

CLIMATE POLITICS

Flush with cash. So what?

THE ECONOMIST

If you think environmental politics, and its funding, is still basically small-time beards-and-sandals stuff, consider this. In 2008, John McCain's general election campaign spent \$335m. In 2009, according to a new study by Matthew Nisbet, an academic at American University in Washington, DC, America's environmental groups spent more than \$394m on climate-change and energy issues. The cap-and-trade bill which was the focus for much of that spending may have been, Mr Nisbet reckons, the best financed piece of legislation in American history.

Nevertheless, it got nowhere (here is The Economist's take at the time). To have spent that much money to so little effect might, one would think, have occasioned a fair amount of soul searching on the part of the green movement, and perhaps a little internecine strife. If the reception of Mr Nisbet's work is anything to go by, there is certainly room aplenty for strife.

The study is called Climate Shift and marks the beginning of an open-ended project establishing a network of social scientists and others devoted to similar work of the same name. It does not exactly seek to say what went wrong over cap-and-trade. But it does argue that some of the usual suspects on which greens tend to blame their defeats cannot shoulder the burden for this one: green groups were able to spend prodigious amounts; the media provided coverage of climate issues while the debate was going on that pretty much matched what the campaigners were saying; and the green movement had a broadly shared and well worked-out strategy behind its backing of the policy.

This proved too much for Joe Romm, who blogs at the Centre for American Progress, a left of centre think-tank. Riled up by an early, embargoed copy of Mr Nisbet's analysis (and reasonably rancorous at the best of times) last week he set out to cut the legs from under it with a pre-release riposte. He was strengthened by the fact that one of the academics Mr Nisbet had asked to peer review his study, Robert Brulle of Drexel University, had disliked its final form a great deal, had taken his name off it, and was happy to assist Mr Romm in his scathing criticism.

And the onslaught drew some blood. Mr Nisbet's analysis of the money tends to stress the gross amounts available, not spending on specific things, and when one looks at the money available for lobbying as such (different sorts of institutions have different limits on what they can spend), the green movement does not stack up as strongly as a reader of Mr Nisbet's paper, and particularly its executive summary, might think.

While the headline figure of \$259m spent by "conservative think tanks, industry associations and advocacy groups" on climate and energy in 2009 is lower than the \$394m Mr Nisbet attributes to green groups, 85 percent of the right-wing money could be spent on lobbying. The major environmental groups, on the other hand, whose tax status for the most part constrains how much they can spend on lobbying, appear to have spent about \$13m; the lion's share of their money seems to have gone on outreach and public education. Other companies and trade groups which had taken positions supportive of cap-and-trade -- General Electric, Ford, Shell, Walmart, Dow Chemical and all sorts of others including some utilities, some banks and the trade groups for nuclear and alternative energy -- spent a lot more on lobbying; just under \$217m. But the way such figures are reported makes it impossible to say how much of that was spent on the cap-and-trade issue. So although by adding all of that lobbying money



to the green groups' own efforts, Mr Nisbet is able to say that the pro-cap-and-trade faction had access to \$229m for lobbying, the number is pretty meaningless, and clearly far higher than a realistic estimate of what was actually spent.

If the companies and associations involved spent 10 percent of their total lobbying money on cap-and-trade -- a number Babbage is simply plucking from the air, but which is surely more plausible than 100 percent -- that would have been enough to double the spending by the environmental groups themselves. That would certainly be something, but still far short of the lobbying muscle on the other side. Mr Nisbet quotes an estimate from the Center for Responsive Politics that in 2009, the energy and natural-resources sector splurged \$419m on lobbying and employed 2,340 lobbyists, while organisations in the environment sector spent a paltry \$22m on lobbying and employed a mere 460 lobbyists. Industry money for cap-and-trade might have made that ratio more like ten to one than 20 to one, but it certainly didn't level it.

Mr Romm also takes aim at Mr Nisbet's contention that "false balance" in media coverage of climate -- in which sceptic opinions held by few in the field are given near equal time to positions reflecting broadly held scientific consensus -- is no longer of much importance in understanding the debate. Mr Nisbet shows that in upmarket written media (the New York Times, Politico.com and suchlike) reporting does in general give considerably more respect to the scientific consensus than to its detractors. But generalising that to all media is quite a reach. Fox News, for example, is happy to reinforce doubt and scepticism on this issue in a way the New York Times would not be. While to some extent people already inclined to such doubt may seek out Fox News, for all sorts of reasons -- Mr Nisbet likes this explanation for its correlation with a mindset ill disposed to climate action -- it is possible that some viewers are directly influenced by such coverage, too.

There is plenty more such criticism and riposte throughout the parts of the blogosphere that worry about insufficient action on global warming (the parts which worry about too much action on global warming, seeing the problem as minor or fictitious, seem happy to sit this one out). But though Mr Nisbet's study has its flaws

and over-reaches in places, there is no denying that the big green NGOs set out a unified strategy, spent a lot of money, and got nowhere, and that this needs to be taken on board.

