

# Reinforcing Environmental Degradation With Market-Based Sustainability Schemes

Written by Angela Licata

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ANGELA LICATA, DEC 31 2019

Climate change is one of the most pressing issues in global political society today, arguably having the most detrimental effect on the world's livelihood. Thus, every so often, governments from all around the world come together to discuss global environmental concerns. These international meetings often produce agreements with the intention of reducing the human population's negative impact on the earth. As we live in a world dominated by capitalist economic impulses, governments are not willing to comply with environmental schemes that involve compromising their citizens' consumption-based way of life. To this end, the objectives put in place by these international environmental agreements are grounded upon the notion of sustainable development, focusing heavily on emissions standards. The most popular definition of sustainable development was formulated by the World Commission on Environment and Development (WCED) as "meeting the needs of the present generation without compromising the ability of future generations to meet their needs" (Wapner, 2002; Brundtland, G.H., 1985). This means that global economic development may still flourish, but the environment must be taken into consideration when the means to do so are established. If sustainable development is seen as an evolutionary path towards environmentally friendly growth, then why have so many international agreements and schemes that are embedded with this type of model failed? More specifically, how are the norms that are embedded within these schemes shaping the existing social structure to posit outcomes of failure?

Environmental justice is important to consider when addressing sustainable development, as it broadens the area of focus from emissions to the social concerns surrounding environmental issues (Schlosberg and Collins, 2014). How successful can we be at protecting the environment if the people living within it are still at risk? Scholsberg (2004) defined environmental justice as encompassing equity when addressing environmental risk, recognizing the diversity within affected communities, and equal participation in the political processes that create and manage environmental policy. This paper employs this definition to claim that the concept of environmental justice must ensure equity in international environmental schemes put in place by governments, by appropriately addressing uncalculated risks (which tends to lead to inequality) of market-mechanisms.

The first part of this paper explores the common argument amongst environmental scholars that capitalism and consumer culture are driving forces in environmental degradation. The second section addresses the main issues with sustainable development while applying a critical lens with which to view and deconstruct practices that are detrimental to the environment. The third section offers a unique empirical analysis focusing on cases of emissions trading and environmental tax reform. I argue that when sustainable development is conceptualized as "business as usual" leading to policy based on market-mechanisms, we are left with international environmental schemes that reinforce the capitalist social structure, which inevitably contributes further to environmental degradation and contributes to environmental injustice.

### Capitalism and Consumer Culture

Individuals that are in the pursuit of capital inevitably produce a culture of consumption. In order to be successful at selling a product, there must be a significant amount of advertising. The news and social media are powerful tools for spreading cultural symbols, norms, customs, myths, and stories. "To control a society, you don't need to control its

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courts, you don't need to control its armies, all you need to do is control its stories" (Assadourian, 2010, p. 13). The media tells the majority of the stories, and societal elite have the wealth and power to influence the media. Business elites have a significant amount of influence when it comes to shaping culture, and it is in their interests to produce a culture of consumers to raise profits. In neoliberal theory, this way of living is considered sustainable (Castro, 2004). However, our global capitalist society, coupled with the rate of Western consumption, is detrimental to the environment and is not sustainable.

If we were to calculate current consumption patterns, we can regretfully say that the world consumes about 1.5 times the earth's sustainable level of resources each year. Products are made to have an expiry date so that we constantly need to buy an updated version. For instance, electronics like cellular phones only work to their full potential for a couple of years. This phenomenon is called *planned obsolescence*: the intentional planning or designing of a product with a limited useful life, so that it will become obsolete after a certain period of time (Bulow, 1986). Planned obsolescence increases repeat sales, causing more and more old cell phones to be dumped and new ones produced. This waste process is extremely harmful to the environment, as mobile phones are made up of toxic components like arsenic, lithium, cadmium, copper, lead, mercury, and zinc (Tchounwou et al., 2012). These substances contaminate landfills and the surrounding soil, which then enters the food chain and causes significant health problems. The production of mobile phones is also harmful, as the materials used in this process releases greenhouse gases into the atmosphere. Hence, the current capitalist social structure produces a significant amount of negative externalities.

