

WILL AFFLUENCE RUIN THE ENVIRONMENT?

An NPG Forum Paper
by Edwin S. Rubenstein

If 2020 teaches us anything, it's that the next crisis is likely right around the corner, and could be prevented, or at least contained, if we act swiftly. A pandemic that scientists long warned was likely to occur, occurred, and has already killed well over 240,000 people in the U.S. Dozens of large wildfires – the latest evidence of the climate emergency – are torching the American West, their smoke more damaging to health than almost any fire season on record.

But if we move quickly, we can limit the climate chaos.

A recent study in the academic journal *Nature Communications* warns that despite all the buzz about green technology mitigating man-made environmental problems, the only way for human consumption to become sustainable is to rein in wealthy consumers: **“The affluent citizens of the world are responsible for most environmental impacts and are central to any future prospect of retreating to safer environmental conditions,”** write Thomas Wiedmann of the School of Civil and Environmental Engineering in New South Wales, Australia, and co-authors from New Zealand, Switzerland, and England.”¹

The facts are clear: the wealthiest 0.54%, about 40 million people, are responsible for 14% of lifestyle-related greenhouse gas emissions, while the bottom 50% of income earners, almost 4 billion people, only emit around 10%. The world's top 10% income earners are responsible for at least 25% and up to 43% of global environmental impact.²

Most people living in developed countries fit into this category, meaning you don't have to consider yourself rich in order to be globally affluent. Even poor people in the U.S. and other wealthy countries have a disproportionately large and unsustainable resource footprint compared to the global average.

How to address the problem? The scientists who wrote the study advocate weaning top earners from their excessive lifestyles. This means **“...not consuming certain goods and services, from living space (overly large homes, secondary residences of the wealthy) to oversized vehicles, environmentally damaging and wasteful food, leisure patterns and work patterns involving driving and flying.”**³

The nerve! What right do climate scientists have to tell the rich and successful how to spend their money? The top earners worked hard, played by the rules, and paid their taxes. The entrepreneurs among them created businesses that employ workers of all income classes. But super affluent, powerful business owners have a vested interest in promoting a high consumption, high population growth, economy: It's good for business.

CEOs (and their stockholders) go to extraordinary lengths to promote economic and population growth, the

latter fueled mainly by unskilled, low-wage immigrants. Higher Gross Domestic Product (GDP) means higher sales; higher immigration means lower labor costs, as foreign-born workers displace the native-born in the labor force. Taken together, the two trends help them realize their ultimate objective: profits, profits, profits.

Yet it's more than just the pursuit of more money that drives these people. The richest of the rich usually hang out with others in their lofty socio-economic bracket. Their position relative to others in the group is important to their status and self-esteem.

Everyone, in every socio-economic stratum, wants to be rich. Being rich is perceived as being good. It implies more freedom, fewer worries, more happiness. This perception creates a **“...growth spiral, driven by the affluent, with everyone striving to be ‘superior’ relative to their peers while the overall consumption level rises.”**⁴ Lifestyles that are average or normal in rich countries rapidly become aspirations for the rest of the world.

Reality check: The correlation between money and happiness has been studied extensively by social scientists. The universal conclusion: Money buys happiness, but only up to a point. Once basic needs and conveniences are in reach, the pursuit of additional material goods and social status actually reduces the well-being of individuals surveyed. The tipping point, according to one of the largest international surveys on this subject, comes at a comparatively modest annual income of \$75,000 US dollars per person. At higher incomes the costs of success – less family time, more business travel, etc., etc., – outweigh the benefits.⁵ This result has been called **“one of the most robust findings in social science.”**⁶

The notion that less is more seems to apply to nations as well as people. There are dozens of nations that outperform the U.S. in every quality of life indicator, with significantly less wealth. Take life expectancy, for example. With 35% less GDP per capita, Japan beats the U.S. in life expectancy by more than 5 years. South Koreans, with 50% less per capita GDP, also live longer than we do. Even Costa Ricans, with 80% less GDP per capita, live longer, healthier, lives than Americans.⁷

In this context, the COVID pandemic was a blessing,

an opportunity for Americans to re-examine our high octane (and high CO₂) lifestyles.

