Does the ecosocialist left have an "exit strategy" from fossil fuel capitalism?[1]

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Abstract

The paper argues that despite the fact that there is a lot of insightful analysis on the left of the dire consequences of global warming and other threats to the environment and their relation to capitalism's endogenous, eternal drive for growth. But when it comes to "What is to be done" to get away from a fossil fuel based society there is much less written and nothing – as far as I know – that comes close to an exit strategy, meaning a strategy for mobilising social actors to take the necessary action.

Very little analysis has been done of the tension between the short and long term interests of various social groups, of the ruled and the rulers. This weakness has become painfully clear in the recent discussion of climate scientist and not the least activist James Hansen's "fee and dividend" proposal.

The fee is a carbon tax – the dividend is that the tax revenue is distributed on a per capita basis, making it a socially progressive taxation. The fee and dividend system – can be implemented in a single country. It is not initially dependent on an international agreement, but fundamentally any reduction in the use of fossil fuel due to rising prices caused by a tax will lead to more fossil fuel being burnt elsewhere since the demand for fossil fuel at just slightly increased prices on the world market is insatiable. But this game-theoretic dilemma will be solved if introduction of F&D in one country, in one free trade zone, on one continent leads to it being adopted as a demand of the left and environmental movement in other countries. The use of so-called border adjustment taxies gives an economic incentive to do so.

1. Introduction

Of course there question of what kind of economic measures to use, to favour in order to radically reduce CO2-emissionsm has been discussed since global warming came on the agenda, in the early nineties as a consequence of the Brundtland report, the world summit in Rio, 1992, later Kyoto. Some left wing economists argued for carbon taxes, one example is regulation school economist, Alain Lipietz, (Lipietz et al. 1998[2]). Lipietz has a extensive discussion of the theoretical and political justification for eco-taxes. He also discusses the effects on the distribution of income and other resources. Lipietz do not discuss a eual share per capita

[1] This paper is an extended and updated version of an article publishen in the US left wing magazine Against the Current, a slightly modified online version, http://www.solidarity-us.org/site/node/4155. The original can be found at Climate&Capitalism, were Ian Angus wrote a reply. http://climateandcapitalism.com/2014/05/12/debate-hansen-program-more-than-carbon-tax/

[2] http://lipietz.net/?article304

automatic redistribution. On the other hand, some left wing economists are (A paragraph on Robin Hahnel.)

When the climate negations collapsed in Copenhagen in December 2009, which was no big surprise, it had already been clear for quite some time that it became clear that the environmental movement had to come forward with its own solution. It was in this situation that Hansen first put forward his "fee and dividend" proposal in a US congressional hearing in 2009 (already in Storms of My Grandchildren). The debate on the left first really started when John Bellamy Foster reviewed the "fee and dividend" proposal a year ago in Monthly Review[3].

2. –What is an exit strategy?

There is a lot of insightful analysis[4]

Robin Hahnhel – emission trading. Richard Smith

The concept was coined by John Bellamy Foster (JBF) in a review of the famous climate scientist and now also climate activist James Hansen's proposal of a "fee and dividend" system in Monthly review, February 2013[5]. JBF introduces the concept of an exit strategy in the following way:

> Given that it is cumulative carbon emissions that matter, the goal has to be to keep fossil fuels in the ground, not simply to slow their use as in most current strategies. A complete transition away from fossil fuels is necessary within a few decades. The question is how to construct an exit strategy that will accomplish this. It is Hansen who has provided the starting point for a realistic climate-change exit strategy aimed at keeping the increase in global average temperatures well below 2°C[6].

The unavoidable question that this statement raises is why has not the left, the hard left and the ecosocialists in particular provided the starting point for a *realistic* strategy for a climate change exit strategy?

But before discussing this key question a brief presentation of Hansen's "fee and dividend" proposal is necessary since it is not very well known on the hard left. The main points as JBF summarizes the proposal are[7]:

- Fossil-fuel companies would be charged an easily implemented carbon fee imposed at the well head, mine shaft, or point of entry.

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[3] http://monthlyreview.org/2013/02/01/james-hansen-and-the-climate-change-exit-strategy

[4] From ecosocialist like John Bellamy Foster, Michael Löwy, Daniel Tanduro, Joel Kovel. For a left party document, see http://www.lepartidegauche.fr/system/documents/Ecosocialisme-Premier_manifeste.pdf, which refers back to the first ecosociaist manifesto of 2002 and the Belem ecosocialist declaration of 2009. See also the European Left Party, http://climateandcapitalism.com/2013/12/15/european-left-congress-calls-ecosocialism/

[5] http://monthlyreview.org/2013/02/01/james-hansen-and-the-climate-change-exit-strategy

[6] This was not the first time that JBF was recommending Hansen's proposal, see also http://links.org.au/node/1454

[7] For Hansens formulation, "Strategies to Address Global Warming & Is Sundance Kid a Criminal?" (www.columbia.edu)

- 100 percent of the revenue collected being distributed monthly to the population on a per capita basis as dividends, with up to two half shares for children per family.
- Dividends would be sent directly via electronic transfers to bank accounts or debit cards.
- The carbon fee would be a single, uniform number in the form of dollars per ton of carbon dioxide that would be emitted from the fuel.
- The carbon fee would then gradually and predictably be ramped up so as to achieve the necessary carbon reductions.
- Accompanying this would be the elimination of the current subsidies to the fossil-fuel industry.

What would be the economic consequences for ordinary people of such a "fee and dividend" (f&d) system? Again according to JBF building on Hansen: The adoption in the United States of a fossil-fuel carbon fee of $115 for every ton of carbon dioxide emitted from fossil fuel is:

- Equivalent to a $1 increase per gallon of gasoline, or about 8 cents per kilowatt hour in electricity charges would generate $670 billion in dividends.
- Each adult "legal resident" would receive one share equal to $3,000 a year. A family with two children would receive around $9,000 a year, with $750 a month deposited into its bank account.
- Some 60 percent of the population would receive net economic benefits, i.e., the dividends they received back would exceed the increased prices paid. These net benefits would of course increase if they were to reduce their carbon footprints further.

Hansen's plan crucially insists that all of the revenue from the carbon fee go straight to the public instead of governmental agencies, which he considers "virtual arms of the fossil fuel industry." Hansen points out that "Low-income people can gain by limiting their emissions. People with multiple houses, or who fly around the world a lot, will pay more in increased prices than they obtain in the dividend. Further, if the funds are distributed 100 % to the public, the public will allow the fee to rise to high levels, in contrast to the relatively ineffectual carbon price characterizing cap-and-trade or a pure carbon tax."[8] The Congressional Budget Office[9] estimated in 2007 that the carbon footprint of the top 20 % of the U.S. economy was more than three times that of the bottom 20 %. The Carbon Tax Centre[10] reports that in 2005 the top 20 % accounted for 32 percent of total gasoline consumption in the United States, while the bottom 20 % account for 9 percent.

