CPE’S 2015 Summer Institute: Confronting Capitalism & Climate Crisis
August 2nd - 8th at Smith College

We are excited to return this year to our weeklong, residential Summer Institute format! For each Summer Institute, we develop a ‘special track’: this year, we will look at the double crisis in our economy and our environment.

The increasingly devastating social, economic, and health impacts of pollution and climate change are creating a heightened sense of urgency. Meanwhile the distribution of these impacts mirrors the distribution pattern well-known in capitalist systems, with the worst consequences falling on those who are already politically and economically marginalized, both on local and global levels.

There is increasing recognition that fundamental economic transformations will be needed to change course environmentally, at the same time that the recent global economic crisis has prompted deep questioning about the dominant economic paradigm and a search for alternatives.

This moment represents a potential for great change as activist organizations come together to build a broad-based and diverse movement for climate justice. An analysis of the ways that current economic systems and policies contribute to climate change and its unequal impacts can help identify common ground and fight for a just transition. The institute will provide economic tools and analysis to inform and sharpen strategies – both short and long term – for transitioning away from the corporate-driven, growth-oriented, carbon-intensive economy while simultaneously fighting for, and building, a more sustainable, democratic, and equitable economy.

Check out our website for more details and to register: www.populareconomics.org.

Building a Better Uber: Harnessing the Potential of the Sharing Economy

By Anders Fremstad, CPE Staff Economist

American capitalism generates an astounding amount of waste.¹ Nowhere is this more clear than in our hugely inefficient transportation system. In the United States, the average private vehicle² is driven only 1 hour a day and transports just 1.7 passengers. But the sharing economy is starting to change how Americans get around. A 2014 poll³ by the Center for a New American Dream reveals that 9% have used car-sharing services like Zipcar and RelayRides, and 8% have used peer-to-peer taxis like Uber and Lyft.

As these online platforms gain traction, criticism of the sharing economy is growing as well. Uber, which created a ride-sharing app that is now valued at $40 billion, attracts special attention. In a debate⁴ at Cato Unbound, Dean Baker argues⁵ that Uber competes unfairly with traditional taxi services, because it does not require its drivers meet safety standards, carry commercial insurance, or acquire a taxi medallion.

Local governments struggle to effectively regulate global companies like Uber. While some cities⁶ have attempted to set rules for how Uber may operate, they often fail.⁷ In recent article, Its Already Over and Uber has Won,⁸ Johana Bhuiyan describes Uber’s basic strategy. The company moves into cities without regulators’ approval. If local governments try to ban the service, the company often offers to pay legal fees for drivers who break the law. Once Uber builds a critical mass of drivers and riders in a city, it presses governments to rewrite regulations. So far, Uber’s strategy has been remarkably successful.

Given how difficult it is to regulate, some economists have made the case for socializing Uber. Mike Konczal

(Cont’d on page 4)

"Nice seeing you guys." This is Florida Governor Rick Scott’s (non)response last year to a citizen-activist’s question “Do you believe in the man-made influence on climate change”.

In March 2015 Florida became even more evasive on the problem of climate change by banning the use of terms such as “global warming”, “climate change” and “sea-level rise” in official communications.

Governor Scott defended his conservatism on climate change by saying “I am not a scientist” and “I have not been convinced”. It seems he forgets to mention that he is, indeed, a politician, and that the issue of climate change is not a pure matter of science anymore: it is also a matter of politics and social policy.

At first glance, poor people are most vulnerable to the impact from climate change. Globally, changes in climate patterns will bring the biggest threat to poor people in developing countries. For instance, changes in precipitation and temperature will significantly impact agricultural production, on which peasants in developing countries rely for survival and making a living. In addition, research shows that the ten countries that are most likely to suffer from global warming and rising sea-level are Bangladesh, Guinea-Bissau, Sierra Leone, Haiti, South Sudan, Nigeria, DR Congo, Cambodia, Philippines and Ethiopia, all of which are developing countries with huge populations under poverty.

