The Right's Green Awakening and the Debate on the Tax-and-Dividend Idea

Saturday 13 May 2017, by TANURO Daniel (Date first published: 24 April 2017).

Leading Republicans are abandoning climate-change denialism in order to design "green" policy favorable to capital.

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The COP21 negotiators at the Paris 2015 convention enjoyed a rare moment of success. Unlike in Copenhagen six years before, the climate summit produced an agreement — and an ambitious one at that. The attending governments committed to keeping the temperature rise "well below 2° C" and "continuing efforts" not to exceed 1.5° C of warming. No one had imagined such a breakthrough.

There was a fly in the ointment, however, which French president François Hollande immediately pointed out: the parties had not agreed to introduce a carbon price, an element that had been at the center of capitalist climate strategy leading up to the summit. Six months before COP21, Hollande had said [1]:

"If we really want to send signals to the markets so that companies can make their decisions based on an economic optimum, which can be an ecological optimum, the question of the price of carbon is necessarily posed because it is the most tangible sign that can be addressed to all economic actors."

Hollande's statement reveals how capital continues, even more than before, to shape the agreements coming out of the COP summits. The dominant role of capital is made even clearer by a new carbon tax-and-dividend scheme put out by neoliberal think-tanks and championed by a group of US Republicans.

But despite its populist potential and liberal pedigree, the proposal will not solve our ecological crisis. For that, we need to build a strong alliance from below that will develop alternatives freed from the profit-driven logic that produced the climate crisis in the first place.

Capital’s Will

COP21’s organizers did everything they could to give the impression that the heads of state and governments were writing history, but they had already spent a long time negotiating the details with multinational corporations. At the Lima COP meeting the year before politicians and corporate heads established the framework for the Paris Accord through “high-level strategic dialogue.”

Corporations insist on a central role in climate negotiations. Convinced that they will eventually have to internalize the costs of global warming, most large transnational corporations want a firm political decision on the carbon price as soon as possible so that they can plan their investments. They also demand a global carbon price to make sure all competitors pay more or less the same. (Pending political decisions, many multinationals are already practicing an internal carbon price, as recommended by the Financial Stability Board [2]).

The manifestos, open letters, and various reports that capitalist think tanks and corporate groups published in the months preceding COP21 clearly demonstrate this.

For example, the Global Commission on the Economy and Climate, an influential think tank cochaired by Roberto Calderon, former president of Mexico, and Nicholas Stern, who wrote an important 2006 report on the economics of climate change for the British government, published the *Better Growth, Better Climate Report* in 2014 [3]. The executive summary recommends “introduc[ing] strong and predictable carbon prices . . . [to] sen[d] strong signals across the economy.”

The proposals from nine employer groups and several hundred CEOs of large companies [4], released a few months before the COP21, referred explicitly to this report, arguing that

"*The agreement should lay the foundations for the integration of a carbon pricing system in all major emitting countries, which:*

• robust and predictable, thereby stimulating action on emissions and enabling investment decisions in low-carbon technologies in the best cost-effective way;
prevents from competitive distortions;

• is coordinated with a phasing-out of all existing carbon subsidies;
relies on relevant tools such as emission trading schemes, or taxes/extensions of trading schemes"

The demand for a carbon price extends beyond the green capitalist sectors. In June 2015, six major oil companies — the British Gas Group, BP, Eni, Royal Dutch Shell, Statoil, and Total — wrote an open letter [5] to the United Nations “urging governments to speed up their policy response to provide much stronger carbon pricing.” ExxonMobil did not sign, but, in a press release [6] at the end of the Paris talks, the fossil fuel giant enumerated the “key principles” of a climate policy. It concluded:

“Policymakers around the world currently are considering a variety of legislative and regulatory options to achieve these ends. Among the various proposals, ExxonMobil believes a revenue-neutral carbon tax [that does not increase the tax burden] would be . . . the best way to meet them.”

Capital’s efforts to shape the future of climate regulation will only increase. COP21 didn’t eliminate the threat of climate change. The agreement amounts to a declaration of intentions, and there is a gap of approximately 2° C between those intentions and the Nationally Determined Contributions (NDCs) decided by states. The “high-level strategic dialogue” is supposed to address this gap in the future, and the conversation continues today, underpinned more than ever by corporate interests. These multinationals insist that they must design the energy transition because they — not the public sector — will implement it.

