

ASSOCIATION FOR GOOD GOVERNMENT Log In

incorporating the Australia School of Social Science

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Good Government

Formerly called *The Standard*, *Good Government* is the Association for Good Government's bimonthly journal that discusses Georgist views of current events, political, economic trends, lessons in history, philosophical reflections and insights on ethics and social justice, as well as news and updates.

Read our recent December and February issues. April is coming out soon.

Why a Land Value Tax Beats the Carbon Tax

A solution cannot be found either in a problem incorrectly defined or winning a debate over a wrong issue. The world is caught in the crosshairs of a Climate. Change debate that world leaders, experts, and activists board transcontinental flights that emit more greenhouse gases that the activity vigorously argues over how to reduce. Let us deal with the situation in this context.

Among the solutions prompted is the mechanism where greenhouse gases – carbon especially – are to be priced or assigned a financial value for (1) capping or setting limits, (2) penalising nations and other parties which exceed the limits set by the international agreements and (3) form markets to trade between nations and other parties which exceed the set limits and nations and other parties that have successfully reduced emissions.

Here is a simplified analogy. Consider the world as a neighbourhood of homes and shops. Each has a fixed number of rubbish bins for general waste, recyclables, and decomposable matter, representing the different greenhouse gases. Any unit that has garbage exceeding the volumes of their chests will either be compelled to procure a second or pay the penalty for littering if their refuse overflow, which is a cost for excessive garbage or the analogy of carbon pricing. Other units manage their refuse by garden composting or creative recycling and offer increased space in their bins to their neighbours, equivalent to carbon credit trading.

In this analogy, the neighbourhood system described does not necessarily reduce garbage in the community; the carbon price to cap, tax and trade system does not necessarily lead to reduced carbon emissions. What is to stop the carbon-emitting entities from being encouraged to raise their emissions with the possibility of offering the carbon offset dealer an opportunity to invest in more carbon-emitting enterprises, having "financially, technically and legally" complied with the carbon caps? Without necessarily diminishing emissions. One fossil fuel company even bragged that it completed its carbon reduction obligations but without mentioning how.

Adding to the naiveté that the strategy will work to reduce carbon emissions is passing on the taxes to the hapless end consumers like Joe Blough & his household but making them feel that they are part of the solution, celebrating a 2% reduction in one year – which is inadequate to determine a long-term trend -- and lamenting that the decline could have continued had the tax remained in place.

Once, an advocate of the carbon tax asked if land taxers were anti-farmer for not supporting a carbon tax. A Georgists biased against renewable agricultural sources – such as industrial grade corn and cassava -- to be placed on an even keel with the fossil fuel industry?

A Georgist explained that first removing mining industry subsidies and applying a land value tax would have genuinely put the farmer on an even standing in the fuels market. It would place the fossil fuel extraction and the farmer on the same level. Except that fossil fuels are depletive and take tens of millions of years to replace, while agricultural crops are renewable and take three to four crop cycles a year.

Deprived of their subsidies and charging land value taxes on locations, the mining companies would have to pass higher costs to downstream corporate industries such as refineries that will suffer from reduced margins before passing it on to a long distribution chain before it can hit the household consumers. The market distribution channel will naturally seek cheaper substitutes and consider retrofitting the industries to refine their products to use cheaper inputs. So the land value tax would give the farmer a natural advantage as a producer and consumer better than the carbon tax.

Moreover, encouraging the adoption of regenerative farming methods will sequester the carbon more voraciously. Carbon, after all, should be treated more as an underutilised resource than argued over its contribution to a changing climate. Like waste, greenhouse gases are better treated as an underutilised natural resource and outcome of human development than an existential threat arising from progress.

The argument ended. Henry George won the day.

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