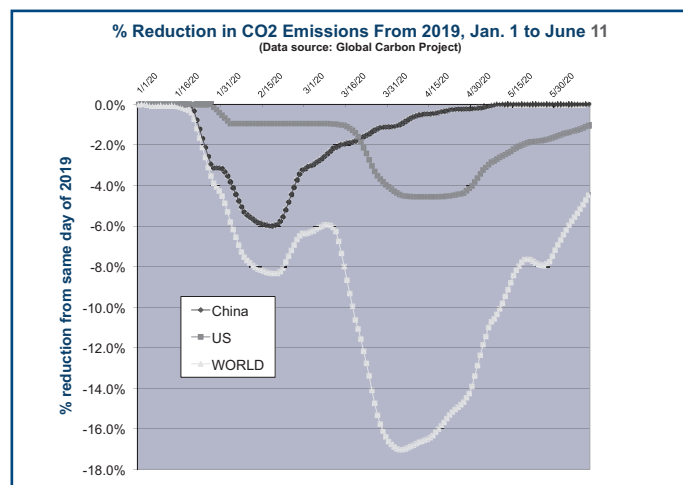
For more than two months we were in lockdown. The economy tanked. What's a workaholic to do? We took walks. We re-connected (virtually) with family and friends. We exercised daily. We baked bread. We binged on Netflix videos. None of those activities generates much CO₂. While the lockdown was pretty grueling on balance, the surprise was that there were things about it that were enjoyable and worth preserving. With so much time on our hands, we questioned the very things that we all came to reflexively accept – and realized that we didn't want to go back to that place.

When a Vox reporter surveyed the website's readers in June, the top change they said they wanted to maintain after quarantine was reducing consumerism. **"A long period of being shut in and not spending as much, has led to the realization that so much of our consumer behavior is about instant gratification, not lasting happiness."**

The ability to slow down **"entails a great deal of privilege,"** writes the Vox reporter. Slowing down is not a viable option for first responders, truck drivers, supermarket clerks, waiters, janitors, and others who cannot work virtually from home. Older, immune-compromised employees go back to work even if they don't feel well because they need the income and health benefits. Millions of them are either unemployed, or working part time, wishing they could be working more, not less.

COVID CLEARS THE AIR

Government policies during the COVID pandemic drastically altered patterns of energy demand around the world. International borders were closed and populations were confined to their homes, which reduced transport and changed energy consumption patterns. A study published in May in *Nature Climate Change* tracked daily changes in fossil fuel emissions during the lockdown and recovery phases.¹⁰ The findings are astounding:



The low point came in early April, when global CO₂ emissions were down roughly 17% from where they were in the same period of 2019. The world was in a recession, as governments ordered people to stay home, employees stopped driving to work, factories shut down, and airlines grounded their flights. But by mid-June, as countries eased

their lockdowns, world emissions ticked up to just 5% below the 2019 average.

As seen in the graphic, the trend of emissions in China and the U.S. differed markedly. China cut its CO₂ earlier and deeper than we did, not surprising since the pandemic started there in November. But by June China appears to have returned to pre-pandemic levels.

By comparison, the U.S. was late to recognize the severity of the threat. We did not cut emissions significantly until April, and as of June they were still below 2019 levels.

The researchers estimate that global fossil fuel emissions for all of 2020 will be 4% to 7% lower than in 2019. If this holds, it will be several times larger than the decline seen in 2009 after the global finance crisis.

"A 5 percent change in global emissions is enormous, we haven't seen a drop like that since at least World War II,"¹¹ Rob Jackson, an earth scientist at Stanford and a co-author of the study, is quoted as saying. But that is just a fraction of the decline needed to halt global warming. Global CO₂ emissions need to get down to zero by mid-century to avoid climate catastrophe, according to the Intergovernmental Panel on Climate Change.¹²

The lockdown saw a massive drop in world GDP and consumption. But the unprecedented decline was merely an incidental bi-product of efforts to contain the coronavirus. What happens when the health crisis is behind us?

