Ardent US capitalists should embrace ‘socialism’

They can contain anger at the market system by making pragmatic concessions to it

"Right now, the political debate concerns the excesses of capitalism. In no time at all, it will move on to the fundamentals of the system itself."

Half of young Americans would rather live in a socialist country, survey finds

- Socialism has long carried a negative stigma in America, once calling to mind bread line rations and totalitarian rule in the Cold War-era Soviet Union
- But half of Millennials and Gen Z said they would rather live in a socialist country
- The shift in attitudes is expected to come into play in the 2020 presidential election, with the 18-38 set accounting for 37% of the electorate next year

By VALERIE BAUMAN SOCIAL AFFAIRS REPORTER FOR DAILYMAIL.COM
PUBLISHED: 09:43 EDT, 11 March 2019 | UPDATED: 10:30 EDT, 11 March 2019

....and even FT pundits.
Will Wall St.’s machine-learning “Best Capital Allocating Robot (U.S. Division)” serve the economy better than the market?

Technology may provide an additional push...

- Logistics within companies is autocratically ‘planned’;
- Walmart economically equivalent to Switzerland or Sweden;
- Walmart, Amazon, etc. eviscerated Main Street (moving towards ‘post-capitalism’?);
- Laying the groundwork for “democratic planning”?

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**Bloomberg Opinion**

**Economics**

**Are Index Funds Communist?**

There won't be much left to do once the investment robots perfect capitalism.

By Matt Levine
August 25, 2016, 3:05 AM GMT+8

https://www.bloomberg.com/opinion/articles/2016-08-24/are-index-funds-communist
...and challenge to Western, democratic market-based governance
FDR’s ‘New Deal’ saved Capitalism once....

“罗斯福新政”曾拯救过资本主义

- Historians rank FDR among greatest American presidents;
- So popular (re-elected three times) the country added term limits in the Constitution;
- Laid the groundwork for some of the most prosperous and egalitarian decades in U.S. history.

How FDR Saved Capitalism

by Seymour Martin Lipset, Gary Marks
Tuesday, January 30, 2001

https://www.hoover.org/research/how-fdr-saved-capitalism
Could a ‘Green New Deal’ do it again?
“绿色新政”可以再造辉煌吗？

• No time to lose…. & the young know that!
• Microeconomic approach working, but not quickly enough
• Need broader, deeper, more aggressive U.S. government action
• Need a ‘Climate Capitalism’ macroeconomic fix….

…..a Green New Deal?

https://www.salon.com/2019/03/04/what-aocs-green-new-deal-can-learn-from-fdrs-new-deal/