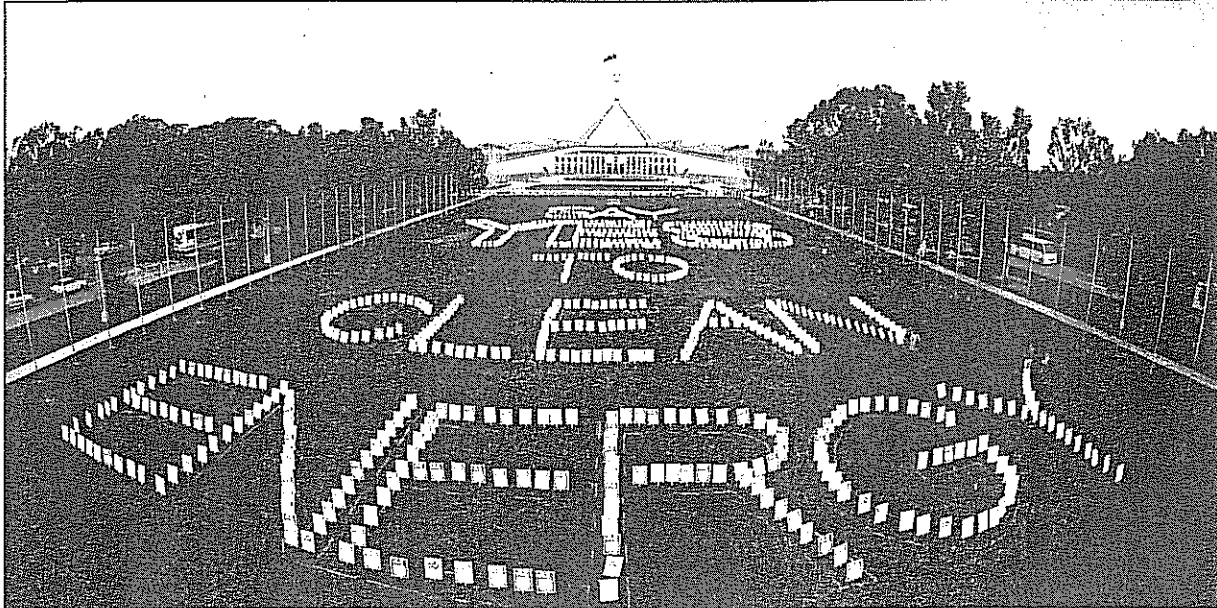


IN FAVOUR OF THE CARBON TAX

A Georgist tax that is desperately needed

By Karl Williams



A symbol of the pro carbon tax movement, protesters gathered at parliament house in January 2011 to pledge their support for a price on carbon.

So you've been clearing the rubble from your home extension and have been lent a trailer to take it to the local tip. When you pull up at the entrance and see that there's a charge of \$20 for a full trailer load, do you exclaim "What?! I'm not paying any tax! Richard Giles, the so-called Georgist, has been proclaiming that all taxes except those on surface land are theft!" ?

When the bemused tip attendant explains that the fee is rather a dumping charge for using (perhaps abusing) our Common Wealth, hopefully you will be pacified. There's a lesson there for the ALP, who've introduced the fair and necessary "carbon tax" but, like their Mining Resource Rent Tax (or super profits tax), have botched the terminology as well as the argy-bargy of party politics exceedingly badly. It would have been much more accurate and politically acceptable to have introduced what was termed a carbon dumping charge.

It's the beautiful underlying philosophy of our Georgist (or geoist, as I like to call it, to negate any perceived hero-worship) proposals that suddenly exploded my interest in economics, after enduring a mind-numbing economics degree in the mid-1970's.

This is how I read George. The Earth – land and natural resources – is something special, not to be conflated with capital, as neoclassical nonsense attempts to do by sleight of rhetoric and terminology. This is our Common Wealth, our equal and common birthright, ours to share communally. This message refined and uplifted all my hippy ideals of that amazing decade of the 1970s. This is the underlying economic lynch pin to deal with the root cause of inequity and poverty, of disrespect and plunder of Nature, of many social evils outlined by Henry George's incredible "Social Problems", and even of the seemingly inextinguishable drive to wage senseless war.



Why didn't I hear this in the first 2 minutes of my deadly-dull economics degree?

George didn't invent "his" economic proposals – rather, he independently rediscovered what a host of great philosophers and economists have proposed throughout the ages (but in less detail and refinement than George). The essence of this paradigm is that, as Rousseau so eloquently declared "The Earth belongs to nobody, but the fruits of the Earth belong to us all!"

These fruits are not divisible, however. Here we're talking about the locational value of surface land, water, clean air, soil fertility, minerals, the electromagnetic spectrum, ocean and forest resources, biodiversity and so on. That is, we can't divvy them up like pieces of a cake, and even if we could then what's left for future generations and what's to stop subsequent predatory buying up of some shares and the resultant concentration in fewer and fewer hands?

Nope. There's a far easier – nay, wonderfully elegant – way to share the Earth. Those who take a disproportionate amount from our Common Wealth owe the rest of us – DING! The users pay a natural resource charge in direct proportion to their use. Why didn't I hear this in the first 2 minutes of my deadly-dull economics degree? Why didn't economic journalists and think tanks comment that Robert Mugabe didn't have to confiscate the land from skilled white Zimbabwean farmers?– he only had to collect the annual rent from land to benefit *all* Zimbabweans!

But what if the Global Commons (another beautiful term, just like my preferred name for our organization, EarthSharing Australia) is not just used, but *abused* (i.e. depleted, degraded, devalued, polluted)? Same elegant principle applies – a natural resource charge will effectively reimburse others for their birthright's devaluation, as long as the true cost (hence True Cost Economics) is applied. This is the reasoning of the so-called carbon tax.

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This isn't just a beancounting exercise of resource debits and credits, but a powerful set of price signals that will encourage users all the way along the supply chain to shift their purchases or production methods in favour of less wasteful or polluting inputs/methods. Georgists are essentially libertarians and believers in free markets as long as they are fair markets, and any market player who gets a free ride on Nature is definitely not being fair to present and future generations.

Fortunately, progressive economists are generally convinced of the equity and efficiency of such natural resource charges, although they've created trouble for themselves by labeling such charges as a tax, therefore obfuscating the unique attributes of this mechanism. A Pigovian "tax" is defined as a tax levied on a market activity that generates negative externalities, intended to correct market outcomes. As it's generally explained, in the presence of negative externalities the social cost of a market activity is not covered by the private cost of the activity. In such a case, the market outcome is not efficient and may lead to over-consumption of the product. A Pigovian tax equal to the negative externality is thought to correct the market outcome back to efficiency.

And so to the great embarrassment I felt on reading, in our last issue, Richard Giles' article entitled 'Against the Carbon Tax' – the first copy distributed to all the interested enquirers following our Sustainable Living Festival outreach. Cringe-o-rama!