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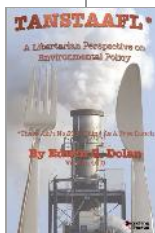


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# Why Libertarians Should Support a Carbon Tax—Even if They Can't Love It

Author: [Ed Dolan \(/blog/author/edolan\)](/blog/author/edolan) · July 15th, 2013 · [Comments \(37\) \(http://www.econmonitor.com/dolanecon/2013/07/15/why-libertarians-should-support-a-carbon-tax-even-if-they-cant-love-it/#idc-container\)](#)

In the first two parts of this series, I discussed the reasons why both [conservatives \(http://www.econmonitor.com/dolanecon/2013/07/01/why-conservatives-should-love-a-carbon-tax-and-why-some-of-them-do/\)](#) and [progressives \(http://www.econmonitor.com/dolanecon/2013/07/08/why-progressives-should-love-a-carbon-tax-although-not-all-of-them-do/\)](#) should love a carbon tax, and why many of each political persuasion do. In this third installment, I take up the more difficult case of libertarians.

There is no way that a good libertarian could love a carbon tax, or any tax, for that matter. Classical liberal principles hold that the state should play a role in economic affairs only when there are problems the cannot feasibly be handled in the private sector. Even those who support a role for the state in, say, criminal justice or national defense, do so only reluctantly. They secretly pine for a libertarian utopia like that in Robert Henlein's [The Moon is a Harsh Mistress \(http://www.goodreads.com/book/show/16690.The\\_Moon\\_is\\_a\\_Harsh\\_Mistress\)](http://www.goodreads.com/book/show/16690.The_Moon_is_a_Harsh_Mistress), where even those functions were the responsibility of the marketplace.

Nonetheless, I think it is possible to make as good a case that libertarians should support a carbon tax as that they should endorse a government role in courts or the military. Here are some reasons why.

## The polluter should pay

To begin, the principle that the polluter should pay has long been a part of libertarian theory. In his 1962 classic, [Man, Economy, and State \(http://mises.org/rothbard/mes.asp\)](http://mises.org/rothbard/mes.asp), Murray Rothbard expressed it this way:

In so far as the outpouring of smoke by factories pollutes the air and damages the persons and property of others, it is an invasive act. . . . Air pollution is not an example of a defect in a system of absolute property rights, but of failure on the part of the government to preserve property rights.

A person whose pollution harms another's person or property should pay for the resulting harm. People do not pollute just for the fun of it. They do so because polluting, when unrestricted, is a cheap way of disposing of wastes. Paying for waste disposal is just as much a proper cost of business or household

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management as paying for any thing else—energy, labor, transportation, or whatever.

A polluter cannot escape the duty to pay for harm to others simply because it would be expensive to avoid polluting. Yes, it may cost more to build a smokestack with a filter than one without, or more to treat sewage than to dump it directly into a river. Beyond some point, the harm, at the margin, may be less than the cost of abatement, in which case releasing pollutants into the environment may be the economically efficient decision. Efficient or not, however, the polluter should still pay for any remaining harm done even after the efficient degree of abatement has been carried out.

All this leaves open the question of how to ensure that the polluter pays. First, though, we need to address another important issue.

### **Are greenhouse gas emissions really harmful?**

Specifically, we need to ask whether carbon dioxide and other greenhouse gasses (GHGs) are, in fact, harmful pollutants. If they are not, libertarians are off the hook: No harm done, no payment due, no need for a tax. However, if you are tempted to seek that escape route, you need to ask yourself, which comes first? Are you evaluating the relevant science objectively, or is your judgment of the scientific evidence influenced by an *a priori* aversion to taxes or other government interventions?

The libertarian icon Friedrich Hayek saw attitudes toward science as one of the key distinctions between libertarians (he preferred the term “liberal,” in the European sense) and conservatives. In his famous essay, [“Why I Am Not a Conservative.”](http://www.cato.org/sites/cato.org/files/articles/hayek-why-i-am-not-conservative.pdf) (<http://www.cato.org/sites/cato.org/files/articles/hayek-why-i-am-not-conservative.pdf>) he wrote:

Personally, I find that the most objectionable feature of the conservative attitude is its propensity to reject well-substantiated new knowledge because it dislikes some of the consequences which seem to follow from it—or to put it bluntly, its obscurantism. I will not deny that scientists as much as others are given to fads and fashions and that we have much reason to be cautious in accepting the conclusions that they draw from their latest theories. But the reasons for our reluctance must themselves be rational and must be kept separate from our regret that the new theories upset our cherished beliefs. . . . By refusing to face the facts, the conservative only weakens his own position. . . . Should our moral beliefs really prove to be dependent on factual assumptions shown to be incorrect, it would hardly be moral to defend them by refusing to acknowledge facts.

