

THE POLITICS OF GLOBAL WARMING¹

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Hysteria over global warming has become one of the most significant threats to economic and technological growth facing civilization. The modern Malthusians have moved away from their optimistic collectivist roots—in Europe, socialism; in America, early progressivism—to a much darker, more reactionary stance as their faith that tomorrow belongs to them has faded. Once the Left sought power and privilege arguing that they would deliver heaven here on Earth. Their failure to make collectivism deliver—and the general disillusionment that accompanied this failure—led them to despair that change would prove beneficial to them. Thus, they adopted a status quo philosophy. Change is now to be avoided, and the engines of that change—economic and technological growth—must be stymied. Environmentalist advocacy of catastrophic global warming fears must be read in this light. If they can persuade people that a great catastrophe awaits us *if we continue to progress*, then they will be better able to thwart the advance of civilization and the growth of economic liberalism. It is important that they not succeed, and, thus, this conference is very important indeed.

Earlier papers in this conference dealt with the science and economics of the catastrophic global warming issue. The general results are that climate change science cannot now predict much of anything. We've learned much over the last decade but that learning has increased—not reduced—our uncertainty about the causes of climate change. The extent to which anthropogenic factors are significant also remains uncertain. At best, the scientific case for immediate action to curtail energy use around

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the world is unproven. The elaborate General Circulation Models, on which most fearful scenarios are based, are complex but they are far from reality. Indeed, climate change models are no more likely to predict the future than their equally elaborate and flawed macroeconomic counterparts.

On the other hand, the economics of the issue are fairly settled and far from alarming. Climate is a serious threat only in those nations that remain underdeveloped. Wealth and knowledge have allowed societies to prosper under a broad range of climatic conditions.

This suggests that resiliency style insurance is most appropriate to highly uncertain risks. The prevention strategy advanced by the global warming hysterics would do little to change anything, while weakening our ability to gain the wealth and knowledge essential to addressing *all* risks. After all, poverty, disease, war, and demographic transition problems are all risks that pose major threats to people around the world with far greater certainty. Those risks are better managed in a world that is wealthier and smarter.

My talk thus moves to the third element of the policy debate: the political issues surrounding the global warming debate. As others have noted, Kyoto was, in many ways, designed to fail—and it has. The challenge is to translate that failure into a more enlightened effort to address whatever future global environmental problems we may face. What should we do, now that even Kyoto's advocates seem reconciled to its demise?

The American Experience

I want to discuss the events that almost trapped the United States into ratifying Kyoto or something akin to it. But first, I want to note that the objective of this treaty—the curtailment of carbon dioxide and other greenhouse gases from anthropogenic sources—would mean dramatic reductions in energy use. And energy, we

should remember, is the force that makes civilization possible. It is energy that has allowed the developed world to escape back-breaking labor—for labor saving technologies are energy-using technologies. It is energy that has made possible productive work year round in the colder and warmer regions of our planet.² Moreover, America has long understood the importance of energy use to consumers. Energy taxes in the United States are lower than in Europe and efforts to impose new ones—the BTU tax fight during the Clinton Administration, for example—have generally failed.

Nonetheless, the United States is also the birthplace of the modern environmental movement, with its hatred of all things modern. This means that there are powerful forces within the United States convinced that our planet is endangered by the Terrible Toos: There are *too* many people on the planet, we consume *too* much, and we rely *too* heavily on technologies which we understand *too* little. The solution is straightforward: population controls, consumption controls, and technology controls—which can easily become rationales, respectively, for death, poverty, and ignorance.

The 1992 Rio Treaty, signed and ratified by the United States, committed America and other nations to take global warming seriously and to take prudent steps to reduce attendant risks. As written, this treaty might have served as a basis for a renewed effort by the nations of the world to move toward economic liberal institutions—to improve the role and defenses available to private property owners, strengthen the rule of law, and accelerate the introduction of new technologies. However, the treaty implementation process was captured by the Modern Malthusian movement—statist environmentalists—who, adopting the Terrible

² Air conditioning, for example, has allowed the American South, once a backwater of the American economy, to become a powerhouse. It should be noted, however, that air conditioning has its problems. In earlier eras, Congress would adjourn during much of the hot summer months. Indeed, some have argued that the genius of America's Founders was to place the political capital in a swamp!

Toos mantra, advanced policies that would slow the introduction of new technologies and reduce economic growth.

