

*Talking Cents is an ecumenical group charged by the Auckland Anglican Diocesan Council to promote an alternative to current economic and political thought, and to encourage debate within the Church. Ministry units are encouraged to distribute these articles. This article is contributed by David Hall, a member of the Social Justice Group of the Anglican Diocese of Auckland.*

## Neoliberalism, Climate Change and Crabs in Pots

In May 1979 Margaret Thatcher was elected Prime Minister of Great Britain with a 43-seat majority in the House of Commons. Eighteen months later Ronald Reagan was elected President of the USA. So, the scene was set for the greatest revolution of the 20<sup>th</sup> century, the revolution that saw the ultra-wealthy grab back the power they had slowly lost through the earlier part of the century.

Unlike most revolutions with specific dates, such as the American Revolution of 1776, the Russian Revolution of 1917 or the Glorious Revolution of 1688, this economic revolution was spread over many years, continuing to this day. It is rather like the crab put in a bucket of water and slowly heated up; the crab has no idea it is doomed!

So it was with Thatcher and Reagan. After the end of World War II in both the UK and the USA there was a general expectation that the welfare safety net would catch you if things went wrong. This came at a cost in the form of taxes, with those able to pay more tax paying more. It was the practical working out of Jesus' command to "love your neighbour". But a new gospel was spreading fast, particularly among many economists and right-of-centre politicians; this gospel said that the market knows best. As long as we have a free market, all will be well.

Thatcher and Reagan were early converts to the free market gospel, as were politicians in other countries including New Zealand. But this free market gospel did not stop at just making a free market, assuming one was possible, but also sought to provide an environment where capitalism in its purest form could thrive. And thrive it did. The position of trade unions was undermined, and labour costs were driven down, either by paying lower wages at home or moving production to much lower-cost countries. Taxes on profits and high incomes were drastically reduced. Regulations that protected workers and society in general were repealed. Profits went up as did the incomes of top managers. The neoliberal "church" was triumphant, and all was well with the world as the benefits would "trickle down" to the poor.

Now, 30 years later, we can clearly see that the "free market" is not the answer, inequality has surged, the

poor have got poorer and the rich richer and there has been no trickle-down effect! We are also now seeing that the free market obsession has accelerated global warming, as more and more fossil fuels are used to satisfy the demands of manufacturers and investors for ever-increasing profits.

Global warming and climate change started long before the 1980s conversions of Thatcher and Reagan to neoliberalism. The invention of the first continuously operating steam engine in 1712 by Thomas Newcomen can be considered as the start of the industrial revolution that has led to billions of tons of CO<sub>2</sub> and other greenhouse gases being released into our atmosphere. The dangers of climate change have been known for decades. Scientists employed by one of the largest fossil fuel corporations, Exxon, have been warning about climate change and its dangers for more than four decades, but their employer has until very recently continued to publicly deny it is a problem.<sup>1</sup>

The free market is only part of the neoliberal threat. The other cardinal belief of neoliberals is that a nation's economic success can only be measured by annual increases in gross domestic product (GDP). But GDP, as we have repeatedly said in *Talking Cents*, is a recent concept – from the 1930s – and fails to answer the question, "How can GDP continue to increase year by year when we live in a finite world?"

Since the 2008 global financial crisis, it has become increasingly obvious that to continue to rely on the free market and GDP as the cornerstones of government policy can lead to only one outcome – continuing global warming and dangerous climate change. If global temperature rises by a conservative three or more degrees, and no mitigation happens, then the generation of my recently born great-grandchildren will possibly be the last to inhabit this earth.

The now obvious failure of the neoliberal agenda raises some real questions about the longer-term future for capitalism as a way to save our planet. Many commentators and politicians seem to be relying on new technology to solve our climate change problems. Investment in high tech will

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<sup>1</sup> <https://www.scientificamerican.com/article/exxon-knew-about-climate-change-almost-40-years-ago/>

reduce greenhouse gas emissions, they say. A new generation of climate change entrepreneurs will come to our rescue. In the meantime, all will be well, cars can continue to use petrol and diesel, coal can be dug up, new oil fields can be drilled, and cows can continue to produce methane and milk! And temperatures will continue to climb.