It is completely fair to say that the failure is down to the peculiarities of the American Senate and its supermajority rules; cap-and-trade passed the House, where only a simple majority was needed. But surely good strategy should have taken that into account. If the Senate was never going to pass any cap-and-trade bill, as hindsight seems to say, and some said at the time, then a strategy which called for getting a cap-and-trade bill through both houses of Congress was inherently flawed. If on the other hand there was a way to get a cap-and-trade bill through the upper house, a strategy that failed to do so was, clearly, the wrong strategy. It might have been an understandable mistake if the fight had been a close-run thing. But it wasn't. Cap-and-trade, for all the money behind it, never got anywhere close to succeeding in the Senate. As one White-House staffer was quoted as saying by Politico, "They spent like \$100m and they weren't able to get a single Republican convert on the bill." Some will roll their eyes at this and say that if the White House had done more the lobbying would have worked a whole lot better. But it remains the case that no cap-and-trade bill even made it to the floor; the significant block of coal-state Democrats uninterested in supporting it never moved; only a handful of Republicans even dallied with it.

And the effort which achieved so little in the past also left, if anything, even less to build on for the future. The green movement, and especially big groups like the Environmental Defence Fund and the Natural Resources Defence Council, with a fussy streak and divided in their ranks, had used cap-and-trade as the centrepiece of a move to disciplined, ambitious national strategy. Now cap-and-trade is off the table until some whole new table comes along, and the lack of broader or back-up strategy is keenly felt. To the extent that there is a climate agenda at all in Washington, it is organised around defending the Environmental Protection Agency's ability to enforce the clean-air act. Whether or not the money that big green organisations spent trying to get cap-and-trade passed was a lot less compared with the anti-lobby's resources, it was a huge amount to have

left so small a legacy.

Which brings us to the heart of the matter. Mr Nisbet's critics have some good lines of attack on his analysis. They do not have many good lines of their own along which now to proceed. The Senate, and its rules, are not going anywhere. Whatever the distribution of financial backing for the two sides inside the beltway, it is unlikely to change much, and even more unlikely to change in a way that significantly favours the greens. Media coverage of the subject may have improved a bit and could improve more, in various ways, but a game-changing shift is unlikely. The same probably applies to new levels of commitment and compelling bully-pulpit fare from the White House. A huge grass-roots movement would, if it were formed, take years to get up to speed (and environmental movements are already pretty big, anyway). The other side is not going to strike its tents and walk away. Vast public education or outreach programs have been mooted, but the public's desire to be educated or reached on the subject is hard to gauge.

There are more radical ideas around, which reflect the insight that treating something as complex as climate and energy like traditional environmental debates -- there's a pollutant; let's control it with regulation, technology and self restraint -- is not enough. It has to be seen as something complex, something different, something more: as an economic issue, an innovation issue, a national security issue, a development issue, even a philosophical issue. Mr Nisbet's Climate Shift clearly has some sympathy with this broader approach (and the Nathan Cummings Foundation, which funded his work, also supports other efforts looking at renewing and broadening environmental thinking along these lines, such as the Breakthrough Institute and the authors of the Hartwell Paper). But while such thinking is capable of producing analyses of the way green politics fail to get results in Washington, and UN climate negotiations fail to get results worldwide, it has yet to develop a wide, coherent following and set a strategic agenda that commands wide spread attention, not least because it is the nature of this approach to accept that the sort of immediate and decisive action that many environmentalists want to see simply won't happen. As the reception of Climate Shift has shown, such arguments will meet fierce resistance and harsh criticism.

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Is the dollar decline more dangerous than it seems?