Enter the Republicans

More than anything, corporations want a global carbon price. How this price should be realized, however, remains up for debate. So far, discussions vary based on national and regional experiences. Some advocate the creation of new emissions trading markets, like those in the European Union, California, Quebec, the northeastern United States, and six regions of China. Others want to levy a carbon tax, like the one British Columbia tested.

The ranks of carbon-tax supporters unexpectedly swelled last month when eight grandees of the Republican Party — yes, the party of climate-denier Donald Trump — put forward a concrete carbon tax formula.

The Republicans' frame their carbon tax plan as a "neutral" tax that won't enlarge the "tax burden." They also want to implement it immediately in the United States rather than wait for a global carbon price.

On a superificial level, the proposal is kind of amazing. Taking up an idea first proposed by prominent climatologist James Hansen, the plan calls for a carbon tax that would grow each year, the revenues of which would be fully and equally paid back to citizens. Every man, woman, and child would receive the same amount of money.

The authors are conservative heavyweights, including James Baker III (secretary of state under President George H. W. Bush), Henry Paulson (secretary of the treasury under George W. Bush, formerly CEO of Goldman Sachs), Martin Feldstein (president of Ronald Reagan's economic council), George Schultz (Reagan's secretary of state, Richard Nixon's secretary of treasury and labor), and Rob Walton (former Walmart CEO).

Their eight-page proposal [7], entitled "The Conservative Case for Carbon Dividend," was written for the Climate Leadership Council (CLC), a think tank that aims to "mobilize the leaders of the world opinion around the most effective, popular and equitable climate solutions."

The proposal has four components. First, a forty-dollar-per-ton carbon tax would be levied when fossil fuels enter the American economy — at mines, wells, or ports. This amount will increase every five years.

Second, it is a "neutral tax," the proceeds of which will be paid in full to American citizens, including children, in the form of a per-capita quarterly dividend, identical for all and tax-free. At the initial rate, a family of four could expect an average annual dividend of $2,000.

Third, an adjustment mechanism would be put in place at the borders to avoid degrading the US economy's competitiveness. American companies that export to countries without a carbon price will receive a discount on the domestic carbon tax, and imports from these countries will be taxed on the basis of their carbon content. These funds would go to the citizen dividend. This element allows the United States to move forward before other nations agree on the world carbon price while still pressing for its introduction.

Finally, regulations "no longer necessary upon the enactment of a rising carbon tax" would be abolished: Much of the EPA's regulatory authority over carbon dioxide emissions would be rolled back, including an outright repeal of the Clean Power Plan.

The proposal also calls for the complete withdrawal of the anti-coal measures Obama enacted to meet the American NDC. The authors justify this demand by saying: "To build and sustain a bipartisan consensus for a regulatory rollback of this magnitude, the initial carbon tax rate should be set to exceed the emissions reductions of current regulations."

The Egg of Columbus

The proposal's paradox is obvious: while it's supposed to meet the challenge of climate change, it does not quantify — and indeed hardly mentions — how the plan would impact emissions. In fact, the authors' motivation seems more economic and political than ecological and social. They use anxiety about climate change and discontent with austerity to push through their agenda. While their method is more subtle than Trump's, they share the president's reactionary urges, notably with regard to protectionism and dismantling the EPA.

Economically, the proposal takes up green capitalism's classic arguments: introducing a carbon price will stimulate technological innovation, increase investment prospects (through "large-scale substitution of energy and transportation infrastructures"), and give companies, especially in the energy sector, the stability they need to plan ahead. They write:

"[I]f investors know that a carbon tax will increase steadily over time, the stimulatory effect of the final tax rate would be felt almost immediately for infrastructure and utility projects, especially ones that have long-term paybacks. In addition, forward-looking households would have an incentive to borrow."

Further, the end of regulation would "give companies the flexibility to reduce emissions in the most efficient way." The carbon tax would produce positive effects all around: on "growth through its dynamic effects on consumption and investment" and on consumer behavior, too.

The authors connect the "economic insecurity" that their proposal would help alleviate to the global rise in populism, which "threatens the current policy consensus in favor of liberalized trade and investment." While this threat "does not lend itself to easy answers," they write, "a carbon dividends program provides a rare exception." As "a simple idea that strengthens the economy and elevates the economic prospects of the nation's disaffected," the dividend can "redirect populist energy in a socially beneficial" — that is, neoliberal — "direction." Basically, the authors use populism to fight populism, as evidenced by their appeal: "we the People deserve to be compensated when others impose climate risks and emit gases that trap heat in our shared atmosphere."