For socialists there are several aspects of Hansen's f&d system that need further discussion. It is clearly a proposal adapted to the US political context. For example its redistribution scheme is

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[8] Hansen, "Storms of My Grandchildren's Opa."
[9] Congressional Budget Office, "Trade-Offs in Allocating Allowances for CO2 Emissions," April 25, 2007, http://cbo.gov.
[10] Carbon Tax Center, "Demographics," http://carbontax.org, accessed December 19, 2012;

completely individualistic since every citizen gets directly 100 % refunded. In other parts of the world, for example in the Scandinavian where people are less sceptic of "big government", it might be just as easy to mobilize for collective social solutions. It might be easier to mobilize for demands that the tax revenue should go to improvements in public urban transport and/or high speed trains, to building bike lanes, subsidizing solar roofs, private windmills etc. As Shi-Ling-Hsu points out in his book " The case for a carbon tax" "it is not clear that voters even *want* the money back" pointing out that even "the conservative Albertans expressed a preference for funding public school infrastructure and health care delivery" (p. 102). But the principle of a *socially just* redistribution would still apply – just in different ways in different political contexts. It is important to have as much "participatory democracy" in deciding the actual redistribution scheme as possible.

Other issues that will need to be discussed by the mass movements, is the speed of the increase of the tax, the international dimension of the tax etc. But these are discussions that take the core of Hansen's proposal, to make fossil fuel in the end so expensive that renewable energy will prevail in a *socially just way* as the starting point for the discussions and using the broadest possible democracy to decide its actual implementation.

But was has been worrying this author for at least a decade is the *resistance* on the left, including the ecosocialist left, to almost any use or taxes, that is politically – in principle democratically managed prices as means to solve social and environmental problems. It is beyond the scope of this article to discuss the fundamental reason why this is so, but it is rooted in a non-materialist – and I would argue – non-Marxian understanding of the role of prices and markets in society.

One must remember that markets have been around for a long time, in very different modes of production. Consequently markets and prices as mechanisms to coordinate in societies which have reached a certain level of division of labour cannot be "prohibited" they must be replaced by superior mechanisms, and we are very far from having the conditions for doing that generally. I also think this is – on a more theoretical level linked to the dominance the "Leninist" tradition on the hard left. That is "Leninist"– in a negative sense – as a fairly dogmatic tradition on the left. It would be interesting to know how many well-read Marxists that still agree with Lenin and the Bolsheviks that NEP was a retreat, that War Communism was closer to socialism. In my opinion it is clear that "War Communism" at best was authoritarian idealism, in reality a trail-blazer of the disastrous "planned" economy[11]. If the Bolsheviks had launched NEP-like policy from the start, respected Soviet democracy, the revolution might have not taken the road of authoritarian industrialization inevitably leading to capitalism as it did take.

Personally I became aware of this stubborn resistance to the use of prices in relation to Ken Livingstone's proposal in 2002 for a congestion charge in London. The congestion charge as Livingstone originally proposed it was far from ideal. It did not have a clear objective of reducing emissions from the start, congestion was seen as the main problem. It was a regressive tax – as any flat tax on necessities is almost by definition – although the relatively rapid and huge investment in public transport, especially busses etc. benefited ordinary people. The problem was that the UK left (in its majority) was fairly critical. It instinctively had a negative attitude to

[11] I recommend Trotsky's article from 1932, "The Soviet Economy in Danger" as an example of the understanding of the markets role in a transitional society. http://www.marxists.org/archive/trotsky/1932/10/sovecon.htm

use a price to regulate behaviour, but even worse, it had no real alternative solution to either congestion or emissions. But worst of all is that today, as the congestion charge has given some real results the UK left is still very unclear on this question. The results where significant regarding congestion – less so regarding emissions, but the rules after some years "punished" high emitting vehicles. The congestion charge became so popular that the conservatives did not dare to abolish it – only parts of it and the. The left is not against it, but are not advocating any improvements or any other alternative strategy as far as this author know. But this equals political sterility; it means that the left has nothing substantial to offer on two major issues in people's lives, congestion and emissions, so no wonder that left is still fairly marginal. To my knowledge the left in other countries, including Norway, has been generally been skeptical to congestion charges, have not taken the lead in addressing the congestion and emissions due to the dislike of taxes. With today's technology, it is no problem of making a congestion the charge itself progressive since the owner of the cars income is know, in addition to having a socially just redistribution of the tax revenue.

3. The increasing urgency of an exit strategy

One could say that from the early nineties the primary objective of the left has been to gain support for the fact that there is man-made climate change and that "something" must be done and that emission trading clearly is not a solution. On the contrary, emission trading was constructed as a way to have business as usual, to avoid the social conflict that would and will arise from a transition from a fossil energy based society to a society based on renewables.

The overriding objective of the environmental movement and the hard left in the nineties was to convince ourselves and the public that climate change was man made and put popular pressure on the international climate negotiations in order to force the ruling elites to at least do something, some minimal joint action/reduction of the emissions. But as the stalemate of the international climate negotiations became clear, as the IPCC delivered more and more alarming reports, it was high time for the left to come forward with its own solutions, with its own exit strategy.

4. The reception of Hansen's proposal

The fact that Hansen formulated his proposal as late as 2009 illustrates the point that the question of an exit strategy has become an important preoccupation as the breakdown of the international climate negotiations has become obvious. The disappointment after the very high expectations to the meeting in Copenhagen in December 2009 marked a turning point. The futility of the negotiations became more and more obvious for each subsequent meeting. That the NGOs, unions etc. left the recent meeting in Warsaw before it ended is a very clear sign of this loss of legitimacy of the elites' mechanism for emission reductions. This means that a political space has opened for the left, and it is the main objective of this article to discuss how the left should conquer that space.

While there are many excellent analyses of the relationship between Marx(sism) and ecology, the impossibility of green capitalism and the total failure of emission - there is no **exit strategy**, no common campaign to mobilize people for an «Aussteig» (exit) from fossil fuel society.

The fundamental reason is that any set of policies that reduces the use of fossil fuels significantly will lead to a general price rise – in real terms – and that will hurt the working class. The poorer you are, the harder the price rice hits. The left has a long tradition of quite correctly fighting against indirect, "flat" (that means regressive, socially unjust) taxes. The left do not dare to call a policy that without compensation will hurt working people relatively more than the well-off.

