

[A Left 'Exit Strategy' From Fossil Fuel Capitalism?](#)

Anders Ekeland, May 2014

The concept of an “exit strategy” was coined by John Bellamy Foster in a review of the famous climate scientist — and climate activist — James Hansen’s proposal of a “fee and dividend” system in a 2013 [Monthly Review article](#). Foster introduces the exit strategy concept 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.”

But why haven’t the left, the hard left and ecosocialists in particular, backed this realistic strategy for a climate change exit strategy? Before discussing this key question, a brief presentation of Hansen’s “fee and dividend” proposal is necessary. The main points, as Foster summarizes [Hansen’s proposal](#), are:

- Fossil-fuel companies would be charged an easily implemented carbon fee imposed at the well head, mine shaft, or point of entry.
- 100% of the revenue collected would be 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 amount in the form of dollars per ton of carbon dioxide emitted from the fuel.
- The carbon fee would then gradually and predictably be ramped up so as to achieve the necessary carbon reductions.
- At the same time current subsidies to the fossil-fuel industry would be eliminated.

What would be the economic consequences of such a “fee and dividend” system? Building on Hansen, Foster suggests that 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 eight cents per kilowatt hour in electricity charges, generating \$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% 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 further reduce their carbon footprints. Hansen’s plan crucially insists that all of the revenue from the carbon fee go straight to the public rather than to governmental agencies, which he considers “virtual arms of the fossil fuel industry.” He [points out](#):

“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.”

In 2007, the [Congressional Budget Office estimated](#) 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 Center reported in 2005 that the top 20% accounted for 32% of total gasoline consumption in the United States, the bottom 20% for only 9%.

Democratic redistribution

For socialists there are several aspects of Hansen's fee and dividend system that need further discussion. It is clearly a proposal adapted to the U.S. political context. For example, its redistribution scheme is completely individualistic since every citizen would directly receive 100% of the refund.

In other parts of the world — e.g. in the Scandinavian context where people are less skeptical of “big government” — it might be just as easy to mobilize for collective social solutions. These might be improvements in public urban transport and/or high speed trains, to build bike lanes, subsidize solar roofs and private windmills, etc.

Shi-Ling-Hsu points out in his book *The Case for a Carbon Tax* that “it is not clear that voters even want the money back.” Indeed even “the conservative Albertans expressed a preference for funding public school infrastructure and health care delivery.” But the principle of a socially just redistribution would still apply — in different ways in different political contexts.

It is important to have the broadest possible democracy in deciding the actual redistribution. Other issues that will need to be discussed by the mass movements are the speed of the tax increase and the international dimensions of the tax. But the context for these discussions is the core of Hansen's proposal — to make fossil fuel so expensive that renewable energy will prevail in a socially just way.

But what has been worrying this author for at least a decade is the resistance on the left, including the ecosocialist left, to almost any use of taxes — or in principle, democratically managed prices — 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, under very different modes of production, for a long time. Consequently markets and prices as mechanisms to coordinate societies that have reached a certain level of division of labor cannot be “prohibited,” but must be replaced by superior mechanisms.

The social conditions for the withering away of markets will come under mature socialism, characterized by relative abundance of energy, goods and services. In the coming decades, where we hopefully make the transition from fossil to renewable energy, we will be far from relative abundance.

I also think this is, on a more theoretical level, linked to the dominance of the “Leninist” tradition — in a negative sense, as a fairly dogmatic tradition — on the hard left. Personally I became aware of this stubborn resistance to the use of prices in relation to (then London mayor) Ken Livingstone's proposal in 2002 for a congestion charge.

The congestion charge as Livingstone originally proposed it was far from ideal. Rather than posing a clear objective of reducing emissions, the proposal presented congestion as the main problem. The charge was also regressive — as any flat tax on necessities is by definition — although the relatively rapid and huge investment in public transport, especially in buses, would have benefited ordinary people.

The British left (in its majority) was fairly critical. It instinctively had a negative attitude toward using a charge to regulate behavior. Worse, it had no real alternative solution to reducing either congestion or emissions. Yet today, as the congestion charge has produced some real results, the British left is still ambivalent about its use.

The effect of the congestion charge significantly reduced congestion but had less effect on emissions. The rules were changed after some years to “punish” high-emitting vehicles. The congestion charge became so popular that the Conservatives did not dare to abolish it — only parts of it — and the left is no longer opposing it. However it is not advocating any improvements or alternative strategy as far as this author knows. This equals political sterility, with the left having nothing substantial to offer on

two major issues in people's lives, congestion and emissions. To my knowledge the left in other countries, including Norway, has been generally skeptical of congestion charges and, given its dislike of regressive taxes, has not taken the lead in addressing the issue.

With today's technology, however, in principle there's no problem in making a congestion charge itself progressive. In Norway, since the income and fortune of the car's owner is known, the charge could be set proportionally higher for rich car owners, and in addition comes the advantages of a socially just redistribution of the revenue.

From the early '90s the left's primary objective has been to gain support for the fact that there is man-made climate change, that "something must be done," and that emission trading is clearly no solution. In fact emission trading was constructed to maintain business as usual, to avoid the social conflict that would and will arise from a transition from fossil energy toward a society based on renewables.

The overriding objective of the environmental movement and the hard left was to convince ourselves and the public that climate change was human-caused ("anthropogenic"), and to put popular pressure on the international climate negotiations to force the ruling elites to at least take some minimal action for 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, its own exit strategy.