He was not writing specifically about climate change (the example he gave was the theory of evolution), but his point applies. We should separate our rational evaluation of climate science from our regret that human responsibility for climate change might upset our cherished beliefs about the ability of a market economy to operate justly and efficiently without the intervention of government.

Mere uncertainty is not enough. Some aspects of climate science are almost universally accepted, for example, that concentrations of GHG in the atmosphere influence the climate and that human activity has affected concentrations of GHG. Other points are not fully settled, for example, the sensitivity of global temperatures to a doubling of CO<sub>2</sub>, the interaction of natural and anthropogenic climate drivers, and the relationship between climate change and specific weather events. However, complete certainty is not required in this case.

There are many areas of both private life and public policy where we act to avoid harm that is not certain to occur, or, if it does occur, is not easily quantified. We accept limits on driving while intoxicated even though there is a good chance that any individual drunk driver will make it home from the tavern without hitting anyone. We allow victims of assaults or negligent acts to sue for pain and suffering even though placing a monetary value on the pain is highly inexact. By the same token, we

should be willing to accept restraints of GHG emissions if we think the preponderance of evidence suggests that they are harmful, and to place an estimated value on the harm even if we know it may only be an approximation.

If you have looked dispassionately at the relevant science, and you are satisfied, based on the preponderance of evidence, that GHG emissions pose no risk, so be it. Otherwise, read on.

### **How should polluters be made to pay?**

If we accept the principle that polluters should pay, and accept that GHG emissions are a form of harmful pollution, we still have to deal with the issues of how polluters should be made to pay.

For many libertarians, the preferred approach is to rely on private negotiations backed by the right to take legal action for the pollution-related torts of trespass, nuisance, or negligence. If toxic fumes from a neighboring factory damage your health or your property, sue the owners for damages or ask for an injunction requiring them to stop. A 1982 paper by Rothbard, "[Law, Property Rights, and Air Pollution](http://www.cato.org/sites/cato.org/files/serials/files/cato-journal/1982/5/cj2n1-2.pdf)" (<http://www.cato.org/sites/cato.org/files/serials/files/cato-journal/1982/5/cj2n1-2.pdf>) describes this approach in detail.

Unfortunately, the tort law approach to making the polluter pay works less well as the number of pollution sources and victims grows. Yes, you, or you together with a group of close neighbors, can very likely get somewhere with a lawsuit against pollution from a factory next door, easily traced to its source. However, when there are many sources, some of which are far from the many victims, it is difficult to show that pollution from any one source caused the harm to any one individual, even if the harm is collectively large. That is often the case with air pollution, not only climate change, but also urban smog or acid rain.

When a large number of sources and remote victims make the tort law approach unworkable, we have to choose a second-best approach. Our options include regulations that require specific technologies or impose source-by-source emission standards, placing a price on pollution by means of a tax or cap-and-trade mechanism, or doing nothing.

Command-and-control regulations, which are both intrusive and inefficient, are the least attractive alternative to libertarians. Doing nothing would be the preferred alternative in cases where the harm was trivial. When the harm is not trivial, a policy that puts a price on pollution should be the preferred approach.

This is not the place to get into a long discussion of the relative merits of pollution taxes vs. cap-and-trade. Briefly, it seems to me that on libertarian grounds, pollution taxes are less objectionable than cap-and-trade for three reasons. First, they are arguably the more economically efficient alternative. Second, they are less complex and less open to political favoritism and corruption. Third, revenue from pollution taxes can be used to reduce marginal rates on other taxes that produce well-known distortions of market incentives, such as payroll taxes or corporate profits taxes.

### **The bottom line**

The issue of climate change is a source of cognitive dissonance for libertarians. It creates a tension between the principle that pollution is an unjust assault on the persons and property of others, and the principle that disputes are best resolved through private negotiations and civil law. Some libertarians, like many conservatives, manage to suppress the dissonance by convincing themselves that greenhouse gas emissions are harmless. If they are unable to do that, it is reasonable for them to support the least intrusive, least inefficient government intervention available to deal with the problem. In my view, that alternative is a carbon tax. Even if it is a tax that libertarians cannot love, it is one they should support.

