



# Solutions

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## After Financial Collapse, A New, Green Economy

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Many politicians want us to lower our expectations about the economy. I say it is time to raise them. We should go beyond the shriveled thinking imposed on us by today's mania for austerity. Even the Contract for the American Dream—ten steps for fixing the economy, selected from over 25,000 ideas submitted online by both experts and everyday Americans—should be seen as just a springboard—and not a ceiling—for what Americans might dare to dream and do together.

The time has come to propose solutions at the scale of the problems we face. Here I offer my own thoughts on one way we might do this. We must revive the economy, but in a way that respects people and the planet. After all, the last version of America's economy—the version that collapsed in 2008—was built up on three fundamental fallacies:

1. First of all, *the failed economy was based on consumption rather than production.*
2. Second, *the failed economy was based on credit rather than on smart savings and thrift*, which our grandparents believed in.
3. Third, *the failed economy was based on ecological destruction rather than on ecological restoration.*

All three of these fallacies contributed to the mess we are in today. To heal our finances and fix the flaws in our last economic model, we must bring our monetary world into alignment with a deeper wisdom.

### Three Principles of the Next American Economy

The next American economy must be the reverse of the economy that let us down:

1. It must be driven by local production rather than by global consumption.
2. It must be based on thrift and conservation rather than on credit and waste.
3. It must be grounded in ecological restoration rather than in environmental destruction.

If we honor all of these principles together—local production, thrift, conservation, and ecological restoration—the next U.S. economy will be more productive, more stable, and more sustainable. That is the very definition of a green economy.

And just as we have no choice but to change course economically, we have no choice but to change course ecologically. Since I wrote my last book, *The Green Collar Economy*,<sup>1</sup> things have mostly gotten worse—in many cases, much worse. Our children face a future without sufficient resources to live on, given our levels of consumption, waste, and pollution—especially greenhouse gas pollution.

Catastrophic climate change, driven by human activity, is still the biggest threat to human societies, not to mention innumerable other species. The Intergovernmental Panel on Climate Change (IPCC) in late 2011 released its most recent assessment of the unmistakable cause-effect relationship between CO<sub>2</sub> emissions and extreme weather. As I write these words, our planet has reached 390.31 parts per million CO<sub>2</sub> in the atmosphere. That figure is well above the 350 mark that experts agree is safe.

CO<sub>2</sub>-driven climate change is a serious threat. It is killing our oceans. In June 2011, the International Programme on the

State of the Ocean (IPSO) warned that we are on the brink of the greatest extinction of marine species ever seen, unprecedented in known history. A lot of the CO<sub>2</sub> gets sucked into the oceans, and as a result the seas are acidifying ten times faster than 55 million years ago, when a previous mass extinction of marine species occurred.

Mass extinction affects the land as well, and not just because of climate change. According to the World Resources Institute (WRI), for every hour that passes, four species (animals and plants) go extinct, and more than 4,500 acres of trees are lost. The International Union for Conservation of Nature's (IUCN) most recent Red List of threatened species<sup>2</sup> shows that 21 percent of all known mammals, 30 percent of amphibians, 12 percent of birds, 28 percent of reptiles, 37 percent of freshwater fishes, 70 percent of plants, and 35 percent of invertebrates are under threat of extinction.

The new economics foundation (nef), based in London, calculates how much of the earth's resources and ecosystem services humans use each year (we use natural resources to do everything from building cities and roads to providing food, creating products, and absorbing CO<sub>2</sub>) and then compares that to how much the earth can make, or replenish, in that year. The nef calculates that we used 1.3 to 1.5 planet's worth of resources in 2011. In other words, humans used at least 130 percent of the resources that the earth can generate in a year. For the additional 30 percent, we accumulated debt by depleting our natural capital and letting waste accumulate. The nef estimates that even with modest United Nations projections for population growth, consumption, and climate change, by 2030 humanity will need the capacity of two planets. Last time I checked, we had only one.

