

The Same Mistakes

*Ignoring voters doomed
globalization. The
battle has now shifted
to global warming.
A personal essay.*

BY PHILIP K. VERLEGER, JR.

In his World Environment Day 2024 speech, United Nations Secretary-General António Guterres made an urgent plea for action to address global warming. Warning that “we are playing Russian roulette with our planet,” Guterres called on politicians across the world to do what is needed to boost renewable energy consumption and eventually terminate fossil fuel use.

On the same day, the governor of New York stunned New York City by canceling a long-planned program to impose congestion pricing in lower Manhattan just twenty-five days before the rule would have taken effect. According to the *New York Times*, “The move angered environmentalists, transit advocates, and economists, with some accusing the governor of abandoning a plan that was decades in the making for political reasons in a critical election year.”

These simultaneous events highlight the greatest obstacle to transitioning to a world of net-zero greenhouse gas emissions: public acceptance. This problem is not new. The twentieth and twenty-first centuries both witnessed attempted economic transitions that failed due to a lack of public support. In some cases, the voters caused policy reversals by unseating transition proponents and electing opponents. By canceling the congestion pricing program, New York’s Governor Kathy Hochul clearly acted to avoid the same fate.

In discussing her action, the *New York Times* noted how only two weeks earlier, the governor had boasted of the program’s substantial global warming benefits. However, Hochul is a Democrat who wants to keep Democrats in power. *Politico* noted: “The public polls showed the initiative was profoundly loathed by voters in New York City’s metropolitan region, notably those in suburban swing seats that are pivotal for Democrats’ chances of regaining control of Congress.” *Politico*’s story added that prominent Democrats, including House Minority Leader Hakeem Jeffries (NY), had pushed for the delay.

Philip K. Verleger, Jr., is a senior fellow at the Niskanen Center.



Dutch voters, for their part, showed their displeasure with European policies to reduce greenhouse gas emissions in November 2023. The Freedom Party, headed by Geert Wilders, led all parties in the election. *Time* reported that his win shook Dutch politics and sent a shock across Europe because Wilders and his followers had historically been “shunned.”

Dutch environmental actions contributed to Wilders’ victory. In May 2023, Reuters explained that the previous government suffered defeat after it enacted legislation to purchase and close livestock farms producing harmful amounts of nitrogen:

The Dutch need to reduce excess nitrogen levels, caused in part by decades of intensive farming, a problem that has led to courts blocking important construction projects until the issue is resolved.

Discontent over government plans to address the problem ... led to a major defeat for Prime Minister Mark Rutte’s governing coalition in regional elections in March.

The new coalition Dutch government will end the effort, according to economist Aline Schuiling of ABN AMRO:

Importantly, the coalition agreement contains several plans to support the agricultural sector and construction, which will have consequences for biodiversity and emittance of methane and nitrogen. For instance, there will be no forced expropriation of farms close to nature reserves, no further shrinkage of the livestock population, and a reduction in the excise duty on diesel paid by farmers.



*The former **Maytag Plant 2** in Newton, Iowa, is currently available for lease, along with Maytag’s former corporate headquarters. The factory closed in 2007 when Whirlpool acquired the company and transferred production to Mexico. Two thousand people lost their jobs.*

Other changes, including ending subsidies for electric vehicles, increasing speed limits, extending gasoline tax increases, and making various concessions, will lead to greater emissions in 2030 than previous governments had

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forecast. Schuiling cites an independent Dutch research institute as stating that the path to “net zero has become less likely and more bumpy.”

Prospects for progress were dealt a further blow in the June 2024 elections for the European Parliament when right-wing and far-right parties skeptical of the European Union’s “Green Deal” gained while green parties suffered heavy losses. Kate Abnett, a veteran environmental reporter for Reuters, wrote that passage of new climate policies will be more difficult but existing policies will likely remain in force. In particular, efforts to reduce emissions from the agricultural sector, which accounts for more than 10 percent of EU emissions, will probably not proceed.

