



THE FATAL ATTRACTION OF A POST-COVID GREEN NEW DEAL

John Constable



The Global Warming Policy Foundation

Essay 10

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Sam Hiron



The Fatal Attraction of a Post-Covid Green New Deal

Last year we were already talking about the threat of Net Zero to economic recovery post-Brexit, but that context has obviously changed. The Net Zero commitment cannot now be considered independently of the situation created by the restrictions imposed to address Covid-19, and measures to recover, not from the virus, but from those restrictions.

So what has changed precisely? We are not now talking about whether Net Zero is wise for a more-or-less intact and expanding national economic system, one moving steadily further from thermodynamic equilibrium towards a state of greater complexity, an economy surrounded by other national systems, many of which were expanding at a greater rate, and could be called upon to support growth. That question has now been superseded. The answer, for the record, was that it was deeply unwise, and that it would have slowed the rate at which complexity increased, it would have consumed a good deal of the societal complexity accumulated since the medieval period, that there would have been genuine human hardship, but that public resistance would have set in, perhaps after some decades, and that a correction would and could have taken place, partly assisted by the fact that other national systems would not have been as seriously affected. There would have been lost growth, degraded societal resilience to exogenous shock, a considerable loss of comparative national standing, but the mistaken efforts to deliver Net Zero through renewable energy, because this is all about renewables, would be a perturbation, substantial but a perturbation only, in a longer term national and global trend.

That is all now of merely academic interest. The question that now faces us is how attempts to deliver the Net Zero target will affect a national system that has been deliberately tipped into a state of deep contraction, surrounded by other national systems all similarly, though not quite equally, affected. And all this will happen against a background of highly significant increases in geopolitical tension that will at least impede trade, and threaten much worse. The context in which we are now talking about Net Zero is not one of growth and globalisation, but one of contraction and deglobalisation.

One might think that, in such a context, those still lobbying for Net Zero would be desperately worried, but this would be a facile error. In fact, the greens and their corporate collaborators see this as a great opportunity, and in my judgment they are correct. Administrations around the world will indeed be very tempted to use tax- and levy-funded public spending badged as 'low carbon investment' to provide a stimulus to post-Covid economies. It is perfectly true that this would create a large wealth transfer in an already contracting economy, delivering great absolute and relative wealth to those invested in the green industries, with corresponding transfers of socio-political power, but even if they understand that outcome, the bureaucracy will press on, barely restrained if at all by elected representatives.

Net Zero would also, in my view, exacerbate the economic problems that it was designed to address. Nevertheless, administrations are likely to adopt green stimulus policies for the following eight reasons:

1. Green spending is still perceived as unobjectionable because it generates a common benefit, partly because the economic character of renewable technologies is not well understood. Green spending is seen as less threatening than, say, spending on conventional energy, nuclear, coal and gas with carbon capture and sequestration, since those energy sources are perceived as standard, selfish, big business. Green businesses are in fact if anything even less self-denying, less virtuous, but that is not currently the perception. Governments are well aware of this.
2. Furthermore, green public spending would be seen to benefit businesses that can plausibly pretend to address a common threat in climate change. Therefore that spending will be less resented. The fact that there are other, much less resource-hungry ways of reducing emissions is not well understood by the public, and in fact that resource-heavy character is a positive attraction for an administration because...
3. The immediate gross effect of green spending is large. Low-carbon energy sources, and green technologies generally, are almost all very low productivity – nuclear would be the exception – and a great deal must be spent on both labour and other resources to deliver measurable results. The Net Zero target as outlined by the UK's Committee on Climate Change, for example, implies extremely heavy spending, on the electrification of transport, and also on hydrogen generation, carbon capture and storage, hydrogen storage and distribution infrastructure, not to mention the re-equipping of 26 million households to use hydrogen boilers in conjunction with heat pumps. And these are only some of the most important costs that are additional to the previous target. This is attractive for an administration since they can spend a great deal with a relatively small number of policy instruments, reducing legislative and administrative burden. There will be no risk of missing the 16.45 departure from Victoria.
4. Furthermore, there are presentational benefits arising from the scale of the spending necessitated by low productivity technologies. The spending results in highly *salient* action; the consequences of green spending will be highly visible because they will be everywhere, and the numbers of people involved will be large. It will seem as if something is being done to rebuild the economy.
5. While low-productivity investments are clearly undesirable, administrations will persist in supporting them because the green industries have successfully misrepresented themselves as cheaper than conventional energy, a falsehood in which the British government has colluded and now may even believe. Capital costs for both wind and solar are still very high, contrary

to the propaganda; the operation and maintenance costs are high and perhaps even rising, and the grid system management costs of introducing wind and solar are vast; no other word will do. Nevertheless, British government departments and indeed some academics persist in claiming otherwise. It is a pitiful intellectual failure, and will eventually be found out, but not soon, which is in fact a further reason that government will be drawn to wasteful and harmful green spending as a post-Covid stimulus, namely...

