

# DIRECTORS' PERSPECTIVES (CONT.)

## USING A CARBON FEE AND DIVIDEND: A TOOL TO OVERCOME THE CLIMATE CRISIS

BY: PAUL JUSTUS

This past September, tens of thousands of people, including myself, sheltered indoors. Not just because of COVID mandates, but to escape the forest fire smoke engulfing the west coast. The sky was an eerie blood-orange and the air quality index exceeded 500, an extremely hazardous level. With the pandemic, the forest fires couldn't have come at a worse time. For many of us, it became dramatically clear that climate change is something affecting our lives here and now – not in some future decade.

The National Oceanic and Atmospheric Administration (NOAA) reported that the summer of 2020 was one of the hottest on record for the U.S. This excessive heat contributes to forest fires, hurricanes, and threatens the things we value and need to survive such as water, energy, transportation, wildlife, agriculture, ecosystems, and human health. With these threats consuming our lives, people are finally waking up to the fact that climate change is upon us and we, as a civilization, need to act before it's too late.



The goal set out in the Paris Climate Agreement, which President-elect Biden plans to rejoin, calls for no more than a 1.5 C increase in global temperatures by 2050 in order to avoid dangerous climate change events. According to a report by the Intergovernmental Panel on Climate Change (IPCC), countries will need to cut global CO2 emissions 45 percent below 2010 levels by 2030 in order to reach net-zero greenhouse emissions by 2050. The report suggests that the world will need a radical transformation of energy, transportation, and agricultural systems to meet this 2050 goal. Meeting this goal will be a serious challenge considering that solar and wind energy currently supply only about 9.8 percent of U.S. electricity production.

A new year is upon us and it's time to reduce our fossil fuel emissions to meet the Paris Agreement goals. Given the fact that the U.S. is embroiled in a great political divide when it

comes to issues like climate change, it's hard to imagine how this country could come together to work on a common solution. Nevertheless, we need to develop solutions that will bridge this division in our society so that our civilization can move away from a fossil fuel economy to one based on clean, renewable energy.

Actually, there is such a solution. In 2018, the Energy Innovation and Carbon Dividend Act (HB763), a bipartisan bill, was introduced into the U.S. House of Representatives. It died at the end of the session but was reintroduced into the 116th Congress. The bill was sponsored by Democrat Ted Deutch and cosponsored by Republican Francis Rooney. It would collect a fee of \$15 per ton of carbon dioxide at the source from oil, gas, coal, and other greenhouse gases. The fee would be increased by \$10 each year. All the revenue would be returned directly to American households as an equal, monthly energy dividend (or rebate). This approach is called the Carbon Fee and Dividend (CF&D). (Cont. Page 8)

## FINANCIAL INSECURITY AMONG THE PUBLIC

BY: BILL BATT

There is little doubt that much of the turbulence and uncertainty in recent politics stems from the financial insecurity Americans are feeling. There are many explanations for this – the uncertainty in the current job market and the dramatic fluctuations in the American economy. One only needs to watch the ads on TV to appreciate that investment firms, retirement systems, and financial consultants are all seeking to reassure households that their futures can be more secure. With the increasing abolition of pension programs and the privatization of alternatives, it is no wonder that such promises have emerged. All of this has come about while salaries and wages in many sectors have failed to keep up with the general costs of living, let alone inflation.

The American public has long counted on owning a home (and the growing equity in which this implies) as a means of assuring financial stability...what passes for the “American Dream.” In the past, there was a common presumption that home equity would steadily increase over the course of a homeowner's lifetime, and that it would then be possible at the end of a breadwinners' earning years to “cash out” with substantial holdings. This investment could supplement, if not guarantee, a comfortable retirement. In fact, one's “Golden Years” were thought to consist of three components: social security based on one's earning years; a pension drawn from one's employers; and the equity drawn from a home and a paid-off mortgage. People were sometimes encouraged to draw on this home value as a “home equity loan,” also called a “reverse mortgage.” (Cont. Page 8)



# DIRECTORS' PERSPECTIVES (CONT.)

## CARBON FEE (CONT.)

The CF&D set forth in HB763 has been supported by the non-partisan organization Citizen's Climate Lobby (CCL) since 2009. The CCL currently has 613 chapters and 195,000 active grassroots supporters across the country focused on passing Fee and Dividend legislation.