The reception of Hansen's proposal

The disappointment after the very high expectations of the Copenhagen meeting 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 and social movement forces walked out of the recent Warsaw meeting is a clear sign that the elites' mechanism for emission reductions has lost legitimacy.

This means that a political space has opened for the left. But while there are many excellent analyzes of the relationship between Marx(ism) and ecology, the impossibility of green capitalism and the total failure of emission trading schemes, there is no common strategic campaign to mobilize people for an exit from fossil fuel society.

The fundamental reason is that any set of policies that would reduce the use of fossil fuels significantly will lead to a general price rise — in real terms — that will hit the working class. The poorer one is, the harder the price rise hits. The left has a long tradition of quite correctly fighting against indirect, regressive and socially unjust taxes.

Let's now look in more detail at the reception of Hansen's proposal from the ecosocialist left. One of the most influential websites in ecosocialist circles is *Climate and Capitalism*, an excellent online journal with relevant and interesting articles. But to my knowledge there has been no discussion of Hansen's proposal, despite the fact that *Climate and Capitalism* shares with Hansen a fundamental critique of emission trading and of regressive carbon taxes.

Emissions trading is — as Hansen points out — actually "cap and tax," since firms will load the quota price on to consumers as a cost of production like any other cost. *Climate and Capitalism* posted an article by Simon Butler, [Pricing carbon: A failed strategy that won't save the climate](#), that 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 to 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 would the carbon price rise, but the demand for renewable energy would rise along with its price. This would happen in a dramatic way, of course, if carbon, like asbestos, were practically banned.

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's 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, [Ian Angus, the editor of *Climate and Capitalism*, writes:](#)

"British Columbia's unique carbon tax on gasoline and other fuels went up another 1.1 cents a liter 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. It is quite obvious that in order to change the type of energy used for transport, prices must rise significantly — and steadily. And shouldn't the left campaign for a redistribution scheme — be it "collective" spending on public services or a progressive "individualistic" redistribution à la Hansen?

In another article, [Green Illusions and the Carbon Tax Scam](#), 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 find the analysis superficial. The high taxes on petrol in Australia, as in Norway, did not have the objective of reducing fuel consumption; they were mostly pure revenue raising, maybe with a little bit of energy efficiency. As everybody knows, the internal combustion engine was significantly improved as a result of the 1973 OPEC price "shock."

The redistribution of tax revenue somewhat weakens 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 or in your garden), there would clearly be a positive result.

In Norway electric cars are exempt from some taxes, and are allowed to use the bus-only lanes. This has made them [a huge success](#). So when the prices and the context change, behavior can change.

Social impossibility of a carbon tax?

Daniel Tanuro, a well-known ecosocialist, member of the Belgian section of the Fourth International and author of the book *Green capitalism — why it can't work*, 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 sophisticated theories of ecological economics, the policy proposals for internalization of the costs of pollution are both ecologically insufficient and socially unsustainable."

Tanuro does not even mention the possible redistribution of the carbon tax revenue, although it is quite obvious that if there is a progressive and just distribution of the carbon tax income, it might very well be not only socially sustainable, but socially desirable, for ordinary people.

But the brute fact is that any significant reduction of the consumption of cheap fossil fuels will raise prices on renewable energy — and on most other goods and services as well — to what Tanuro considers "socially unsustainable" levels. So the crucial question remains: If a redistributed carbon tax won't work, then what will?

Tanuro's answer, as from the rest of the left, is vague generalities about public plans for green technologies, and in his 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 of spontaneous "black market" reaction to command-and-control regulation is not a part of the discussion. What happens when working people have to "renounce certain goods" on the one hand but get a certain amount of energy for free? Most probably there would be "black markets" for energy, with horrific prices and speculation. Is not that the lesson we have learned from the experiences of War Communism from rationing in wartime?

Besides being totally unrealistic, this is certainly not a vision of the future that people will march in the streets to achieve. Obviously regulation and/or rationing are 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 (and indirectly on most other products). Is this way of internalizing the phase out of fossil fuel more socially acceptable than a carbon tax with a socially just redistribution of the revenue?

Another far left group, the International Socialist Organization, did discuss Hansen's fee and dividend proposal. A *Socialist Worker* article titled [What's in the climate change bill](#) gives a fair and informative description of Senators Barbara Boxer and Bernie Sanders' proposal, and is correctly critical of the fact that only 60% of the revenue gets redistributed, not 100% as in Hansen's fee and dividend proposal.

The article quotes John Bellamy Foster's statement that Hansen's proposal is a "starting point for a realistic climate-change exit strategy" and then quotes Foster's critical remarks to Hansen's proposal (see below). But it is unclear whether the ISO endorses Hansen's proposal as 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, as the article's conclusion simply repeats the need for mass action:

"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 working-class people to join the ranks of environmental activists. To correctly stress the need for mass action — as does Hansen himself — does not solve the far left's lack of a clear exit strategy and program for creating those necessary mobilizations.

Challenging capitalism concretely or abstractly?

The *Socialist Worker* article quotes John Bellamy Foster's critical comments about Hansen's proposal:

"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 Foster has done an important job by bringing Hansen's proposal to the attention of the hard left, but he relapses into that general mantra that "system change" is a prerequisite. History has provided a clear lesson on this point: people act to achieve much more concrete objectives like land reform, peace, tolerable living conditions, and ending national oppression and racism — not system change as such.

That's why the left really needs to get into the discussion of an exit strategy — and like Foster, I think that Hansen's fee and dividend proposal is the best starting point. "Climate" money each month going into poor people's bank accounts would unite the demand for income redistribution with working people's fundamental long-term environmental demand for a healthy planet.