The effort to translate these sentiments into treaty form culminated at the United Nations Framework Convention on Climate Change Third Conference of the Parties, in Kyoto, Japan, in 1997, with the drafting of the treaty that bears the city's name. The U.S. Senate, fearing that the Clinton Administration might pursue ratification, passed—by a vote of 95 to zero—the Byrd-Hagel Resolution, which stated that the Senate would oppose any treaty that imposed unacceptable costs on the U.S. economy and that left the developing world's largest energy users—China, India, and Brazil—outside the treaty framework. (In the United States, it should be noted, treaty power is shared between the Executive and the Senate. A treaty can become law only if it receives the “advice and consent” of the Senate.)

Yet, the treaty that emerged from the Kyoto deliberations did exactly what the U.S. Senate feared. It proposed a complex two-tiered approach. Most member nations of the Organization for Economic Cooperation and Development (OECD) were charged to achieve varying levels of greenhouse gas reductions.³ Developing nations (including some in the OECD) were given no commitments.⁴ Since most projections argue that the largest *future* contributions of these gases will come from the developing world—as the developed world is gradually moving toward a less energy-intensive development path—this separation guaranteed that Kyoto would “solve” nothing. However, despite the message

³ The assigned reductions ranged widely with some nations gaining the “right” to emit even more greenhouse gases and some nations facing sharp reductions. Europe (the European Union negotiated as a unit) committed to reductions to 92 percent of the 1990 baseline. The United States’ commitment was TO 93 percent.

⁴ Some American politicians lobbied the developing world to accept curtailments also but they were rebuffed. One Chinese diplomat noted that westerners asking the poorer nations of the world to curtail energy use reminded him of the wealthy man walking down a road, noticing a poor peasant cooking his humble meal over a wood fire, and lecturing him sternly: “Put out that fire! Don’t you know you’re causing global warming?”

from the Senate, then-Vice President Al Gore signed the document, thus committing the United States to make no effort to lobby the world against the foolishness of anti-energy policies.⁵

Critics noted that the Kyoto Protocol was a highly flawed agreement. It created costly obligations but would do nothing to fend off global warming, even if that risk were real. In effect, Kyoto was all pain and no gain.

The Clinton Administration, during its last days, made a major effort, assisted by the British government, to find some accommodation to reduce Senate opposition to Kyoto. But European negotiators refused to grant the U.S. any flexibility, leaving the treaty dead in the water (at least in the U.S.).⁶

Indeed, to advocates of state intervention, Kyoto became a stalking horse for a much grander objective—the creation of a new world order. French President Jacques Chirac, for example, called Kyoto “the first component of authentic global governance.”⁷ The unexpected—in Europe at least—election of George W. Bush was a great disappointment to those who had hoped that a Gore Administration would have been able to push the Kyoto Treaty through the Senate.

But administrations are complex institutions and speak with many voices. And some in the Bush Administration sought to take up where Gore had left off. They sought to adopt a U.S. variant of the

⁵ Under the Vienna Accord governing the behavior of nations during a treaty ratification process, nations that *sign* a treaty are obligated to do nothing to defeat the treaty. The United States has not ratified the Vienna Accord either but the courts and custom still create obligations for signed-but-unratified treaties.

⁶ Even the major environmental groups blamed the Europeans. “There is no excuse for having walked away,” said National Environmental Trust President Phil Clapp, after the Sixth United Nations Framework Convention on Climate Change Conference of the Parties in The Hague, Netherlands, according to *The Washington Post*. “This was Europe’s best chance to achieve a strong climate treaty, and they decided to pass it up. After January, they could face a Bush administration almost certain to push for bigger loopholes in the treaty.”

⁷ Speech by M. Jacques Chirac, French President, to The VIth Conference of the Parties to the United Nations Framework Convention on Climate Change, The Hague, Monday, November 20, 2000

Kyoto policy, a so-called “voluntary” plan that would be imposed on industry to meet the reduction, even without a formal treaty. A fight ensued within the Administration, and, thankfully, the forces favoring affordable energy policies won decisively. America would clearly not move to ratify Kyoto. Other nations moved to ratify the agreement; but with the U.S. out, the treaty’s own implementation rules required essentially all nations with binding commitments to sign to bring the treaty into force.

This meant that the treaty was dead unless Russia opted to sign. At the time, that option seemed a certainty. The baseline for reductions was 1990—the end of the period when the Soviet government still reported the fictitious production statistics common under communism. After the collapse of the Soviet Union, the Russian government began reporting real economic statistics, which showed a dramatic drop in economic activity—and, therefore, also a huge drop in energy use and greenhouse gas emissions. The presumption was that Russia would favor Kyoto because, under the provisions of the treaty, Russia would be able to sell its credits to Europe. Some environmentalists felt that this was wrong, and labeled the credits “hot air” credits because no behavior would actually change. Still, most political experts were confident that U.S. ratification or no, Kyoto would soon become a legal document and the U.S. would eventually be shamed into joining.