Today we find only about one barrel's worth of oil for every four barrels the planet consumes. Back in 1993, the Worldwatch Institute warned us that

At some point, the economic costs of deteriorating forests, dying lakes, damaged crops, respiratory illnesses, increasing temperatures, rising sea levels, and other destructive effects of fossil fuel use become unacceptably high. Basic economics argues for a switch to solar energy. Rather than wondering if we can afford to respond to these threats, policymakers should consider the costs of not responding.<sup>3</sup>

The message is clear: we need to move on from burning carbon-based fuel. There's a reason we call them fossil fuels: because they're dead. They are made of material that has been without life for eons. In the case of petroleum, it is material that has been dead for 60 million years; in the case of coal, for 300 million years. Right now, the United States powers itself by burning dead stuff it pulls out of the ground. Any shaman will tell you that a society that powers itself with death should not then be surprised to find death everywhere—in its children's lungs in the form of asthma, in its oceans in the form of oil spills, and coming from the skies in the form of climate change. It's time to evolve. It's time to power civilization with living energy from the sun, the wind, our crops, our labor, and our own creativity.

### **Alternative to Suicide: Green and Clean Economy**

Fortunately, there is an alternative to this suicidal gray economy that is killing jobs and the planet. A cleaner, greener economy has the potential to increase the work, wealth, and health of ordinary Americans in a way that respects the earth. The cornerstone of the new economy must be clean technologies and manufacturing, especially in the energy sector.

For too long we have acted as if we had to choose between strong economic performance and strong environmental performance. We have been torn between our children's need for a robust economy today and our grandchildren's need for a healthy planet tomorrow. We have been trapped in the "jobs versus environment" dilemma.

The time has come to create "jobs *for* the environment." We seem to forget that everything that is good for the environment is a job. Solar panels don't put themselves up. Wind turbines don't manufacture themselves. Houses don't retrofit themselves and put in their own new boilers and furnaces and better-fitting windows and doors. Advanced biofuel crops don't plant themselves. Community gardens don't tend themselves. Farmers' markets don't run themselves. Every single thing that is good for the environment is actually a job, a contract, or an entrepreneurial opportunity.

We have our own "Saudi Arabia" of clean, renewable energy in America. In the plains states, off our coasts, and in the Great Lakes area, we have abundant wind energy. With American-made wind turbines and wind farms, we could tap those wind resources and create jobs doing it. We also have abundant solar resources—not just in the Sunbelt and in our deserts, but on rooftops across America. With American-made solar panels and solar farms, we could tap the energy of the sun to create electricity. Then we could build a national smart grid—an Internet for energy—to connect our clean-energy power centers to our population centers. That would create jobs and let us begin to run America increasingly on safe, homegrown energy.

When we do this, we won't be starting from scratch. According to the Brookings Institution, the United States already has

2.4 million green jobs. A national commitment to building a green economy can create many millions more.

### **The New, Improved “Red Scare” Is Green ... but Just as Bogus**

Some on the Far Right reject this agenda, saying, “But we don’t want the government getting involved in our energy system.” That is similar to saying, “Get your government hands off my Medicare!” Just as Medicare is already a government program, the public sector is already deeply involved with the energy system— through regulation, subsidies, and taxation—in every country in the world. What needs to change is this: the world’s governments need to stop partnering with the problem makers in our energy sector—the big carbon polluters—and do a better job of partnering with the problem solvers—the pioneers of renewable energy.

### **Funding the Transition to America’s Next Economy**

The transition to a cleaner, greener economy will be neither cheap nor easy. One way to handle the expense is to make sure that greenhouse gas polluters pay some of the tab for the transition. In this scenario, the United States just needs to follow a simple principle: nobody in America should be allowed to pollute for free. Nobody. Not a strolling citizen who might be tempted to litter; not a small-business person who might want to illegally dump her trash; and not the biggest polluters on earth, who belch megatons of greenhouse gases into our atmosphere and don’t pay a cent for the privilege.