Let's now look in a more detail at the reception of Hansen's proposal from the ecosocialist left. One of the most, if not the most influential web-site in ecosocialist circles is "Climate and capitalism"[12], which is an excellent web-site with a lot of very relevant and interesting articles. But to my knowledge there has been no discussion[13] of Hansen's proposal despite the fact that Climate and Capitalism shares with Hansen a fundamental critique of emission trading, and critique of regressive carbon taxes. Emission trading is – as Hansen points out – actually "cap and tax" - since firms will load the quota price on to consumers – it is a cost of production like any other cost. An article by Simon Butler, "Pricing carbon: A failed strategy that won't save the climate"[14] is very representative for the attitude of the Climate and Capitalism authors. Butler argues against emissions trading systems, and asks:

> "So if we should say "no" to a price on carbon, what should we say "yes" to? Of course, we must continue our campaigns to end fossil fuel subsidies, keep fossil fuels in the ground, leave forests in the soil and roll out renewable energy, public transport, sustainable farming and other climate-proof infrastructure. We'd also do well to have a clear national campaign focus. An Australia-wide campaign to build publicly-owned big solar thermal power plants, starting with Port Augusta, would be a good choice. Unlike carbon trading, big solar power is tangible, enjoys wide public support and is exactly what we need. […] Our goal must be to force governments treat coal, oil and gas in the same way they now treat asbestos: as a deadly threat to public health that requires strict public regulation. Indeed, fossil fuels are far, far more deadly than asbestos when you add up the consequences of runaway climate change. "

But I think the author should have asked himself if ending subsidies is not equal to setting a higher price on carbon, even more so if we could manage to keep a significant part of the fossil fuels in the ground. Not only will the carbon price rice, but the demand for renewable energy will rise and price too; in a dramatic way of course if you practically ban it as in the case of asbestos. Of course big solar power is more tangible, but without a planned rise of the carbon price– it might never become cheaper than fossil fuels – and that is what is really needed. In countries with a substantial amount of renewable energy, like hydro-electric power in Norway, wind- and solar in Denmark and Germany, the renewable energy is mostly coming in *addition* to fossil fuels because fossil fuels are still much cheaper.

In an article about the carbon tax in British Columbia, the editor of Climate and Capitalism writes[15]:

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[12] http://climateandcapitalism.com

[13] It is mentioned in http://climateandcapitalism.com/2012/07/24/mckibbens-climate-math-is-too-narrow-and-too-broad/, but not really discussed.

[14] http://climateandcapitalism.com/2013/06/23/pricing-carbon-a-failed-strategy-that-wont-save-the-climate/

[15] http://climateandcapitalism.com/2012/07/03/bc-carbon-tax-a-predictable-failur/

> British Columbia's unique carbon tax on gasoline and other fuels went up another 1.1 cents a litre Sunday, but it remains an expensive, ineffective and unpopular failure. While the BC Liberal government is attempting to make the proverbial silk purse from a sow's ear, the reality is that North America's only carbon tax is not reducing vehicle fuel consumption. Nor is it helping improve the environment, since every cent of the $1.17 billion in tax revenue raised this year goes to corporate and personal tax cuts — not to fund a single environmentally-friendly program like public transit, energy efficiency or conservation.

First of all 1.1 cents per litre is not very dramatic to put it mildly. It is quite obvious that in order to *change* the type of energy used for transport, prices must rise significantly more – and steadily. Regarding the use of the tax revenue, should not the left campaign for a redistribution scheme – be it "collective" spending on public services or a progressive "individualistic" redistribution a la Hansen?

In another article, "Green Illusions and the Carbon Tax Scam"[16], Tim Anderson, writes:

> "The problems with this line of logic should be obvious. The demand for carbon-dirty industries is mostly "price inelastic" and so the higher costs will be accepted, and passed on to consumers without technological change. Australia has had very high taxes on petrol since the late 1970s, with no real impact on fuel consumption. Second, there is no guarantee that revenue from a carbon tax will be used to invest in renewable energies; indeed the more recent debate has degenerated into one where most revenue is said to be used in "compensation" for affected industries and consumers. While potentially worthy in the sense of tax equity, "compensation" negates the supposed behavioral impact of higher carbon prices. … "

Again I think the analysis is rather superficial. The high taxes on petrol in Australia as in Norway did not have as its objective to reduce the fuel consumption; it was mostly pure revenue raising, maybe a little bit of energy efficiency. As everybody knows, the combustion engine was significantly improved as a result of the OPEC price "shock". And to a certain extent the redistribution of tax revenue negates the "substitution" effect. But if driving a petrol car became significantly more expensive than driving a car with "green" electricity, for example charged from solar panels on your own roof, in your garden etc. there would clearly be an effect.
In Norway electric cars are exempt from some taxes, they are also allowed to use the bus-only-lanes, and that have made them a relatively huge success – so when the prices and the context change, behavior will change[17]. As the importance of the subsidized feed in tariffs for renewable energy in Germany also testify.

5. Daniel Tanuro – the social impossibility of a carbon tax

Daniel Tanuro, a well-known ecosocialist and author of the book "Green capitalism – why it

[16] http://climateandcapitalism.com/2011/04/30/green-illusions-and-the-carbon-tax-scam/
[17] http://www.dw.de/norways-electric-car-market-speeds-ahead/a-17174540

can't work"[18] has a series of other arguments against a carbon tax, the essence being:

> "In fact, the scope of the reductions to be achieved, given the urgency and the size of the difference in cost between fossils and renewables, is such that even a tax of $600 a ton would not suffice (it would simply allow a reduction in global emissions by one-half by 2050, according to the International Energy Agency. […] employers could accept this only if it were wholly transferred to the ultimate consumers, while the majority of the population, infuriated by the austerity that has prevailed for 30 years, will obviously oppose any such deterioration in its conditions of existence.
>
> That is why, in practice, and notwithstanding all the sophisticated theories of ecological economics, the policy proposals for internalization of the costs of pollution are both ecologically insufficient and socially unsustainable."[19]

First of all DT does not even mention the possible *redistribution* of the carbon tax *revenue*, although it is quite obvious that if there is a just (progressive) distribution of the income from the carbon tax it might very well not only be socially sustainable, it might be socially *desirable* for ordinary people. Secondly – he does not realize or discuss the simple but brute fact that *any* significant reduction of the consumption of cheap fossil fuels will raise prices on renewable energy to "socially unsustainable" levels in DTs eyes – and on most other goods and services. So the crucial question remains – if a redistributed carbon tax won't do it – what will? The answer is as from the rest of the left – vague generalities about public plans for green technologies, and in DTs case a rather schizophrenic urge on the one hand for the iron necessity of reduced consumption – and on the other hand a plea for free basic goods:

> We cannot hide the fact that the socialist transformation will very probably involve renouncing certain goods, services and habits that profoundly influence the daily life of broad layers of the population, at least in the developed capitalist countries. The task, then, is to advocate objectives capable of compensating this loss by a substantial advance in the quality of life. In our view, the priority should be given to the pursuit of two such objectives: (1) gratuity of basic goods (water, energy, mobility) up to an average social volume (which implies the extension of the public sector); (2) a radical reduction (50%) in working time, without loss of salary, with proportional hiring and a decrease in the pace of work.