The proposal's ideology will appeal to more traditional conservatives, too. The plan's authors present the tax-and-dividend scheme as an ideal strategy for "shrinking the overall size of government." They write:

"Eliminating or phasing out an array of energy-related regulations would reduce government bureaucracy, promote economic growth and free up the financial and personnel resources now allocated to administer and comply with these programs. A gradually increasing carbon tax would also eliminate the rationale for ever more heavy-handed regulations of greenhouse gas emissions in future years."

Like Trump, the authors attack the EPA's regulatory role, but they do so in the name of the environment. They insist:

"[T]he one-to-one relationship between carbon tax revenue and dividends [must] be maintained as the plan's longevity, popularity and transparency all hinge on this. Allocating carbon tax proceeds to other purposes [like investments in renewables] would undermine popular support for a gradually rising carbon tax, and the broader rationale for far-reaching regulatory reductions."

That is, they will win support from the plan by paying off consumers, who otherwise might object to further cuts to the United States' regulatory framework.

The authors also think that their proposal fits into the country's larger foreign policy goals, claiming it will "stabiliz[e] an unstable world." They take into account both the American people's weariness in the face of war and the United States's desire to preserve and strengthen its imperialist leadership. "Stabilizing the world," for Baker and friends, means giving the United States "energy independence." A carbon tax, they argue, would "encourage domestic nuclear energy, further promoting climate stability and America's energy independence." Such independence "would . . . reduce the need to protect or seek to influence politically vulnerable oil-producing regions," bolstering national security.

Finally, the plan would "consolidate[e] conservative leadership." They explain:

"Recent polls indicate that 64 percent of Americans worry a great deal or a fair amount about climate change, while a clear majority of Republicans acknowledge that climate change is occurring. Meanwhile, one telling survey finds that 67 percent of Americans support a carbon tax with proceeds returned directly to them, including 54 percent of conservative Republicans."

People might disagree about the role humanity plays in climate change, Baker and his associates concede, but the "evidence" is "growing too strong to be ignored" and the risks "are too big and should be hedged." For the authors, "[t]he opposition of many Republicans to meaningfully address climate change reflects poor science and poor economics, and is at odds with the party's own noble tradition of stewardship." Further, Americans under the age of thirty-five, Latinos, and Asians — notably, the groups with the highest population growth — are the most concerned about climate change. The GOP "ignores this reality at its own peril."

The strategic conclusion is clear: "It is incumbent upon the GOP to lead the way rather than look the other way." Republicans now have a rare opportunity to set the terms of a lasting market-based climate solution that warrants bipartisan, industry, and public support. No less important, this is an opportunity to demonstrate the power of the conservative canon by offering a more effective, equitable, and popular climate policy based on free markets, smaller government, and dividends for all Americans. As three of the authors wrote in a *New York Times* forum, the four combined pillars invite "novel coalitions":

"Environmentalists should like the long-overdue commitment to carbon pricing. Growth advocates should embrace the reduced regulation and increased policy certainty, which would encourage long-term investments, especially in clean technologies. Libertarians should applaud a plan premised on getting the incentives right and government out of the way. Populists should welcome the distributive impact."

Mixed Reviews

A *Financial Times* editorial praised the proposal, certifying its neoliberal authenticity:

"There is nothing intrinsically statist about correcting a price to incorporate the true costs of production — in this case, the environmental cost of carbon emissions — while leaving the wider market untouched."

The British newspaper continued wickedly: "Accepting that principle would make intelligent economics, rather than ideology, the underpinning of the US approach to climate change." Touché.

Some of the anticipated members of Baker and friends' "novel coalitions" immediately fell into line. Democrat Lawrence Summers, for example, shows that the eight conservatives are right to bank on a bipartisan consensus. Summers wrote [8] that he "strongly supports" the proposal, even agreeing to abandon environmental regulations in favor of price incentives: "Some of my friends may not completely agree, but I think the replacement of command-and-control regulation with such a tax is a positive step. It will reduce uncertainty and thereby encourage investment."