This is the conclusion of a three-part series. The first two parts were [Why Conservatives Should Love a Carbon Tax—and Why Some of Them Do](http://www.economonitor.com/dolanecon/2013/07/01/why-conservatives-should-love-a-carbon-tax-and-why-some-of-them-do/) (<http://www.economonitor.com/dolanecon/2013/07/01/why-conservatives-should-love-a-carbon-tax-and-why-some-of-them-do/>) and [Why Progressives Should Love a Carbon Tax—](http://www.economonitor.com/dolanecon/2013/07/08/why-progressives-should-love-a-carbon-tax-although-not-all-of-them-do/) (<http://www.economonitor.com/dolanecon/2013/07/08/why-progressives-should-love-a-carbon-tax-although-not-all-of-them-do/>) [Although Not All of them Do](http://www.economonitor.com/dolanecon/2013/07/08/why-progressives-should-love-a-carbon-tax-although-not-all-of-them-do/) (<http://www.economonitor.com/dolanecon/2013/07/08/why-progressives-should-love-a-carbon-tax-although-not-all-of-them-do/>). For more on the topic of this post, see my book [TANSTAAFL: A Libertarian Perspective on Environmental Policy](http://tiny.cc/u2pb6). (<http://tiny.cc/u2pb6>)

Filed under: [Energy and environment](http://www.economonitor.com/dolanecon/category/energy-and-environment/) (<http://www.economonitor.com/dolanecon/category/energy-and-environment/>), [Fiscal policy](http://www.economonitor.com/dolanecon/category/fiscal-policy/) (<http://www.economonitor.com/dolanecon/category/fiscal-policy/>), [Tax reform](http://www.economonitor.com/dolanecon/category/tax-reform/) (<http://www.economonitor.com/dolanecon/category/tax-reform/>)

## Comments (37)



[T-rev](http://intensedebate.com/profiles/trevms) (<http://intensedebate.com/profiles/trevms>) 1p · 13 weeks ago +1

(#IDComment680188802)

I would consider myself a Libertarian, albeit not particularly dogmatic and I completely agree with what you are saying and your logic behind it.



[EugenR](http://rodeneugen.wordpress.com/) (<http://rodeneugen.wordpress.com/>) 48p · 13 weeks ago +1

(#IDComment680317469)

Dear Ed, where the reason doesn't work, maybe humor can work. so here is my proposition to how to help with the carbon tax.

It is hard to explain to the simple minded people that not making carbon tax means subsidizing the energy consumption. Any kind of subsidy means price and free market price mechanism distortion. Would the Liberal-Conservatives support a direct subsidy on any product sold freely on the market be it a service or merchandize? Probably not. But when the subsidy is not directly given by the government to the producer but indirectly by the general public, whose environment is as you said correctly downgraded, it is covered to the eye so automatically opposed. Other problem of the simple minded people opposing carbon tax is, that they are more concerned with the words than with the meaning of these words, so the solution should be change of semantic. The legislators who support carbon tax shouldn't call it any kind of "XXX tax", but price that no one, is opposing it (not even the most conservative tee party follower can't say, price is a negative word). I have many beautiful and confusing names that will leave the simple minded legislators with gaping mouth, like "tide up service price", "clear sky price", "clean water price", one even better, "Glacier preservation price" or this one "Sustainable fresh air price". I want to see those legislators opposing fresh air, clean water or clear sky. Since the carbon tax opposers never use in their argumentation logic or evidence, there is no need to try to explain to them with evidence why the "clean air price charge", will eventually help to clean the air.

**5 replies (javascript: collapseThread(680317469);)** · active 13 weeks ago



[SnarkFetish](http://LibertyMessageCenter.com) (<http://LibertyMessageCenter.com>) · 13 weeks ago (#IDComment680375059) +1

The only legislation I would ever support is legislation to repeal other legislation.

Certainly, pollution is bad.

What's worse than pollution? Politicians!

They are their own breed of pollution.

Politicians love to spin any need, problem or issue into an excuse to expand government.

One of the four lies of taxation is, "there isn't any other way."

A tax is bad enough when it is spun as a way to fund some grandiose progressive social program, but when a proposed tax is merely punitive, like this one, it's hard to hide the true intent: a political power-grab.

Can there be, should there be a serious dialogue on how to reduce carbon emissions? Yes!