If we look at the developed world, it is still the poor who are threatened the most. In the U.S. context, the poor are disproportionately ethnic minorities. According to a study on the aftermath of Hurricane Katrina, in areas damaged by the hurricane, 46% of the population are African American, while in undamaged areas, only 26% of the population are African American. In addition, damaged areas had 21% of households living under the...
Analysis of the First 30 Days of a Leftist Government in Greece

By Harry Konstantinidis, CPE Staff Economist and Assistant Professor of Economics at UMass-Boston

For the first time in modern history, a European country has a government formed around a leftist party. In Greece’s January 25th elections, the Coalition of the Radical Left, known around the world by its initials (SYRIZA), received the most votes (36%), and the mandate to form a government.

SYRIZA was elected promising to simultaneously stop the austerity policies that provoked a humanitarian crisis in Greece, and to keep Greece in the Eurozone. During the first few weeks of the new government’s tenure, the SYRIZA government faced the difficulty of this task. The new government engaged in aggressive diplomacy trying to revoke the austerity program (known in Greece as the “Memorandum”) and the commitments the previous Greek government made to the lenders before leaving office: Herculean primary surpluses of 3% in 2015 and 4.5% in 2016 (that is, surpluses in the balance between government revenues and expenditures, prior to interest payments), more layoffs in the Greek public sector and further deregulation of the labor market, and privatizations.

Furthermore, the SYRIZA government was faced with severe opposition not just from the German government, but also from the right-wing governments of other austerity-stricken countries, like Spain and Portugal. In Northern Europe, right-wing politicians never explained to their electorates that bailing out Greece was a mechanism to protect financial capital from exposure to Greek bonds: German and French banks were able to get rid of Greek bonds off their balance sheets, while their working classes were told that Greek workers were to blame for their stagnant wages.

In Southern Europe, austerity-implementing right-wing governments are aware that SYRIZA embodies hope in the face of their primary rhetorical tool: “There Is No Alternative”. If SYRIZA stops austerity based on a campaign that focuses on need, solidarity and cooperation, workers in Spain and Portugal may also stop the catastrophic right-wing austerity policies that deregulate labor markets in favor of industrial capital and protect the profits of the banking sector.

Faced with a hostile political environment and the threat of the European Central Bank (ECB) cutting liquidity towards Greek banks, the Greek government and its lenders (the European Commission, the ECB, and the IMF) effectively agreed to a four-month truce. Greece gets to run “fiscally appropriate” primary surpluses, and the lenders provide liquidity to Greek banks, but not to the Greek government. In exchange, Greece has to implement reforms in the realm of tax collection and to make sure that its “fight against the humanitarian crisis has no fiscal effect”. During this period of time, SYRIZA abstains from restoring the minimum wage from 586 euros to its pre-Memorandum levels of 751 euros. Furthermore, the Greek government commits to not roll-back completed privatizations, but gets to reexamine “public good provision by privatized firms,” and to review the process for privatizations that have not been launched yet.

There is so much ambiguity in this agreement that it hardly makes it more than a truce. The EC, the ECB and the IMF still get to determine whether Greece is respecting the rules. Simultaneously, while the Greek government committed to respect privatizations, the Ministry of Productive Reconstruction, Environment and Energy has already revoked the permits of one of the most controversial recent gold mining investments in Northern Greece to reexamine whether it complies with environmental regulations and public safety.

The agreement, with all its limitations, allows SYRIZA to avoid the bank failure trap in the first weeks of its tenure, which would have undermined the ability of the Greek government to govern. Instead the Greek government can now make due on its electoral promises and galvanize its support by passing a series of laws that will stop the humanitarian crisis and improve conditions in favor of working people. If the lenders try to block the democratically expressed will of the Greek people, they should face resistance, not just from Greece but from workers all around the world. The success of the SYRIZA experiment and its potential to provide an alternative to the catastrophic policies of austerity hinges upon our solidarity.
Building a Better Uber (Cont’d from page 1)

and Bryce Covert argue\(^9\) “a transition to workers’ owning their firms is necessary, economically smart, and one way for workers to gain power in the digital age.” There is a good case for democratizing the sharing economy.\(^10\) Online platforms like Uber are natural monopolies. As more people use Uber, the platform can better match riders and drivers, while the cost of facilitating the marginal ride is basically zero. Companies like Uber can abuse these “network externalities” and “economies of scale” to vanquish competitors and gouge users by demanding a huge cut of the transaction. That said, it’s

important to recognize that sharing economy platforms are not the only tech companies that have the potential to abuse their users. The commanding heights of the 21st century economy are controlled by natural monopolies like Comcast, Google, and Facebook. If there is a case for socializing Uber, there is a case for socializing the rest as well.