As I argued above there is a lack of understanding of markets as a social institution, so the emergence "black" markets as of spontaneous reaction to command-and-control regulation is not a part of the discussion. Because what happens when working people have to "renounce certain goods" on the one hand but get a certain amount of energy is for free? Most probably there will be "black" markets for energy, with horrific prices, speculation etc. Is not that the lessons we have learned from the experiences of War Communism and NEP, from the rationing in war time. It is certainly not a vision of the future – besides being totally unrealistic – that will make people march in the streets to achieve it. Obviously regulation and/or rationing are just another ways of internalizing the fact that society must use dramatically less fossil fuel, a fact that will be reflected in rising prices on fossil fuel directly and most other products indirectly. To me it is

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[18] The book is an updated version of the French original, "L'impossible capitalisme vert", Découverte, 2009

[19] I here quote from DT's "Foundations of an ecosocialist strategy", http://lifeonleft.blogspot.no/2011/09/foundations-of-ecosocialist-strategy.html

very doubtful if this way of internalizing the phasing out fossil fuel is more socially acceptable than a carbon tax with a socially just redistribution of the tax revenue.

Before we look at the reaction of another far left group, International Socialist Organization, and let me hasten to say that the ISO shall have to their credit that they at least do discuss Hansen's fee and dividend proposal, I did not find many far left groups or parties that have done so. An online article entitled "What's in the climate change bill"[20] gives a fair and informative description of senators Barbara Boxer and Bernie Sanders proposal and are correctly critical of the fact that only 60 % of the revenue gets redistributed, not 100 % as in Hansen's fee and dividend proposal. They quote John Bellamy Foster's statement that Hansen's proposal is a "starting point for a realistic climate-change exit strategy" and then quotes JBF's critical remarks to Hansen's proposal, to which I will return below. But do ISO basically endorse the idea, is Hansen's proposal a starting point for the massive mobilization that everybody knows is necessary if something is going to happen? I would say that the reader is left rather confused. The final two paragraphs lack any hint to an operative exit strategy, just repeats the need for mass action:

> "In the 15 years since the Kyoto Protocols to address global warming, too many environmentalists have respectfully asked for politicians to make a plan for a sustainable energy policy. Twelve of those 15 years have been the warmest on record.
>
> Only when we lose respect for those willing to destroy the planet and build a radical environmental movement, with the working class at its heart, will we be able to stop fracking, stop strangling the earth with pipelines, save the planet, dump the oil companies and build a new world based on solidarity and sustainability."

But to build a movement, you need a concrete strategy, demands, something that will get the red-necks to join the ranks of environmental activists. That the ISO correctly stresses the need for mass action – as does Hansen himself - does not change the fact that they lack a clear exit strategy; lack a clear program for creating that mobilizations, as the rest of the far left.

6. Robin Hahnel's "Open letter " and the US exit strategy debate

The two main protagonists in this debate has been Robin Hanhel, seesing and reformed Kyoto cap an trade system as the only realistic way forward and Patrick Bond, leading climate justice activist. The first round of the debate started already in December 2009, just after the collapse of the Copenhagen conference, which Hanhel deplored[21] and Bond saw as opening up a new space for a grassroots, decommodification strategy for emission reductions[22]. The second round

http://zcomm.org/zcommentary/why-cap-and-trade-and-not-a-carbon-tax-by-robin-hahnel/

[20] http://socialistworker.org/2013/03/12/whats-in-the-climate-change-bill

[21] http://zcomm.org/zcommentary/has-the-left-missed-the-boat-on-climate-change-by-robin-hahnel/

[22] http://zcomm.org/znetarticle/robin-your-carbon-market-ship-is-sinking-fast-by-patrick-bond/ see aslo http://zcomm.org/zcommentary/climate-justice-opportunities-after-us-carbon-market-and-legislative-crashes-by-patrick-bond/

http://zcomm.org/zcommentary/the-left-and-climate-change-3-3-a-way-forward-by-robin-hahnel/

started with Robin Hahnel's "Open letter to the Climate Justice Movement"[23] from November 2013. Hahnel's letter was a reaction to a letter sent to the President of AFL-CIO in September 2013, "imploring labor to join us in the fight against climate change" by 60 US environmental, climate justice (CJ) organisations[24].

On the one hand the CJ letter is very radical, stating that "Instead of trying to salvage a broken system, we have to reach for what we need to both to survive and have decent lives" without even given what it is that we have to reach for, what kind of property rights that would characterize a non-broken system. On the other hand there is no bullet point list of demands; no real focus on what is the key to reducing the emissions. There is a total silence on the economic effects of keeping most of the fossil fuel in the ground. In sum, what the CJ movement does is to convey a message that something must be done to save the planet, but not very much more than that.

Robin Hanhel starts out stating that "The sad reality is that the very policies that the climate justice organizations condemn [emission trading] are the only way in the relevant timeframe to force the advanced economies to bear the burden of the necessary emission reductions…"

A fair résumé of the debate is beyond the limits of this paper, so I will focus on just a few core issues raised both in the 2010 and in the recent "Open letter" part of the debate. The CJ organisations have strong arguments based on evidence that cap and trade not only does not work, but was never intended to work. The latter point Hahnel seems very reluctant to consider. Patric Bond, Richard Davenport[25], Brian Tokar[26] have strong arguments against cap and trad. They are not so convincing in my opinion when they refuse to support demands from people that have not lost faith in cap and trade to get rid of the most obvious defects, like offsets, like free emission permits, i.e. the demands raised by Hanhel.

Hahnel do never squarely discuss the question if the ET systems were intended *not to work*, that is not putting an ever increasing price on carbon. In addition Hanhel in my opinion is insufficiently aware of the political importance of the rich countries to take the lead, to lead by example, to show that a zero-emission society is not a return to the stone age. If we are going to the zero emitting society in decades, taking low hanging fruit in the Global South first is not important, we really have to start "at home" at once with the high hanging fruit.

If we by emission quotas and continue to use fossil fuel cars, then non-emitting cars (electric, hydrogen, bio-fuel) will never be a mass-market product. A fossil car will still be the (American) dream of all poor people around the world. If people in China, India, Brasil, Russia do not see that it is possible to have a mix of excellent public transport, but also non-emitting cars (= electric vehicles) and still live a comfortable life we will have a majority of the worlds population wanting the price of petrol, that is fossil fuel to stay as low as possible, for many decades to

[23] http://newpol.org/content/open-letter-climate-justice-movement
[24] http://www.ourpowercampaign.org/an-open-letter-to-the-afl-cio/
[25] http://newpol.org/content/response-robin-hahnels-open-letter-movement
[26] http://newpol.org/content/myths-"green-capitalism"

come, have just invested in their first fossil fuel car.