But it can only happen once everybody gets the insidious notion out of their heads that bigger, more powerful, more expensive government can be a solution to any problem, ever.

Otherwise it's just politicians having a pissing contest.

**1 reply (javascript: collapseThread(680375059);)** · active 13 weeks ago



Jardinero1 · 13 weeks ago (#IDComment680386148)

+2

Fundamentally, there is no libertarian argument for more taxes.

Earnest libertarians spend their days highlighting the fallacies in economic arguments. The argument for carbon taxes rests on premises which are fallacious. The foremost of which is that the tax code is an effective way to limit bads; the bad in this case being CO2. Another rationale for taxing bads is to price in costs that the bad creates but no one is paying for. Some things to bare in mind when talk of novel new taxes on bads arise:

1. The primary purpose of taxation, is not to modify behavior, but to provide revenue to the state. This concept is lost in the conversation about taxes.
2. The science is not settled, that taxes are an effective way, to control behavior. There is little real world data which shows that taxes modify behavior in knowable, predictable ways and much real world data that taxes create unknowable unintended consequences. Every tax has unintended consequences which, by definition, cannot be known until after the fact. How can you measure the efficacy of a proposal if you don't even know the consequences? With so many unknown unknowns, a libertarian would not advocate more taxes as a solution.

A regulatory/legal solution will be more expedient and maintain the focus on the bad itself. This is how we handle most of the bads in our society. We don't tax murder, we punish murder. We don't tax theft, we punish theft. We don't tax littering, we punish littering. Pollution is more akin to littering.

3. It is only an assumption, not a fact, that a bad, is in fact a bad.
4. Assuming, for the sake of argument, that a bad is a bad; it is still another assumption that the cost of the bad is not already priced in.

**3 replies (javascript: collapseThread(680386148);)** · active 13 weeks ago



(<http://intensedebate.com/people/ThomasGrennes>) [ThomasGrennes](http://intensedebate.com/people/ThomasGrennes) (<http://intensedebate.com/people/ThomasGrennes>) · +1

57p 13 weeks ago (#IDComment680507616)

Isn't Coase relevant here? Assignment of property rights or agreement on rights over the global environment is essential to give the proper signals to markets. Also there seems to be agreement that a proper carbon tax must take into account taxes and subsidies on other products and relevant policies by other countries, especially China and large emitters. A final point is that carbon emissions by the U.S. have changed dramatically in recent years without a carbon tax or cap and trade. U.S. emissions in 2012 were at the lowest level since

2007. An optimal carbon tax must change in response to many unanticipated shocks.

**2 replies (javascript: collapseThread(680507616);)** · active 13 weeks ago



(<http://intensedebate.com/profiles/libertarianinternational>) · 13 weeks ago (#IDComment681137204)

+1

[Editor](http://intensedebate.com/profiles/libertarianinternational) (<http://intensedebate.com/profiles/libertarianinternational>)

This article is ill-researched.

Libertarians invented the pollution fee as an interim measure until technology restores us to pre-industrial pollution levels. Many Libs object when as a tax it goes not to compensate the polluted or aid development of anti-pollution technology but into other areas such as political salaries or wars.

For info on Libertarianism see [www.libertarianinternational.org](http://www.libertarianinternational.org) (<http://www.libertarianinternational.org>)



(<http://LibertyMessageCenter.com>) [SnarkFetish](http://LibertyMessageCenter.com) (<http://LibertyMessageCenter.com>) · 13 weeks ago (#IDComment681155645) 0

"a carbon tax reflects the view that we assign the property right for waste disposal in airspace to the government" --

This is precisely the mentality and the insidious eventuality of our government-induced culture of dependency.

Allowing politicians to claim airspace as a property right?

Why not water-space?

Why not sound space?

Since all bodily functions affect one or more of the three, why not allow government to claim a property right over my body as well?

"...what we do want is to have a system in which the waste-generators bear the relevant opportunity costs"

The issue for me here is the presumption that "we" need a "system."

I suppose humanity will simply not be dissuaded from dabbling in the folly of social system-craft. It's a compulsive behavior born of fear, approval-seeking, and advantage-seeking.

"We" is a problem because it really means government, which really means politicians, which really means individuals who seek power at the expense of other individuals.

"System" is a problem because it is the means by which the individuals who crave power induce conformity in the individuals over whom they exercise it.

Liberty is individual solutions to individual problems, needs, issues.

If a man throws a cigarette butt on the ground, would you speak to him about it?

