

Summary of “Can Capitalism Save Us” Panel
Notes taken by Jeff Stallman and Meagan Travlos

The panel “Can Capitalism Save Us” was one panel discussion of many during the UW’s *Focus the Nation* event on January 31st 2008. The panel discussed capitalism’s role in relation to climate change and was moderated by economist and UW professor Yoram Bauman. The panel consisted of Kevin Laverty, a UW Bothell business professor, Maria Damon, an economist teaching at the Evans School, Kevin Wilhelm, CEO of Sustainable Business Consulting, and Todd Meyers who works for a market-oriented think tank. There were over 100 audience members in attendance of the panel, held in HUB room 310 at the University of Washington.

To begin the discussion, the panelists gave a brief statement explaining their basic response to the question “Can capitalism save us?” in reference to climate change. Todd made the distinction between capitalism in the market and in the government. He believes that the government makes wrong decisions, while the market chooses the right ones, sometimes correcting the government’s errors. Maria, who specializes in environmental policy, took issue, saying that government policies can create incentives, helping to drive the market and make those right decisions. Maria argued that capitalism can play a part in saving us from climate change, while the three other panelists expressed the opinion that capitalism has to, or is the only thing which can save us from this issue.

Maria differentiated herself from the others by saying that costs need to be internalized and negative externalities removed before capitalism, referred to as “the market” by panelists, could solve the problem. She cited that markets do not always accurately reflect supply and demand (with subsidies as an example) and that effects on future generation are not taken into account in relation to climate change. She thought once these issues were addressed—possibly through regulations imposed by the government—then the market could “save us.”

Todd objected to this saying that the government has been notoriously poor at tackling similar situations and that capitalism actually has power over the government. Todd made his case by using the example of hybrid vs. electric cars in California. After the government passed a law requiring a certain amount of cars to be electric in a given time frame, the decision was later reversed and switched to advocate for hybrids when the market was found to be almost solely for hybrid cars. This example, argues Todd, shows that the government should not be favoring specific technologies over others, because it is the market that will decide which technology is best in the end.

Although the level of governmental intervention was debated, all of the panelists agreed that climate change was occurring, was a negative thing, and that government help in the lowest form of a carbon tax or cap-and-trade system would be useful. Due to Todd’s seemingly Republican leanings (at least more than the other panelists), he was asked to explain why he agreed with a carbon tax or cap-and-trade while the majority of his party did not. He first explained that the word “tax” is problematic, and almost defeats the idea immediately. Second, he argued that many in the environmental movement are trying to tie other issues to the climate change movement that are not necessarily related. He said that conservatives would not like to see

things like increased bike paths or incentives for driving less attached to the issue of climate change because these things will raise taxes, are seen as growing the government, and are not a direct solution to the climate change issue.

Due to the emphasis placed on businesses and a near consensus that the government could definitely not solve the problem alone, Yoram posed the question of how much change businesses can bring on their own; without the government, social and environmental movements, and the consumer itself. Most of the panelists agreed that although some minor market mechanisms were needed, businesses could bring a lot of change on their own. Kevin Lavery pointed out that “going green” gives businesses a good reputation, but says it is up to the business to do so, not being confident that today’s consumers can lead them there. Kevin explained that businesses choose what is cheapest and most efficient for them. If energy savings, a boost in reputation, and other benefits of “green” options outweigh the costs than businesses will start to seriously consider them but they are primarily concerned with their profit. Kevin Wilhelm made the point that much trade is done from business to business so they actually play a larger role than the public. He cited Wal-Mart as a recent example of a company imposing stricter environmental controls on itself—he predicts this as a sign of future things to come. Maria and Yoram both mentioned the “future generation” problem: our decisions regarding the environment now strongly affect the future, but businesses generally do not take the effects of those decisions into account.

Finally the question was posed of who on the panel actually buys “green” or carbon-neutral goods. Kevin Wilhelm was the only panelist that did buy these goods while the others cited laziness, questioned their effectiveness, or wondered whether businesses were telling the truth in claiming certain products to be green. Yoram did not believe that if he bought a hybrid over a conventional model that he would really be helping that much. He explained he would rather spend the 10,000 dollars he saved in the purchase on something more far-reaching such as supporting a bill that limits emissions on a national level.

The talk then turned to a carbon tax or cap-and-trade system for limiting carbon emissions. Kevin Wilhelm thinks a carbon tax makes sense because it’s a simple and easy option, but it is dependent on political will whereas a cap-and-trade system will be controlled by the market. If there is a carbon tax, then it must be high enough to encourage people to curb their emissions, otherwise it is useless. Yoram pointed out that a carbon tax and cap-and-trade system are in essence the same thing; if cap-and-trade shares are auctioned off in a fair manner then they are the same. Either way, the consumers must realize that prices (gas, airplane tickets, etc.) will rise. The question is whether people are willing to pay extra to stop global warming from worsening.

The panelists all agreed that the market can save us but that there are obstacles in the way. There is no perfect market and no matter what plan of action we take, poorer people will probably get hit the worst. Either a carbon tax or cap-and-trade will slowly trickle down from the companies to higher prices for consumers. This situation begs for more research and development in alternative energy, preferably cheap ones. This also pertains to China, an up-and-coming polluter. The so-called “China price” is what cleaner energy needs to reach so that it becomes cheaper for China to use in place of coal. If this magic technology can be found than there might be hope for the developing world.

The panel took questions ranging from the plausibility of nuclear power, how we know when “trading up” technology is really effective or leading to just another problem, how privatization might affect the issues, why they were talking purely about “markets” in terms of capitalism, and finally how capitalism would play out in relation to the environment on an international scale, particularly in China and India. The panel ended with the uplifting idea that because the negative effects of coal in China are dragging down its real GDP, that the realization and explosion of green-energy in the region may be coming soon due to these negatives and green-energy’s ability to be cheaper than coal.