Magdoff and Foster (2011) claim that there is an immediate need for social-system change, as the capitalist system fails to address issues of environmental degradation to the planet and its species. There are three main aspects of this argument worth addressing. *First*, growth is necessary for capitalism to flourish. The purpose of capitalism's existence is to accumulate profits and wealth; thus, it recognizes no limits to its expansion (Magdoff and Foster, 2011). All human and natural requirements that interfere with the accumulation of capital are considered barriers to be overcome, as the environment is seen as a realm to be exploited (Foster, 2000). Also, a system that must grow and expand to survive will eventually face the reality of finite natural resources (Magdoff and Foster, 2011) – it is an unsustainable way of life. *Second*, as corporations expand, they saturate their initial market and seek to expand overseas. This is usually the case with American corporations that move their operations to developing countries to exploit their resources. The problem with this is that it produces a phenomenon of "land grab". This is when private entities and governments' sovereign wealth funds strive to gain control of as much acreage as possible through the world to produce food and other products for their "home" market (Magdoff and Foster, 2011). This impairs the ability of people living in these developing countries to feed themselves, as the land has already been exploited by wealthy countries and is no longer viable to produce food. *Third*, under capitalism, people are seen as servers of the economy, as they need to consume more and more to keep the system functioning. The capitalist system assumes that elaborate advertising and self-interests (individual greed) will promote growth – which it has. This devalues human needs to be satisfied merely by products, and thus produces a culture of consumers.

Environmental justice must be taken into consideration when addressing issues of environmental degradation. That said, there exist many characteristics of capitalism that are in conflict specifically with social justice. Magdoff and Foster (2011) claim that there is a logical connection between capitalism's successes and failures. In the pursuit of accumulation of wealth, capitalism has produced national and international inequality consisting of persistent hunger, malnutrition, health problems, lack of water, lack of sanitation, and general misery for the lower class all over the world. The wealthy few claim that, given the nature of capitalism, these disparities are necessary. An advisor to Goldman Sachs went as far as saying that we must tolerate inequality in order to achieve prosperity for all. This is an example of the classic neoliberal belief of the "trickle down effect" – the theory that wealth will flow vertically, from the upper class to the lower class. However, this is rarely the case, as inequality continues to increase every year.

Capitalism also rejects the notion of environmental justice by operating in a way that makes goods and services only available according to someone's ability to pay for them (Magdoff and Foster, 2011). World hunger is not an issue of food scarcity, as there is enough food on the planet to feed every human being. The world produces 17% more food per person today than it did 30 years ago (Oxfam, 2015). The problem is that billions of people cannot afford to purchase this food. For instance, Walmart, one of the world's largest corporations, gets away with paying their

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workers as low as government policy allows, which in developed countries is considered minimum wage. However, in developing countries where labour regulations are not as stringent, Walmart does not even pay employees enough to afford the cheap product that it sells. The capitalist system is all about cutting expenses at any costs to raise the profit margin – the mechanics of corporate greed. All things considered, the traditional system of capitalism is contradicting toward notions of environmental sustainability and justice. The next section examines how capitalist actors have attempted to address environmental issues by promoting sustainable development and the issues that arise out of this approach.

## Toward A Sustainable Future

The most popular definition of sustainable development comes from the WCED as “meeting the needs of the present generation without compromising the ability of future generations to meet their needs” (Wapner, 2002; Brundtland, G.H., 1985). While it is a world benchmark, this definition is problematic as the *needs* of some people may be completely different from the *needs* of others. In a developing country, an individual may only need the essential basics to survive, like food and water. While in a developed country, an individual may classify having a car and a computer as essential needs. People’s needs may also be in conflict with one another. For example, we all need clean air to breathe, but some may also need a car for transportation. How are asymmetrical developmental needs and conflicting needs in society dealt with conceptually within inter-state policy?

