Linking good jobs and climate change:
The governance of the green new deal

Two existential threats

- Climate change threatens life itself on our planet
- Dualism of good and bad jobs—the divide between the dynamic and lagging sector
  - Threatens the social foundations of democracy

Familiar reactions

- Conservatives see elite concern with climate as an expression of their indifference to everyday concerns with economic well being
- Environmental activists extractive economy or capitalism as threat to plant
- But many progressives in the US and EU imagine that a Green New Deal can fuse hopes for an inclusive economy with the requirements of environmental sustainability
  - Only vague ideas of what that could mean

Aim of the talk is to point to a deep similarity of the problems of climate changeand jobs problems and an andeer to both

- Both require public intervention
- Both require context-specific or place-based solutions devised by public private collaboration
- Viewed from this perspective some advances in environmental regulation and governance may actually point to the programmatic interventions needed to build a good jobs economy, and realize the hopes of the green new deal

Word on the origins of these remarks

- Presentation combines and synthesizes the results of two recent papers
- Paper on the Irish dairy sector with Rory O'Donnell and Larry O'Connell
- Paper on a good jobs economy with Dani Rodrik
- Both of these are available on our websites
- The methods we used for the dairy paper — the way we engaged the various actor and have continued to engage them as the work progresse — arguably have implications for the way NESC goes about its work. But there will be room to discuss that later

The obvious commonality—both involve externalities

- An externality, familiar from introductory economics, arises when prices and profits don't reflect true costs and gains of production

- In the case of a negative externality the costs of production are below the production cost to society as a whole, so too much is produced. The classic case is of course environmental pollution, where the utility plant, doesn't bear all the cost to society of using fossil fuels.

- in the case of positive externalities the situation is reversed. Gains to society of producing a good are greater than the producerr's gains, so too little is produced. A classic example is investment in research, where the te turns to individual projects can easily spill over to and captured by others—so individuals, fearing this leave don't invest

- Think of good jobs as creating positive externalities or bad jobs -ones – either way the similarity with pollution is evident

What externalities do and don’t tell us

- The presence of an externality does tell us the public intervention is necessary

- Externalities only arise when markets fail; public intervention is necessary to correct distorted prices

- But, crucially externalities don’t tell us *how* the distortion is to be corrected to bring private action in line with social valuation

In simple cases..

- The answer is a Pigouvian tax or subsidy that aligns market price with social costs and benefit.

- Carbon taxes are the familiar exampke

- But as uncertainty increases the intervention can be a quality quantity target: for example if the goal is to get a certain quantity of clean water, and it is unclear what price will produce the necessary supply, the optimum strategy is to fix a requirement for a certain amount of potable water, and incur the risk of a slightly excessive price rather than the risk of under supply.

- when the level of uncertainty goes up further intervention has to be in a long lots of margins. In fact the only way to know how to intervene is to look at the specifics of the situation.

Jobs and climate are cases of high uncertainty remedies

- A lot of research, combined with the painful lessons of much policy failure, allows us to indentify two common features of solutions in these areas—features that help explain why answers can’t be determined ex ante, or why there is uncertainty.

- Changes from a bad to a good state involve complementary or self reinforcing changes in two or more aspects of the initial conditions

- How exactly the complementary changes fit together to produce their mutually reinforcing effects will vary with the particulars of each place

Getting to these conclusions

- From the mid 90s on economist realize that US firms were struggling to adopt Japanese lean production, even though lean was clearly more efficient than traditional assembly lines

- Often firms using modern and backward methods coexist in the same market, with the backward firm typically surviving by other, compensating cost reductions—like lower sakaries

- Adopting the superior methods required changes not just in production systems but also in methods of compensation;

- often there were various bundles of alternatives and it was not clear which production methods to pair

Further research into why innovation often doesn’t occur even when it would be profitable

- Shows that even when profit-enhancing choices are clear, implementation can be obstructed by local circumstances

- Bloom on India Bloom, N., Eifert, B., Mahajan, A., McKenzie, D. and Roberts, J., 2013. Does management matter? Evidence from India. *The Quarterly Journal of Economics*, *128*(1), pp.1-51.

- Verhoogen on Sialkot Atkin, D., Chaudhry, A., Chaudry, S., Khandelwal, A.K. and Verhoogen, E., 2017. Organizational barriers to technology adoption: Evidence from soccer-ball producers in Pakistan. *The Quarterly Journal of Economics*, *132*(3), pp.1101-1164.