So when Hanhel says that "Many of the cheapest ways to reduce carbon emissions are to be found in less developed countries", this is in my view a fatal misunderstanding of the politico-economical dynamics of climate justice. So to repeat, we do not have time to take the "low hanging fruits" first, and then take the "high hanging". To be focussed on global economic efficiency is dangerous, since that is utterly *politically* inefficient. You cannot expect those that tare not guilty of the problem to agree on a cap and trade system that implies that they will make the first move, that they will sell way to cheap. In this market the poor countries have the same "freedom" to trade as the starving worker taking any job, no matter how badly paid and unhealthy just to survive one more day.

Consequently, ordinary people in the rich countries must immediately prepare for taking all fruits, we must by the extreme force of the practical example show that a developed economy can be a zero-emitting economy. Because seeing is believing, and we need to make most people believe that a zero emission society is possible.

Where Hanhel has a very many good point – regrettably – is when he points to the obvious fact that his CJ critics has very little to offer besides the general slogan of "system change, not climate change". Tokar in his "Myths of Green Capitalism" does not even pose the question of how to mobilize ordinary people so that emission reductions will happen, just repeats that "All these approaches, however, serve to obscure the inherently anti-ecological character of capitalism." Richard Davenport in his response to Hahnel puts forward "some other possible elements of an ecosocialist program", like:

- A shift away from fossil-fuel and nuclear electricity production; a free basic energy allowance for all individuals
- Free, improved and expanded public transit in all major cities
- Retrofit housing with passive and active solar heating; provide good-quality housing for all through rehabbing abandoned buildings and sustainable new construction
- A moratorium on all new fossil-fuel extraction; clean up polluted communities and areas

What is striking is that Davenport does not consider any direct means to make fossil fuels relatively more expensive than renewables, he do not consider the *price rises* resulting from a moratorium on all new fossil fuel extraction, both directly in the price for gasoline or indirectly through the use of more and more expensive fossil fuel in the production of goods and services. But Davenport is at least aware of the fact that such demands do not constitute a strategy, writing that

> "For example, above I suggest elements of an ecosocialist program, but I do not translate them into accessible slogans or suggest settings in which to raise these demands. The problem is that translating ecosocialist principles into a strategy can only be done through experience, and the ecosocialist movement is in its infancy."

The problem is of course that the ecosocialist movement will forever be in its infancy if it does not squarely face the task of making fossil fuels expensive. Another indication that this is the case is another article in a special issue on "The Left and the Environmental Crisis" by leading

ecosocialist thinker Michel Löwy entitled "Ecosocialism: Putting on the Brakes Before Going Over the Cliff"[27] which also is totally silent on the question of the relative prices of renewables and fossil fuels. Patrick Bond seems to be the one most willing to enter a real discussion about how to put a price on carbon. Bond has promising subtitles like "Getting the prices really right" under which he writes:

> "Most CJ activists would, in fact, applaud a price associated with carbon emissions that incorporates 'its true social costs' (so long as it can include cross-subsidies that provide 'lifeline' support for ordinary people's basic energy/transport needs). But we're convinced by experience (and theory too) that carbon markets cannot determine these costs, much less achieve them in a sustained way so as to meet public policy purposes.
>
> Such a price would have to be imposed as part of command-and-control regulation and carbon taxation (with punitive costs aimed at hedonistic carbon users so as to pay for basic consumption access for everyone). And it would have to be quite a dramatic price increase to achieve not only desired behavioural changes by those who need to radically change…" […]
>
> As Robin well knows, markets typically change behavior in only a gradual manner, because what economists call 'price elasticity' – the change in consumption associated with a change in price – isn't high enough for fossil-fuel costs within a typical household budget to generate life-style changes such as public transport commuting, or within a corporate budget given that firms typically pass energy costs straight to consumers. […]
>
> Of course we need price increases (while protecting ordinary people from energy/transport poverty) but we need much more: direct grassroots action against emitters/extractors plus a major shift towards command-and-control regulatory functions, as Europe had adopted (prior to the Kyoto Protocol) to end sulfur dioxide acid rain much more quickly than did US SO2 markets.

This sounds really promising. One can of course discuss Bond's hypothesis that markets change behaviour in only a gradual manner. That of course depends on the speed of the change of relative prices, and there are clear evidence like the implementation of congestion charges in London and Stockholm, the exponential increase in the number of electric cars in Norway etc. that show that significant changes in behaviour happen over night – or within a couple of years – when prices and other incentives are "right". But even if the behavioural changes took ten years, that would be fast, compared to the last two decades where emissions actually has increased!But the discussion about price elasticises is not important.

The important point is that these promising statements do not consolidate into a carbon tax exit strategy. Bonds preferedd strategy, in 2010 and later articles is clearly regulation. Bond writes: "But if we were having this debate in 1996, when chlorofluorocarbon (CFC) emissions threatened the ozone hole, adopting Robin's logic would have deterred the green left from demanding an outright ban. Yet such a ban was achieved in the Montreal Protocol". Can we

[27] http://newpol.org/content/ecosocialism-putting-brakes-going-over-cliff,

really contemplate a "ban" on fossil fuel use? In Norway yes, since we have more than enough renewable hydro-electric power, but in most countries fossil fuel is really the energy basis of society. While nobody's everyday life was changed very much by the ban on CFC, banning carbon would have an enormous multi-dimentional impact, very hard to get a majority of the voters to support that. A gradual phasing out, making fossil fuel gradually more scarce, is just another – and less transparent way of raising the price of carbon. Giving people a basic ration of cheap fossil fuel would soon translate into poor people selling to those that can pay – so the hated commodification would just happen on a more micro scale.

7. When all the Gods fail

In an article in the online journal Real World Economics, Richard Smith discusses and dismisses James Hansen's fee and dividend proposal[28] under the title "Green Capitalism: The God That Failed". Let me hasten to write that there is a lot of insightful critique of the fundamental problems of trying to make firms green, to start up green firms in Smith's article. Drawing on Marx Smith show with many concrete examples that the eternal, cut-throat competition, the bellum omnium contra omnes, leaves very little room for greening, for stepping out of the line. In order to survive you must be like "them", you end up like all the others in most respects. But when it comes to pointing to "What must be done?", when it points to *concrete* ways to act Smith has very little to offer, but despair, because I like most prominent ecosocialist hate what they think is market mechanisms and do not understand that markets is a social institution that existed before capitalism and will exists long into the transition period from capitalism to socialism, as will a series of other structural aspects of capitalism, the division of labour, the "contradiction" between town and countryside etc. Such structures can only be changed slowly, in a planned, democratic fashion. The market is nothing one can overnight abolish by decree, it must be replaced by superior forms of distribution of the fruits of nature and labour. It is beyond the scope of this article to outline why, let me only state that I think it is fairly obvious that if there was a "system change", then it would mean the planned use of markets with the aim of replacing them by such superior forms of distribution and production. Nationalised industries, railways, free public eductation – including at university level. Already in some varieties of capitalism, like the Scandinavian one, one can see the proto-forms of such distributive mechanisms. So we are back at the question if you think NEP was a regrettably retreat, and that War Communism was closer to socialism.