The concept of sustainable development is often linked to creating technologies that are more environmentally friendly than existing ones; so, we can continue to make use of their function, but in a more sustainable manner. We can still meet our needs of owning and operating a vehicle, but this vehicle can run on electricity, rather than oil and gas. In theory, this is an evolutionary way of addressing environmental issues, while continuing to grow the global economy. However, in practice, technology is only accepted to capitalists if it does not infringe on production and profits (Foster, 2000). For instance, small car production has less of an environmental footprint than larger vehicles and are associated with environmentally sustainable growth. Yet, it is not advantageous for capitalists because there is a greater market for minivans and utility vehicles – so production in these unsustainable products continues to grow.

Mainstream economists claim that capitalism is a system devoted directly to the pursuit of wealth, but indirectly to the pursuit of human needs (Foster, 2000). However, the first goal completely dominates and overrides the second. Foster (2000) even goes as far as saying that changes in the structure of production cannot be effective without a radical change in the social order; and, that the environmental crisis is irreversible within a global capitalist society. This culture of consumerism is affecting peoples’ values while instilling into them the belief that more wealth and material possessions are essential for a good life (Assadourian, 2010). Thus, in order to reorient cultures toward sustainability, it is essential to change the values, norms, and behaviors that we see as natural.

Many of the solutions that are imposed around the world for sustainable development are at the heart of reinforcing this capitalist, consumer culture, which is so detrimental to the environment. Initiatives in the form of market-mechanisms are furthering the divide between humans and nature. This disconnectedness we have from nature allows us to continue on the cultural path of consumerism, as we are not immediately faced with the consequences of our actions – we are distanced from the disaster. The next section will shed light on why changing the existing culture is extremely difficult when market-based initiatives are reinforcing this culture altogether.

## Inequality in Market-Based Solutions

We need to take a deeper look at market-based solutions as a product of sustainable development initiatives, by analyzing the structure of international environmental schemes of emissions trading and cases of environmental tax reform. Framing environmental initiatives into market-based solutions is a policy tactic to attract capitalists to sign onto international agreements. The most common practices include treating carbon emissions as tradable commodities in order to tax carbon externalities as if they were products. However, this policy only reproduces the culture of consumerism perpetuated by greed, while strengthening existing structural inequalities based on social class.

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In global governance, norms have the power to define, regulate, and legitimate state (and other key actors') identities, interests, and behaviour (Bernstein, 2002). Norms are most significant in policy when they are institutionalized, which means they are then perceived as legitimate to embody in law, institutions, or public discourse. The 1992 Earth Summit "institutionalized the view that liberalization in trade and finance is consistent with, and even necessary for, international environmental protection, and that both are compatible with the overarching goal of sustained economic growth" (Bernstein, 2002, p. 4). As a result, the framing and understanding of appropriate behavior on environmental issues in global environmental governance forums stem from these liberal ideological norms.

## Emissions Trading

In an emissions trading system, the amount of emissions that a country or corporation may produce is "capped" (fixed). Once a country exceeds their given cap on emissions, they may purchase emissions from other countries that have an excess amount that have not been used (O'Brien and Williams, 2013) – thus, emissions become a tradable commodity. This usually occurs in the form of permit purchasing. Emissions trading became a significant component of the Kyoto Protocol, which is now ratified by 192 countries and is set to expire in the year 2020. The recent Paris Agreement also recognizes the use of carbon accounting and trading as a viable solution for emissions reduction. Why has this environmental scheme been unsuccessful? Magdoff and Foster (2011) claim that this "cap and trade" scheme "includes "offsets" that act like medieval indulgences, allowing corporations to continue to pollute while buying good grace by helping to curtail pollution somewhere else – say, in the third world" (23). They rightfully argue that emissions trading is set up in a way for developed countries to continue "business as usual" while developing countries continue to be exploited by the West. The Global North and large multinational corporations continue to pollute the environment, as purchasing carbon credits is less expensive than switching their energy technologies to renewable resources. The whole world suffers when there are actions involving environmental degradation, and the developing countries are the ones that suffer the most from the capitalist consumer culture of the West.