The individuals and organizations aggressively advocating for greenhouse gas



The Yellow Vests protest in Mont-de-Marsan, Landes, in November 2018 after French President Emmanuel Macron proposed eliminating various taxes on the wealthy while boosting fuel taxes.

reductions are carrying on the same mistakes committed by those who touted free trade's benefits to consumers over the past several decades while ignoring the hurt done to workers in specific industries. Today, the proponents of environmental action want to eliminate countless fossil fuel industry jobs while forcing consumers to purchase higher-cost items such as electric vehicles or energy-effi-

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cient heaters that offer few benefits as perceived by many consumers and are more expensive to operate.

The elite backers of change assert that ending fossil fuel exploration and production is necessary to slow global warming. They are correct, but pushing a fossil fuel ban could substantially boost the number of voters supporting populist candidates who want to end the transition effort.

These elites also insist that to reduce global emissions, we must change energy consumption habits. They

add that the public will reap benefits, just as they promised good things to come from open trade. However, consumers being forced to pay for changes they see as unnecessary are retaliating at the ballot box just as those who suffered due to globalization did. I fear that efforts to address global warming will find no support from newly elected or reelected politicians. The push to mitigate climate change will die out, just as globalization programs did when voters turned to populist candidates who they saw as protecting their best interests.

This is a personal essay. I had a ringside seat at the globalization battle from the late 1980s through 2020. I attribute globalization's rise and fall to free trade proponents' inability to understand its asymmetric impacts on consumers or the fury of those who lost jobs and/or significant income. While those who gained from globalization supported the status quo, many of those harmed by open trade switched to populist protectionists advocating trade and immigration bans. Donald Trump, the most famous or infamous of these, was but one of the big winners.

Today, the world's efforts to slow or stop global warming may be stymied by the same factors that laid globalization low. Oblivious economists, politicians, regulators, and businesspeople will again be to blame. At this point, they have little time left to reverse course.

PRELUDE

I was associated with what is now the Peterson Institute for International Economics from the mid-1980s until 2010 as a visiting senior fellow and then a nonresident senior fellow. I focused on international energy markets, not trade, throughout my PIIE tenure. Even so, I spent hours talking about and, more frequently, listening to presentations on globalization's benefits. The institute remains a leading promoter of removing trade barriers.

Fred Bergsten, its founding director, touted these advantages in a Fall 2006 *TIE* interview marking the organization's twenty-fifth anniversary:

The reduction in barriers to trade has had a huge impact. Gary Hufbauer from our team quantified it about a year and a half ago and found that the United States is a trillion dollars a year richer as a result of trade globalization in the last fifty years.

The Institute has done several studies on this topic and they have been heavily cited in the media. U.S. Treasury Secretary Henry Paulson cited one recently in his first international speech, that the United States gains about \$1 trillion a year from globalization, or \$10,000 per household or 10 percent of GDP. It's a big payoff. Our team also quantified the adjustment costs at about \$50 billion per year. That's a twenty-to-one benefit-cost ratio.

Bergsten added that globalization supporters tended to be college graduates while those without higher degrees tended to oppose it: "Everybody who's a high

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school graduate or less is terrified because they don't feel they can cope with the adjustment required." Bergsten's solution was more education. He also emphasized the importance of having an economic safety net:

One of the huge failings of both [political] parties is in implementing and seriously carrying out domestic safety net and adjustment programs. That would help dislocated workers. We've costed it out and it's not that expensive. It could be done, but neither the Clinton Administration nor the Bush Administration

nor their predecessors have effectively linked their zealous desire to maintain an open and liberalized international trade environment with the domestic adjustment requisites. I'm convinced that until that is done we will have a very unstable foundation for trade policy in this country. The world global trading system is thus at risk because you don't know when the United States might cop out.

Bergsten was prescient. The United States "copped out" in 2017 when Donald Trump took office. He and his successor, Joe Biden, have essentially ended America's involvement in globalization.

