

CLIMATE CAPITALISM: HOW DID WE GET HERE? AN EVOLUTIONARY ECONOMIC ANALYSIS OF CARBON TRADING

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In order to cope with climate change, global politics has generated institutional modalities that show high compatibility with the requirements of capitalist expansion, such as carbon emission allowances, carbon offset credits and carbon markets. Yet, carbon markets, as entirely politically generated entities are quite singular. While carbon is an essential resource which industrial activity depends on both as energy-input and waste-output entities exchanged in carbon markets, emission allowances and offset credits, are not physical commodities but dematerialized assets. This makes carbon markets particularly suitable for financial capture such as carbon derivatives developed in secondary markets. Moreover, the central role carbon markets play in climate global governance makes them vulnerable to lobbying and regulatory capture. Finally, such institutional innovation that favours private property rights and induces capitalisation processes might have socioeconomic and ecological repercussions of a nature and scope never experienced before. The novelty of this situation, as well as its significance, makes it worth reopening and actualizing the debate on market and finance as policy instruments.

In such a context, this contribution aims to provide an evolutionary economic interpretation of carbon trading. While conventional economics developed the concept of carbon trading in an abstract theoretical framework, evolutionary economics aims at conceptualizing the emergence of concrete carbon trading schemes in their historically, culturally and ecologically specific conditions. An evolutionary economic analysis should therefore be able to give an adequate account of the power asymmetries and institutional strategies that prompted the emergence of carbon trading as the centrepiece of climate governance, with a special emphasis on the economic rationality that lies behind that institutional innovation. It must also situate carbon trading in relation with its ecological context and explain why and how carbon trading schemes has been designed to be compatible with industrial dependence on fossil fuels. Finally, it should be able to theoretically account for the emergence of carbon finance as a logical extension of carbon markets.

In order to build this approach, the contribution will combine three relevant research fields: (1) neoinstitutional economics, as developed by authors such as Kapp (1950, 1976a, 1976b) and Bromley (1989, 1992), which studies the way institutions shape behaviours and, in return, are moulded by them, (2) ecological economics, as defined by Georgescu-Roegen (1971, 1976) and his followers, which is concerned with the implications of the entropic nature of the ecological-economic relation, and (3) property economics, which considers the institution of property and its expansion through capitalisation as the constitutive institution and the driving force of capitalist development (Heinsohn and Steiger 1996, 2006; Steppacher 2008; de Soto 2000; Steiger 2006, 2008). Combining these approaches will lead to the proposition that carbon trading has been set mainly due to its compatibility with the expansionary nature of the capitalist economic system, based on the institution of property, economic growth, and the commoditisation of the environment, as well as with the industrial dependence on fossil fuels. The consequences of such choice for world development will be evaluated in terms of techno-institutional path dependence and environmental governance lock-in.