COVID'S SILVER LINING

Some social scientists see long term benefits from the pandemic. Early on, in March 2020, Brian Czech, the Executive Director of the Center for the Advancement of the Steady State Economy (CASSE), wrote that the **"... silver lining begins to appear when we recognize that the \$88 trillion [world GDP in 2019] (\$21 trillion in the USA alone) was so big and bloated, it was causing more harm than good. It had grown into bad-deal territory, in other words. All else equal, that means a reversal – recession, degrowth, declining GDP – is actually a better deal at this stage."**¹³

Columbia University Professor Róisín Commane concurred. Discussing carbon monoxide levels in New York City, he told BBC News: **"This is the cleanest I have ever seen it. It is less than half of what we normally see in March."** adding that **"With regard to CO₂, it's as if COVID-19 is enforcing the Paris Climate Accords, whether presidents want to or not."**¹⁴

Meanwhile, Czech discerned a medical upside from the pandemic: **"...while the virus may be ravaging the lungs of its victims, at least the victims' lungs will be less challenged by the ravages of particulate matter, nitrogen dioxide, and industrial emissions in general. Doyle Rice of USA Today, having interviewed a swath of environmental scientists, suggested that the COVID-19 pandemic and its economic effects could actually be saving lives in some parts of the world."**

"When you stop to think about it," Czech writes, **"... the benefits of slower and lower economic activity are ubiquitous, nuanced, and heartening. The silver lining**

– a reprieve from the ravages of runaway GDP – has been sewn into the environmental and social fabric of 2020. We'd be wise to value and keep it, not rip it out and sell it as soon as we get the chance. With a newly developed appreciation of economic moderation, we can move more intentionally toward a post-growth, steady state economy that fits on the planet."¹⁵

In a perfect world, mainstream economists would join Czech and his fellow steady-staters in warning policymakers of the dangers of over-stimulating the economy. Unfortunately, conventional economists measure economic progress with data biased toward growth: employment, housing starts, manufacturing activity, and of course, GDP itself. Ecological indicators such as clean air, clean water, and the thousands of species of fish, wildlife, and plants that get a reprieve when GDP growth slows, are ignored.

Mainstream economists reject the very notion of limits to growth. In their view, all shortages are temporary, and can be eliminated by allowing prices to rise. Technological progress, according to the mainstreamers, is capable of overcoming any scarcity faced on earth. Herman Daly, the intellectual godfather of steady state economics, termed this overly optimistic belief **"growthmania,"** which he finds pervasive in modern society.

In rebutting the growth dogma, Daly noted that scarcity is an economic fact of life **"imposed in nature by the laws of thermodynamics and the finitude of earth,"** and there **"... is such a thing as purely relative and trivial wants."**¹⁶ Once people acknowledge these truths, Daly concludes, then we are all well on the way to the paradigm of a steady-state economy.

Adopting a steady state lifestyle will be not be easy, especially for those of us who've spent most of our lives in the 20th century, when the "good life" meant even more material goods. Millennials and Gen-Xers are different. They can save the world.

THE GREEN GROWTH DELUSION

Progressive policymakers still believe that **"green consumption"** or **"sustainable growth"** can **"decouple"** economic growth from CO₂ growth. This delusion is hard to squash. Professor Wiedmann, and his co-authors, tried. Their paper concludes that **"...in reality, there is no evidence that this decoupling is actually happening. While technological improvements have helped to reduce emissions and other environmental impacts, the worldwide growth in affluence has consistently outpaced these gains, driving all the impacts back up... And it appears highly unlikely that this relationship will change in the future."**¹⁷

Yet some social scientists still cling to the progressive ideal, and are promoting a feel-good narrative that says, in effect, we can have it all.

Case in point: *More From Less*, a book by MIT-based technologist Andrew McAfee. McAfee argues that global GDP can grow indefinitely while reducing our ecological impact – all without making any fundamental changes to the economy or society. Economic anthropologist Jason Hickel reviewed the book for foreignpolicy.com:

"At the core of McAfee's argument," Hickel writes, **"... is his analysis of the U.S. economy. He claims that U.S. consumption of resources has remained steady or even declined since the 1980s, while GDP has continued**

to rise. In other words, the United States is 'dematerializing,' thanks to increasingly efficient technology and a shift toward services. The same thing has been happening in other high-income nations, he says. This proves 'green growth' can be achieved; rich countries are showing the way, and the rest of the world should follow suit."¹⁸

Get it? McAfee believes we can grow GDP as fast as we wish, allow hordes of immigrants to pump up our labor force and consumption levels, and still be a shining example of the power of Green Technology to save the planet.

Think about it. No need to rethink our over-the-top lifestyles. We can have our (very rich) cake and eat it too.

Not surprisingly, CEOs, bankers, and Silicon Valley zillionaires, loved the book. So did Larry Summers, former Harvard President and head of the World Bank, and European Central Bank President Christine Lagarde.

