

THE POLITICS OF THE GREEN NEW DEAL: PART 2 ON CAPITAL

Posts in this series

Part 1 on Labor

In Part 1 I discuss some of the ways the working class will be affected by disruptions brought on by climate change, and some of the ways the Green New Deal proposes to ease those burdens. Climate change will also hurt capital and capitalists. It's not possible to outline all the potential damage and disruption so I'll just lay out some of the obvious problems.

Real estate investments are in danger. Some of that impact will be borne by small landholders, owners of vacation homes on Galveston Bay or condos on the beach in Naples FL, for example. But much of it will be borne by larger holders, such as owners of apartment complexes near the coasts, marinas, and commercial property near the coast, and the owner of Mar-a-Lago. Rising sea levels will also affect the infrastructure of cities on the coast, such as Miami, which is already planning to spend \$100M on flood protection.

The coasts aren't the only areas facing weather problems. Wind storms are becoming more serious; recently extraordinary winds blew the roof off a warehouse near Dallas. Here's a Wikipedia page documenting tornadoes in the US in 2019. It shows we have already had 3 intense tornadoes, including the two that struck Alabama recently. We can expect more.

Wildfires are a terrifying danger in drought-stricken areas. PG&E, the California utility giant, filed bankruptcy January 29, 2019 to deal with its liability for damage from wildfires it caused. The Los Angeles Times wrote:

PG&E said a Chapter 11 bankruptcy filing, which allows the company to

continue operating while it comes up with a plan to pay its debts, was the only way to deal with billions of dollars in potential liabilities from a series of deadly wildfires, many of which were sparked by the company's power grid infrastructure.

...

Financial pressure has been mounting on PG&E since October 2017, when a series of wildfires ravaged Northern California, killing 44 people. State investigators determined that PG&E's equipment sparked or contributed to more than a dozen of those fires, which killed 22 people. The company's crisis only grew with the November 2018 Camp fire, which killed 86 people and destroyed most of the town of Paradise.

PG&E arranged a \$5.5bn interim loan from a consortium of banks but creditors objected and then the Bankruptcy Judge stated serious concerns. According to the Wall Street Journal, the Judge noted that PG&E was under criminal probation after a criminal conviction on six counts arising from the deadly San Bruno fire. The federal District Court in that case imposed a public safety regime on PG&E, and the later fires might be deemed to be the result of violations of parole, in which case the supervising court could replace management. That would be a breach of the financing loan. The Bankruptcy Judge also noted the strong possibility of more wildfires in 2019, saying that more damages could tip PG&E into default. Either default would give the bank lenders control of the company in Chapter 11 and the creditors objected to that possibility. The costs of this bankruptcy are horrendous, and will be borne at least in part by people forced to be customers of PG&E because it's a monopoly. Some shareholders have suffered losses in stock value, and more may be lost. The stock is down \$50 since September 2017 to about \$20. It's an ugly story and it's going to be repeated.

Climate change will also damage the oil and gas industry. A number of huge petrochemical plants and refineries are located in hurricane territory. Here's a detailed map; see for yourself. Last year refineries on the gulf coast of Texas were hit by Hurricane Harvey. Harvey weakened to a Category 3 hurricane before making landfall, and the damage was mostly from flooding. The loss of capacity caused spikes in gasoline prices for consumers. Some of the losses to refineries will be covered by insurance. But insurance companies are just for spreading risk, not eating it, and that implies a rise in the cost of insurance. Here's an excellent article by Bradley Hope and Nicole Friedman in the Wall Street Journal from October 2018, focused on the impact on reinsurance companies. Here's a taste related to studies predicting increased likelihood of hurricanes in the Persian Gulf:

"Climate change makes the historical record of extreme weather an unreliable indicator of the current risk," says Stephen Pacala, a board member at Hamilton Insurance Group Ltd. and a Princeton professor, who wasn't involved in the study. "So, what's the insurance industry to do? No hurricane has ever threatened the massive unarmored oil and gas infrastructure in the Persian Gulf."

So what dose the Green New Deal offer to capital?

Section 2.1 (I think; whoever made up this numbering system is a traitor to clarity) calls for

... building resiliency against climate change-related disasters, such as extreme weather, including by leveraging funding and providing investments for community-defined projects and strategies ...

The emphasis on community planning is notable. Section 2.2 calls for rebuilding infrastructure. Section 2.4 calls for upgrading the power grid. Section 2.5 calls for rebuilding existing buildings to improve durability among other things. Section 4.1 requires insuring sufficient capital for entities, including businesses, working on the goals of the Green New Deal. Section 4.4 calls for educating workers so they can handle the new work that will need to be done. Section 4.11 calls "... enacting and enforcing trade rules, procurement standards, and border adjustments with strong labor and environmental protections" Section 4.14 calls for strict enforcement of anti-trust and other laws to encourage competition and discourage monopoly.

I'd say that's a fairly strong plan for decent businesses under the Green New Deal. True, it doesn't give capital a free hand to make the overarching decisions, and it doesn't give capital all the money, and it has other provisions that hem in capital, but it sure doesn't sound like the socialist dystopia the Republicans are shrieking about.