

# Climate Change Policy for a New Green Economy<sup>i</sup>

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Climate change has emerged as the dominant environmental issue of the 21<sup>st</sup> century. About the only things we can say with certainty about the economic implications of climate change is that it is uncertain. A quick internet search for credible estimates of the economic impacts of climate change reveals results ranging from catastrophically negative, to net-neutral, to potentially positive—depending on if and how nations respond. My purpose here is to not add to the confusion by trying to sort through the “economic smog” in search for the truth or some best estimate of our future climate reality. There is no truth, or even scientific consensus, concerning the future economic impacts of climate change—only potentials.

Some of the basic determinants of the earth’s future climate are already in place and cannot be reversed. Some reflect past intentional acts of humans and others reflect the inevitable evolution of global ecosystems. However, human response, or lack of response, will affect not only the evolution of climate within those predetermined parameters but also will affect the basic nature of global economies and societies. My purpose here is to explore how differences in worldviews affect perceptions of climate change and how worldviews affect the likelihood of creating new climate-smart or “green economies.”

In spite of a few persistent “climate deniers,” there is global consensus that climate change represents a potential threat to the future of humanity. This consensus was clearly apparent in the United Nations Framework Convention on Climate Change (UNFCCC) which was convened in Paris in 2015 and is commonly called the Paris Agreement.<sup>1</sup> The Agreement concluded by “recognizing that climate change represents an urgent and potentially irreversible threat to human societies and the planet and thus requires the widest possible cooperation by all countries, and their participation in an effective and appropriate international response, with a view to accelerating the reduction of global greenhouse gas emissions; also recognizing that deep reductions in global emissions will be required... and emphasizing the need for urgency in addressing climate change... the conference of the parties... decides to adopt the Paris Agreement.”<sup>2</sup> Of the 197 nations attending the Paris Convention, only the United States and Syria refused to adopt or sign the agreement.

In 2017, Syria signed the agreement. The same year, the U.S. government formally withdrew from the Paris Agreement. Regardless, a clear majority of the American people appear to believe that climate change is real and that the U.S. government should take action to mitigate its negative impacts. A 2018 Stanford study concluded, “Despite U.S. withdrawal from the Paris

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<sup>i</sup> Prepared for presentation at The Climate Economy in Southern Illinois – Creating Resilient Businesses, Jobs and Communities Carbondale, Illinois, June 12, 2019.

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Climate Agreement, some 81 percent of respondents believe that the country should try to cut the greenhouse gases that trap heat in the Earth's atmosphere to meet the target in that agreement."<sup>3</sup>

Thus far, responses to climate change in the U.S. have been viewed largely through the lens of economics. Most questions seem to focus on the potential negative economic impacts caused by reducing emissions of carbon dioxide and other greenhouse gasses to levels required in the Paris Agreement. Reducing reliance on fossil fuels—coal, petroleum, and natural gas—seems to be the major economic challenge. Admittedly, some attention has been given to the impacts of rising ocean levels on residents in coastal cities, but the focus seems to be on the economic costs of mitigation or relocation rather than the human cost of potential displacement. Others focus on the potential positive impacts of new jobs and economic opportunities involved in building new infrastructure and creating the new technologies needed for a “new green economy.”

Public policy proposals also seem to focus on providing economic incentives to transition from a climate degrading economy to a climate-smart or green economy. Among the most popular reoccurring proposals is a “carbon tax,” which would place a tax on carbon emissions from burning coal, petroleum, and natural gas.<sup>4</sup> This would be a form of “carbon pricing,” in that the tax would raise prices of fossil fuels to reflect environmental costs of carbon emissions. The effectiveness in reducing greenhouse gas emissions would depend on the size of the tax.

Another popular proposal has been emissions trading, sometimes called “cap and trade.”<sup>5</sup> Under such policies, the government would place a cap on total allowable greenhouse gas emissions and allow potential users to bid or compete economically for use of a share of total allowable emissions. This essentially would create markets for the legal rights to emit greenhouse gasses and allow the limited allowable quantities of fossil energy to be allocated to uses of highest economic value as determined by competitive markets. The effectiveness in reducing total greenhouse gas emissions would be dependent on the effective level of the “cap.”