Part of the environmentalist movement also welcomed the CLC's proposal, underscoring Naomi Klein's assertion that the green right is largely confused by green capitalism, if not by capitalism itself.

Mark Tercek helpfully illustrates this confusion. Former managing director at Goldman Sachs, Tercek now runs The Nature Conservancy (TNC), a million-member organization that manages thousands of square kilometers of protected land all over the world. The value of the TNC's assets likely exceeds $5 billion, and oil company representatives sit on its board of directors.

Tercek also cowrote *Nature's Fortune* [9], a book that argues that we should safeguard the environment because it represents a massive source of profit. Protecting the natural world, for Tercek, comes down to making protection attractive to investors. This strategy entails putting a price on everything, especially carbon, so his reaction to the proposal should not come as a surprise: "We should all welcome the carbon dividend proposal announced by the Climate Leadership," he wrote [10]. "And as our Republican friends come out, I hope that Democrats and environmentalists will happily welcome them to a new, bipartisan conversation on this carbon dividend proposal."

Unfortunately for Baker and his co-authors, their own camp didn't roll out the welcome mat. Rupert Darwall — historian, member of ultra-conservative think tank the Center for Policy Studies, and Trump supporter — exemplifies this position [11]. Darwall's book *The Age of Global Warming: A History* [12] nicely illustrates how climate denialism fits into the Republican Party's dominant "reactionary mind." [13]

Granted, the authors of the "Conservative Case for Carbon Dividend" recognize this obstacle. Regardless of what (or who) caused climate change, they argue, Republicans have an obligation to try and prevent the threat it poses. But this argument begs the question: why limit anthropogenic emissions if they do not cause climate change?

Darwall zeroes in this weak point, writing that "no one in their right mind would think of taxing CO_2 if it were considered harmless and essential to life, which of course it is," and calls the proposal nothing but the "climate hysteria of the elites."

Darwall's position does not come simply from ties to climate deniers. More profoundly, his conspiratorial ideology makes him insensitive to reason — even the imperialist "reason" that, if the United States withdraws from the Paris Accords, it will allow China to take a leadership role in the energy transition and vastly increase its power on the global stage.

People like Darwall believe that international competitors invented "climate hysteria" to prevent the

United States from using its enormous fossil reserves and becoming “great again.” China takes first place in wind and solar? So much the better, Darwall argues, because that will increase the price of its exports, while coal, shale gas, and cheap tar sands will guarantee the competitiveness of the US economy.

In one article [14], Darwall asks Trump to learn from George W. Bush’s experience: Bush began his second term by denouncing Kyoto, but then Tony Blair bombarded him at the G8 summit. At Gleneagles in 2005, Bush yielded and opened the door to Obama’s climate policy, which, Darwall claims, favors China. The new president must learn this lesson and “stand up to the world.” This advice would be laughable if the stakes weren’t so high.

Reconsidering the Hansen Proposal

The CLC’s proposal, despite objections from climate deniers, could shape public consensus in a real way. The reason is climate denial is unbearable in the long term. As Tercek puts it, “In their hearts many Republicans in Congress know that we need to act, but they are imprisoned in their anti-climate position by fierce partisan politics and the threat of interest group money supporting their primary opponents.” Nobody knows when “the day for the prison break” will come, but the Left needs to seriously consider its position.

James Baker and his colleagues didn’t invent the tax-and-dividend idea: prominent American climatologist James Hansen originally formulated the plan. Former director of the NASA Goddard Institute, Hansen has been a climate activist since his retirement. He sounded the warming alarm as early as 1988 in a testimony before a congressional committee. An eminent scientist, humanist, and man of conviction, Hansen has been arrested several times for participating in actions against coal-fired power plants and the Keystone XL pipeline. His personality partly explains his proposal’s success in some left-wing and ecologist circles.

In a deposition before Congress in 2009, Hansen first suggested a carbon fee and dividend. His reasoning was sound. He rightly understood that climate policy can only succeed if it has majority support: that is, if it echoes, to some extent, growing anti-austerity sentiment. His proposal was designed to do just that.

As he explains in *Storms of My Grandchildren* [15]:

“Low-income people can gain by limiting their emissions. People with multiple houses, or who fly around the world a lot, will pay more in increased prices than they obtain in the dividend. . . . If the funds are distributed 100 percent to the public, the public will allow the fee to rise to high levels, in contrast to the relatively ineffectual carbon price characterizing cap-and-trade or a pure carbon tax.”