At least our Government in New Zealand appears to be taking some small steps in a different direction. This year's Wellbeing Budget moved a little way from complete reliance on GDP, and the passing of the Zero Carbon Act is a start, but both initiatives continue to operate within a capitalist free market environment.

One of the features of the world wars of the last century was that countries did not just mobilise men to fight the enemy; governments mobilised civil society as well. Families were expected to grow vegetables in their gardens or allotments, factories were converted to manufacture weapons, and millions of women replaced the men in factories who had gone off to fight. Governments planned and directed what needed to be done. There was no free market as we know it. These sacrifices were made in the UK, USA, Canada, Australia, and New Zealand, within a democratic framework. Victory was the result.

Another example of a time when capitalism was suspended in dire emergency was at the height of the Great Depression in the 1930s when President Roosevelt introduced the New Deal to the USA.

We are faced with a similar challenge today, the difference being that we are like the crab in the slowly heating pot. Somehow, we need to wake up before the water gets too hot – and that means now.

There are many things that governments can do without waiting for climate change commissions to tell them what needs to be done. Stopping the use of fossil fuels that result in CO<sub>2</sub> and other gases getting into the atmosphere must be a long-term goal, so why allow companies to look for more oil, gas and coal fields? Our Government was right to stop any new exploration and other governments should follow New Zealand's example. We need to speed up the replacement of vehicles on road, rail or sea that rely on petrol or diesel engines, so that transport becomes carbon neutral by 2030 at the latest. This can be done by tax incentives and disincentives; a 20% tax on petrol and diesel cars with a 20% incentive for electric cars could achieve this.

Much of the above may be possible with our existing governance arrangements. Laws can be passed and

enforced. But there is still significant opposition to climate change mitigation action. This opposition comes from the so called "deniers" who appear to argue that "the world's temperature goes up and down in cycles and this is just another cycle", ignoring that the speed of change is without precedent. Then there are the entrenched interests, the fossil fuel companies, privately owned utilities companies etc, and some parts of the agricultural sector who oppose action. In New Zealand it is this latter group that is the most vocal, or to be more accurate, it has some very vocal voices in it.

Over the last two decades the environment damage that farming operations cause has become clearer. Many farmers have started to address these issues, but farming leaders appear to resist any move by government to introduce regulations. The recent agreement between the farming sector and the Government about the Emission Trading Scheme (ETS), while still making mitigation voluntary, does have an option to include agriculture in the ETS by 2025 if progress by the industry is too slow. It will be interesting to see if the Government of the day will act should progress be insufficient.

It is increasingly clear that the cost of doing nothing, as the climate deniers and entrenched interests would have us do, will far exceed the cost of taking action now. Many economists believe that the profits on climate change mitigation projects will be significant, but should we allow mitigation projects to be source of profits? After all, it was the capitalists who got us into this mess and they should pay to get us out of it, not profit.

Following the American elections in November 2018, a number of newly elected congressional representatives started to promote a "Green New Deal", partially in response to the Intergovernmental Panel on Climate Change's warning that to achieve a less than 1.5°C temperature rise, global emissions need to halve within 10 years. Naomi Klein has written an insightful book, giving much of the background to this proposal, *On Fire: The Burning Case for a Green New Deal*.<sup>2</sup> Representative Alexandria Ocasio-Cortez of New York has produced a helpful short video looking at the likely positive impact of a Green New Deal assuming that it would be implemented after the 2020 American elections.<sup>3</sup>

The Bible clearly tells us that God expects us to be carers of creation, not destroyers. Time is running out. Do we want to die like the crab in the pot?

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<sup>2</sup> Naomi Klein, *On Fire: The Burning Case for a Green New Deal*, Allen Lane, 2019. Available at Auckland Public Libraries.

<sup>3</sup><https://www.bing.com/videos/search?q=Green+new+deal&&view=detail&mid=65A1D4302730C5C9935B65A1D4302730C5C9935B&&FORM=VRDGAR>