In theory, emissions trading is supposed to encourage technological innovation to increase carbon efficiency in the production process. However, in practice, emissions trading has not produced any significant results in carbon dioxide emissions reductions (Magdoff and Foster, 2011). Trading emissions is not the same as setting a cap for reducing emissions altogether, as the amount of emissions produced throughout the world technically remains the same, but is just transferred geographically. Thus, trading remains a core way out or loophole for multinationals and Western countries to by-pass reduction targets. For instance, the EU Emissions Trading System (ETS) is used as a market vehicle to undermine other climate and emissions control policies. In 2015, the EU's Integrated Pollution Prevention and Control (IPPC) Directive was modified to explicitly exclude CO<sub>2</sub> emission limits for installations like power stations and industrial plants, claiming that it is already covered under the ETS. This modification prevented the EU from making energy efficient improvements and reducing emissions allowances. This is an example of how business lobbyists, projecting the interests of business elites, can make structural back-doors in environmental market-mechanisms.

Emissions trading as a market-mechanism has only been beneficial for corporations, and has even created a subprime carbon market. "Subprime carbon credits are futures contracts to deliver carbon that carry a relatively high risk of not being fulfilled, and could collapse in value" (Chan, 2009). Existing climate legislation fails to recognize that financial markets have become much more sophisticated over the years. This has resulted in federal climate change bills having a large gap in adequate carbon market regulation. This is problematic for the carbon market, as it forms a carbon bubble similar to the housing bubble that caused the 2008 financial crisis – which was also a result of a lack of regulation. Market systems like the subprime carbon market and the subprime housing market are built to allow financial elites to take on a lot of risk to make large profits, at the expense of the lower class. When the bubble bursts, the collapse in carbon prices has a destabilizing effect for large companies and the broader financial system as a whole. When a financial crisis occurs, working class individuals suffer, as unemployment rates skyrocket. The market-based nature of emissions trading allows for financial greed to flourish and puts the lower class at the brunt of the externalities. The cap and trade system reinforces the existing inequality in the capitalist social structure by creating markets that are detrimental to the social well-being of the Third World and the lower class individuals in the First World.

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## Environmental Tax Reform

The European Environmental Agency defines environmental tax reform (ETR) as “reform of the national tax system where there is a shift of the burden of taxes, for example from labour to environmentally damaging activities, such as unsustainable resource use or pollution”. In many ETRs, a tax is applied to carbon emissions that exceed the cap. One of the main arguments advocating for ETRs is that it raises the amount of total tax revenue for the given country (Etkins, 2011). In practice, however, this is not usually the case. For instance, in British Columbia and the United Kingdom, taxes have been revenue negative. These two countries’ ETRs are set up in a manner that the revenue acquired from carbon taxes gets redistributed in the form of tax cuts and reductions in social security contributions. This redistribution process has thus exceeded the revenues generated from the carbon taxes (Withana et al., 2013). In effect, these carbon markets have created a transfer of wealth from the public sector to the private sector.

Acquiring tax revenue from carbon use does not benefit the majority of social society if it is just going to get redistributed in the form of tax cuts that the wealthy benefit from. When ETRs are set up with the intention of reducing income taxes, they are taking away from individuals’ social security in the long run. Users of carbon are taxed by the ETR, and that revenue cycles back into tax cuts from income generally throughout the region in which this policy applies. Thus, in British Columbia where the environmental tax applies to all individuals that are using carbon and motor fuel (not only corporations), the lower class individuals that are paying these taxes are contributing to lowering income taxes for themselves, as well as the wealthy. The issue with taxation is that it is unattractive to capitalists. Thus, the ETR policies were implemented as a middle ground policy that brings benefits to the wealthy, as well as the lower classes. This takes away from the purpose of progressive taxation, where the more income you make, the higher your income tax rate will be (Sommerfeld et al., 1992). Environmental tax reform is essentially a way to incrementally take away from progressive taxation regimes. The poor benefit the most from tax redistribution, so when this redistribution is equally divided among all citizens in the form of tax cuts, and when the tax was taken in the same manner across all citizens, then the redistributive process for social justice and equity fails.