Hansen knows we need to change the energy infrastructure but notes that the transition will take several decades. Given the urgency, a fee-and-dividend system is the only way to effectively reduce emissions and avoid runaway climate change. He sees this proposal as the central lever of a popular policy that would also include energy savings, a ban on exploiting unconventional fossil fuels, the closure of coal-fired power plants not equipped with carbon capture and sequestration, soil management to increase carbon storage, and the development of so-called fourth generation nuclear power.

Hansen’s approach convinced one segment of the Left. In 2013, John Bellamy Foster, well known for *Marx’s Ecology* [16], wrote a long article for the *Monthly Review* addressing the proposal. Foster expressed numerous reservations, writing that “the Hansen exit strategy for all of its strengths is itself insufficient” and “does not go far enough.”

“Despite its progressive features,” he writes, “it is mostly a top-down, elite-based strategy” that doesn’t address “the question of capitalism and the accumulation imperative that drives such a system.” Foster maintains, therefore, that “a real solution demands a radical alteration in social priorities,” a “much larger social transformation that can only be unleashed by means of mass-democratic mobilization,” in short, “a revolutionary transformation.”

Nonetheless, Foster strongly supported the dividend tax, viewing it as “the only feasible approach for getting carbon emissions down rapidly.” He praised Hansen for paying attention to class: “The significance of Hansen’s approach to climate change, beyond his grasp of climate science itself, derives largely from his class analysis, his populist frame, his internationalism, and his dire realism,” pointing out that “[w]ithout a much higher carbon price that reflects the real cost of carbon dioxide (including its environmental costs), there is no hope of avoiding disaster given the nature of the prevailing social/economic system.”

Foster’s position seems hard to reconcile. On the one hand, he takes a revolutionary stance, consistent with his analysis of global warming as a consequence of capitalist accumulation. On this basis, he logically rejects any step-by-step strategy: “[n]o gradual exit is possible,” he writes, “time is too short.” On the other hand, he considers Hansen’s proposal “the crucial first step that must be taken if irreversible climate change is to be avoided,” calling it “a calculated attempt to push through the maximum plan that the regime of capital could conceivably accept.”

Foster struggles with the inherent contradiction at the heart of Hansen’s proposal, which is really a populist variant on the neoliberal doctrine that claims we can combat the destruction of the environment without fighting accumulation, without creating binding targets for pollution reduction, and without innovative collective practices that generate new cultural values. The fee-and-dividend system gives pollutants a market price so that companies will reorient their investments and consumers will change their habits.

To escape this contradiction, Foster argues that Hansen’s proposal is “objectively revolutionary” because it will trigger the anticapitalist dynamic necessary for any long-term climate stabilization plan:

“The greatest potential of Hansen’s steadily increasing carbon fee and dividend is that its results would reverberate in every aspect of the society and economy. It would make clear as never before at the level of everyday life the class nature of carbon footprints and the increasing destruction of the planet as a place of human habitation.”

Foster even invokes the authority of the *Communist Manifesto* to drive his point home: And it would soon be evident that the radical kinds of changes that would need to be introduced into the whole constellation of production, distribution, and consumption relations could not “be effected except by means of despotic inroads on the rights of property, and on the conditions of bourgeois production; by means of measures, therefore, which appear economically insufficient and untenable, but which, in the course of the movement, outstrip themselves, necessitate further inroads upon the old social order, and are unavoidable as a means of entirely revolutionizing the mode of production.”

Foster’s belief in the proposal’s anticapitalist cred rests on the idea that giving, say, $2,000 a year to all American households has a “class character.” The ease with which eight Republican leaders have taken up the fee-and-dividend idea, however, should give cause for doubt.

What, precisely, constitutes a class demand? It must make the exploited recognize that society is divided into antagonistic classes, determined by their relations to production and property. In the capitalist mode of production, which constantly reproduces social inequality, distributing an identical sum of money to all citizens does not reveal this class antagonism. In fact, it conceals it. Everyone will pay the tax — because the companies will pass it on to the consumers (at least partly) — and everyone will be paid by it. The per-capita dividend would have a slight redistributive effect, but not enough to give it a "class character."

