POLITICAL THEORY AND CARBON PRICING[1]

Policies and strategies to reduce carbon emissions, such as a carbon price, are evaluated in a wider context of political norms and philosophy. In this context, a price on carbon is found to be a viable and reasonable approach to mitigate climate change.

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Introduction

Putting a price on carbon will reduce our emissions of greenhouse gases. However, there are other options for dealing with carbon emissions other than a price on carbon. These might include 1) *no government action* (what we might call non-interventionist minimalism), 2) education and moral suasion and 3) regulation. To assess these options will sometimes take us out of the realm of economics and into the realm of political philosophy.

Assessment of Strategies

Non-interventionist minimalism argues that it is not the government's responsibility to minimize carbon emissions. Rather, it is the responsibility of individuals to decide what emissions they emit. Just as we treat the consumer as sovereign when deciding whether to buy a McDonald's hamburger or visit a locally owned restaurant, so it is the responsibility of individuals to regulate their own carbon emissions. There are two concerns with non-interventionist minimalism.

Under most theories of liberty (e.g. Mill 1986) the right to do harm to others is restricted, even if liberty in general is supported. Carbon emissions are likely to change the world's climate system in ways that makes it more difficult to live in parts of the world without severe consequences to life and limb; this arguably involves harm to future generations. A man who poisons the water supply is committing a crime, and society punishes such activities. The liberal contention is that one should be free to behave how one likes unless it involves harm to others. Freedom to act does not involve freedom to harm, and if carbon emissions involve harm to others, then they should be restricted; the exact restriction (whether it should be banned outright or just penalized with a cost) is yet to be determined. In contrast, , we might consider that harmful activities should be banned outright and not just restricted or charged. In the case of natural systems we sometimes can define a threshold for harm, for example, the level of fishing at which fisheries collapse.

In the case that carbon emissions might be inconvenient to others but not harmful, it is less clear that they should be regulated, and to a large extent it might depend on how such regulation takes place. Libertarians argue that a lack of government interference in peoples lives in not so much a question of optimality but rather about good procedure. Whether a solution is sympathetic to libertarian or Austrian concerns will rather depend on the details as to whether an overall policy proposal constitutes an increase or a reduction in government interference. Replacing transaction taxes with upstream carbon taxes might in fact reduce the level of state interference.

Carbon emissions might,however, be considered by some to be inconvenient to others but not harmful. There are things we do to one another, which while not harmful are not pleasant. For example, playing loud music does not actively harm one's neighbours but it does inconvenience them. If I drive to work alone rather than taking the bus, then my actions will not only cause more carbon emissions, but also use up more scarce traffic space and therefore indirectly cause other people inconvenience. These actions are not harmful in a strong sense, but yet they do diminish our neighbours' interests, happiness or convenience. Economists often argue that such activities should be regulated. Collectively, our lives might be better if we were charged for road congestion; the total welfare is increased because we each pay the social costs of our behaviour; rather than our share of the social cost of everyone else's.

Liberals are often involved in local programmes to reduce emissions; they often emphasize moral suasion, awareness raising and giving information as methods to reduce emissions. We might look on such efforts sympathetically, since they presumably increase the level of information available to

make both individual and political choices. Nevertheless, moral suasion appears to be a difficult strategy to implement effectively as Hardin (1968) argues. There is always an incentive to defect in social choices. It could be argued that some of our social 'peer pressure' functions have been given over to the state, especially in large societies where our social interactions are with others we do not know personally. not what ? Hardin's argument for 'mutual coercion mutually agreed upon' appears solid.

Thus, we fail as self-regulators. This is not a pleasant message to give but it is an important one to argue. We fail because we have other priorities. As individual agents, we cannot be expected to take care of the future of all of humanity in our behaviour: we take care of ourselves, of our family and friends and our neighbours; but not everyone on earth to an equal degree. If we were all perfect utilitarian agents there would be no need for a tax. The reasons for our failure of self-regulation are partly the unrealistic requirements that pure altruism would entail; not only in terms of our desire to help those we are not connected to; but also in the information needed to do so. Finally, actions that are for the sake of those around us are often implicitly regulated by those around us by multiple methods of social interaction. It is between humans that presumably the full panoply of human interactions can be fulfilled. Such interactions have little chance of being mediated on a global scale and between generations. Ethical behaviour is, arguably, mediated and supported by human interactions; human interactions which are not available at a planetary scale, since the number of people is too large to be known personally. The argument for government intervention thus comes from both the scale of climate change and it's newness as an issue to be dealt with.
An important sociological criterion is therefore whether or not a certain activity is intended to be self-regulated or other-regulated. Hardin (*ibid.*) argues against 'soft' (non-coercive) interactions and in favour of 'hard' (coercive) interventions on a number of grounds. Soft interactions may tend to promote guilt and harm those who are swayed by such reasoning; leaving those who are not swayed to go free. The perception of many people is that environmentalists wish them to give up their car or foreign holidays and this causes rejection of the whole message.

This argument against self-regulation also applies to the economic formalism of Coase (1960). Coase's theorem implies that state imposition of taxes is not necessary, so long as property rights are well formed. Those who pollute and those who receive pollution will come to a legal agreement, which although not necessarily equitable, will be efficient. The argument that legal rights of those who have an externality inflicted upon them will lead to an efficient outcome without government intervention is largely appropriate to smaller scale problems involving only two parties. It does not begin to address the collective action problems which are arguably at the core of the climate problem. Similarly, it is the economy of information (that is, that economic incentives are passed to individuals, in increased prices, without the individual having to assess individually the carbon cost of each transaction – rather than in a complex set of messages that may be ignored) that is the key to the advantages of the carbon tax approach.

If, therefore, a method of persuasion that is to some degree coercive, exists, there remains the question as to what method of coercion is required and whether such coercion is possible. Taxes, permit schemes, regulation of goods and activities and direct control of people's lives are to a larger or smaller extent coercive activities. Taxes and quota schemes have arguably a similar level of coercion – they allow an activity but only at a price. Regulation, however, outlaws some activities entirely. The argument in favour of market mechanisms is largely one of efficiency at achieving a given goal. Taxes or quotas do not pre-judge the best way to achieve a certain goal.

In any case, it can be expected that the aggregate result of individual action is a certain level of emissions – either this level is acceptable or it is not. If it is not acceptable, then further more coercive activities may be required and there may be a trade-off between the political and economic costs and the environmental benefits. I therefore investigate in particular that situation,

where additional mitigation, in addition to that which is voluntary, is required.

Welfare economics sometimes seems to assume that individuals are perfectly selfish in regard to collective goods and that the state is capable of being perfectly altruistic, in the presence of good economic advice! Neither assumption is fully justified, but it appears that individual's altruism is at the very least non-complete. An alternative way of putting this is that economics often deals with the allocation of scarce goods. In most cases the price mechanism is used to ensure the rationing of these goods, so in principle the same should be applied to public bads. The assumption of perfect altruism on the part of the nation-state is itself questionable but in principle a question of political theory and not of economics.

Conclusion

In conclusion a price on carbon is a viable and reasonable approach to mitigate climate change from the point of view of political theory.

References

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