The CCL cites studies that show the positive benefits of the CF&D, including one by Regional Economic Modeling, Inc. (REMI) that shows that in 12 years such a fee system would lead to a 40% reduction in carbon emissions. Other studies, also done by REMI, estimate that the citizen's dividend would stimulate the economy and add 2.8 million jobs after 20 years, more than if business continued as usual. In addition, the CF&D would have a dramatic effect on public health by reducing toxins emitted from fossil fuels and by reducing climate events such as storms and fires.

A price on carbon would encourage businesses and individuals to reduce carbon use. With a higher cost of carbon, industries would be encouraged to reduce carbon use in the manufacturing process and, over time, to invest in the adoption of clean, innovative technology. As the carbon fees raise prices on carbon-intensive products, consumers would then buy products that use less carbon. Electric cars would be such an example.

Because of the Carbon Dividend, most people and households would come out ahead. A 2020 Household Impact Study concluded that around 61% of households and 68% of individuals will get back more from the dividend rebates than what they pay in increased energy costs.

In order to make foreign trade comply with the carbon fees, there would need to be a border adjustment for products that are imported from countries without comparable carbon fees or pricing. Likewise, as U.S. goods are exported to countries without carbon fees, they would receive a rebate.

In order to combat and defeat climate change in the next 30 years, our world civilization needs to do a lot more than setting up carbon fee and dividend systems. In particular, we need to do a great deal of work on regenerative agriculture so that our soils will capture and store carbon as organic matter.

Of course, regenerative agriculture can be – and is – set up on an incentive basis which is a separate issue and project. It is encouraging to know that a Carbon Fee and Dividend tool is available and that many people – from different points of view – are working to establishing and implement it.

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## FINANCIAL INSECURITY (CONT.)

But all this is no longer a certainty. It is no wonder that President George W. Bush's proposal in 2004 for privatizing social security met with overwhelming disapproval. It was a factor that probably cost him re-election. It is still, practically speaking, the political "sacred cow" of politics, even though the Federal government has by various unobtrusive means reduced its real purchasing value. It is no wonder, therefore, that the general populace continues to feel more and more financially vulnerable as years pass. The disparities of household income and wealth have grown profoundly, and continue to widen. Moreover, home values differ widely depending on geographic regions, and boom-bust cycles no longer offer the growing equity for later reliance.

In the 2020 Democratic primary, Andrew Yang, a successful entrepreneur, sought to capture and respond to this sentiment. His signature issue was to promise to every American citizen over the age of 18 a monthly \$1,000 "Freedom Dividend." His understanding of this need was drawn from his observation of the turbulence and insecurity that the general citizenry today faces. To Yang, the Freedom Dividend's benefits would lead to "healthier people, less stressed-out people, better-educated people, stronger communities, more volunteerism, and more civic participation." By making the distribution universal, current eligibility programs that rely on personal scrutiny, costly

governance and its bureaucracy would be reduced. In fact, what is elsewhere known as a Basic Income Guarantee, has been implemented in other nations with general acclaim. The idea has been proposed as long ago as in Thomas Paine's *Agrarian Justice*.

While the Basic Income Guarantee is growing in acceptance, it is not by itself likely to completely reassure the general public. But, stabilizing the increasingly unpredictable economy can be achieved by the public collection of income from ground rents that are now subject to boom-bust cycles based on speculative practices. Studies have shown that ever since the rise of industrial economies over two centuries ago, there have been regular recessions, depressions, and what were once called "panics," roughly every 18 years. If the public captured the unearned rents that otherwise flow to idle hands, the speculation in lands could be stemmed. Greater stability by instituting such revenue structures would comfort the public universally – business, commercial and household.

Neither a Basic Income Guarantee nor any personal retirement accounts now growing in usage are likely to address comprehensive household needs. Savings and investment programs should still be encouraged. When greater guarantees of financial security are in place, the personal and household assurances that are suggestive today offer a basis for discussion that is now, for the most part, lacking.