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FOR A CITIZEN'S "ENVIRONMENTAL DIVIDEND"

Alberto Majocchi *

The original idea of a Citizen's Income is normally attributed to the English philosopher Thomas Paine. In *Agrarian Justice*, published in France in 1797, Paine suggested that "every proprietor of cultivated land owes to the community a groundrent (…) for the land which he holds, since the earth is a common property of the human race". It is this "groundrent" that will be assigned "to create a National Fund, out of which there shall be paid to every person, when arrived at the age of twentyone years, [a sum] as a compensation in part, for the loss of his or her natural inheritance, by the introduction of the system of landed property", and "it is proposed that the payments (…) be made to every person, rich or poor". In his view the Fund should also pay pensions for the elderly.

Translated to language more appropriate to the present debate, Paine's idea is that land represents a public good, that everybody should have the right to enjoy. But this cannot happen due to the purchase of land by private owners. The financing of a Fund through a levy on these owners at the moment of their death could offer the possibility of distributing a sum to everybody, thus compensating these people for the loss of a proportion of the public good. The moral justification for this redistribution is that "land is a free gift of the Creator in common to the human race. Personal property is the effect of society (…). And he owes on every principle of justice, of gratitude and of civilization, a part of that accumulation back again to society from whence the whole came".

This theoretical quotation could be used to frame the "Economists' Statement on Carbon Dividends", published in the Wall Street Journal on January 17 and signed by 27 Nobel Prize winners in Economics, 15 former Chairmen of the Council of Economic Advisers and 4 former Presidents of the Federal Reserve. As the title indicates, this statement gives rise to the idea of a social dividend, linked to the possible use of a common good, thus returning to a concept already introduced by Meade in his reference to the ideal country of Agathopia. In the case of carbon pricing, for the American economists the common good is represented by atmospheric quality – endangered by CO_2 emissions; and the dividend that citizens could receive, in parallel to the reduction of the risks of climate change, should be funded through a carbon tax.

The Statement consists of five points, clarifying the meaning of a future European carbon tax, introduced as a complement to the Emissions Trading System. This is targeted, from one side, towards the financing of an ecological transition, with a shift from the burning of fossil fuels to the use of renewable energy sources and, from the other, to guaranteeing the social equity of the process through equalizing transfers in favour of the most deprived people.

In Point I of this Statement the authors stress that a carbon tax offers the most cost-effective lever to reduce carbon emissions. The issue is not to introduce a new levy, but to correct a market failure: providing a price signal to modify the behaviours of producers and consumers, towards the path of a carbon-free economy.

The carbon tax rate should increase every year until emissions reduction targets are met; and be revenue neutral to avoid debates over the size of government. An increasing price of carbon will promote technological innovation and the development of adequate infrastructures, and the production of energy-efficient goods and services (Point II).

A sufficiently robust and gradually increasing carbon tax will replace the need for various carbon regulations that are less efficient in providing an incentive for the production of renewable energies. The replacement of the current cumbersome administrative measures with a price signal will favour economic growth and guarantee firms the stability of the regulatory framework, needed to promote long-term investments in clean energy sources (Point III).

To prevent carbon leakages and to protect competitiveness a border tax adjustment system should be established. This mechanism will push other countries towards introducing a carbon price (Point IV).

Lastly, to maximise fairness and the political viability of an increasing carbon price, all revenues should be returned to the economy, transferring to all citizens a lump-sum rebate, independent of their level of income and without conditions. Hence, the majority of citizens will receive through the carbon dividend more than they pay as a consequence of the rising price of energy (Point V). To a large extent, a Citizen's Income, in the sense suggested by Paine, should be guaranteed: the monetary transfer (the carbon dividend) will offset citizen's losses brought about by firms and families that use fossil fuels and cause climate change, damaging a common good for the other people.

The statement of the American economists should promote the relaunch in Europe of the project for putting a price on carbon, suggested by the intervention of the French President Macron at the Sorbonne University, followed by a stalemate mainly due the *gilets jaunes* uprising in France. Taking into account the warning of the IPCC that, in a Report on *Global Warming of 1.5°C* of October 6, 2018, has forecast that in 2030 CO_2 emissions of an anthropogenic nature should diminish by 45% towards the 2010 level, the time seems ripe to seriously consider the possibility of introducing a carbon tax in the European Union.

Part of the revenue of carbon pricing could be used at the national level to reduce taxes paid by lower income earners, while the revenue of border tax adjustments will flow directly to the European budget as own resources. These could finance a European Plan for Sustainable Development, managed by a new European Agency for Energy and Environment, whose main target should be to promote an ecological transition, supporting investments for renewable energies, and to drastically reduce CO_2 emissions and the ensuing risks of climate changes.

Radical changes in the structure of production and consumption will follow: energy-intensive industries will be encouraged to modify their methods of production in an environmental-friendly direction. At the same time adequate fiscal measures should be promoted in favour of families, especially low-income, to compensate for the loss of purchasing power due to the increase in energy prices. The emergent political crisis in France, following the increase in the level of taxation on fuel, has clearly shown that the challenge for an effective control of climate change should be backed by measures promoting social equity. Public opinion should support the political forces that, in the newly elected European Parliament, will be inclined to fight for reducing the risks of global warming *and* the inequalities in income distribution.

* *Emeritus Professor of Public Finance at the University of Pavia and Vice President of the Centre for Studies on Federalism (He has recently published* European budget and sustainable growth - The role of a carbon tax *- Peter Lang)*

(The opinions expressed here do not necessarily represent the CSF)