Other policies and proposals have focused on economic incentives or subsidies, rather than taxes or limits, to incentivize a transition to a new green economy. The most popular of these seem to be consumer tax credits to encourage the purchase of new energy efficient heating and cooling systems and household appliances. Generous tax credits also have significantly reduced the net costs of residential installation of solar energy panels. There is some doubt regarding the significance of such programs in reducing greenhouse emissions, but nonetheless they have provided incentives for energy conservation and popularized residential renewable energy.<sup>6</sup>

All of the policies mentioned reflect a particular worldview, or way of thinking, concerning why environmental problems, such as climate change, arise and the appropriate means of solving them. The economic worldview reflected in these policies is one of the world as an economic resource. The economy facilitates the process of transforming things of nature—soil, water, minerals, petroleum, natural gas, etc.—into marketable goods and services that have economic value. Economists recognize that the economic resources of nature are limited or finite—that recoverable reserves of fossil energy eventually will be depleted. Economists also understand that the earth's natural ecosystems have a limited or finite capacity to absorb the wastes or pollution that are inevitably byproducts of creating economic value from natural resources.

However, the unspoken assumption of contemporary economic thinking is that substitutes can be found for any natural resources that are depleted and that technologies can be developed to solve any environmental problems that might result from the extraction of economic value from natural resources. Economic value is a reflection of “scarcity,” meaning there is not enough of something for everyone to have all they want. As abundant natural resources are depleted, they become scarcer and take on greater economic value. As a specific source of fossil energy is depleted, such as petroleum, it becomes more costly. Users then have an economic incentive to use fossil energy more efficiently and to consider substituting other types of energy, such as electricity generated with natural gas or coal. As fossil energy in general becomes more costly, renewable energy sources, such as wind and solar, become more economically competitive. Technologies that improve energy efficiency also become profitable as fossil energy becomes costly. The conventional economic wisdom is that markets are capable of addressing most challenges of natural resource depletion. We just need to allow the markets to work.

Environmental pollution presents an additional economic challenge. Unlike fossil energy, there is no market for the ability of air, water, or soil to absorb, assimilate, and neutralize wastes. Whenever nature’s capacity to do so is exceeded, the result is pollution. Environmental pollution then further reduces the capacity of nature to neutralize waste and threatens the overall well-being of the other living things that depend on nature, including humans. The beneficial aspects of nature as a “sink” for wastes have not been privatized and remain as part of what is typically referred to as “the commons.” The commons is not owned by anyone and is accessible to all, “in common.” Resources that are part of the commons are not economically scarce—they are free for all to use. Thus, there are no market incentives to conserve or protect nature as the air, water, or soil become increasingly polluted and thus less able to neutralize additional economic wastes.

Economists tend to believe that environmental problems can be solved by government programs that ration the use of nature as a sink. Rationing makes nature’s pollution mitigation capacity scarce and thus economically valuable. This can be done directly, as in the case of cap and trade policies, or indirectly, as in the case of taxes imposed on the release of carbon or other pollutants into the environment. Either way, the economic costs of pollution are then experienced as higher market prices, which allows markets to allocate the allowable pollution to uses that produce the highest total economic value. Tax credits and subsidies allow private markets to reflect the public economic benefits of energy conservation and of transitioning to renewable energy. Such policies are commonly referred to “internalizing economic externalities”—bringing public costs and benefits into private markets. The current focus of climate change policies on economic or market-based solutions is a reflection of this common economic way of thinking.

“Privatizing the commons” might be an equally appropriate term for “internalizing economic externalities.” However, privatizing the commons reflects a fundamentally different worldview and a very different perspective concerning the implications for granting private ownership rights to things of nature. Internalizing the economic externalities of human impacts on nature grants legal rights to “individuals” to buy and sell things of nature that are owned by “everyone,” if owned by anyone. If nature in fact belong to everyone or to everything, then it should be used for the benefit of everyone or everything—and not only for uses that have economic value. The use of nature should not be allocated exclusively to those who can afford to pay the highest economic price for it in some artificially created, impersonal, amoral marketplace.

