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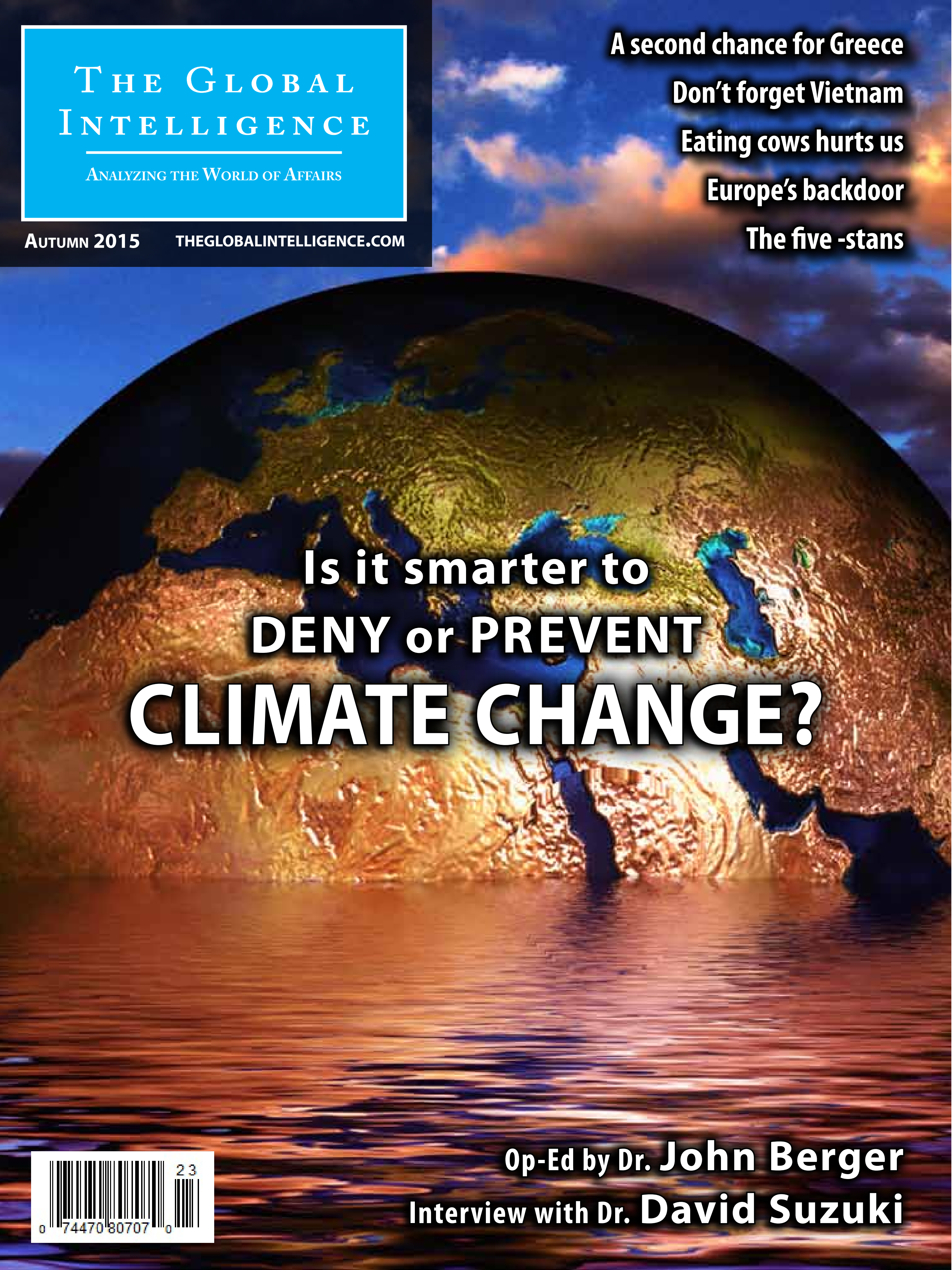

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Is it smarter to DENY or PREVENT CLIMATE CHANGE?

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Balancing a Green Budget

Can the world afford to PREVENT climate change?

by John J. Berger

Glaring income inequality in the United States, and the social injustice that stems from it, are tightly intertwined with the nation's failure to adopt a bold climate protection plan commensurate with today's climate perils.

Without the enormous disparities in income and wealth in America today, ordinary people would not experience so much economic hardship and frustration in struggling for economic advancement. They would thus have far less cause to resist national policies aimed at allocating a small percentage of GDP to climate protection.

The wealth held by the United States in 2010 amounted to some $54 trillion, but 95 percent of this was controlled by just the top 20 percent of all Americans. The bottom 80 percent therefore held only 5 percent of the nation's assets. Worse, the nation's wealthiest 1 percent owns 42 percent of the entire nation's wealth, including 50 percent of all stocks, bonds, and mutual funds. The bottom half of all Americans, however, owns a mere half of 1 percent of those investments.

With concentrated wealth goes concentrated political power, and the ability to create laws and policies that further enhance one's economic stature. Those who benefit most from the unequal division of income and wealth usually have no appetite for challenging government policies that subsidize and hence entrench the fossil fuel economy with favorable tax treatment, in turn prolonging the climate crisis.

