Tomorrow's Affairs
Analysis of today
Assessment of tomorrow

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Net zero will make you poorer

If you read the latest OECD publication, "Employment Outlook 2024: The Net Zero Transition and the Labour Market," you would imagine that the world has not gone through the largest monetary and fiscal stimulus in decades.

The results are so poor, they are embarrassing. Furthermore, the report illustrates the impoverishment of citizens and subtly suggests that achieving the net zero goal will present an even greater challenge. Translation: You will be even poorer.

According to the OECD report, 20% of the global workforce is in jobs that will expand due to the net-zero transition. The report basically tells us that the remaining 80% will face significant challenges.

Furthermore, it highlights that "low-income and rural households usually spend more on goods and services with larger carbon footprints, such as energy and food, because they are typically necessary goods.

Therefore, climate-mitigation policies, by increasing the relative price of carbon-intensive goods, will tend to affect these households as consumers disproportionally, with a strong impact on the real value of their income and wages.

Disastrous result of the carbon tax

Recent carbon pricing reforms in many countries have indeed proved regressive. Recycling the revenue from carbon taxes in the form of transfers to households, however, can make this type of reform progressive.

Yet targeting these transfers towards household needs is key to cost efficiency. Thus, we are doomed. Just look at the disastrous result of the carbon tax in the European Union, what it has done to inflation of non-replaceable goods and services and the widespread increase in discontent among citizens.

Why do we know that policymakers will not counteract Keynesian policies' regressive impact? Because they have never done it. To argue that this time will be different is irresponsible when the same OECD report shows the disastrous results of "inclusive" and redistributive policies since 2019.

There is no real improvement in employment

The report hails the good news of low unemployment rates. However, this publication fails to acknowledge the ease of manipulating unemployment rates.

Indeed, the report does not make that connection but highlights how labour force participation has stagnated or declined and how real wages have fallen while average working hours per employee have slumped in the United States.

If the unemployment rate has fallen but the average hours worked per worker are flat, the labour participation rate has slumped, and real wages have declined, then there is no real improvement in employment.

According to the OECD report, average hours worked per worker have declined in all countries except three of the entire OECD, and real wage growth is negative in the United States as well as many other economies.

Social engineering

Now remember that these dreadful statistics come after the largest so-called "stimulus package" in decades. The largest monetary experiment, combined with an unprecedented level of public debt increase, has left workers poorer. The worst is yet to come.

The OECD report warns that the net zero transition will increase inflation in essential goods and services as well as generate significant displacement of low-skilled labor. They even warn that low-skilled jobs in high-emission sectors pay better, and this will

create challenges for citizens.

> Malinvestment when the government controls the economy is the norm

There is no way in which one can defend this social engineering. Keynesianism always leads to malinvestment, misallocation of capital, higher indebtedness, and worse outcomes for workers and the middle class for a very simple reason: governments do not have better or more information about the requirements of society, and they spend money that comes from somebody else.

Malinvestment does happen in an open economy. However, creative destruction takes care of it. Malinvestment when the government controls the economy is the norm.

Socialism never works

The era of constant Keynesian stimulus plans has eroded the middle class and created record levels of public debt. The net zero plan, which is the ultimate Keynesian top-down government-imposed system, will add scarcity, persistent inflation, and impoverishment.

Climate socialism is bound to fail miserably, resulting in increased poverty - Daniel Lacalle

The only way to achieve net zero is to let technology flourish, allow free competition and open markets to work their way, and create a transition that benefits the majority with cheaper and cleaner goods and services.

When governments make decisions with public funds, they ensure a negative result. They will overspend, perpetuate inflation, and impoverish the same ones they claim to defend. Socialism never works. Climate socialism is bound to fail miserably, resulting in increased poverty.