Researchers David Autor, David Dorn, and Gordon Hanson provided a detailed explanation for globalization's failure in a 2013 article in *American Economic Review*. The authors studied the impact of competition from lower-cost imports on local labor markets. In a key line, they wrote, "Reductions in both employment and wage levels lead to a steep drop in the average earnings of households."

In a 2024 *New York Times* op-ed, Paul Krugman cited the Autor article in support of President Biden's imposition of stiff tariffs on Chinese imports:

What Autor et al. pointed out was that many U.S. industries are highly localized geographically, so the job losses due to imports, while they looked small on average, were devastating to many communities. I like to use the example of the furniture industry, which probably lost several hundred thousand jobs to Chinese imports. Nationally, that's a rounding error. But the furniture industry was concentrated in the North Carolina Piedmont region, so the import surge ripped the heart out of local economies like that of the Hickory-Lenoir-Morganton metropolitan area.

And the political implications of the paper became more relevant a few years later, when it was clear that the disruption of communities by surging imports may have contributed to the election of President Trump.

The town of Newton, Iowa, provides hard evidence for Krugman's statement about the devastating local impacts of globalization. Newton was once home to Maytag, an American firm that produced high-end home appliances. The factory closed in 2007 when Whirlpool acquired the company and transferred production to Mexico. Two thousand people lost their jobs.

The *New York Times*' Louis Uchitelle detailed the former Maytag employees' efforts to find new employment in a 2007 article. More than five hundred enrolled

Continued on page 53

Continued from page 45

in the types of retraining programs that Bergsten promoted in his *TIE* interview. City officials also succeeded in bringing new manufacturers into the town, but these firms offered wages lower than what Maytag paid. Existing businesses in the town were able to cut wages because they no longer had to compete with Maytag for workers.

The new employers paid less and often failed to offer critical benefits such as health care, an omission that elites such as Bergsten ignored in their proselytizing for free trade and support of retraining.

The U.S. government tried to ease some of the economic pain from globalization with less-than-stellar success. A 2019 Century Foundation report highlighted the well-known problems of the U.S. Trade Adjustment Assistance program, a federal effort to reduce the damaging impact of imports on workers, firms, farmers, and communities:

There's a general sense among stakeholders that Trade Adjustment Assistance does not fulfill its

promise to workers and communities negatively impacted by the expansion of free trade agreements. The program is difficult to qualify for, and even the relative generosity of TAA does not make up for large and lasting income losses for workers and their families and the communities they live in.

What happened in Newton in 2007 supports this conclusion.

Ten years later, *The World* reporter Jason Margolis wrote that Newton, formerly “the most ‘broken’ town in America,” was “back on its feet.” He described the collapse and subsequent rebirth of manufacturing in Newton. The resurgence had a serious downside, however, as the going rate for manufacturing work there fell from 37 percent above Iowa’s state average to 20 percent below it, according to Iowa State University economist Dave Swenson.

Bergsten and Hufbauer would likely conclude that these results were expected. In their view of globalization,

such adjustments are necessary. However, in touting globalization, Bergsten and Hufbauer ignored the political consequences of its impact. The election results from Jackson County, Iowa, which includes Newton, are telling. In 2004, the year George Bush defeated John Kerry, Kerry carried the county with 52 percent of the vote. In 2020, Trump defeated Biden by 60 percent to 40 percent.

A detailed study by Leonardo Baccini of McGill University and Stephen Weymouth of Georgetown University in 2021 quantifies the shift in election results by county linked to layoffs associated primarily with the loss of manufacturing jobs to China. The authors showed that laid-off white workers responded by voting for more conservative candidates such as Donald Trump. The researchers conducted a counterfactual simulation in which layoffs were smaller and found that Hillary Clinton would have carried six key manufacturing states in 2016 and been elected president had layoffs been 40 percent lower.

As Krugman implied, residents of towns “broken” by globalization across America responded to their economic losses by voting for politicians who promised to protect them from the harmful effects of free trade. Through their ballots, they killed globalization. Companies that moved production from the United States to Mexico or China are increasingly encountering trade barriers that undermine the profitability of their actions.

