

Green New Deal- A Race to the Top?

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Abstract

The Green New Deal (GND), originating in the US and gaining global attention, is a set of proposals to address the serious issues of climate change and income inequality in order to transform a country's economy and society. The GND aims at both a greener and more equitable world and envisions a race to the top. But, the GND proposal is flawed and unrealistic in terms of both the mainstream liberal economic analysis and the Marxian approach. The paper is divided into four parts. In the first part, the GND is explained in the context of the Fourth Industrial Revolution and the Great Decoupling phenomenon. The issues of environmental degradation and income inequalities in the context of mainstream liberal economic analysis are explained in the second part. The GND in the context of Marxian concepts of Metabolic Rift and the Lauderdale Paradox are explained in the third part. Major inferences and conclusion are given in the fourth and final part. A few suggestions for further research are given in the end of the paper.

KEY WORDS: Green New Deal, Great Decoupling, Lauderdale Paradox

Introduction

The world faces two main challenges, namely climate change which leads to global warming with all the adverse environmental consequences and increasing income inequalities which undermine both capitalist system and democracy. Social scientists, environmentalists and activists try to explain the issues and find solutions with limited success. In this context, the concept of Green New Deal (GND) has emerged. A set of proposals championed by Alexandria Ocasio-Cortez, an American politician and

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and the revival of Keynesian policies was reported. Soon, however Neo-Liberals came back and gained power and influence with BREXIT, election of the US president Mr. Donald Trump, and the strong revival of the far-right in Germany and other European countries with rhetorical use of nationalism and identity politics. One can find similar trends in contemporary India as well. Protectionist policies of the Trump regime and the trade war between US and China has led the observers to use the term "Deglobalisation" to describe the current scenario. Climate change and increasing income inequalities have been described as major global challenges. In this context a debate on GND has emerged. It is necessary to explain briefly the global transformation happening under the Fourth Industrial Revolution and its consequences on the Great Decoupling phenomenon.

The term 'Fourth Industrial Revolution' is important in understanding the major trends shaping the world. It helps us in analyzing the broad historic changes and provides with powerful insights which enable us to navigate the way to better future at national and global levels (Schwab, 2017). The First Industrial Revolution happened during the period between 1760's and 1840's. The key aspects were invention of steam engine and construction of rail roads. The Second Industrial Revolution took place during the period between late 19th Century and early 20th Century. Electricity and mass production through assembly line process were the key factors. The Third Industrial Revolution happened between 1960's and the end of 20th Century. Computers and Internet were the defining features of this period. The Fourth Industrial Revolution is a 21st Century phenomenon. Cloud Computing, Artificial Intelligence (AI), Internet of Things (IOT) are the major features of ongoing transformations in the economy and the society.

The phenomenon of the Great Decoupling is being discussed widely in the recent times (Brynjolfsson and McAfee, 2014). There are a few mismatches among the four key indicators of progress of an economy namely per capita GDP, labour productivity, number of good jobs and median household income. During the three decades after the end of World War II, all the four indicators of progress mentioned above increased more or less in a similar way in the US and the other developed countries. However, since 1980s the median household income shows either stagnation or slight fall and the growth of good jobs slows down while per capita GDP and labour productivity show decent rates of growth. This phenomenon is described as the Great Decoupling. Experts say that they have not come across anything quite similar to this trend (Reich, 2015). This is reflected in the fall in labour's share of the GDP in most of the countries. Corporates are shifting investment away from labour and towards capital. A large part of

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Environment Degradation And Income Inequalities In Mainstream Liberal Approach:

Market failure is viewed as the major reason for environmental degradation and rise in income inequalities in the neo-classical liberal economics. Negative externalities (social costs being higher than the private cost) could be discouraged through taxation and positive externalities (private benefit being lower than the social benefit) could be encouraged through subsidies. As the economy grows it will take care of its environment. A poor country cannot afford to spend time and money on environmental protection. Poverty is the worst polluter. Prosperity brings more effective environmental regulations. Individuals, communities and countries begin to protect their environment when they can afford to spend money on such activities (Norberg, 2005). Liberal writers mention 'California Effect' to support their argument. During 1970s the state of California in the US introduced several stringent emission regulations on the car manufacturing factories to protect the environment. Many people expected that there would be shifting of the factories to other neighborhood states. In fact, these factories did not move to the other states. Instead the other states also began introducing stringent emission regulations on their car manufacturing factories. It shows that responsible environmental behavior is contagious. A good example is always worth imitating.