More importantly, transforming Uber into a worker cooperative could raise drivers’ wages, but it would not harness the full potential of the sharing economy. Uber has disrupted the taxi industry, but it has failed to significantly decrease the number of vehicle-miles traveled. Although it’s easier now to get around without owning a car, taking a (regulated or unregulated) taxi from point A to point B is no better for the environment than driving yourself. What we need is a service that uses existing technology to seamlessly coordinate real-time carpools. Drivers and riders could simply plug their final destination into an app, and the service could quickly match riders with drivers who were already going along the same route. An app could easily split the travel costs, providing an incentive for drivers to pick up riders, and providing riders with a cheap and convenient alternative to car-ownership.

In this model of ride-sharing drivers would earn less than Uber drivers, but they wouldn’t be exploited cabbies, they would be ordinary commuters trying to save a buck - and the planet. Digital technologies should make most taxis redundant. (Next time you’re waiting for a cab, think about how many of the passing cars are going the same direction.) There’s no reason we can’t use mobile internet, GPS, and reputation systems to take advantage of America’s ridiculously low vehicle occupancy rates. Doubling vehicle occupancy through digital carpooling would decrease vehicle miles, reduce emissions, and complement mass transportation by helping riders complete “the last mile” of their trips.

Facilitating digital carpooling may be more difficult than building an unregulated taxi company. Since most car owners only drive a couple of routes a day, digital carpooling would require a larger critical mass of users than a taxi service like Uber. But keep in mind that we have already overcome what would have seemed to be the greatest obstacle to ridesharing a decade ago. Thanks to Uber, we know that most people are perfectly happy to hop in a car with stranger to get where they need to go.

BlaBlaCar\(^11\) facilitates inter-city carpooling in Europe, but big players like Uber don’t seem to have much interest in promoting real ridesharing. Why not? Digital carpooling probably looks less profitable than running unregulated taxis. Uber currently takes about 20% of a rider’s fare. In digital carpooling riders might pay half the current rate, so the company would have to charge 40% to “earn” its normal profit. Demanding that large of a cut could seriously turn off carpoolers, especially since the actual cost of matching riders and drivers is basically zero.

So, yes, there’s a strong case to be made for transforming digital taxi services into worker cooperatives. However, there is an even better case to build a real ride-sharing service that takes advantage of the 3.3 empty seats in the average American vehicle on the road today. If capitalist firms won’t invest in digital carpooling, then people and governments should. Whether it takes the form of a public utility or users’ cooperative, a platform built on real cost-sharing -- rather than profit maximization -- is our best bet for harnessing the power of the sharing economy to reduce waste, protect the environment, and improve everyday life.

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Healthcare After the Affordable Care Act

By Gerald Friedman, CPE Staff Economist and Professor of Economics at UMass-Amherst

Can we finally move past the bizarre fight over the Patient Protection and Affordable Care Act (a.k.a. the ACA or Obamacare) of 2010? When congressional Democrats and the Obama Administration adopted a program originally proposed by the right-wing Heritage Foundation that had been enacted into law in Massachusetts under Republican governor Mitt Romney, they anticipated building a national consensus behind a program that would bring health coverage to millions of Americans largely within the established private health insurance system. One would have expected opposition from the Left by proponents of a government-funded universal program; but nearly 70 years after President Harry Truman first pushed for a universal health insurance system, pragmatic progressives anticipated that by accepting a conservative program built on individual responsibility and private health insurance they would attract enough bipartisan support to enact the ACA easily and to enact it smoothly.

One may wonder if the pragmatists got this one wrong. When endorsed by Democrats, this Republican program attracted as much hysteria and as many lies as would a single payer proposal (or even a proposal for a National Health Service as in the United Kingdom). We have a political compromise where one side accepted less and the other gave nothing. We have the first major progressive social program since the Earned Income Tax Credit was enacted in 1975. With hundreds of billions of dollars in subsidies for working people, the ACA brings health insurance (through Medicaid and private health insurance) to millions of Americans, dramatically lowering the share without health insurance while improving coverage for millions who previously had inadequate plans. While regularly blamed for everything that is still wrong with American health care, the ACA makes things better by restricting the worst practices of the health insurance system, extending insurance coverage, and subsidizing coverage for millions of working Americans. With all of its limits and a troubled roll-out, the ACA is showing how government can make life better.

