



Twenty

A NARROW PATH TO A LIVABLE FUTURE

I spent some years as chief investment strategist for a hedge fund that specialized in investing in distressed companies—businesses that were circling the drain and were either bankrupt or dangerously close to going under. In that role, I served as director of a few of such companies once they were reorganized. I remember one where the board would regularly set goals for the CEO that he would have to meet to get his bonus. And I remember that he regularly achieved those goals—right up to the moment we once again filed the company for bankruptcy. This is how I view international efforts thus far to prevent catastrophic global warming. Nations might meet their goals, and we will still face a climate catastrophe.

The world has begun decarbonizing, but we need to accelerate the process greatly to avoid a climate disaster. The Green Deal announced by the European Union would have the political unit that represents the third-largest source of greenhouse gas emissions become carbon neutral by 2050. An aggressive goal, but consider what

FIRE AND FLOOD

that means: nearly thirty additional years pumping more greenhouse gases into an already overburdened atmosphere. Even if the world met the terms of the Paris Agreement, we face further warming that would bring humanity into uncharted territory. A 3 degrees Celsius or more rise in global temperatures would produce a world hostile to farming, humans, and countless other creatures. This is where we are headed. This cannot happen. Stronger measures than far-off dates for carbon neutrality are needed to avert calamity.

It's not just the United States that must drastically reduce its emissions, but most other developed nations as well. Moreover, emerging nations need to find a path to development that does not overwhelm efforts to decarbonize by other nations, as has happened over the past two decades during the industrial development of China, India, and other new economic powers. The atmosphere doesn't care where emissions come from; it reacts to the level of greenhouse gases it bears. We need a tool that will create very strong incentives in every country to reduce net carbon emissions. We have that tool, though it is anathema to subscribers to the neoliberal economic order of free trade and open competition that has dominated globalization since the fall of the Soviet Union.

It's called tariffs.

The previous chapters have tried to show the tremendous momentum of business as usual, regardless of the economic system. In the United States, the spreading and socialization of the risks of climate change tend to deflate any sense of urgency about the issue. Russia, a kleptocracy, has leaders who openly scorn the threat of global warming. So does the president of Brazil, Jair Bolsonaro: his tolerance of the illegal burning of the Amazon makes Brazil the world's largest contributor of GHG emissions coming from deforesta-

tion. China, a state-managed economy, is now the largest purchaser of renewables, but it is also the largest emitter of greenhouse gases. And everywhere, even in nations with solid national policies, people cheat.

Here's how climate tariffs would work. It is now possible to monitor greenhouse gas emissions by point of origin using satellite-based remote sensing technologies, and even more refined monitoring is on the way to meet the requirements of the Paris climate accords. That data could set a baseline of the greenhouse gas emissions of 194 nations. Then a percentage goal for annual reductions in emissions could be established following a short phase-in period, with tariffs adjusted based on success or failure to meet those goals (outstanding success should be compensated with credits). Following data collection, a nation might be given a warning and one year to cure the deficiency before tariffs are imposed.

The key is that the tariffs would be universal, with one set level for every nation on earth. Don't get cute. As the history of climate negotiations has shown, specificity and exemptions invite gaming, endless negotiations, and cheating. Mali can achieve a 3 percent reduction from its base, for instance, just as easily as the United States from its base. Renewable energy now competes with or beats any fossil fuel on costs, and there are now many ingenious ways of reducing capital costs. New, scalable carbon capture technologies are coming online.

Nations could choose their own paths to compliance. European countries might focus on EVs and renewables, a continuation of what they are doing. Some nations might want to put a price on carbon. Sweden, for instance, prices carbon at about \$130 a metric ton—four times the highest price yet reached in the EU carbon markets. Brazil might dramatically lower its emissions simply by controlling illegal

FIRE AND FLOOD

deforestation in the Amazon, something it should be doing anyway. Indonesia could take a similar path, and its growing manufacturing sector would have a strong interest in making sure the country did not pay tariffs.

An across-the-board tariff creates an incentive within a country for competing interests to police bad actors. Tariffs at the national level would solve the free-rider problem that has dogged global warming initiatives from the beginning. Because of advances in renewables, EVs, and efficiency technologies, compliance on emission reductions will be easier than at any previous time in the climate change era, and it will be easier still as the buildout of renewable infrastructure accelerates.

Such a tariff regime could be created under a revised Paris Agreement in coordination with an existing international forum such as the World Trade Organization (which in its report *The WTO at Twenty* recognizes that climate change is an issue it must address). Tariffs could be collected by the importing nation and then be pledged to an international finance institution such as the World Bank, and the money could then be allocated to clean development projects directly targeted to reducing emissions in the poorer states. The fact that every nation has to meet its emission targets or be subject to tariffs would help prevent the counterproductive diversion of money that characterized prior international attempts to fund clean development.

The Trump administration's retreat from international obligations actually made it easier for a climate tariff regime to be implemented. Even though Biden has made a priority of reengaging, the Trump years gave other nations the opportunity to think about an international order without U.S. leadership. Emboldened nations,

such as France, have already threatened to impose tariffs on some U.S. goods because of our retrograde climate actions of the past four years. A global problem such as climate change demands collective action, not a piecemeal approach. So far, the collective actions tried have been all carrots but no sticks. And, demonstrably, they haven't worked.

Tariffs could provide that missing stick. I expect the proposal will horrify economists because of the long history of beggar-thy-neighbor tariff case studies. It should be clear, however, that this would not be the case with a universal tariff. The regime would not be one nation seeking advantage. It would provide incentives for every nation, and its goals would be achievable. The ideal implementation would have its administrators twiddling their thumbs because all nations found compliance both affordable and in their interest.

A universal tariff might be our only hope to reduce GHG emissions before disaster strikes, but the deeper problem is the skewed incentives of our consumer society that render our economy amoral, blind, and easily gamed. If we imagine the consumer society as an amoeba, changing its shape to feed off anything that smacks of profit potential, those incentives are its sensors. In other words, perverse incentives are intrinsic to the functioning of our consumer society. At a time when we need an economic system that recognizes and adapts to hazards, we have one whose sole impetus is to maximize profit.

As we've seen with the extraordinary speed in the development of a COVID vaccine, the incentives of a consumer society can be channeled toward solving problems. The tens of billions directed at the vaccine effort by government worked in part because developing a vaccine was not a threat to business as usual for any part of the supply chain, just an extension of what they were already doing. Averting

FIRE AND FLOOD

a climate catastrophe remains a threat to an immense part of the economy, but that is changing rapidly as the move away from fossil fuels accelerates. The day might be approaching where the potential for profit from the shift might overwhelm the diminishing vested interests in the status quo.

That might provide some comfort if climate change was the only danger facing humanity. Instead, almost every ecosystem on the planet is nearing the brink of collapse as our consumer economy attempts to satisfy the rising expectations of billions of people. “Solving” the climate crisis—a very long shot in itself—does not let the current system off the hook. There are simply too many other crises hurtling toward us. The collapse of fisheries, competition for fresh water, the prospect of more pandemics as pathogens jump from plants and animals to humans, wholesale shifts in rainfall patterns as tropical rainforests are cut, the disappearance of pollinators, and so many other threats will continue to worsen regardless of whether climate stabilizes.