Class and climate: how financial warfare affects the air

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The climate crisis has deep roots in class. Its class impacts are everywhere, from the acrid particles accumulating in the lungs of working-class men and women in the Victorian town of Morwell to the thousands of Bangladeshis displaced each year by inundation of their land.

But the climate debate does not just raise questions of capital against labour. It also reflects deep divisions within classes.

The climate crisis is undoubtedly a real and present danger to society. It has arisen in large part because, since the dawn of industrialisation, corporations have not had to pay the full...
cost of their production. In particular, the cost of the carbon waste they produce has been passed on to the rest of the population, mostly to future generations.

Most recently, the huge resources some very large corporations have put into funding think-tanks, pseudo-research and other devices for rejecting climate science have reinforced the view that this is another form of class warfare.

But the story is more complex than that. There are important differences within capital that directly affect the future of the air we breathe.

**Divisions in big business**

At a superficial level, there are differences between those industrial corporations that benefit from addressing climate – such as those developing or using “green” technologies – and those that benefit from externalising pollution, such as those in the hydrocarbons and automobile sectors.

Many companies, even heavily polluting ones, may adapt to and go along with action on climate, given the right regulation and price signals. These include companies such as Coca-Cola and Nike, and even Shell, which appeared ready to adapt to and even embrace climate action until regulation fell in a US Congressional heap. And then there are those, such as Koch Industries, that will resist change to the bitter end.

Perhaps most important are divisions within finance capital itself – the very engine of capitalism – over action on climate change.

On one side are those parts of finance capital increasingly obsessed with short-term returns. This, along with other factors, drives a growing focus by CEOs and boards on maximising immediate profits and company price rises. Hedge funds are the simplest exemplar of short-termism, though in the global scheme of things they are not as important as other parts of finance capital.

Increasingly, finance capital is taking ownership of large corporations, so its approach matters a great deal. Our research shows that the more volatile a company’s share price is, the less likely that company is to take on board climate considerations.
Other parts of finance capital focus on long-term profits – sometimes over several decades. These recognise that long-term profits depend on **long-term survival for society**.

Examples of this group include **many reinsurers**, who have in some ways led the way in financing genuine private research into climate change. This is in part through self-interest; insurers have to be able to accurately assess the costs of climate change, including inundation and extreme weather events.

It also includes some union- and state-owned pension funds, including from Europe. These funds have to be able to fund benefits 25 or 50 years from now. **Norwegian** and **Swedish** sovereign wealth funds are increasingly climate-focused, though some other nations’ funds are more concerned with immediate returns.

Some organisations within finance capital straddle both sides. They are so large that they have a range of funds on offer – some focused on short-term returns, some on the long term.

In short, we see some parts of finance capital pitched against other parts of finance capital, which in turn act against the interests of the air we breathe.

**Can finance make a difference?**

When finance capital is interested in tackling climate issues, it is capable of making a difference to the behaviour of industrial corporations – provided the shareholding is big enough. Our **present estimates** are that a shareholding of about 1.5% or so by a "climate-interested investor" is capable of bringing about some change in corporate behaviour.

We interviewed a number of investors and participants in climate institutions. We **found** that a number of factors influence investor behaviour on climate. Investors were more likely to take a long-term approach if certain conditions were met:

- where the reputation effects of financing environmentally damaging investments are potentially costly;
- where clients (the people on behalf of whom funds managers were investing) themselves recognise the long-term damage from climate change;
- where the effects of climate change are direct and most
easily measurable (which is most obvious for reinsurance firms);

- where organisations’ internal structures give potential power to climate considerations (for example, where specialist units have an influential role within a finance organisation, or where decision makers are trained to take account of climate considerations);

- where key players within finance exercise power to advance climate considerations (for example, the previous head of French insurance company AXA, Claude Bebear, who in the 1980s established IMS-Entreprendre pour la Cité, a business association for corporate responsibility);

- where finance corporations are part of networks that provide them with the knowledge, tools, training and incentive to impose climate considerations on target corporations;

- where regional or national culture is conducive (European investors, for instance, would appear to be more climate-conscious than American investors);

- where the state of the national economy leaves room for climate considerations (the global financial crisis diverted attention and capability away from dealing with carbon-related issues, though it also slowed down emissions growth in Europe);

- and, very importantly, where the regulatory context encourages or requires action.

Some companies see that long-term profits depend on long-term survival for society. David Peetz
Interestingly, many financiers we spoke to had no objection to carbon pricing. For them, it was the only way that investment decisions across the board could be made to take account of the impact of economic activity upon the climate. Without it, a focus on long-term issues including climate change would remain restricted to only a minority within finance capital.

Some of these issues, then, suggest points of leverage for those interested in promoting action on climate change. So while climate change and pollution are class issues, they are also issues on which cross-class alliances can usefully be developed.

While “climate-interested investors” can broaden the range of issues and lengthen the time-frame for the fraction of capital they represent, it is only through carbon pricing (and other regulatory interventions) that the logic of finance capital can be adapted to bring about effective action on climate.

See the other articles in the series Class in Australia here.