### **Carbon Tax or Carbon Trading**

Society can put a price on carbon pollution in one of two ways: through a tax on carbon or with a cap-and-trade system. With the tax approach, the government would determine the extra price to place on carbon. It then would let the market sort out the amount of carbon that industry ultimately produces. With emissions trading, the government would determine the allowable amount of carbon pollution. It then would let the market figure out the price. These two ideas are basically flip sides of the same solution, with the government playing the opposite role in each. The money generated could go toward supporting the transition.

This is not pie in the sky; in the first and only mandatory carbon emissions trading scheme in America, it is already working brilliantly. A new report, *The Economic Impacts of the Regional Greenhouse Gas Initiative on Ten Northeast and Mid-Atlantic States*, quantifies the economic benefits from the implementation of a ten-state Regional Greenhouse Gas Initiative (RGGI).<sup>4</sup>

To quote the report, key findings include:

- The regional economy gains more than \$1.6 billion in economic value added (reflecting the difference between total revenues in the overall economy, less the cost to produce goods and services).
- Customers save nearly \$1.1 billion on electricity bills, and an additional \$174 million on natural gas and heating oil bills, for a total of \$1.3 billion in savings over the next decade through installation of energy efficiency measures using funding from RGGI auction proceeds to date.
- Sixteen thousand jobs are created region-wide.
- Reduced demand for fossil fuels keeps more than \$765 million in the local economy.
- Power plant owners experience \$1.6 billion in lower revenue over time, although, overall, they had higher revenues than costs as a result of RGGI during the 2009–2011 period.

Massachusetts benefited most, creating 3,800 jobs and nearly \$500 million in economic activity between 2008 and 2011, because it used the bulk of its money to help fund its aggressive energy-efficiency agenda. A similar program at a national scale would enable hundreds of thousands of Americans to go to work, would create or grow hundreds of private firms, and would put the United States in a position to compete with China (which is now eating our lunch using our technology).

### **Other Policies to Jump-Start the Green Economy**

If Republicans and Blue Dog Democrats continue to oppose cap and trade, there are other ways to stimulate green growth. The federal government could simply mandate that our utilities buy more clean energy; this policy—called a Renewable Energy Standard— would create an instant market for entrepreneurial purveyors of advanced batteries, smart-grid technologies, and clean energy. Alternatively, the Environmental Protection Agency (EPA) could directly regulate carbon polluters under the Clean Air Act, as the Supreme Court says is lawful; Democrats would have to maintain a filibuster to keep the Clean Air Act from immediately being amended. If the EPA were to exercise this

authority, clean-energy entrepreneurs would have a guaranteed market.

There is no rational reason that any of these solutions could not be implemented on a bipartisan basis. As it is, too many of our clean and green industries are teetering on the brink. The Chinese government is pumping money into its solar companies to flood the world market with cheap solar panels; once it achieves a monopoly, it will jack the prices back up. Meanwhile, the U.S. government won't even commit to maintain the modest subsidies it has made available to domestic clean-energy producers. At a time when we need jobs, our government is throwing away the industries of tomorrow.

It is important to remember that the green sector of America's economy—often associated with expensive ecoproducts such as home solar systems, organic food, and hybrid cars—is no longer just for affluent people who are willing to spend more money. It is also for middle-class, working-class, and low-income people who want to earn more money and save more money.

With the right policies, we can help rebuild the middle class; fight pollution *and* poverty; beat global warming *and* the global recession; and create an inclusive, green economy.

### Final Thoughts

We must reject the idea that people who love America and who respect the free market are just supposed to sit back and give the country over to the global corporations. We cannot accept the idea that the American people can do nothing but suffer until eventually an international company decides that it wants to create a job somewhere—and then hope that that “somewhere” is in America. We need Uncle Sam to do more than just cross his fingers and wait for the global market to magically fix everything for us. We must support the idea that there is something very American about Americans working together with America's government to solve America's problems.

People who actually love the country—and who understand something about economics besides a slogan—need to speak out. Having a blind religious faith in markets has nothing to do with the kind of economic thinking and investment strategy that built America's middle class. That is the kind of thinking that is actually destroying the middle class in the United States and killing the American Dream.

### Editor's Note

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