There is no conflict between economic growth and environmental quality. There is also no conflict between economic growth and income inequality. Liberal mainstream economists point out that income inequality increases with the increase in the economic growth, reaches a high point and thereafter starts to decline. This relationship is known as 'Kuznets Curve' as shown in Figure 1.

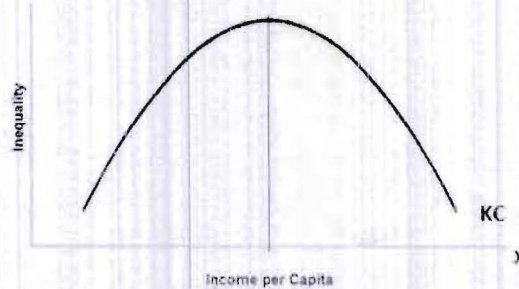


Figure 1: Kuznets Curve

Curve (KC) and its relationship with economic growth was studied in various studies (Kuznets, etc.) and they also measure environmental degradation. Market will punish environmentally friendly practices. EKC was an inverted U-shaped curve showing that as economic growth increases, environmental degradation initially increases but then decreases after reaching a particular level. The relationship between economic growth and environmental degradation is shown in Figure 2.

As "Environmental degradation" is a negative externality, it is not reflected in the market price of goods and services. Therefore, more production practices over time will lead to more environmental degradation. The top ten most polluted cities in the world are given in Figure 3.

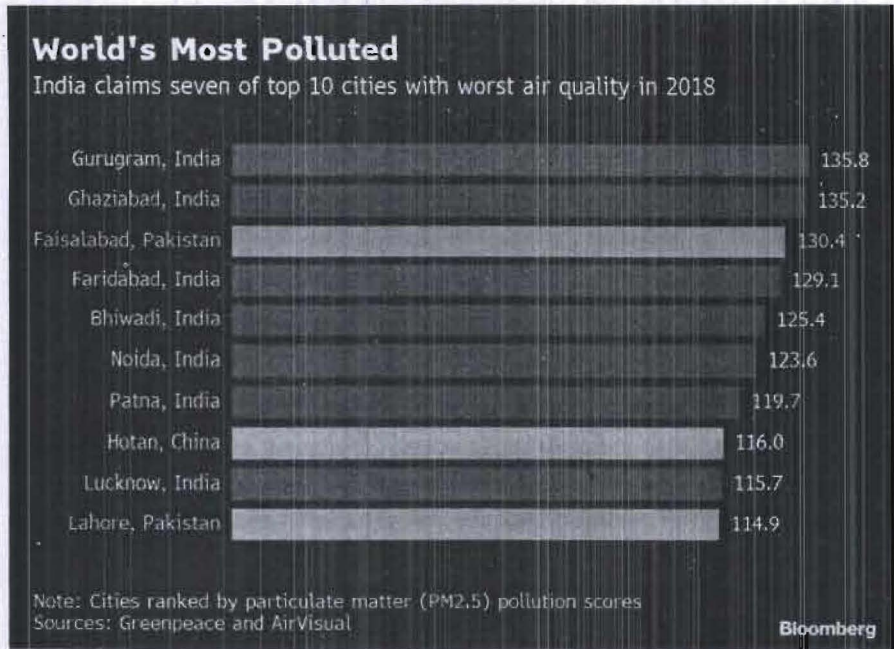


Figure 3: Top 10 polluted cities (based on the presence of the pollutants)