This research answers a crucial question about the feasibility of a good job strategy and raises another

- The question it answers has to do with affordability
- More exactly the question is, is there good reason to think that, with public intervention, firms could be induced to switch from bad jobs to Good?
- The answer is unquestionably yes, because we see a number of firms have adopted profitably adopted good job strategies
- See Ton, Z., 2014. The good jobs strategy: How the smartest companies invest in employees to lower costs and boost profits. Houghton Mifflin Harcourt.
- Difference between Trader Joe's and Costco on the one hand in Walmart on the other both strategies are profitable, good job strategy may be more profitable – but not so much more so that it drives the alternative out of the market

The question that it doesn’t answer

- Has to do with the response
- What kind of intervention helps to address negative externalities which involve both complementarity’s and place-based contexts
- That’s where environmental regulation comes in
- and particularly efforts to control agricultural runoff under the water framework directive

Word of background on the WFD

- Establishes ambition of reaching good water defined as minimal deviation from the pristine state of various types of water bodies such as Alpine streams or Mediterranean rivers

- The basic unit is the river basin or catchment—the territory that drains, through a sequence of streams, lakes and other water bodies into the sea at a single river mouth, estuary or delta.

- Problems in organizing ground level participation

- best practices don’t work

Ireland struggles with the WFD

- Despite significant investment, water quality did not appreciably improve during Ireland's first river basin plan cycle, from 2009 to 2015. This failure triggered a number of informally linked programs to intensify monitoring under the Nitrates and Water Framework directives and improve local performance.

- Teagasc established the Agricultural Catchments Programme (ACP) in 2008, to qualify for derogation from the Nitrates Directive.

ACP

- selected six catchment areas , differing in soil types, geology and types of farming, involving 300 farmers
- Each catchment is supported by an ACP advisor, who collaborated with individual farmer
- A key finding is that variations in soil and subsoil types and underlying geology are so important in the absorption and drainage of nutrients that general rules of nutrient management are likely to fail their purpose.
- For example, poorly drained fields with low phosphorus values may be a source of pollution through fast surface runoff, while well drained soils with high phosphorus values in excess of agronomic needs may not be

Policy implications

- phase two of the ACP explicitly rejects a "'one size fits all' approach to how land and nutrient inputs are managed"

- and observes that even user-friendly plans—in the sense of a convenient presentation of the relevant good practices—"on their own will not meet the farmer's needs and to increase their effectiveness."

- In the best case, "advisory support is required to help with implementation'' (Shortle & Jordan, 2017:

The EPA the picture

- Builds on the ACP with its own catchment program, focusing on the role of subsoil structures in the flows of polluting nutrients

- Develops a cascading system of determing priorities for improving water body qualify

- Builds new, local governance structure, the Local Authority Water and Communities Programme (LAWPRO)—a shared service between all local authorities to provide technical and other assistance to local authorities, community and voluntary groups matters related to water managemen

- And to increase stakeholder participation in local decisions

ASAP—place specific sevices for place-specific problem

- In the fourth phase of priority review are subjected to “local catchment assessments”: field-level examinations by the local actors themselves of the source of pollution in given water bodies.

- When this review reveals problems arising from agriculture the local assessment teams refer them to another newly-created entity: the Agricultural Sustainability Support and Advisory Programme (ASSAP), consisting of a staff of Advisors, 20 employed by Teagasc, the rest by the coops

- ASSAP advisors work with farmers implicated in local environmental problems to improve land, farmyard and nutrient management as needed.

LAWPRO, ASAP

- And other such innovations Connect with the Irish social Catholic tradition conception of the organic composition of society, with its notions of interacting levels and communities of various kinds as fundamental units

- In this sense the innovations in health connect local and super local learning and experience in a way that has proved frustrating in earlier periods of reform, including especially the local partnerships of the 1990s

- In addition is innovations or a reminder of what was said at the outside how to pioneering roll of practitioners in the public and private sector

TEAGASC comes to similar result with MACCs

- Since 2012, Teagasc has produced a marginal abatement cost curve (MACC) for Irish agriculture (Schulte & Donnellan, 2012).

- MACCs are usually presented as bar graphs, with the width of each bar representing the effectiveness of a mitigation measure (in tons of carbon emissions avoided each year) and the height representing its costs (negative if there are net savings)

- Ordering the policies by the height of the bar is a convenient way of highlighting the cost effectiveness of alternative mitigation actions.

Over time the MACC takes on a very different role

- Teagasc staff convened six teams from EU member states to review this turnaround

- “the main purpose of engineering MACCs, which is not necessarily the accurate prediction of the total abatement potential and associated costs.

- Instead, their main purpose is to provide a coherent forum for the extremely complex discussions surrounding agricultural GHG mitigation, and to visualise opportunities and low hanging fruit in a single graphic and manuscript (Eory et al., 2018: 714).

Don’t want to overstate this change in environmental policy and it’s general implications – and don’t want to understate them either