A bold alternative to current economic/market-based policies to address climate change has been proposed in the Congressional House Resolution 109, “Recognizing the duty of the Federal Government to create a Green New Deal.”<sup>7</sup> This resolution has not been approved by Congress, but it has been endorsed by a number of Democratic candidates for president and has the potential to reframe the political debate regarding the responsibilities of government to address the issue of climate change.

The resolution begins: “The resolved, that it is the sense of the House of Representatives that— it is the duty of the Federal Government to create a Green New Deal—

- (A) to achieve net-zero greenhouse gas emissions through a fair and just transition for all communities and workers;
- (B) to create millions of good, high-wage jobs and ensure prosperity and economic security for all people of the United States;
- (C) to invest in the infrastructure and industry of the United States to sustainably meet the challenges of the 21st century;
- (D) to secure for all people of the United States for generations to come—
  - (i) clean air and water;
  - (ii) climate and community resiliency;
  - (iii) healthy food;
  - (iv) access to nature; and
  - (v) a sustainable environment; and
- (E) to promote justice and equity by stopping current, preventing future, and repairing historic oppression of indigenous peoples, communities of color, migrant communities, deindustrialized communities, depopulated rural communities, the poor, low-income workers, women, the elderly, the unhoused, people with disabilities, and youth (referred to in this resolution as “frontline and vulnerable communities”).

As is made clear from its title, the Green New Deal does not rely on markets to provide economic incentives to determine who benefits and who pays the costs of transitioning to a new climate-smart or green economy. It states that is the “duty of the Federal Government” to achieve net-zero greenhouse gas emissions through a “fair and just transition for all communities and workers.” It charges the government with creating new jobs that will “ensure prosperity and economic security for all.” It recognizes that government, not private businesses, must make the investments necessary to “meet the challenges of the 21<sup>st</sup> century.”

Perhaps most important, the Green New Deal states that it is the duty of the Federal Government “to secure for all people of the United States for generations to come, clean air and water, climate and community resiliency, healthy food, access to nature, and a sustainable environment.” It essentially declares that these things are basic human rights that are to be secured by government for all, as legal rights not be left to the indifference of impersonal markets or even subject to economic cost/benefit considerations.

Finally, the Green New Deal recognizes the necessity for a fundamental change in current economic/market-based government policies and to “promote justice and equity by stopping current, preventing future, and repairing historic oppression” of a long list of historically

marginalized peoples, which it refers to as “frontlines and vulnerable communities.” This statement recognizes that whenever “economic externalities are internalized,” or more precisely, whenever “the commons are privatized,” those with the economic means inevitably suffer. Market “solutions” allocate *pollution rights* to uses of highest market value and concentrate allowable pollution in low income communities. Those of economic means are able to influence government policies to protect the natural resources of their communities from extraction and themselves from exploitation while those without economic means are left without access to natural resources or to nature. The *commons* belongs to all equally, without regard to income or wealth. The long list of historically oppressed people in the Green New Deal is a reflection of past failures of the U.S. Government to secure the basic human rights of all Americans, to ensure liberty and justice for all. The Green New Deal is a call for fundamental change.

The Green New Deal reflects ways of thinking that are fundamentally different from those that have shaped past economic or market-based policies. It reflects an “integral ecological” perspective of humans to be integrally connected with each other and with all of the other living species and nonliving elements of the earth. Pope Francis brought integral ecology to public attention when he used it as a central theme in his 2015 landmark *Encyclical on Climate Change, Laudato Si*. He focused on the failure of the environmental movement to address the social and economic roots of growing threats to “our common home” – the earth. He wrote, “We are faced not with two separate crises, one environmental and the other social, but rather with one complex crisis which is both social and environmental. Strategies for a solution demand an integrated approach to combating poverty, restoring dignity to the excluded, and at the same time protecting nature.”<sup>8</sup> Some see the new Green New Deal as a “wish list” of liberal policies, but it simply reflects the fact that climate change is but the consequence of larger ecological and social problems that are rooted in a failed economy.