REPEATING THE BERGSTEN/ HUFBAUER MISTAKES

Unlike globalization, the major resistance to the energy transition will come not from workers facing unemployment, but from consumers in general. The move away from fossil fuels will require individuals and families to make numerous adjustments to their spending and lifestyles. Some of these adjustments can be masked by making them happen upstream from consumers, such as the mandated blending of renewables with gasoline and diesel by refiners and wholesalers that raises fuel prices. Others cannot be masked, and have far greater impacts than the upheavals associated with globalization.

The first indication of public resistance occurred in the fall of 2018 when the French government proposed raising fuel taxes to fight climate change. The *Gilets jaunes* (“yellow vest”) protests spread across France after President Emmanuel Macron proposed eliminating various taxes on the wealthy while boosting fuel taxes.

New York Times writers Alissa Rubin and Somini Sengupta explained that the French government’s plan was to “regularly raise the tax on fossil fuels to fight global climate change.” They also noted the government’s insensitivity to the plan’s impact:

Many analysts say the French tax was not politically deft, falling hardest on people outside French cities who were already feeling the pain of stagnating incomes and who do not have the same mass transportation options as urban residents.

The Yellow Vest protests began in rural areas. Citizens wearing the vests, which are required for anyone attending a vehicle breakdown on the road, brought

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traffic to a halt. When the protests spread to the capital, the government had to rescind the tax proposal.

Rubin and Sengupta explained that Macron, as a millionaire and former investment banker, was “tin-eared” in advancing the tax. The economists and climate experts they interviewed suggested that the violence might have been avoided if the tax had included large rebates for those in rural areas. However, Macron wanted to use the revenues for other purposes, as Harvard Climate Authority researcher Vonda Brunsting suggested to the authors:

Some governments are intent on having ambitious plans for meeting the Paris climate conference goals, but they have to survive politically long enough to put them in place. ... Macron and the French government have skipped over the part involving the workers and the community.

The Netherlands became a second battleground in the fight between those pushing to limit global warming and

the public. In July 2022, *Time* described the “standoff” between farmers and the Dutch government. The farmers blocked highways, and grocery store deliveries ground to a stop. The dispute was related to manure. *Time* reported that “the Netherlands’ intensive livestock farming system produces an unusual excess of animal feces,” and the methane produced by the animals accounted for a significant portion of the country’s greenhouse gas emissions.

The Dutch government wanted to cut agricultural methane emissions by half by 2030 and limit the use of nitrogen fertilizer:

The government said it was leading an “unavoidable transition” for agriculture. Farmers can reduce the release of nitrogen compounds by changing how they manage their cows: feeding them less protein, or using water to dilute manure, for example. But the target is expected to require a 30 percent reduction in overall livestock numbers, and experts say many farms will have to shut down.

Eighteen months later, the Dutch farmers and other conservatives expressed their anger at the ballot box in the November 2023 parliamentary election. As *Politico* reported, the far-right Freedom Party (PVV) won the largest number of seats by advocating to end the government’s green transition:

The PVV wants to build more nuclear power plants, but opposes wind energy and large-scale solar parks. Its demands include keeping coal and gas power plants open and stepping up oil and gas extraction in the North Sea.

After the elections, the negotiations to form a new government went on for six months. In the end, the resulting coalition agreed to back away from stringent environmental regulations, expand North Sea gas extraction, and increase highway speed limits. The new government also promised, according to a *Clean Energy Wire* article,

to relax environmental regulations for farmers, reject any “forced” reduction of livestock numbers, and aim to ensure cheaper diesel fuel for farmers. They [also] want to dismiss a CO2 tax proposed by the outgoing climate minister, which would make big polluters pay extra on top of EU-regulated CO2 prices.

German voters have also turned against green policies, as *Politico* writer Karl Mathiesen noted in his October 2023 article:

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When they write the book on the downfall of liberal democracy, will it begin with the heat pumps?