Not the Only Feasible Approach

For Foster and his followers, who include Ian Angus [17], founder of the excellent Climate and Capitalism site and our comrade Alan Thornett of Socialist Resistance, the urgency of global climate change justifies supporting Hansen. They argue that the dividend tax is the only feasible approach in the current context — "the maximum that the capital regime could reasonably accept," as Foster puts it.

Alan Thornett elaborated on this idea [18]:

"We need a complete change over to renewable energy, an end to productivism, a huge programme of energy conservation, an integrated transport policy and a big reduction in the use of the car, the localisation of food (and other) production where possible, land reform, water conservation, food sovereignty, a big reduction in meat consumption, the protection of habitats and vulnerable species — the list could go on. The problem, however, is how to get such measures accepted and implemented, in a remotely relevant timetable and how to generate popular support for their introduction. . . . The problem with this, to put it crudely, is that we do not appear to be on the verge of world revolution and therefore when it eventually comes it may be too late to do very much."

While climate change does pose an extremely serious threat, it isn't true that the tax-and-dividend scheme marks the limit of policy that capital would accept, nor that the other proposals would require a "world revolution" before being enacted.

For example, a public plan that insulates and renovates buildings — starting with public and parapublic buildings — could be implemented without destroying the capitalist system; many cities have introduced free public transport; citizen associations organize consumption patterns based on local organic agriculture; the peasant trade unions of Via Campesina are working on food sovereignty and carbon-storing cultivation methods; indigenous peoples defend the forest and other natural resources in their territories; sectors of the labor movement are calling for the creation of "energy democracy" by socializing the energy industry and retraining workers; and hundreds of thousands of people are mobilizing against fossil infrastructure.

The difference between these projects and the fee-and-dividend proposal is not that the former will take time to develop whereas the latter can be implemented immediately. Rather, the abovementioned movements belong to a social strategy that allies with the exploited and the oppressed to develop an ecosocialist alternative, while Hansen's and the CLC's proposals entail the quest for a political consensus around so-called win-win-win legislation.

Recent developments in Seattle help demonstrate this difference. The Washington state climate movement was building an alliance with trade unions, communities of color, women's organizations, indigenous peoples, and other oppressed groups. A current within this movement believed that the climate emergency required a political agreement between Democrats and Republicans, achievable only around a carbon tax, which it got on the ballot last November. (The proposal differed somewhat from Hansen's. It lost, 40.75 percent to 59.25 percent.) The two strategies involved very different relationships with social movements.

David Roberts summed up the case in these terms [19]:

"The Left is under pressure from its social justice wing to make climate part of a larger progressive movement. At the same time, it is still under pressure from centrists and wonks to make climate policy bipartisan, and that pressure will only grow more intense when the number of Republican lawmakers willing to negotiate on climate grows (from its current tiny handful)."

But even the full distribution of tax proceeds to citizens would not guarantee that climate policy has socially just effects. That demand would require more than an increase in individual incomes — a boost that consumers, by the way, could use to buy a SUV. As Roberts put it:

"low-income communities don't just need tax relief; they need resilient infrastructure, access to jobs, and training in the clean energy economy. Union workers don't just need tax relief; they need transition assistance, retraining, and protection for the industries in which many of their members work."

Transition, in other words, requires collective projects and investment. Roberts asks, "If a price on carbon doesn't fund that investment, what will?" The question becomes all the more pertinent since each proposal under discussion is based on the dogma of the carbon tax's "fiscal neutrality."

Funding isn't the only thing at stake. The Left also needs to adopt a strategy that can respond to these challenges in terms of programs on the one hand and collective practices that generate new cultural values on the other. This point is essential: how can we imagine fairly exiting the climate crisis without practices of self-organization, control, and self-management that link social and environmental demands? Such techniques would enable the exploited, oppressed, and alienated to develop an alternative to bourgeois consumerist and productivist ideology. The tax-dividend does not favor them in any way.

Not the Only Effective Proposal

Left-wing supporters of the fee and dividend claim that it is the only way to rapidly reduce greenhouse gas emissions "in the current context" because the dividend will guarantee popular support for a policy that would increase the price of carbon (to about $150–200/ton of CO_2).

Assuming companies accept these levels, we must show that the tax would reduce greenhouse gas emissions. Hansen says a ten-dollar-per-ton tax, increasing by ten dollars each year, would reduce emissions by 30 percent in ten years, when the tax would reach one hundred dollars per ton. Three responses can be made to this claim.