But the post-Soviet Russian economy took off earlier than people had envisioned and Russian economists began to realize that within a few years Russia would need to *buy* credits if it were to continue to grow and honor the commitments that ratifying the treaty would demand. Russia could, of course, have signed the treaty and then flouted it; but Russia already faced a major credibility problem with foreign investors. Treating lightly an issue valued so highly by many of its trading partners seemed dangerous. Moreover, Russia has a large population in very cold

regions, so raising energy prices would be especially costly for its citizenry. Finally, Russia has a promising petroleum sector, and it has found little reason to raise global energy costs—thus suppressing demand for its products.

Then, in September 2003, at the opening of the U.N. Global Climate Change Conference in Moscow, Russian President Vladimir Putin dropped a bombshell: He announced that Russia would not set a date by which to ratify the Kyoto Protocol and questioned the scientific basis of the treaty. “Modern science needs to determine the actual degree of danger posed by global climate change,” he said. “Scientists should also help answer another crucial question about the limits of the impact of industry on the climate system.” Putin also pointed out that the treaty would fail to reverse climate change “even with 100 percent compliance.”

Many saw Putin’s statement as simply a bargaining chip—a ploy to gain favorable terms and concessions from the West. But that seems increasingly unlikely. Russia has already recognized the problems of an overly politicized economy and sees no wisdom in subjecting its major growth sectors to bureaucratic meddling. Russia also resented the view that it would remain an economic backwater, of value only as a source of continued credits because of its low growth rates.

Danger to the Developed World

Now Russia has refused to ratify the protocol. President Putin’s chief economic adviser, Andrei N. Illarionov, sums up what Kyoto means for Russia. He told the World Climate Change Conference in Moscow that the Kyoto Protocol, by restricting economic growth, would “doom Russia to poverty, weakness, and backwardness.”

But Kyoto would do great damage not just to Russia but to the entire developed world. This realization is sweeping throughout the globe. The Japanese business community has announced that it will oppose a carbon tax designed to help Japan meet its Kyoto targets. China has made it clear that it will accept no limitations on its carbon emissions—now or in 50 years’ time. And Indian Deputy Prime Minister L. K. Advani has announced that India will not accept any limitations either. All these countries are recognizing that restricting energy use means restricting wealth, technology, and progress.

But What About Europe?

Why are Britain, Germany, and France so enamored of global energy rationing? It may be because Europe would suffer less than the United States. Germany has a free pass because the benchmark date for Kyoto—1990—allows it to count all of the East German smokestack industries it closed down after unification as emissions reductions. Britain is better off because Margaret Thatcher, in confronting the power of the Mineworkers union, switched her country from coal to natural gas, vastly reducing the amount of Anglo-Saxon emissions, also dating from around 1990. France escapes relevant harm because of the Gallic penchant for nuclear power, the most environmentally friendly of energy sources (I wish they could persuade the rest of the EU).

Now that Russia has made it clear that the Kyoto process is dead, there are cracks appearing in EU unity. Spain, Portugal, and Greece have made it clear that they object to Kyoto-style policies.

So all over the world—in America, Russia, Japan, China, India, and even the EU—people are recognizing that the Kyoto approach is a bad idea. Kyoto, as Illarionov said, stands for poverty, weakness, and backwardness. We should all be thankful that the treaty is dead.

But efforts to force the global economy into an energy straitjacket continue. The most serious effort and one that has attracted some support even from some free market advocates is the argument for so-called “market mechanisms.” This means taxes or tradable quotas designed to achieve the political result of less carbon fuel use—which is needed to reduce greenhouse gas emissions—to lower the cost of compliance. The argument is that a rigid command-and-control regulatory approach to Kyoto implementation would be excessively costly but that taxes and/or quotas would greatly lower these costs.

In effect, the environmentalists have discovered what earlier socialist economists—Oskar Lange, Janos Kornai, Abba Lerner—had proposed in the 1930s. That group of socialist economists had agreed with Frederick Hayek and Ludwig von Mises that any direct attempt to manage an economy was doomed to failure. However, they proposed *market socialism* as a viable means to the same end. As Amory Lovins, another proponent of this strategy once noted: *Under this scheme, the citizenry still row; the government only steers.*

The schemes that are generally proposed involve calculating the number of tons of carbon dioxide that can be emitted under the Kyoto treaty and then issuing ration books roughly in proportion to the amounts of emissions now occurring. Over time, the quantity of credits would be reduced. A firm could reduce output, improve efficiency, or sequester CO₂ and thus use fewer of its credits, allowing it to sell those credits in the market. Such a plan, in practice, involves very complex monitoring and enforcement problems. Energy rationing schemes in the past have soon encountered serious corruption problems—even during World War II. Moreover, in practice, any simple scheme would soon become complex as firms would lobby to gain greater credits, as older firms would argue for more grandfathering than newer firms, and

as businesses would seek to take advantage of new rent-seeking opportunities.