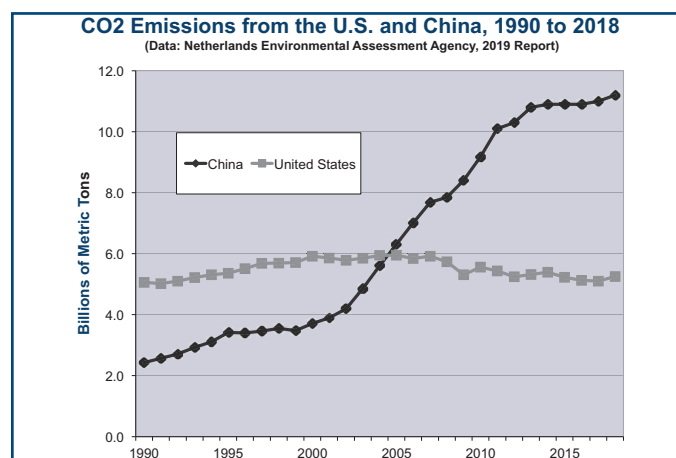
But there is one problem: McAfee's analysis focuses solely on materials consumed within the U.S. While it includes imported goods, it ignores the resources involved in producing and transporting those goods to the U.S. **"Because the United States and other rich countries have offshored so much of their production to poorer countries over the past 40 years,"** Hickel writes, **"...that side of resource use has been conveniently shifted off their books."**¹⁹

In other words, McAfee's grandiose claims about "green growth" are based on faulty economic accounting. (Had he been a tax accountant, the IRS would have charged him with tax evasion!)

Why is this important? Because McAfee, and others of his ilk, extol rich countries as "green growth" exemplars that the rest of the world should emulate. But if rich countries are achieving this by moving manufacturing operations to poorer countries, then this technique, by definition, cannot be used by all countries.

In other words, offshoring merely moves the CO₂ problem; it doesn't solve it. And this is exactly what emissions data indicate happened.

In recent decades China was the preferred offshoring destination for most U.S. manufacturers. They moved there to save on labor costs and to avoid U.S. environmental standards. The move put U.S. companies in an economy that, on average, spewed 4-times more CO₂ per \$1 of GDP than was permitted in the U.S.²⁰ The result was an environmental catastrophe – for China and the world:



In 1990 China was largely a rural country on the cusp of an historic economic transformation. Its aggregate CO₂ emissions were less than half of ours; on a per capita basis, they emitted less than one-tenth as much. In 2005 China's emissions first exceeded our own, and by 2018 (latest available data) China emitted more than twice as much. China now emits more CO₂ than the U.S. and Europe combined.

Meanwhile, while the U.S. had extraordinary GDP growth for most of that period, our CO₂ emissions line barely budged. There was zero diminution in the resources used to make the things we consume. No green growth. It was all an accounting illusion.

We offshored billions of tons of CO₂ to a country anxious to grow its economy regardless of the environmental consequences.

What did the U.S. gain? Robert Lighthizer, President Trump's chief trade representative, gives his take:

“For business, this strategy paid off in the short term. Cheap labor meant higher profits. But for America, the effects were traumatic. The United States lost five million manufacturing jobs. That, in turn, devastated towns and contributed to the breakdown of families, an opioid epidemic and despair.”²¹

The pandemic was a game changer, Lighthizer believes: **“It has revealed our overreliance on other countries as sources of critical medicines, medical devices and personal protective equipment. The public will demand that policymakers remedy this strategic vulnerability in the years to come by shifting production back to the United States.”**²²

Offshoring was a lose-lose game for both the U.S. and China. Hopefully, the days when U.S. companies reflexively move their operations abroad are over.

SUMMARY

For more than a century growth in affluence, and in the number of people living in affluent circumstances,

increased resource use and greenhouse gas emissions faster than technological progress reduced them. A meaningful transition to sustainability will require far reaching lifestyle changes as well as continued technological progress.

The pandemic was a great leveler, narrowing the consumption gap between haves and have-nots. It was also a revelation: Global GDP and population growth have far outstripped the carrying capacity of the planet. A few months of world-wide economic lockdown did more for the environment than decades of technological progress. But this is a Band-aid. The global economy must re-open soon.

A balanced strategy of economic moderation plus global population reduction is needed for long-term sustainability.

NOTES

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NOTE: The views expressed in this article are those of the author and do not necessarily represent the views of NPG, Inc.



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