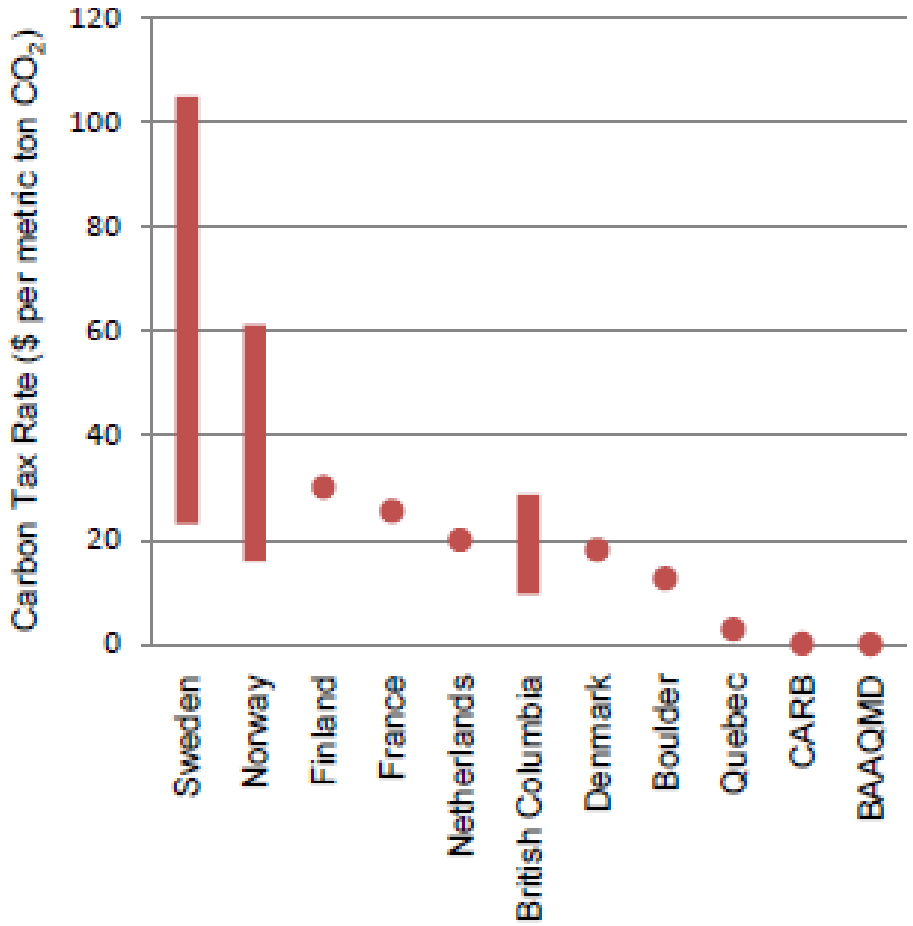
Smith's starting point is that "so long as the global economy is based on capitalism and private property and competitive production for the market, we're doomed to a collective social suicide – and no amount of thinkering with the market can brake the drive to global ecological collapse." and he very soon concludes "that if humanity is to save itself, we have no choice but to overthrow capitalism and replace it with a democratically planned eco-socialist economy". Under the subtitle: Carbon Taxes: The Alternate Market Solution to Failed Cap and Trade" Smith discusses Hansen's fee and dividend proposal. Smith writes:

> Critics of cap and trade, like Al Gore and NASA's James Hansen,20 have argued for a simpler, more transparent direct approach that supposedly cuts out all the profiteering – a flat carbon tax. No more lobbying. No more loopholes. In James Hansen's words: "All sweet deals will be wiped off the books by a uniform carbon fee at the sources, which will affect all

[28] http://rwer.wordpress.com/2011/03/11/rwer-issue-56-richard-smith/

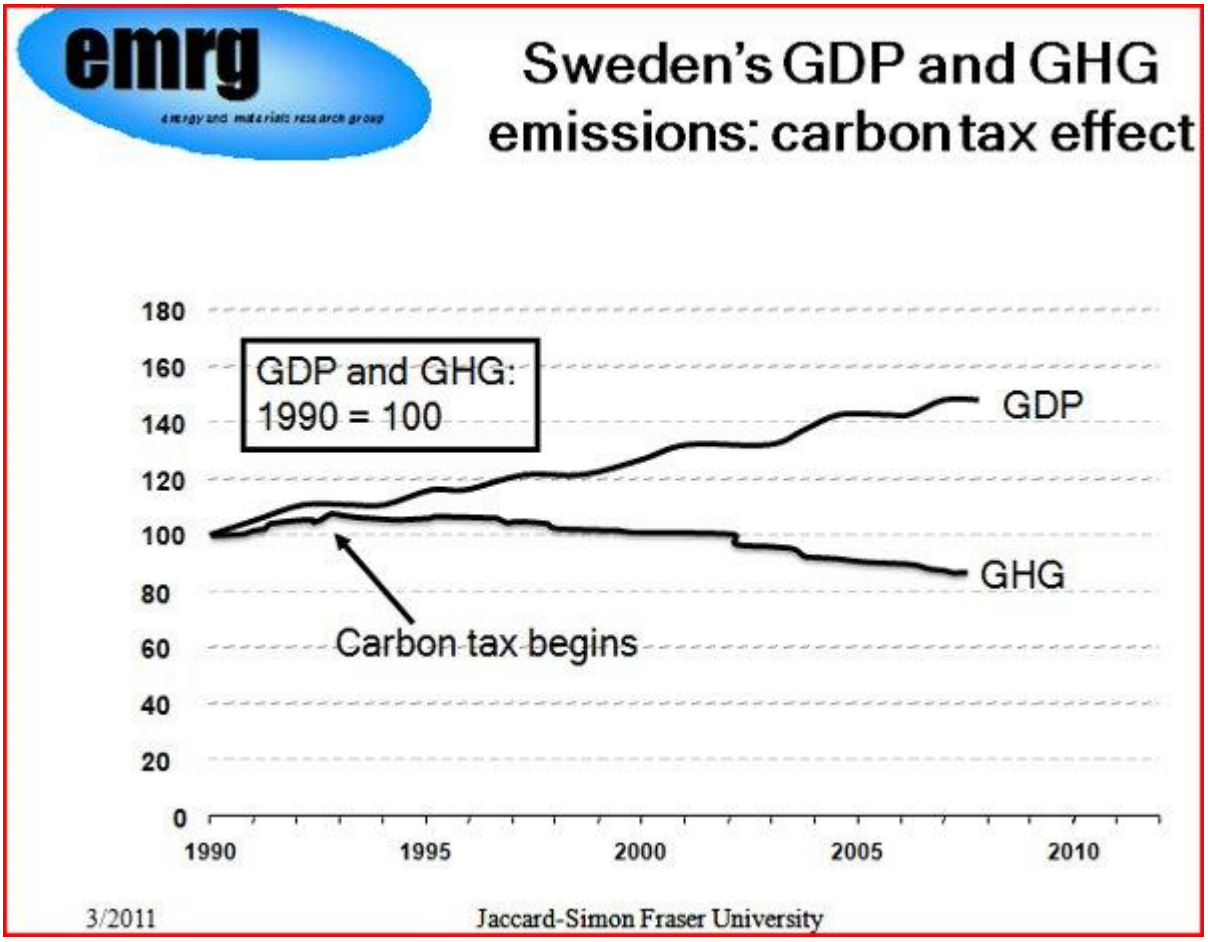
fossil fuel uses." But carbon taxes are no more a solution to curbing greenhouse gases than cap and trade. Contradictions abound. For a start, green taxes have proven no more immune to "sweet deals" than were the cap and trade schemes. Dozens of nations and local governments have introduced carbon taxes since 1990 but these have not led to significant declines in emissions. That's because, everywhere, industries lobbied to keep taxes low (instead of caps high), various groups demanded exemptions, unions resisted taxes that could cost jobs, consumers resisted new taxes. So when finally introduced, after all the negotiations, carbon taxes have been too low to affect much change: Pollution is taxed but not enough to stop it, or even reduce it by much."