Mathiesen probably exaggerates. However, as he explained, the far-right German political party Alternative for Germany turned a new law, intended to phase out fossil fuel heating systems in favor of heat pumps, into an issue that could bring radicals into the government of the German state Hesse and beyond:

The far-right’s ability to turn a debate on heating systems into electoral rocket fuel has implications that go far beyond Hesse. Across Europe, the far right is gaining ground and in many places making opposition to climate policies a core issue. It’s a development that has caught the eye of politicians across the Continent, especially in conservative parties that have jettisoned their green commitments in the face of the populist assault.

In the 2023 Hesse state election, the AfD came in second with 18 percent of the vote, an increase from 13 percent in the prior election. The CDU, the party of former chancellor Angela Merkel, came in first with 34 percent. The Green Party dropped to fourth place with 15 percent.

Shannon Osaka summarized the collapsing support for measures to address global warming in a May 1, 2024, *Washington Post* article titled, “How car bans and heat pump rules drive voters to the right.” She provided a lengthy list of developments such as:

■ The Dutch voters most vulnerable to natural gas price increases were now 5 to 6 percent more likely to vote for far-right policies.

- Heat pumps had “galvanized” the German AfD and boosted its vote.
- Drivers in the UK and Italy were protesting efforts to ban automobiles from city centers.
- Farmers had shut down Paris in a protest over EU rules that cut their income.

Osaka noted that Europe has made considerable progress in converting electricity production to renewable sources. She added that the European Union must also confront fossil fuel use in transportation, buildings, and agriculture. This in turn affects the individual voters, as one expert explained:

What’s happening as we accelerate the pace of the transition is we’re now starting to get into sectors that inevitably touch on people’s lives. We’ve reached the point at which it’s becoming personal—and for that reason, it’s also becoming more political.

Osaka added that “the problem, researchers say, occurs when individual consumers feel that the cost of the energy transition is being borne on their shoulders—rather than on governments and corporations.”

REWARD CONSUMERS AND PENALIZE COMPANIES

Globalization failed because it favored entrepreneurs over the public. Yes, consumers saw lower prices. But the real winners were the corporations that closed plants in towns like Newton, Iowa, while opening new facilities in Mexico and other countries.

Globalization, when examined in detail, was a policy designed to boost the power of corporations and weaken labor. The decreasing percentage of economic output that workers receive as compensation drives this point home.

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This share dropped precipitously after 2000, following China’s admission to the World Trade Organization at the peak of the globalization wave. Economist Tyler Cowen documented the slump:

There is some bad news afoot for workers. Labor’s share of the U.S. gross domestic product has been falling for a long time, by seven percentage points since World War II. The labor share for 2022—depending on exactly which measure is used, it comes in at slightly more than 60 percent—is the lowest measured since 1929.

The battle has now shifted from globalization to global warming. This time, the fight is between budget-strapped consumers and policymakers who worry correctly about the increased threats from global warming’s effects. Resistance to costly pocketbook measures voters see as unnecessary threatens to halt the entire effort. However, such opposition turns to acceptance and even approval when consumers perceive a clear benefit.

The contrasting public policies regarding heat pumps in Germany and the state of Maine in the United States illustrate one way to proceed. As noted, German voters strongly opposed mandates requiring heat pump use. Maine, on the other hand, instituted a policy that consumers welcomed:

Over 100,000 heat pumps have been installed in Maine and they are now more common than oil heat in new homes. They are the most popular heating system across all of Efficiency Maine’s rebates because they offer highly efficient heating, air conditioning, and dehumidification.

The key word in that statement is “rebates.” The website explains that homeowners of any income can receive a 40 percent rebate for expenses up to \$4,000 plus a federal tax credit of \$2,600. As the *New York Times* reports, the adoption of heat pumps was more rapid in Maine than in any other state where the alternative heating source was oil: “Maine’s rapid adoption is being spurred by a combination of state rebates on top of federal incentives and a new cadre of vendors and installers, as well as mounting frustrations over the high cost of heating oil.”