6. The gross effect of all public spending is immediate, while net effects – positive or negative – are delayed. Thus, it is the gross effect that interests bureaucracies and elected politicians; the net effect is somebody else's problem. For example, a large upfront expenditure on green technologies has a rapid gross impact, while the inevitable negative net effect will only materialise in a decade's time. This can be compared with spending on highly productive and valuable technologies; the upfront spending is smaller so the gross effect is *reduced*, while the positive net effect, like all net effects, is delayed. The result of this is that, paradoxical though it may seem, administrations aiming to stimulate an economy are actually positively drawn to what in other circumstances would be thought of as malinvestment. History, I think, shows this, but a misunderstanding of that history is actually one of the reasons that government will be drawn to Net Zero as a post-Covid stimulus.
7. The positive aura of a Green state intervention rests very heavily on the continuing positive public understanding of Roosevelt's New Deal, which of course also had a large renewable energy component in the Tennessee Valley Authority. Greens in the UK have been relying on this comparison for some time now, at least since 2008 when the Green New Deal Group was formed, and the phrase *Green New Deal* is all the more powerful since, with hindsight, the New Deal seems green before its time. However, the net benefit of Roosevelt's policy is highly questionable, a matter well understood in the United States, but almost undiscussed in the United Kingdom. Indeed in the US there is a sizeable body of analysis suggesting that while Roosevelt's moves to stabilise the banking system were successful, the massive public spending that followed, and for which the President is most often praised, actually delayed recovery, and that it was only the demand created for war materiel that returned growth to trend. That is still controversial, of course, but at least there is an ongoing adversarial debate in the US. Here in the UK, the history is taught in schools without any qualification, supported by a background of cultural indoctrination: the teaching in schools of the *Grapes of Wrath* as a set text, and informally from films such as *It's a Wonderful Life*. Our understanding of Roosevelt's New Deal is shallow and obtuse, with consequences for our grasp of the threats posed by any attempt to employ Net Zero spending to restore the economy after lockdown.

8. And finally, to these powerful concerns we can add the regrettable truth that the British government at almost every level is wracked by a timid fear of breaking step with what they take to be the consensus of international policy, a timidity brought into sharp focus by the fact that the UK happens to hold the chair of the COP process. They are concerned that by trying to protect British interests they will be seen to align the UK with that part of US opinion with which it most dreads association, namely those that reject the Paris Agreement in order to 'Make America Great Again'.

Without exception, all these motivating considerations have short time horizons, and are focused on the immediate effects of the activity. They are present- rather than future-oriented. But there is no reason for thinking that they are entirely cynical; some civil servants and some politicians may be aware of the hazards and persist nonetheless; but for the most part they sincerely believe that they can safely take the steps towards Net Zero because what little long-term, deep economic history and pre-history they understand is grounded in false conceptions of energy and its role in the creation of societal structure and wealth. Shallow, university economics persists in treating societies as if they were notional or psychological phenomena, not as thermodynamic physical systems. Too much economic speculation is carelessly mentalist, where it needs most to be rigorously physicalist.

Consequently, the spending undertaken in stimulus packages is typically aimed at the direct but temporary creation of the *results* of successful growth – employment and a profusion of resources for consumption – rather than restoring the fundamental conditions that generate those results in a sustained manner. That is true, most probably, of all government stimulus packages – governments are universally impatient – but if this spending is aimed at energy, as it is likely to be in the Net-Zero Covid package, the results will be extremely damaging in the longer term, since it is the adoption of high-productivity energy sources that is responsible for modern growth. Turning our backs on those energy sources would have been unwise even in a state of continuing global growth fundamentally driven by Asian use of coal and oil, as well as a resurgent North American use of gas. To do so in time of suppressed global trade and growth has the potential to be genuinely dangerous in the longer term, and perhaps even in the short term. Complex systems, such as a societal economy, are typically stable only under the condition of expansion; in contraction they tend to be unstable, and the rapid introduction of a large bulk of low-productivity energy sources to deliver Net Zero would certainly not help; the rapidity of that introduction could even make such a system radically unstable, even in the medium term.

In conclusion, a post-Covid stimulus package based on renewable energy with a view to achieving Net Zero emissions would be a counterproductive disaster. Nevertheless, and for the reasons I have sketched, I fully expect the civil service to force it upon us.





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Our main focus is to analyse global warming policies and their economic and other implications. Our aim is to provide the most robust and reliable economic analysis and advice. Above all we seek to inform the media, politicians and the public, in a newsworthy way, on the subject in general and on the misinformation to which they are all too frequently being subjected at the present time.

The key to the success of the GWPF is the trust and credibility that we have earned in the eyes of a growing number of policy makers, journalists and the interested public. The GWPF is funded overwhelmingly by voluntary donations from a number of private individuals and charitable trusts. In order to make clear its complete independence, it does not accept gifts from either energy companies or anyone with a significant interest in an energy company.

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