Contrary to some assertions, the Green New Deal would not be imposed upon the American people. It states specifically, “a Green New Deal must be developed through transparent and inclusive consultation, collaboration, and partnership with frontline and vulnerable communities, labor unions, worker cooperatives, civil society groups, academia, and businesses; and to achieve the... goals and mobilization, a Green New Deal will require the following goals and projects—

- (A) providing and leveraging, in a way that ensures that the public receives appropriate ownership stakes and returns on investment, adequate capital, technical expertise, supporting policies, and other forms of assistance...
- (B) ensuring that the Federal Government takes into account the complete environmental and social costs and impacts of emissions through— (i) existing laws; (ii) new policies and programs; and (iii) ensuring that frontline and vulnerable communities shall not be adversely affected;
- C) providing resources, training, and high-quality education, including higher education, to all people of the United States, with a focus on frontline and vulnerable communities, so that all people of the United States may be full and equal participants in the Green New Deal mobilization.”

Through consultation, collaboration, and partnerships and accounting for “complete environmental and social costs,” the Green New Deal attempts to retain the confidence and trust of the millions of Americans who have been marginalized and disenfranchised by past

government policies. Privatization of the commons has allowed the wealth of the commons—the common wealth of the nation—to be extracted and exploited for the benefit of the few leaving many without means of meeting their basic human needs. There is a clearly documented tendency in market economies toward the concentration of economic power and wealth whenever governments fail to secure the basic human rights of the people. In complex modern societies, these human rights include the right of all people to meet their basic economic needs. This not some left-wing, socialist political propaganda but classic American democracy. Ensuring the basic right of all does not mean everyone has a right to an equal amount of everything, but only a right to enough of the things essential to meet their basic human needs.

The basic principle is clearly stated in the American Declaration of Independence. “*We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness.--That to secure these rights, Governments are instituted among Men, deriving their just powers from the consent of the governed.*”<sup>9</sup> The fundamental purpose of government is to secure the “unalienable rights of all.” All other rights are preconditioned on the right of life. If people are to live and have the liberty to pursue happiness, they must be have clean air and water, healthy food, and access to the things of nature.

The specific purpose in forming the Government of the United States was clearly articulated in the preamble to the U.S. Constitution. “*We the People of the United States, in Order to form a more perfect Union, establish Justice, insure domestic Tranquility, provide for the common defense, promote the general Welfare, and secure the Blessings of Liberty to ourselves and our Posterity, do ordain and establish this Constitution for the United States of America.*”<sup>10</sup> Nowhere does the Constitution mention a commitment to ensuring “economic growth or full employment,” unless doing so also promotes the “general welfare”—not simply increases individual incomes or wealth. In spite of later legislation that gives government economic responsibilities, all laws must conform to the commitment of the U.S. Constitution to promote the “general welfare.”

Democracy is rooted in the basic principle that we are all of equal inherent worth. However, people are inherently unequal in their ability to produce things of economic value—meaning things that are “scarce.” We all have the same basic human needs, but the economy places no value on necessity—only scarcity. We are born with unequal physical and mental abilities; we are born into families of unequal economic means and psychological abilities and aptitudes to nurture children into adulthood. We are inherently unequal in opportunities to make chance acquaintances that could make up for lost opportunities earlier in life. Yet, we are all equal in “inherent” worth, meaning that we each have abilities to make non-economic civic, societal, and moral contributions to the good of humanity that offset any lack of economic ability. When our non-economic worth goes unrecognized and unappreciated by a society preoccupied by economic worth, we naturally feel marginalized, disenfranchised, exploited, and oppressed, regardless of whether we are able to meet our basic material needs.

