Addressing Climate Change Should Boost the Economy

John Norquist

Thank you to the organizers of the Upton Forum for the opportunity to speak. I offer special thanks and greetings to my long-time friend Professor Jeff Adams. I will talk about climate change and how it relates to energy, buildings and cities.

From recent discussions, it seems the UN and the political leadership of most advanced wealthy democracies, including President Obama, would like to view climate change as they viewed the threat to the ozone layer caused by widespread use of chlorofluorocarbons (CFCs). The solution of the ozone threat was almost purely regulatory. Worldwide cooperation to halt use of CFCs saved us from an existential threat. There was some economic cost to restricting CFCs, but the sacrifice was necessary to save life on earth. The CFC industry was small enough that its opposition was easily crushed for the greater good. Also, the remedy was simple and easy to understand – give up the convenience of CFCs as an aerosol propellant or likely die as the ozone hole grows. For politicians this scenario was perfect. Big problem caused by a relatively weak industry delivering a convenience, not a necessity. World saved; nice work guys!

Wouldn’t it be wonderful if this process could be repeated to address the existential threats associated with manmade climate change? Forward thinking and compassionate politicians, scientists and business leaders join together and slay the dragon just in time. Let the celebration begin.

Except the climate issue is more complicated than CFCs. The remedies are many, but are often opposed by interest groups, principally the fossil fuel industry, which is both powerful and well-organized world-wide. The fossil fuel lobby

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stokes fear of economic decline resulting from restricting consumption of their products. They are actually helped in their opposition to climate change solutions by some environmentalists and political leaders who embrace sacrifice as a key part of addressing the climate challenge; after all, sacrifice of the convenience of CFC aerosol propellant was part of our salvation from the life threatening ozone hole. Steve Chapman of The Chicago Tribune makes the point that environmentalists and fossil fuelers’ arguments converge on the issue of sacrifice.

This notion of sacrifice is a problem. Selling sacrifice to a weary public is difficult.

President Obama said to the UN, “no one gets a pass.” This makes addressing climate change seem a shared heavy burden rather than an opportunity to build strength into the economy. Most strategies to lessen the buildup of CO$_2$ would improve economic output. Yet, conservative political interests perceive liberals as using man-made climate change as a trump card to advance their liberal agenda. So conservatives react against climate change solutions. They hear former Vice President Al Gore saying “do as I say or the Earth gets it”, and their very negative reaction to the messenger extends to the message as well. The Right fails to see that addressing climate change can actually increase wealth and quality of life.

For the most part reducing CO$_2$ means increasing energy efficiency; i.e. reducing energy/unit of output. Political conservatives appreciate and promote labor productivity; reduced labor/unit of output. Labor productivity is a basic ingredient of successful market economies, but then so is energy productivity. Engineering and invention have improved both labor and energy efficiency. When coal replaced wood, energy productivity increased. Oil has partially replaced coal with an accompanying increase in energy productivity. In the same way coal and oil producers are beginning to be pushed aside by market forces in the early 21st century, as solar, wind and other alternative fuels drop in price and people choose to live in more compact urban configurations. Insulation, more efficient windows and other conservation measures combined with emerging consumer preferences for walking, biking and transit have slowed and in some cases reversed energy consumption trends.

Market forces are driving energy efficiency. The public sector can help, but remember that governments looking to lead us away from calamity may get diverted by narrowly focused interests. For example, note the corn industry’s shameless promotion of ethanol despite its dubious value or U.S. solar manufacturers’ demand for tariffs and quotas on inexpensive solar panels from China, thus at-
tempting to force their higher priced products on US customers. And of course the fossil fuel lobby will continue coercing governments to force their polluting products into the market place. They spend hundreds of $millions to pound in their messages implying that energy productivity threatens the economy. We need to counter this with the good news that energy productivity can improve economic and environmental outcomes.

Many government policies have inadvertently undermined energy efficiency. Federal housing programs such as the Federal Housing Administration’s mortgage guarantees and low interest loan programs discriminate against mixed-use Main Street type development. As a result developers find it difficult to finance walkable projects that include retail and other commercial development. Recent relaxation of some of these policies is a sign that Federal administrators are aware of the problem, but programs like Fannie Mae and Freddie Mac still punish residential development that is attached to, for example, a coffee shop.

U.S. Department of Transportation (DOT) and the various state DOTs still build their policies around the goal of reducing congestion. While congestion can be a problem, it is also a sign of success in the urban context. All major successful cities, places like San Francisco, New York City, and Boston are congested with people who want to be there. Obsessive efforts to reduce congestion can actually damage cities as demonstrated in St. Louis and Detroit where heavy funding of wide, expensive highways rather than networks of more modest streets and avenues has helped generate economic decline. In Canada there is neither a national highway nor transit program and somehow Canadian cities have fairly good transit and surprisingly, with no equivalent to the U.S. Interstate program, highways connect the various provinces. What Canada does not have much of are big roads crashing through urban neighborhoods. Instead municipal government takes the lead and builds street networks and transit systems that add value to property and serve their residents and businesses. Transportation is a category of infrastructure where perhaps if the Federal government reduced its involvement, the U.S. would experience better economic and environmental outcomes.

We need to realize that the threat of climate change is different than the CFC/Ozone Hole threat. The solution is not only regulatory. It is probably too late to stop some severe climate effects so the CFC model of miraculous world cooperation saving us from climate change just in the nick of time is unrealistic. Cuts in CO$_2$ and other emissions are needed not just as a way to slow warming but as a catalyst to increase efficiency and quality of life. The positive benefits of
reducing energy consumption need to be emphasized rather than just the apocalyptic dangers.