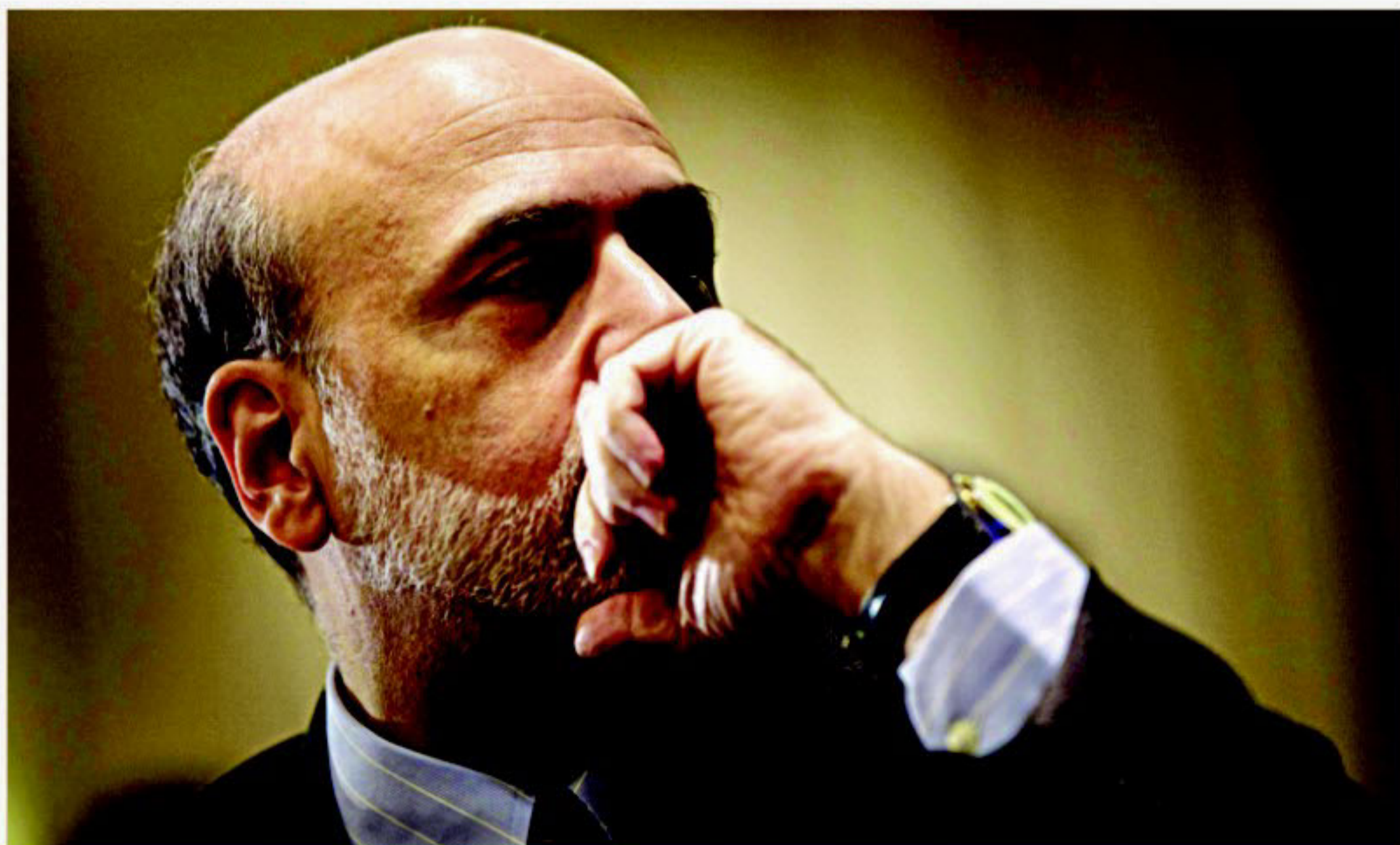
REUTERS, New York

Neither Washington nor Wall Street is losing much sleep yet over the dollar as it slips close to all-time lows. But perhaps they should be.

The dollar has shed some 8 percent against major currencies this year, and if the decline quickens, it could provoke protectionism from America's trade partners, worsen inflation at home and spark a general loss of confidence in US assets.

That would all make it much more difficult to finance the country's huge deficits, and could threaten to send the US economy into another recession.

In fact the burgeoning national debt is where all the negatives for the dollar converge, with America's prized AAA credit rating under threat and large corporations like Caterpillar urging Washington to get its act together.



US Federal Reserve Chairman Ben Bernanke wants a strong dollar.

"There's no sign of panic yet. But the situation can change on a dime," said Brown Brothers Harriman strategist Lena Komileva. If the US economy

weakens and US lawmakers fail to find a way to slash a yawning budget deficit, "that could create a run on the dollar."

US policymakers, including Treasury Secretary Timothy Geithner and Federal Reserve Chairman Ben Bernanke, insist they want a strong dollar, but investors say their actions sug-

gest otherwise.

The Fed has held interest rates at zero since late 2008, in contrast to other central banks that have begun raising rates to fend off inflation.

That's been an invitation for investors to borrow dollars at virtually no cost and swap them for higher-yielding currencies and assets such as oil and equities. Gold and silver have hit record highs and the euro is hovering near \$1.50, about 10 cents from its all-time peak hit in 2008.

Standard & Poor's put another chink in the dollar's armor this month when it warned it could cut the United States' credit rating if lawmakers don't find a way to slash a massive federal budget deficit within two years.

Corporate America is voicing its concerns as well. The chief executive of Caterpillar Inc on Friday called for a resolution to the long-running budget battle,

saying that finding a way to strengthen the economy would help control the nation's rising deficit and improve long-term competitiveness.

Bernanke argues that the US economy remains too fragile for tighter policy and suggested the Fed's pro-growth measures will help the dollar down the road.

"If we do what's needed to pursue our dual mandate for price stability (and) maximum employment, that will also generate fundamentals that will help the dollar in the medium term," he said at a press briefing this week.

Adnan Akant, who helps manage about \$20 billion in currency assets for Fischer Francis Trees & Watts, a New York unit of BNP Paribas, put it this way: "You don't get a strong dollar by raising rates. You get it by having low inflation and a stronger economy that requires you to raise rates."

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