

# DIRECTORS' PERSPECTIVES

WHERE THE RSF BOARD EXPLORES CURRENT APPLICATIONS AND IMPLICATIONS OF HENRY GEORGE'S TEACHINGS.

## REV UP THE CARBON TAXES

BY FRANK DE JONG

Carbon levies are often calculated and applied in accordance with so many variables, that the whole process can sometimes resemble a game of whack-a-mole with exponential consequences. Nonetheless, I think carbon levies will help to reduce both housing costs and CO2 emissions.

If fossil fuel energy was purely a house-like asset, that is, in which the price reflected the costs of production, a carbon tax would work like a Pigovian tax, and thereby would help reduce emissions in direct proportion to the amount of the tax on the specific emissions violation.

But fossil fuel energy is also a land-like asset; that is, the price is determined by what the market will allow. CO2 reductions will not be effected in a way that corresponds to how a cigarette tax effects the relationship between revenues and cigarette consumption.

Fossil energy producers may simply choose to absorb the tax as part of the cost of business, forgoing some of the super profits they normally pocket; and thus leaving the price, and therefore the amount of fossil fuel energy used, unchanged.

To further complicate the situation, if energy costs rise, but people decide they are inflexible about their use of fossil fuel use, some of the rent capitalized into the price of land (which reflects available disposable income) will have to be diverted to fuel costs, thus reducing land values, and again, leaving emissions levels unchanged.

To review, fossil fuel energy use involves the costs of production AND it attracts rent; it is therefore both a house-like

and land-like asset. But since fossil fuel use is obviously only somewhat flexible, the effect of carbon fees will be share between the reduction of CO2 emissions and lowering the purchase price of land.

By definition, economic rent sharing is not punitive to any industry or lifestyle. It neither encourages nor discourages any particular enterprise, because it always leaves an operating profit in place. Picking winners and losers is the job of Pigovian taxes, not Geonomics.

Economic rent capture is not political or environmental. It's just sound economic

value tax (LVT). It's not necessary to understand the difference between rental value sharing and sin taxes, nor does it matter if carbon fees also reduce land values. The effects of both, in any case, are positive for the economy, nature and society.

Furthermore, whether carbon levies do or do not reduce carbon emissions, they are still highly beneficial because they offset economy-damaging dead-weight taxes on jobs, business and sales.

And regardless of how effectively carbon levies reduce emissions or lower land values, they clearly take away some of



the super profits from the fossil fuel energy industry, giving renewables and conservation measures more of the level playing field they deserve. Remember: renewables and conservation efforts don't attract rent,

policy and practice that forces the speculative economy to shift to the productive economy.

To reduce activities like smoking, drinking or fossil fuel use, politicians automatically resort to Pigovian taxes, not rent capture. Sin taxes make substances like cigarettes and alcohol more expensive because these substances are endlessly replicable and thus do not attract economic rent. Fossil fuels, on the other hand, are monopoly-held, finite gifts of nature, and which usually command prices above the cost of production.

But never mind that most politicians and consumers won't understand that eco-sin taxes will not reduce fossil fuel use until all the economic rent has been stripped off by land value tax or location

and thus can't generate profits above the cost of production; which means they don't attract equivalent investments.

So, drive your Chevy to the carbon levy, where everybody wins.

### Election 2020

In a December 2019 Gallup poll, "the economy" was rated as "extremely important" or "important" by 84% of people, making it the highest ranked of the 16 issues considered.