After all the exhaustion, fighting, filibusters, government shutdowns, computer glitches, and narrow Supreme Court decisions, it is easy to forget how little the ACA does and how many of the problems in American health care remain. Even with 33 million people gaining coverage through the ACA, most through an exchange plan or Medicaid, there will still be an equal number without health insurance. And while the ACA improves the overall quality of health insurance, it does nothing to reverse the growing cost-shift from employers to workers with rising copayments, deductibles, and a growing share of health insurance costs paid by employees. Finally, despite a few tentative measures, such as restrictions on insurers’ Medical Loss Ratios and penalties for hospital readmissions, the ACA effectively does nothing to slow the growth in health care inflation. As in Massachusetts, the pragmatic politicians behind the ACA enacted a program with the pleasures of extended coverage; they left the pain of cost containment for later.

Later is now. As much as its successes show that government can be an effective agent for social reform, the failures of the ACA show that the pragmatic politics of appeasing the Right lead to a dead end, where the cost of healthcare will continue to rise, undermining every gain achieved. Only a national single payer system, Improved Medicare for All, can control health care inflation and bring coverage to everyone. The ACA’s successes give us a taste of what we can do when we regulate healthcare finance to benefit people rather than to produce profit for insurers and drug companies. Its limits show us why we need a national single payer healthcare system.

federal poverty line, while undamaged areas have 15%. The data show that when severe climate disasters happen, those areas with higher percentage of poor and ethnic minority population tend to be damaged.

Scientists have produced voluminous literature proving that human activities are causing the climate to change. And new research shows that we are degrading our environment at a rate that will put our own lives at risk. By degrading land and freshwater systems, emitting greenhouse gases and releasing vast amounts of agricultural chemicals into the environment, our economic system is driving us toward an unsustainable or even unlivable future.

There has been growing consensus that something has to be done to protect the environment and our future. In the past decades, rising environmental and climate awareness has led to increasing use of greener technologies that reduce pollution and emissions. However, the efforts toward protecting our environment don’t match the growing scale of economic activities that continuously damage the environment. In other words, in many parts of the world (e.g. India and China), environmental protection has been outweighed by increasing environmental damages caused by fast economic growth.

One important reason is that the environmental policies are hugely impacted by the balance of power among interest groups. To be specific, big companies are able to exert significant influence on environmental policies. For instance, oil companies in China have been successful in blocking the implementation of higher fuel emission standards. The committees in charge of designing and implementing the fuel standards are actually dominated by the oil companies. Similarly, in the United Nations’ climate talks, multinational corporations have been able to bend the environmental policies so as to benefit themselves.

Then, what is to be done? In addition to promoting green technology innovation and improving governance, we also need to build channels through which the general population – specifically the working class, peasants, the poor, and minorities – can voice their opposition against corporations intent on continuing with businesses as usual. Doing so will not only put a limit on current pollution, but also push big companies to seek greener ways of operating their businesses and create a more sustainable future!


Help grassroots activists attend our Summer Institute!

Your donations to our scholarship fund will help make the Summer Institute affordable for our participants. Let’s not let money get in the way for the fight for economic justice!

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THANK YOU!
Welcome to the first issue of The Popular Economist, the newsletter of the Center for Popular Economics! It’s being launched at the request of many participants who want a way to keep in touch with the Center and each other.

This newsletter is a forum for past participants in the CPE’s Summer Institutes and Workshops to share ideas and stories about activism and popular economics in your communities. It’s also where you can read about the current activities of CPE staff and new projects planned by the Center.

If something is happening in your life that you think other CPE folks would like to hear about, drop us a line so we can put it in the newsletter. Did your labor union win an important victory? Has your community group launched a housing rehabilitation program? Have you travelled to another country and developed new perspectives on international economics? Are you trying to organize a peace group in your area and would like to compare your experience with that of other CPE participants? The Popular Economist wants to hear from you.

We hope that this newsletter will be appearing quarterly. We need your participation and input to make a regular newsletter a reality!
Thank you to all of our donors!

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