

WHY MARKET-BASED APPROACHES TO CLIMATE CHANGE WON'T SAVE THE PLANET

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ABSTRACT Market-based approaches to climate change incentivize firms to change their environmentally destructive practices. Examples include the carbon tax and the cap-and-trade program. It is assumed that they are the most efficient and effective way to combat climate change. Therefore, market-oriented responses to climate change have already been implemented globally and are celebrated within the western political discourse. However, the effectiveness of market-based solutions has been over-emphasized to fit the interests of corporations, leading to major problems. Therefore, market-based approaches are not just nor effective: they are within the capitalist hegemony which perpetuates the climate crisis. To resist the capitalist hegemony, selective degrowth is necessary: structurally and fundamentally changing our relationship with nature and each other for the better. I argue that implementing degrowth is an approach that truly responds to the climate crisis in a just and decolonial way.

INTRODUCTION

Government implementation and continued support for market-based approaches are not effective nor will they be enough to ensure that Canada reduces its greenhouse gas emissions to meet its net-zero targets by 2050. Canada has been implementing environmental policies amidst the increasing concern for climate change. However, the majority of these policies are market-based solutions that try to incentivize people and corporations to adopt more environmentally cautious practices within the capitalist economic market.

This paper will present two main arguments against market-based policies. First, market-based approaches simplify humans' relationship with nature by viewing nature as something that can be "owned, bought, and sold" (McAfee 2015, 243). Secondly, market-based policies allow for environmental racism. Thus, this paper argues for the implementation of degrowth policies that can restructure our political and economic society. Degrowth policies will enable structural reforms, which are necessary for ecological democracy. Ecological democracy recognizes that the

protection of democracy is interdependent with the conservation of our natural environment. Thus, achieving ecological democracy through degrowth policies is necessary to create a more equitable, socially sustainable society (Kallis 2011, 876).

ECONOMIC RATIONALISM

First, liberal market-based policies rely on what Dryzek calls "economic rationalism" (Dryzek 2013, 122-24). John Dryzek, in "Politics of the Earth," outlines how environmental market-based policies rely on certain assumptions about nature: an understanding that nature can be commodified, and that the value of nature can be determined in economic terms (2013, 122-24). The commodification of nature is justified through the belief that "environmental goods do not always exist, and so often need to be created and managed"; that nature only gains value when humans attribute a price to it. Therefore, market-based approaches involve "calculation" and often technological solutions that will judge what the value of nature is and to what extent a company can pursue an

environmentally damaging practice (Dryzek 2013, 122). It argues that internalizing the cost, making the producer pay for its negative externalities, is the most effective and efficient way to protect the environment (McAfee 2015, 240).

PROBLEMS WITH THE CARBON TAX AND CAP-AND-TRADE

However, when nature is calculated based on its benefits and costs, it allows companies to pursue harmful practices (Dryzek 2011, 122). The carbon tax and the cap-and-trade system exemplify this. A carbon tax is when the government sets a tax in terms of dollars per quantity of carbon dioxide emissions, while the cap-and-trade system limits the total amount of emissions that can be released by setting a 'cap' or emissions ceiling. This forces producer sources to trade permits or allowances that will give them legal title to release emissions (Aldy and Stavins 2012, 155-57). Aldy and Stavins discuss this in the "Promise and Problems of Carbon Pricing" (2012, 153-174). They argue that market-based approaches incentivize corporations to adapt to more energy-efficient technologies to reduce the release of carbon dioxide in their production process, shown through the carbon tax (Aldy and Stavins 2012, 155-56). A flaw they identified is the uncertainty of "economic-wide emissions," the total emissions released around the globe (Aldy and Stavins 2012, 155). Others may argue that the cap-and-trade system covers this flaw and therefore is better. However, there is a strong argument to be made that both approaches are ineffective because they only incentivize companies to change their practices by adopting more energy-efficient technologies through heavy state subsidies. It does not incentivize them to reduce overall production levels in general. It only leads to 'climate capitalism', a response to the climate crisis where solutions are centered on the interests and priorities of corporations (Adkin 2017, 13). More importantly, relying on technological solutions to combat climate change enables the continuation of emissions through reliance on carbon-sequestration projects. Carbon