First, this doesn't improve on the climate plan developed under Obama after COP21, which called for a 26 to 28 percent reduction between 2015 and 2025 through regulation. Second, like Obama's objective, Hansen's proposal has barely more ambition than the one that the United States should have achieved in 2012 by ratifying the Kyoto Protocol.

Finally, and crucially, Hansen's own example to Congress questions these estimates: a $115 fee for every ton of carbon dioxide emitted from fossil fuel — equivalent to a $1 increase per gallon of gasoline, or about 8 cents per kilowatt hour in electricity charges — would generate $670 billion in dividends. Each adult "legal resident" would receive one share, equal to $3,000 a year. A family with two children would receive around $9,000 a year, with $750 deposited into its bank account each month. There is no connection between the tax, the dividend, and emissions reductions. Some time after the climatologist first formulated his proposal, gasoline prices in the United States increased by about $1.20/gallon, in two years, not in ten. The effect on consumption — and therefore on emissions — remained very limited: less than a 3 percent reduction occurred [20].

In general, there are two possible mechanisms for reducing emissions: regulation and taxation. Hansen clearly believes the second will be more effective than the first. He also underlines the tax's legislative simplicity when compared to cumbersome regulatory mechanisms.

We should think carefully before supporting him on these points. Regulation designed to meet environmental objectives guarantees a result, while price incentives do not; the tax's environmental outcome will depend on market responses. In other words, regulation prioritizes environmental constraints — such as the volume of greenhouse gas emissions or the atmospheric concentration of these gases — and their corresponding social effects. Taxation, in contrast, prioritizes companies' economic constraints by making costs and profits predictable. Put this way, it seems obvious that the Left should favor the first method.

In practice, however, the United States and others countries implement regulation through cap-and-trade policies. As the name implies, these systems combine a cap on emissions and the commercialization of emission rights. The latter, in fact, represents an escape from the former. That explains why employers push to relax cap and trade through multiple and complex market mechanisms like the "Clean Development Mechanism" (CDM) in the Global South that provide them exchangeable emissions credits, including carbon credits coming from tree plantation. Cap and trade becomes more "trade" and less "cap" — and is thus less and less effective.

The regulatory burden that Hansen denounces is partly a product of this development. Consider the European Emissions Trading Scheme (ETS): its relative inefficiency does not come from the cap on emissions but from the fact that businesses regularly circumvent the cap through the free allocation of excess emission rights, which are exchangeable and considered equivalent to the credits generated by the "Clean Development Mechanism." In short, regulation becomes more inefficient thanks to multinationals' political influence and carbon's commodification. To draw an argument in favor of a purely commercial mechanism — the tax — would constitute a major strategic error for the Left.

Moreover, the tax-dividend system has not proven more effective than cap and trade. In Vancouver, the Liberal Party introduced a neutral tax on corporate and household emissions in 2008, which started at ten Canadian dollars per ton of CO_2 and increased to thirty Canadian dollars four years later. Poor families and small businesses received partial tax breaks as a mode of redistribution. The result? [21] Emissions reduced between 5 and 15 percent — not much more than what California achieved through cap and trade.

Fee-and-dividend boosters will argue that the Vancouver system differs from what Hansen proposed. Indeed: the tax is low, and its revenues are not fully redistributed to the households. But if, as Foster suggests, we consider the "maximum of what the capital regime could reasonably accept," then we must consider the tax rate and the redistribution scheme in the context of global competitiveness. This brings us to the last point of our development: the international dimension of the case.

Nor Internationalist

The Left must put the fee-and-dividend model into a global context, seriously taking into account the differentiated responsibilities between the North and South. The United Nations Framework Convention on Climate Change (UNFCCC) stipulates that the fight against global warming must recognize that different countries have different responsibilities and different capacities to cope with the consequences of climate change. Efforts need to be fairly divided between so-called developed countries, which carry most of the historic responsibility for the accumulation of CO_2 in the atmosphere, and the poorest countries, which carry virtually none.

Imperialist nations have been fighting this principle of North-South justice for years. The Copenhagen COP in 2009 failed in part because these countries refused to comply with the sharing requirements.