While the super wealthy would bridle at the suggestion, raising tax rates on these individuals and on wealthy corporations would not only be equitable but would make a massive infusion of capital available for investment in transforming the nation's energy sector and developing substitutes for fossil fuels.

U.S. military spending alone accounts for 41 percent of the entire world's annual military budget.

Our Spending Priorities

Even without reversing the egregious pattern of income and wealth inequality in America, the nation could still afford the transition to clean energy vital to protecting the climate. We would just have to reorder our priorities, for example by eliminating fossil fuel subsidies and trimming military spending.

The United States spent more on military activities in 2011 than the next 13 countries combined, not even including an additional $178 billion spent for "defense-related" outlays. U.S. military spending alone accounts for 41 percent of the entire world's annual military budget of $1.7 trillion.

Having such an enormous military apparatus has in the past fostered overconfidence and the precipitous use of military force in costly, ill-advised campaigns. The Iraq War, for example, a war of choice rather than necessity, killed hundreds of thousands of people, cost the United States well over $3 trillion, and wreaked havoc on Iraq. This in turn helped destabilize Syria and other parts of the Arab world, ultimately contributing to the rise of ISIS.

Needless to say, the trillions spent on the Iraq War could have been far more wisely invested in clean energy and energy efficiency, which would have helped protect the climate and raised American workers' living standards by creating large numbers of new jobs. Ironically, at the same time that the United States maintains an outsized military establishment, the nation is failing to protect itself against the immediate looming national security threats created by climate change, such as rising sea levels, super storms, and a destabilized world.

A Spigot of Cash

Another source of capital that could be tapped to address climate change is the enormous river of cash flowing through the stock, bond, and commodity exchanges of the world each day. In the course of 2011, some $30.7 trillion worth of stocks changed hands in the United States alone, where, on an average day, more than two billion shares of stock are traded.

Imposing a half-percent transaction fee on the value of each stock bought or sold would produce $150 billion a year in revenue.

Many of these trades are made by wealthy speculators, hedge funds, and other large institutional investors who often try to game the market, increasingly with sophisticated computer systems

Farmers receive rent from turbines in Texas capable of executing high-frequency trades in fractions of a second.

These "flash" transactions provide few public or social benefits and can actually destabilize the entire market. Imposing a half-percent transaction fee on the value of each stock bought or sold would help discourage flash trading and other speculation and would produce $150 billion a year in revenue. If bonds, futures contracts, derivatives, and credit default swaps were also assessed a small fee, another 1 percent of GDP or more could easily be collected to fund an energy transformation.

Removing Perverse Incentives

Fossil fuel subsidies are a significant expense, domestically and globally. Just from 2002 through 2008, the Environmental Law Institute calculated that, despite economically difficult times for most Americans and massive budget cuts, the federal government still provided $72 billion in fossil fuel subsidies. (Globally, the world spends about $700 billion a year on fossil fuel subsidies.)

Not only are we subsidizing industries that are mortally damaging the planet, but these subsidies help perpetuate a fossil fuel infrastructure with a 30- to 50-year operating lifetime, thereby locking in future carbon emissions. Why subsidize mature and profitable technologies that need no subsidies and damage the climate? The money should instead be invested in a clean-energy transformation.

Finally, Americans spend a trillion each year buying oil and coal products, most of which quite literally go up in smoke. Much of that can gradually be eliminated by investing purposefully in national energy efficiency, public transportation, electric cars and light trucks, and a clean electrical grid powered mainly by fuel-free wind, solar, hydro, geothermal, and stabilized by regional interconnections and ample energy storage capacity.

A carbon tax of just $80 per metric ton of carbon dioxide would stabilize global temperature by 2050.

Affordable Climate Protection

The IPCC's *Fourth Assessment Report* forecast that a carbon tax of just $80 per metric ton of carbon dioxide would stabilize global temperature by 2050. That tax would raise $440 billion a year, which is 2 to 3 percent of U.S. GDP, and would only raise the price of gasoline by about 70 cents per gallon.

As electric vehicles continue to improve and decline in price, many drivers will find it cost-effective to shift to those vehicles.

Moreover, much of the impact on drivers could be offset by further increasing average fuel efficiency standards, as many European nations have done, and by rebating a portion of the tax to individuals, especially low-income people. The Obama Administration has moved to raise average fuel efficiency standards for cars and light trucks to 54.5 miles per gallon by 2025. In addition, as hybrid and electric vehicles continue to improve and decline in price, many drivers will find it cost-effective to shift to those types of vehicles, both of which can be largely fueled from renewable sources.

Those who still doubt that the nation can afford the investments needed to combat climate disruption may recall what happened when the balance sheets of large financial institutions were threatened in 2008 by the subprime mortgage crisis and the associated credit defaults it triggered. Absolutely and without hesitation, the doors of the U.S. Treasury and the Federal Reserve and the FDIC flew open.

At that time, the federal government transfused hundreds of billions of dollars into the "too big to fail" institutions as soon as their financial troubles surfaced. No federal rescue measure was too costly. No loan guarantee was too high. No sacrifice of taxpayers' money was too great to protect the banking system.

Shouldn't a climate emergency be treated with *at least* the same urgency? ■

Dr. Berger has served as a consultant to the National Research Council of the National Academy of Science and to the Office of Technology Assessment of the U.S. Congress. For his complete bio, see the preceding article.