sequestration projects assume that we can combat climate change by capturing and storing carbon through technology. This also relates to Reducing Emissions from Deforestation and Degradation (REDD+). REDD+ is a framework that promotes forestry conservation by turning forests into carbon stocks in Global South countries (UNFCCC n.d.). Carbon sequestration projects and REDD+ directly correlate as REDD+ assumes that the producer's carbon emissions can be offset by funding environmental conservation projects, such as funding more trees to be planted so that the trees or forest can 'capture' or 'store' the extra carbon that has been released (Aldy and Stavins 2012, 155).

The cap-and-trade systems are now implementing "cost-containment" measures which include the option to "offset some of their emissions" (Aldy and Stavins 2012, 158). Aldy and Stavins mention how these are in the form of an "emission-reduction-credit (ERC) system" where corporations gain credits through investing in carbon-sequestration projects (2012, 159). This allows companies to continue their regular production levels as long as they pay for initiatives to offset their domestic emissions (McAfee 2015, 287). Kathleen McAfee is especially critical of carbon offsetting as it increases and relies on the inequality between the Global North and South (2015, 244). She argues that carbon offsets allow the Global North countries to continue emitting large amounts of greenhouse gases (GHGs) and support a high-carbon lifestyle, all while the Global South must deal with reducing their emissions to offset the Global North. The Global North justifies offsetting their carbon in the Global South because it is more "efficient" as "nature and human lives are cheaper" in poorer countries (McAfee 2015, 246). Thus, market-based approaches not only encourage corporations to continue their practices under the same production level but also encourage wealth inequality between the Global North and South.

CAN PAYING JUSTIFY ENVIRONMENTAL DAMAGE?

Additionally, Robert Goodin argues that market-based approaches justify pollution as long as companies can pay for it. Governments should be emphasizing that “it is wrong to pollute, even if you can afford to pay,” but instead, market-based policies create the perception that “it is okay to pollute, provided you pay” (1994, 582). This kind of messaging not only accepts inequality but legitimizes inequality by allowing people to buy their way out of their climate-destructive behaviours. Therefore, many environmental justice activists have advocated against REDD+ because rich countries can offset their carbon emissions by paying for carbon-sequestration projects (McAfee 2015, 238-53).

COMMODIFICATION OF NATURE AND ENVIRONMENTAL RACISM

Market-based approaches also neglect Indigenous knowledge through commodifying nature. Ardith Walken, an Indigenous scholar, states that this has led to environmental racism. In *The Future of Canada's Water*, she argues that internalizing environmental costs is “measuring the impacts of developments only on certain segments of society,” and it neglects to internalize the cost in terms of the “loss of Indigenous peoples’ lifeways.” She states that the Western, capitalist way of viewing nature takes precedence over Indigenous knowledge and therefore fails to acknowledge Indigenous ways of relating to the earth (2007, 311). Walken argues that calculating the value of nature based on economic costs and benefits, often measured according to profits, only considers short-term economic gains. Thus, environmentally destructive but economically beneficial projects are approved without consultation or compensation for the long-term losses of the culture and lifeways of Indigenous peoples (2007, 314). Worldviews, culture, and knowledge cannot be commodified or calculated. Therefore, market-based approaches harm Indigenous peoples and simplify the relationship and knowledge of Indigenous peoples with nature. Market-based policies result in environmental racism because Indigenous populations are

disproportionately negatively affected by the process of implementing these policies, as only economic costs are considered when calculating the effects of the policy.

Therefore, it is clear that market-based approaches to climate solutions will only further increase environmental racism and perpetuate inequality nationally and internationally. More importantly, they will not reduce net emissions globally. To change our relationship with the economy, I argue that the implementation of degrowth policies is necessary.