The next year, the Cancun COP put the issue on the back burner. Rather than arguing over how to divide responsibility, governments decided to try to reach a global agreement by asking each nation to come up with the NDC it could assume. The Paris agreement came out of this bottom-up method, producing the gap between the official target (1.5–2° C maximum warming) and the temperature rise projected on the basis of the NDC (2.7–3.7° C). This gap needs to be filled, and future negotiations will focus on "rais[ing] the level of ambition" of the NDCs. The thorny issue of North-South burden-sharing will likely pop up again.

Hansen recognizes the Global North's major historical responsibility and the Global South's right to development. But his proposal potentially contradicts this principle. In Hansen's opinion, a few high-emitting countries should agree to introduce the fee and dividend, which market mechanisms would then spread. Capitalists, however, will not allow the tax to rise from year to year until the total decarbonization of the economy: even the proposed forty-dollar-per-ton fee would undermine competitiveness, and employers would not fail to squeeze jobs.

Hansen formulates his response to these questions in a recent article [22], which closely resembles Baker and friends' "Conservative Case." Hansen calls for "duties on fossil-fuel-derived products from non-participating nations and fee rebates to domestic manufacturers for goods shipped to non-participating nations."

The so-called developing countries that export goods to the United States would de facto be charged a global price of carbon aligned with the American price, which does not take the differentiated responsibilities to climate change into account. Hansen sees the contradiction, but argues that "fossil fuels cannot be phased out if some countries are allowed to export products made with untaxed fossil fuels." He goes on:

"Developing countries have rights, recognized in the concept of common but differentiated responsibilities, and leverage to achieve economic assistance, which should be tied to the improved agricultural and forestry practices needed to limit trace gas emissions and store more carbon in the soil and biosphere."

In this way, "[i]ssues raised by 'coercive cooperation' implicit in border adjustments will be subdued." Hansen's perspective looks more like enlightened imperialism than internationalism.

The Market Can't Be the Solution

This is not the first time that climate experts have attempted to formulate a market strategy based on the price of carbon that takes into account both climatic constraints and social justice. Before James Hansen, Anil Agarwal developed another well-intentioned market-based solution. While head of the Center for Environmental Studies, Agarwal proposed the "Contraction and Convergence" scheme [23].

The plan called on all countries to agree to a drastic reduction in global emissions ("contraction") combined with an equalization of per-capita emissions rights ("convergence"), allowing the Global South to catch up to the Global North through clean technologies. Agarwal suggested that tradable emissions allowances be distributed to any developing country that did not reach its per-capita quota. Northern countries insufficiently reducing their emissions should then buy these rights and the inflow of capital would enable the Southern countries to buy technologies for carbon-free development. Within the context of such an agreement, Agarwal believed that these countries would accept the Clean Development Mechanism (CDM).

Agarwal's plan had been popularized by the Global Commons Institute and supported by eminent scientists. It never came to fruition, for the simple reason that market mechanisms cannot protect the environment or the welfare of humankind. They are not tools that can be put to the service of any cause: they belong to a mode of production based on competing for the rights to profit from the exploitation of human labor and natural resources.

Nicholas Stern wrote that "[c]limate change is the largest market failure the world has ever seen." This failure does not come from any fault in the market but from the market's very nature. Trying to use market mechanisms to combat a climate disaster caused by the market economy is as counterintuitive as proposing we build tanks to build hospitals or schools.

Capitalist dynamics of accumulation have caused this ecologic crisis. The terrible dangers this crisis poses to humanity can only be averted by radical anticapitalist measures that aim to produce less, make different things, and employ different technologies.

Some carbon tax measures may be necessary (a tax on aircraft fuel, for example), but pricing pollution cannot be the primary mechanism. We have to confront the dynamics of accumulation, which the fee-and-dividend simply cannot do. Instead, it will create more market and less regulation — therefore more growth and more accumulation. It moves in the opposite direction.

Marx writes that "[t]he only possible freedom is that social man, the associated producers, rationally manage their exchange of matter with nature." Marx's conclusion in Capital anticipates our current urgency: "The essential condition for this development is the reduction of the working day." We should share more to live better, enjoying the true wealth: human relations.

James Hansen's proposal cannot be the axis of an alternative, nor the "first step" of an "exit strategy in social justice." The solution can only come — or not come — from the convergence of the concrete struggles of the exploited and the oppressed.

Daniel Tanuro

P.S.

* Jacobin. 04.24.2017:
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Capitalism, Why it Can't Work.

Footnotes

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