We have a choice. We can continue to rely on technology driven by economic incentives, or we can choose the path of a Green New Deal. Pope Francis cautions about the risks of continuing to rely on technology and economics. “The economy accepts every advance in

technology with a view to profit, without concern for its potentially negative impact on human beings. Some circles maintain that current economics and technology will solve all environmental problems, and argue, in popular and non-technical terms, that the problems of global hunger and poverty will be resolved simply by market growth. They may not affirm such theories with words, but... show no interest in more balanced levels of production, a better distribution of wealth, concern for the environment and the rights of future generations. Their behavior shows that for them, maximizing profits is enough.”<sup>11</sup> Pope Francis challenges global society “to move forward in a bold cultural revolution.”<sup>12</sup>

The disenfranchised and marginalized people of the United States are not suffering simply because of a lack of economic necessities. They are suffering from the degradation of their relationships with the things of nature and with each other that have resulted from the lack of access to “the commons.” Many disenfranchised people, particularly indigenous people, feel a sense of responsibility as stewards or caretakers of nature. They have lost the ability to fulfill that responsibility because they have been unable to stop the privatization and economic exploitation of nature. Many marginalized people once depended on personal relationships within their families and communities for their sense of worth and well-being. Families and communities have been sacrificed in order to meet the material, economic necessities of life. We all suffer from these separations; some are just more aware than others.

As Pope Francis stated, “If we reflect on the proper relationship between human beings and the world around us, we see the need for a correct understanding of work; if we talk about the relationship between human beings and things, the question arises as to the meaning and purpose of all human activity”.<sup>13</sup> “What is the purpose of our life in this world? Why are we here? What is the goal of our work and all our efforts? What need does the earth have of us? It is no longer enough, then, simply to state that we should be concerned for future generations. We need to see that what is at stake is our own dignity. Leaving an inhabitable planet to future generations is, first and foremost, up to us.”<sup>14</sup>

So we Americans are faced with a clear choice regarding not only whether but how we choose to address the threat of global climate change. Will we risk “leaving an uninhabitable planet for future generations” because we unwilling to risk the potential negative economic consequences of effective government policies? Will we choose to support implementation of new economic/market-based policies to mitigate climate change? Or, will we choose “to move forward with a bold cultural revolution” as suggested by the Green New Deal resolution?

I am not so naïve as to believe there will be a dramatic transformation in U.S. environmental policy, regardless of who is elected President or which party controls Congress. Democracies change slowly. However, democracies ultimately reflect either the consensus of the people or the failure of the people to participate in the process of governance. What kind of nation do we want to leave for future generations of Americans? The choice “is first and foremost, up to us.”

## End Notes

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- <sup>8</sup> Francis, “Encyclical Letter *Laudato Si’* Of The Holy Father Francis On Care For Our Common Home” 2015, May 24, paragraph 139. Retrieved November 19, 2015. [http://w2.vatican.va/content/francesco/en/encyclicals/documents/papa-francesco\\_20150524\\_enciclica-laudato-si.html](http://w2.vatican.va/content/francesco/en/encyclicals/documents/papa-francesco_20150524_enciclica-laudato-si.html)
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- <sup>10</sup> U.S. History.org. “Historic Documents,” The Constitution of the United States, <http://www.ushistory.org/documents/constitution.htm> .
- <sup>11</sup> Francis, “Encyclical Letter *Laudato Si’* Of The Holy Father Francis On Care For Our Common Home” May 24, 2015, paragraph 109. Retrieved November 19, 2015. [http://w2.vatican.va/content/francesco/en/encyclicals/documents/papa-francesco\\_20150524\\_enciclica-laudato-si.html](http://w2.vatican.va/content/francesco/en/encyclicals/documents/papa-francesco_20150524_enciclica-laudato-si.html) .
- <sup>12</sup> Francis, “Encyclical Letter *Laudato Si*, paragraph 114.
- <sup>13</sup> Francis, “Encyclical Letter *Laudato Si*, paragraph 125.
- <sup>14</sup> Francis, “Encyclical Letter *Laudato Si*, paragraph 160.