SOLUTION: SELECTIVE DEGROWTH

Laurie Adkin, an advocate for ecological democracy, argues that deep decarbonization and a decrease in the accumulation of capital will allow for a green transition (2017, 20). Deep decarbonization is the process gradually eliminating all carbon-emitting sources and transitioning to other sources of sustainable energy, such as solar or wind. This requires the abandonment of market-based policies and an adaption of degrowth policies. Kallis, in ‘The Defense of Degrowth’, defines degrowth as reducing the society’s throughput, or net production, by having a smaller economy (2011, 864). Degrowth promotes an alternative economy that is not focused on maximizing GDP and efficiency. It will meet people’s needs through institutional change and rethinking “personal values and aspirations” (Kallis 2011, 878). Degrowth policies aim to be less market-dependent and more focused on the reduction of overall consumption. Kallis argues that degrowth policies allow for the redistribution of wealth through localizing the economy and increasing social services to meet people’s needs (2011, 876). This entails lessening man-made capital, including reducing investments in fast cars, new airports, or better televisions, all while increasing investment in social sectors like education, health care, and localizing organic food production (Kallis 2011, 875).

Selective degrowth aligns closely with ecological democracy as both encourage

empowering local communities and decentralizing global economic markets (Adkin 2017, 5). Some policy examples include increasing social security by setting a basic income and enforcing stronger labour laws; reducing working hours to 21 hours per week; and implementing salary caps. Others include decentralizing banks and financial institutions to strengthen local economies and shift to local currencies (Kallis 2011, 876). The range of focus and ambitions of policies differ, but all share the goal of achieving a smaller, localized economy. It aims to bring more economic and social stability; thus, people have time to think about politics and participate in the democratic processes. When people have more leisure time and are less anxious about meeting their needs, they can afford to spend time being politically involved.

HOPELESS FANTASY?

Unless there is mass public support that shares a unified vision of selective degrowth, implementing such ambitious policies will only increase polarization and backlash. For instance, just under 60% of Canadians support carbon taxes which is still a market-based solution (Mildenberger et al. 2016, 8). How many Canadians would want to reduce their consumption levels and give up the privilege of eating tropical fruits year-round? It is likely too risky to advocate for selective degrowth as it could lead to a backlash. Therefore, market-based policies may be the right steps toward slowly shifting the public discourse on climate change. Market-based solutions may be a slower response to climate change, but they are steps to encourage innovation and shift the public discourse without furthering polarization.

However, polarization occurs because corporations use tactics such as greenwashing and green marketing to convince people that market-based solutions are enough to combat climate change (Levinson and Horowitz 2010). Thus, the mass public is convinced that market-based solutions are enough and feels no sense of urgency to change their

comfortable lifestyles. This displays how polarization is exaggerated because of corporations' ability to influence the public and government in promoting market-based solutions. Therefore, the majority of Canadians may support degrowth policies if they can actualize and realize that the benefits of living in a smaller economy are greater than the one they are living in now. It is through recognizing that the current economic system only benefits the 1%, and life for the 99% will be better once selective degrowth becomes the new way to live (Nyberg et al. 2022, 190).

CONCLUSION

While degrowth policies may be seen as radical and too ambitious for Canada's political culture, market-based solutions may be too slow to prevent permanent, irreversible climate damage. Thus, a push for ambitious solutions is necessary to stop the continuation of environmental racism and climate-destructive behaviours. As mentioned before, the Canadian government will continue to provide subsidies to the fossil fuel industry and accommodate their interests if market-based solutions continue to drive the environmental discourse (Adkin 2017, 20).

We can become a society that is truly 'living well', or "Buen Vivir," only through deep decarbonization and implementation of degrowth policies (McAfee 2015, 253). Truly living well cannot be economically translated and enforced by market-based approaches. Implementing selective degrowth enables the economy to achieve deep decarbonization and transition to a society where happiness and success are not dependent on economic growth: leading to people having more voice through the localization of power and a more democratic and socially sustainable society (Kallis 2011, 878).

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