Liberal mainstream economists point out that the supporters of GND movement advocate massive public expenditure on the infrastructure and training of the workers to address the climate change and income inequality issues because of the 'Category Error' in their analysis. For example, Alexandria suggests that income tax rate in the US should be increased to 70 percent from 37 percent. She declares that she is a democratic 'socialist'. Elizabeth Warren, another popular leader of Democratic Party wants a heavy wealth tax on multimillionaires (*Business Standard*, 2019). It is like trying to defeat Hitler with the fascism tax (*The Economist*, 2019). Climate change and income inequality issues should be addressed with economic growth achieved through the use of right technology, enlightened management practices and improved good governance outcomes. The mainstream liberal economists consider that the Green New Deal proposals will undermine economic growth, encourage rent-seeking and accelerate environmental degradation. The Marxian perceptions of these issues are different and it is explained in next part of the paper.

3. A Marxian Analysis of GND

Apart from his analysis of economic contradictions, Karl Marx also wrote on ecological contradiction in capitalism (Marx, 1867/1976). Dialectical Materialism, materialistic interpretation of history and the theory of surplus

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pollution are found in advanced countries. It is observed that environmental degradation increases when there are economic growth and good governance. The relationship between economic growth and environmental degradation is shown in Figure 2. The neo-liberal policies.

sis of capitalist economic collapse of the system and ecological crisis apart from Ecological crisis is called Capitalist system transforms. The main limitation of the GND initiatives) is its problem of economy and the aspects of the Marxian analysis the 'Lauderdale Paradox'. In the context of the historical also.

Nature arises to support a cycle in which metabolism continuously. Human survival is based in the natural system. The earth changed drastically from 'production system and from 'natural metabolism' (etc) and this separation is an appetite for surplus value is one of the outcomes of extraction and pollution in the context of debates of soil crisis and other agricultural disturbing the soil nutrients. With the progress of products were transferred to urban population and cities. The accumulated led in the depletion of soil (367/1976). Metabolic Rift back to the land. In order to reforms are made and used in the environment problems. This extended to explain the on, water scarcity, global with natural metabolism today.

Another dimension of ecological contradiction in capitalist system is explained through the 'Lauderdale Paradox' (Lauderdale, 1819; Foster and Clark, 2009). There is a contradiction between public wealth (goods with use-value) and private riches (goods with exchange values). Private riches will increase when public wealth diminishes. Key factor in this mechanism is scarcity. For example, water is a part of public wealth. Water helps private riches to grow when it becomes scarce. Water is sold in the market for a price and it adds to the private riches of the water supplier who sells it to the hotels, hostels, industries and residents in towns and cities. Thus, when scarcity of water increases, private riches increase. This mechanism applies to all constituents of public wealth. Increase in private riches and indeed all riches of a country (GDP for example) happens at the cost of quality and quantity of the public wealth. Destruction of the public wealth (in a way, environment) for the sake of accumulation of capital is evident in modern times. Valorization of capital which treats nature as a free gift and as an investment to increase capital is at the core of environmental crisis and it is overlooked in most of the discussions. Man makes capital and then later capital remakes both man and nature (Barbosa, 2009). The dominating capitalist objective is to increase accumulation of capital. In the Marxian scenario, the GND programme appears politically popular but naive in terms of political economy analysis. There seems to be a leftward swing in political debates in the US and they will be settled at the 2020 Presidential elections. Democratic Party proposes massive government intervention to address climate change and income inequality issues. Democrats seem to have a more "positive view" of socialism than capitalism. On the other side there are pro-business and pro-capitalist Republicans. There seems to be a growing ideological divide between socialist Democrats and capitalist Republicans (*Business Standard*, 2019). Marxian concepts of Metabolic Rift and Lauderdale Paradox provide valuable insights to place these contemporary political debates on climate change and income inequalities in proper perspectives.

Conclusion

The major arguments presented in the paper may be recapitulated. Climate change and increasing income inequalities, are the two major global concerns which attract academic attention and encourage potential debates. Technological advancements and improvements in management techniques are successful in value creation and value capture but not so successful in income sharing or protecting the environment. Reforms which appear to be radical to the neo-liberal thinkers are suggested by the GND advocates. The mainstream liberal economics views these reforms as both

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