It goes without much saying that the existing carbon taxes did not result in emission reductions in the order of magnitude needed. But a lot of what the labour and progressive movements do, have initially a marginal effect, and often there are setbacks, before advancing again. Take wage differences for example, labour legislation. None of these will find a satisfying solution under capitalism, but that is no reason not to fight for reduced wage differences, for legislation that strengthens labour in relation to capital. If we take a look at the countrie with carbon taxes, first of all – it is regrettably very few, less than a dozen and the taxes are very low.



Source: J.Sumner, L. Bird and H Smith[29] (p. 5)

Is it just a coincidence that the Scandinavian countries are all on this list? And not dozens of other countries where the labour movement regrettably is weaker? If we take a look at Sweden:



Source: http://thetyee.ca/News/2011/11/23/BC-Carbon-Tax/

Over twenty years there is a lot of factors changing, and new policy measures have been introduced, subsidies for renewable energy, to R&D, but still I think that there is general agreement that " … the tax led to heavy expansion of the use of biomass for heating and industry"[30], the consumption of oil dropped significantly, but the objective of being the worlds first oil-free country will probably not be achieved[31]. But the simple point is that although limited, taxes and other economic incentives work. That the effect was limited is as expected, the carbon taxes do not rise steadily as Hansen proposes, there is no socially just redistribution, so poor and ordinary people do not see it as a means to a more equal income distribution. Given all that it comes as not surprise that the existing carbon taxes, in Norway, Sweden, British Columbia not all have the needed effect. In British Columbia the carbon tax did rise for five years, but then

29 Carbon Taxes: A Review of Experience and Policy Design Considerations, Jenny Sumner, Lori Bird, and Hillary Smith, Technical ReportNREL/TP-6A2-47312 December 2009, National Renewable Energy Laboratory, US Department of Energy

30 http://www.carbontax.org/services/where-carbon-is-taxed/

31 http://www.greenfudge.org/2014/04/02/what-ever-happened-to-swedens-plan-to-be-oil-free-by-2020/

the rise was halted. The dividend to mostly the form of tax rebates, and were only slightly progressive the first year[32].

One should also ask whether taxes are actually a ”alternate *market* solution”. In my world clearly not. The tax system is decided politically, by collective action, not by atomistic market forces.When Smith writes “We can’t shop our way to sustainability because the problems we face cannot be solved by individual choices in the marketplace. They require collective democratic control over the economy to prioritize the needs of society and the environment”. A carbon tax an the distribution of the tax revenue is clearly the result of collective control over important elements of the economy. Since relative prices is changed by political means individual choices in the marketplace will change, but anything that reduces the supply of fossil fuel will raise its price and change the choices persons, firms and other actors in the market place make. As pointed out above if all the actions in favour of with political means mn
to keep the fossil fuel in the ground were successful then that would have a huge impact on prices – also leading to changing individual choices in the marketplace. So what’s the difference regarding market/non-market solution?

I am not quite sure if Smith actually understands the effect of major changes in *relative* prices when people are compensated, when the tax is so-called revenue neutral. Smith writes:

> Money returned to consumers will likely just be spent on something else that consumes and trashes the planet. So, says Rees if, for example, a consumer, say, takes an eco-car rebate from the government to junk his/her clunker for a Prius, this could save a several hundred bucks in fuel costs each year. But if the consumer then spends the savings on, say, a round trip air ticket to some vacation destination (which s/he could do every year with the fuel savings) or buys a new heavily polluting flat-screen TV, the carbon “savings” would evaporate. And meanwhile s/he’s added more to the global waste heap by junking the clunker. In the end, to coin a phrase, taxing pollution is a problem, not a solution.

But as fossil fuel becomes more and more expensive – also the round trip air ticket will become much more expensive than a bike round trip in the mountains, than a round trip by a green electric TGV. So peoples behaviour, their tastes too, will change. Since a Hansen tax will increase until fossil fuel consumption is practically nil, the fossil fuel airplane round trip will become *prohibitively* expensive relative to the non-fossil alternatives. So the carbon savings would not evaporate, but what is more importantly – the demand for fossil fuel would fall dramatically – as intended. If one does not see such – I would dare to say – obvious effects, no wonder that Hansen’s proposal becomes a problem not an exit strategy.

Another real obstacle to having a national – or even continental – carbon tax is competition on the world market. Smith writes

> “…given the state of global competition today, with their economies already half de-industrialized, American and European industrialists not unreasonably protest that, why should their industries be so burdened when everyone knows that China is never going to

[32] policyalternatives.ca/sites/default/files/uploads/publications/BC%20Office/2011/06/CCPA_BC_regressive_tax_shift.pdf

impose any such tax?"