Perhaps most dangerous is the possibility that once “voluntary” coupons are distributed to businesses, recipients would soon see the gains they might reap if the rationing were made more rigid and enforced. This means that a voluntary scheme would encourage greater lobbying by some within the business community for tighter restrictions and even for ratifying Kyoto.

This focus on “market mechanisms” is misdirected. The first question of public policy is not *how to do something* but rather *what is it that we should do*. It is the goal which should receive attention, not the means to do something that may prove irrational and inequitable. Some have noted that it is undoubtedly true that the guillotine improved the efficiency of the French executioner; none, however, would argue that it led to an improvement in French justice!

Kyoto is But One of Many

Kyoto is only the largest and most well known of a large number of so-called Multinational Environmental Agreements (MEAs). Once the Cold War ended, treaties of this type proliferated.

Utopian fantasies had been checked during the Cold War. A nation might have many negative features, but if we did not deal with it, then the Russians might. With that threat lifted, many idealistic utopian groups began to demand that developed nations conduct no commerce with nations that violate their values on human rights or women’s rights or religious freedom or racial tolerance or ... environmental protection.

These treaties are doing great damage already. The Convention on International Trade in Endangered Species blocks African nations from profiting from the sustained management of their wildlife.

The Basel Treaty hinders international trade in recycled materials. And efforts are underway to limit trade with nations not meeting high environmental standards. Indeed, European nations are considering whether the United States might not be vulnerable to charges that its refusal to ratify Kyoto endangers our planet.

In this light, Kyoto is simply one of many hubristic efforts by entrepreneurial bureaucrats and their NGO allies to control the global economy as a means of achieving, as Jacques Chirac noted, global governance. As noted earlier, their claims on this power stem from their arguments that absent global controls over energy—and much else—the planet faces great risks. Central economic planning has failed but the cry is now for central ecological planning; and utopianism has given way to despair. While the old economic central planners demanded power so that they could create heaven on Earth, the new ecological central planners demand power so that they can fend off hell on Earth!

When Pope Pius VII was attempting to reach an agreement with Napoleon in 1800, he said, “We are prepared to go to the gates of hell, but no further.” That sums up how far rational economic actors are prepared to act in pursuit of highly speculative gains. They will sacrifice, but will not condemn themselves to economic hell. But what a hell Kyoto would be. A world starved for energy would be a world full of starving people. The energy rationing that Kyoto would entail would make us race backwards when we should be striding forward.

What Can Be Done?

Whatever might be the risks of global warming, they are not well addressed by moves toward global governance or global regulation. In a world of uncertainty, it is important to take prudent measures, but the measures that are most effective are those that provide generalized capability—greater wealth and

knowledge. Those gains will be useful to address *all* risks. To focus on the prevention strategy—to argue that reduced use of energy will make the world a safer place—is unfounded. Consider that the world already faces major climatic risks—hurricanes hit Florida; monsoons inundate Bangladesh—but there are significant differences in the results. In Florida, warnings are received days in advance, people have both the wealth and the mobility to move out of harm’s way, buildings are made of more durable materials, and a number of private insurance measures allow people to rebuild quickly. In Bangladesh, in contrast, none of these features is widely present. The results are dramatic: storms in Florida kill very few; storms in Bangladesh may kill tens of thousands. Nature is not the problem; poverty is. But the Kyoto agreement, by making energy less affordable, would make much of the world more like Bangladesh and less like Florida.

Energy restrictions would see not just a dimming of lights, but a dimming of the light of knowledge as less wealth and fewer resources become available for investment. In Europe, this precautionary principle approach would discourage technological entrepreneurship and risk taking. The continent that once so boldly explored our globe—bringing progress and enlightenment to a dark world—would, in a post-Kyoto world, shut its eyes and hope for the best. This is a sad ending for the glory that began with the Italian Renaissance.

But the sun still shines brightly today. With work—and luck—mankind will regain its love of liberty. I recognize that there are risks with energy use, but there are also risks with energy starvation. Balancing those risks is the challenge that COP 9 *should* address. Let us hope it does.