The article then adds this observation:

In 2023 heat pumps outsold gas furnaces in the United States for the second year running, a climate win. Electrical heat pumps are the cheapest and most energy-efficient way to heat and cool homes, and they do not emit the carbon pollution that is overheating the planet.

The contrast in the consumer response to heat pumps between Germany and the United States emphasizes the

need to employ incentives that attract consumers rather than regulations that repel them. In the article cited above, Osaka noted, “In Germany, where the law to install heat pumps would have cost homeowners \$7,500 to \$8,500 more than installing gas boilers, policymakers quickly retreated.” *The Economist* wrote, “In Germany a plan to require households installing a new boiler to switch to heat pumps was watered down after Alternative for Germany, a far-right party, mobilized a campaign against it,” adding that far-right politicians had asserted that the switch would impoverish households. However, the retreat was too late to prevent voters from moving to far-right parties that oppose efforts to reduce emissions.

The distinction between the experiences in Maine and Germany makes it obvious that progress toward net zero can be achieved if consumers see clear benefits. It is also clear that progress cannot be achieved if benefits are not obvious. Consumers will, at minimum, refuse to respond. If under economic pressure, they will reject at the polls those politicians pushing change.

Maine’s success in winning consumer support contrasts starkly with the botched attempt in the 1970s to get U.S. citizens to switch from leaded to unleaded gasoline. To reduce harmful lead emissions from vehicles, the federal government required new cars and trucks sold after 1976 to use unleaded gasoline. As part of the regulation, the Environmental Protection Agency mandated in 1974 that service stations must offer at least one grade of unleaded gasoline and close if they ran out of the fuel, according to a 1988 study by Daniel Sperling of the University of California, Davis, and Jennifer Dill of Portland State University.

Sperling and Dill reported that the oil refiners did not resist the unleaded rules. Instead, marketers believed “the new environmental consciousness would motivate demand for these fuels, even though unleaded gasolines were priced 1 to 4 cents per gallon higher than equivalent leaded gasoline.”

The marketers were wrong. Sales of low-lead products amounted to only 2 or 3 percent of purchases in 1971 and, as the authors reported, had grown only to 5 percent by 1974. They attributed the lack of increases to several factors, adding, “Cleaner engines and air did not

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provide enough motivation because motorists often were unaware of the air quality.” Unleaded gasoline did not capture 90 percent of the market until 1990, despite most cars on the road that year requiring unleaded. The EPA concluded that unleaded gasoline’s higher price was a significant cause of this behavior.

The importance of the “offer” to consumers cannot be emphasized enough. Throughout history, consumers have embraced changes that offer a better outcome, particularly if the price is lower. Cell phones replaced landlines. Disposable diapers replaced cloth ones. Digital photography replaced film. Air travel replaced sea and rail voyages. The list is endless.

The list of failed efforts to mandate change is equally long. Prohibition did not end alcoholism. Lower speed limits did not slow drivers down. Rationing did not restrict consumption by those willing to pay higher prices.

NOT A NEW DISCOVERY

Globalization failed because it punished voters while favoring businesses. Likewise, efforts to reduce global warming with mandates that inflict pain on consumers will be strongly resisted. The history of economic transitions since the Industrial Revolution reveals that transitions almost always succeed when buyers see the new product or invention as an improvement that offers greater benefits and lower costs. In most policy analyses, personal voter preferences with respect to programs and their supporting politicians are often misread. This is clearly the case for proposals to reduce greenhouse gas emissions.

Globalization died because its beneficiaries (consumers) saw modest gains while the losers experienced great pain and could form a large enough coalition to stop the process.

Progress in reducing harmful emissions can only be achieved if the policies advanced by scientists, economists, and policymakers improve voter lives and lower their costs. Without such incentives, the political proponents necessary to enact these programs will not be elected or reelected. ◆