Even against this "iron law" of international competition one can do something – imposing so-called border adjustment taxes, and carbon tax rebates for goods that are exported. In a forthcoming book chapter James Hansen writes:

> A carbon fee (tax) approach can be made global much more readily than cap-and-trade (Hsu, 2011). For example, say a substantial economic block (e.g., Europe and the United States or Europe and China) agrees to have a carbon tax. They would place border duties on products from nations without an equivalent carbon tax, based on a standard estimates of fossil fuels used in production of the product. Such a border tax is allowed by rules of the World Trade Organization, with the proviso that exporters who can document that their production uses less fossil fuels than the standard will be assigned an appropriately adjusted border duty. Border duties will create a strong incentive for exporting nations to impose their own carbon tax, so they can collect the funds rather than have them collected by the importing country.[33]

The discussion of border tax adjustments is not a new one. It has been discussed amon economists since the late sixties when Japan an[34]d Europe gradually introduced more indirect taxation while the US uses more direct taxes. This neo-classical theory based literature uses static equilibrium models so the results do not necessarily tell much about real world effects, but the conclusion was that such a general tax does not "distort" trade[35]. What would happen with a rapidly rising carbon tax, the immediate effect would be to protect for example US industry against cheap imports from China, on the other hand the price of imported goods would rise. Honestly I do not think no one in advance can foresee what the outcome of such a game would be, for the various clusters of Chinese and US capitalists, for the various segments of the Chinese and US working class. But as Lenin said, "Napoleon I think[36], wrote: *'On s'engage et puis ... on voit.'* rendered freely this means: 'First engage in a serious battle and then see what happens.' It might be that "what everyone knows" regarding China and a carbon tax proves to be completely wrong.

Another example where Smith and many other ecosocialists do not see a glimmer of hope is electric cars: After having correctly pointed out that a significant part of a cars CO2 footprint is the production of the car, Smith writes:

> To further confound green hopes for an electric car tech fix, it turns out that electric cars could be even be *more polluting* than the current generation of gasoline-powered cars. That's because electric cars are only as clean as the fuel used to produce the electricity they run on.

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[33] From chapter entitled: "Environment and Development Challenges: The Imperative of a Fee-and-Dividend" in The Oxford Handbook of the Macroeconomics of Global Warming, Oxford University Press, editor is Lucas Bernard, forthcoming fall 2014.

[34] Another interesting issue that Smith discusses is the question of "green/climate jobs", a key element in campaigns like "1 milliion climate jobs", see http://www.climate-change-jobs.org. I will discuss this in a paper I am preparing for the Historical Materialism conference in London in November 2014. Smith points correctly to the many illusions in "green growth", "green jobs" etc.

[35] See for example, Gene M. Grossman "Border Tax Adustments Do They Distort Trade", Journ. Int. Economics, Vol. 10 (1980)

[36] It is not really verified that Napoleon really said this as far as I can see , but it is generally accepted that he could.

> And in the real world, plug-in electric cars are in most countries largely *coal-powered cars* and likely to become increasingly so. Thus, paradoxically, in the real world of today, gasoline-powered cars produce fewer emissions than electric cars. Scientists at Oxford University recently modeled projected emissions from battery electric vehicles given different power generation mixes and concluded that if countries like India and China power their automobile booms with battery electric vehicles, this would actually produce more CO2 emissions than if they did so with conventional petroleum powered vehicles.58 That's because coal is the dirtiest of fossil fuels, far dirtier than gasoline, but according to the International Energy Agency (I.E.A.), the share of coal used for global electricity generation is likely to increase.

Again one can agree with the facts, but not with the fatalistic conclusions. What is needed is a more dialectical, active approach. Can we – one way or another – radically reduce private car use? Can we convince the Chinese, Indian, Brazilian and African workers not to have car if they get high enough wages to buy one in the coming decades? Not to speak of all the car "addicted" workers in the imperialist countries? If not – is not then the electric car the only hope? Because it is far from *given* that that it would run on coal, on the contrary, it is already in may cases charged from solar panels on the roof and if there was a ever increasing carbon tax that would of course in generally be the case. Smith points to the environmental problems in nickel production, but there are many examples of horribly polluting industries that have been cleaned up. It has also been pointed out that when e-cars run on bigger roads, they could use "trolley technology" – getting power from the grid, significantly reducing the size of the battery, there could be induction cables in the road etc. Because what is the alternative – it is to create a majority in the Global South driving fossil fuel cars – and being very interested in low gasoline prices for many decades to come, continuing the technological lock in into fossil fuel car technology. But why only think of electric cars? In very many every day situations an electric bicycle would satisfy the individual transportation need. In the engineering magazines there is already reports on using old car batteries as power storage for windmills, having a lot still to give – although to old and tired to function as car batteries etc. etc. But if you do not have a carbon tax as the basis of your strategy there is only despair, nothing will work, all Gods will fail – even eco-socialism since you are unable to propose demands that they can and will fight for because the align their short term interest with their long term fundamental interest in the smallest climate changes possible.

Seen from a Norwegian perspective the utter despair – and lack of hope and perspective of Smith and many ecosocialist is very well expressed in paragraphs like this:

> And yet even in the best of boom times, when America ruled the world economy, every president from Ronald Reagan to Bill Clinton to George Bush père and fils and all their congresses, Democratic and Republican alike, refused to support legislation that would in any way threaten growth and "the American way of life." In an economy where after more than half a century of efforts, we can't even get a lousy 5 cent bottle deposit bill passed in more than a handful of states (9 to be precise), let alone a gasoline tax anywhere, why would Paul Hawken imagine that congress would pass a carbon tax that would drive the coal industry out of business in two decades time?

Will it make fellow ecosocialist Smith less pessimistic if I told him that in Norway there have been for decades have had a very high, for some bottles/cans close to 100 % recycling because

there has been sufficient economic incentives – and easy technical solutions – to the recycling of bottles and cans. That the food and beverages union successfully has fought against changes in this regime, because that would have made possible an outsourcing of production to other low-wage European countries? That carbon taxes – although very mild and partial – have been adopted?

8. Conclusion – Challenging capitalism in a concrete or abstract way?

John Bellamy Foster's ends his review of Hansen's fee and dividend proposal with the following critical comment:

> All of this suggests, however, that the Hansen exit strategy for all of its strengths is itself insufficient. Its weakness is that it does not go far enough in addressing the social-systemic contradictions generated by the power structure of today's monopoly-finance capital. What is needed under present circumstances is an acceleration of history involving a reconstitution of society. The kinds of changes to be considered in the context of a planetary emergency cannot be confined within the narrow channels that the ruling class and its political power elite will accept. Rather an effective climate-change exit strategy must rely on the much larger social transformation that can only be unleashed by means of mass-democratic mobilization.

In my opinion JBF has done a great job by bringing Hansen's proposal to the attention of the hard left, but here he – as most other leading ecosocialists - relapses into that general mantra that "system change" is a prerequisite for any real step forward. But history has a very clear lesson on this point; people act to achieve much more concrete objectives, land-reform, ending a bloody war, put an end to national oppression, to racism, but not system change as such.

That's why the left really need to get into the discussion of an exit strategy – and like JBF I think that Hansen's fee and dividend proposal is the best starting point. When "climate money" starts to pour each month into poor peoples bank account, that would align the demand for income redistribution with working peoples' fundamental long term interest in no abrubt climatic changes. The left really need to get into the discussion of an exit strategy – and like JBF I think that Hansen's fee and dividend proposal is the best starting point. A "climate" dividend "pouring" each month into peoples bank account would unite the demand for income redistribution with working peoples' fundamental long term environmental demand for a healthy planet.