That said, the conservative assessment of ETRs encompasses a valuable argument about that capability of environmental tax reform to collect tax revenue:

In practice, a carbon tax has been shown to provide an economic boost. The reason is that the revenue raised by a carbon tax can be used to cut other, more damaging, taxes. In general, taxes make economies less efficient. But some do more harm than others.

If it is true that people are more willing to pay taxes on “bads” rather than “goods”, then the argument that this paper makes regarding ETRs is that the revenue acquired through carbon taxes should be allocated to environmental or social needs, not recycled through tax cuts. This current practices of this market-mechanism do not allow for a shifting of values to focus on environmentally friendly practices. Rather it reinforces the culture of greed, as the incentive to paying this environmental tax is acquiring income tax cuts – saving money that would have otherwise been spent on social programs or environmental initiatives.

## Conclusions

Capitalist production and consumerist consumption patterns have significantly contributed to the immense environmental degradation that the world is currently facing. The pursuit of profit has created a drive for business elites to instill norms of greed unto the world’s population. It has become the norm that individuals are associating the accumulation of material objects to success and happiness. Planned obsolescence forces people to purchase more goods, which entail a production and recycling process that are detrimental to the environment. As argued above, not only is capitalism detrimental to the environment itself, but also the social well being of individuals all over the world. Capitalism reinforces social inequality by operating in a manner that only makes goods and services available to those that can afford to pay for them. There is an overproduction of goods and food, but there exists an unequal distribution of wealth, causing billions to suffer from hunger and inadequate living conditions. It is important to recognize that we cannot have successful environmental initiatives without environmental justice; and, the sustainable development initiatives that are market-based do not encompass the social justice and equity that is

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needed. First, caps on emissions production can be significantly lower and trading should not be permitted. Any emissions not used should be considered a victory and not a opportunity to capitalize on its sale. Second, paying environmental tax should not be rewarded with tax cuts in other areas; rather it should be used as a deterrence to practice unsustainable production.

In order to change the capitalist culture that causes mass consumerism, we need international environmental initiatives that do not operate on embedded norms that reinforce the problematic market aspects of consumer culture. Emissions trading and environmental tax reform are examples of market-mechanisms that reinforce elitist ideals and trigger inequity throughout the world. Emissions trading has shown to be an exploitative environmental scheme that works in the favour of business elites and at the expense of the lower class all over the world. Environmental tax reform also contributes to inequity caused by capitalist ideals, as the incentives for complying benefit the rich and take away from the poor.

Emissions trading and environmental tax reform falls within the liberal environmentalism framework that our current consumer culture encompasses. Is this the only way that we can get governments to sign onto agreements, if environmental initiatives proclaim "business as usual"? It seems to be the case that for international environmental schemes to be successful, there needs to be a form of retribution. So many international environmental agreements have failed because of a lack of punitive or consequential measures if certain targets are not met. The incentive to comply with ETRs in the form of reward (tax cuts) only reinforces cultural values that were explained to be detrimental to the environment and social equity in general. Ideally, the world must shift away from norms of over-production and consumption toward a minimalist lifestyle if there is an expectation of preserving the environment for future generations. However, this is an unrealistic overhaul for western society under the current political leaders, unless there is large-scale revolutionary change. A more tangible goal comes from having international agreements and regulations promoting sustainable development that places significant caps on production and higher taxes on corporate environmental degradation to deter companies from operating in an unsustainable manner and push them to develop new environmentally-friendly practices going forward.

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**Angela Licata** is a PhD Candidate at McMaster University in the Department of Political Science specializing in International Relations and Public Policy. She previously attended Ryerson University and graduated with a BA in Politics and Governance, as well as a MA in Political Science from McMaster University. Her MA research involved the analysis of European National Accounting Frameworks and the implications of including illicit economic activity into formal economic calculations. Her dissertation research analyzes temporal norms in relation to the development and preservation of the utilization of offshore financial centers as tax havens.