

Carbon Tax and 100% Dividend – No Alligator Shoes!

The charts for my talk (Climate Threat to the Planet: Implications for Energy Policy) on 3 June 2008 at the PACON 2008 conference (Energy and Climate Change: Innovative Approaches to Solving Today's Problems) are available as a pdf http://www.columbia.edu/~jeh1/2008/HawaiiPACON_20080603.pdf or powerpoint http://www.columbia.edu/~jeh1/2008/HawaiiPACON_20080603.ppt

The “Carbon Tax and 100% Dividend” chart warrants discussion. Tax and dividend is the policy complement that must accompany recognition of fossil carbon reservoir sizes for strategic solution of global warming (the physics: reservoir sizes imply the need to phase-out coal emissions promptly and quash unconventional fossil fuels).

Tax and 100% dividend can drive innovation and economic growth with a snowballing effect. Carbon emissions will plummet far faster than in top-down or Manhattan projects. A clean environment that supports all life on the planet can be restored.

“Carbon tax and 100% dividend” is spurred by the recent “carbon cap” discussion of Peter Barnes and others. Principles must be crystal clear and adhered to rigorously. A tax on coal, oil and gas is simple. It can be collected at the first point of sale within the country or at the last (e.g., at the gas pump), but it can be collected easily and reliably. You cannot hide coal in your purse; it travels in railroad cars that are easy to spot. “Cap”, in addition, is a euphemism that may do as much harm as good. The public is not stupid.

The entire carbon tax should be returned to the public, with a monthly deposit to their bank accounts, an equal share to each person (if no bank account provided, an annual check – social security number must be provided). No bureaucracy is needed to figure this out. If the initial carbon tax averages \$1200 per person per year, \$100 is deposited in each account each month (Detail: perhaps limit to four shares per family, with child shares being half-size, i.e., no marriage penalty but do not encourage population growth).

A carbon tax will raise energy prices, but lower and middle income people, especially, will find ways to reduce carbon emissions so as to come out ahead. Product demand will spur economic activity and innovation. The rate of infrastructure replacement, thus economic activity, can be modulated by how fast the carbon tax rate increases. Effects will permeate society. Food requiring lots of carbon emissions to produce and transport will become more expensive and vice versa – it is likely, e.g., that the UK will stop importing and exporting 15,000 tons of waffles each year. There will be a growing price incentive for life style changes needed for sustainable living.

The present political approach is to set carbon emission reduction goals for 2025 or 2050. The politicians do not expect the goals to be reached, and they define escape hatches that guarantee they will not. They expect to be retired or become lobbyists before the day of reckoning. The goals are mainly for bragging rights: “mine is bigger than yours!”

The worst thing about the present inadequate political approach is that it will generate public backlash. Taxes will increase, with no apparent benefit. The reaction would likely delay effective emission reductions, so as to practically guarantee that climate would pass tipping points with devastating consequences for nature and humanity.

Carbon tax and 100% dividend, on the contrary, will be a breath of fresh air, a boon and boom for the economy. The tax is progressive, the poorest benefitting most, with profligate energy users forced to pay for their excesses. Incidentally, it will yield strong incentive for aliens to become legal; otherwise they receive no dividend while paying the same carbon tax rate as everyone.

Special interests and their lobbyists in alligator shoes will fight carbon tax and 100% dividend tooth and nail. They want to determine who gets your tax money in the usual Washington way, Congress allocating money program-by-program, substituting their judgment for that of the market place. The lobbyists can afford the shoes. Helping Washington figure out how to spend your money is a very lucrative business.

But we can save the planet and alligators by making sure that not one thin dime of the carbon tax is siphoned off by lobbyists for their clients – 100% must be returned to citizens as dividend. Make this your motto: “100% or fight! No alligator shoes!”

Check the position of your congresspersons. If they spout things like “global warming is the greatest hoax in the history of the universe”, check the shoes of the people who visit them or have dinner with them. Changes in Congress are needed if we want our children and grandchildren to win this one.

Because of great benefits to the nation, humanity and nature, this approach soon would be adopted by other nations, providing an obvious path toward international agreements.

Jim Hansen

Carbon Tax and 100% Dividend

1. Tax Large & Growing (but get it in place!)

- tap efficiency potential & life style choices

2. Entire Tax Returned

- equal monthly deposits in bank accounts

3. Limited Government Role

- keep hands off money!

- eliminate fossil subsidies

- support technology development (no Manhattan projects!)

- change profit rules and motivation for utilities

- watch U.S. modernize & emissions fall!