He probably thought nobody saw.

If a company dumps chemicals into a lake, do the people who have a choice about buying their product know about it? Would they still buy it if the knew?

Once government is out of the equation, the possibility for legitimate solutions blossoms.



BonnieGoodell · 13 weeks ago (#IDComment681176435) -1

So, I, once again, propose that instead of a carbon tax, we have worldwide climate change disaster insurance. It could be privately run. Just make the producers of atmospheric carbon liable for the nuisance they create that damages others. Make them pay for the damages. Let them get insurance. We have good and getting better all the time, actuarial data to differentiate what part (%) of a given extreme weather disaster is the result of carbon-induced climate change. Let New York sue Exxon (if that is the wasteful way we want to handle it) over Sandy, and farmers sue over losses due to increasing extremes. Fisher-folk for the damage to oceans from acidification. UN and international courts if that's what it takes.

**[2 replies \(javascript: collapseThread\(681176435\);\)](#)** · active 13 weeks ago



Jardinero1 · 13 weeks ago (#IDComment681743852) 0

1. I work in the insurance business on the Texas Gulf Coast. I write windstorm and flood. No carrier I work with, nor anyone in the industry has any data that suggests an increase in the frequency of damaging storms. But there has been a huge improvement in

measurement that now record storms that previously went unnoticed or were not measured accurately. At the same time, there has been an enormous amount of real estate development in areas that are most likely to be hit by damaging storms.

2. Health and life insurance contracts rely on both causal and empirical models to set rates because of the necessarily long term nature of the contracts. Property and casualty insurance contracts are finite, from 30 to 365 days, typically. Because of the finite nature of the contract, P&C actuaries rely primarily on large amounts of accumulated statistics and less or not at all on causal models to set rates. Because of the brevity of the contract, past performance is more reliable indicator of profitability than causal models. Rates can be adjusted as policies expire, or markets can be abandoned, altogether, within the timeframe of one policy period, if the data doesn't support it.

3. If there is an inflection point on the horizon, it will be because policy makers shifted to a policy of less reliable, more intermittent and much more costly forms energy generation. One of the chief drivers of wealth, for the last 250 years, has been the availability of reliable and inexpensive energy generation.

**8 replies (javascript: collapseThread(681743852);)** · active 13 weeks ago



DRWall · 13 weeks ago (#IDComment682299930)

+1

If a carbon tax is a price paid to the government for impinging on someone's (the people's?) property right (to the atmosphere?), how does the price get set? Does the government maximize its income as the sole owner of the nation's portion of the atmosphere by charging as much as it can without losing market share to competing nations? Since we really have no idea how much climate change will cost us in the future, let alone how much any given amount of GHG emitted will cost us, how much weight should be placed on the projected drag of such a tax on other areas of the economy?

**3 replies (javascript: collapseThread(682299930);)** · active 11 weeks ago



Robert Muse · 13 weeks ago (#IDComment683889014)

0

So you want a carbon tax? If you really wanted to clean up America and reduce unemployment to 2% you take you carbon tax and mandate a superior rate of return on cans, bottles, paper and recyclables. How? Do you really think a majority of people are going to pick cans or bottles for \$.05 each? Make it a \$ 1.00 a can or bottle and you would have solved numerous economic and social issues. The carbon tax collected must pay for this \$ 1.00 per can or recyclable not your 401K trading options that the author and others would like to use enhance their progressive wealth. The carbon tax must pay for and only be used to recycle as a form of individual wealth building and reduction of land fill volumes. The point of the exercise for a carbon tax is who really benefits the Wall Street trader, government agency regulatory employment, or the individual as they trade on your ability breath? As outlined in article definitely not the individual.



BonnieGoodell · 13 weeks ago (#IDComment684437284)

0

sorry to be so long getting back, Jardinero 1. First I think the actuarials are already working hard on what that increment of risk is for carbon-nuisance damages. People are screaming about the rising rates for federal flood insurance, crop insurance, fire insurance and for other carbon-exacerbated disasters. I suggest that the most expedient way to move ahead on this might be an expansion of the world court to include the right of local governments to sue for damages. I like it when their are as few market skewing "buffers" as possible to putting the costs into the marketplace. If you tax and the money goes to general funds politicians have an incentive to promote the activities that maximise those tax collections. Into special funds that subsidize alternative infrastructure? Creates a new subsidized constituency, and we have seen how well that creates public benefit with our tax subsidies for the health insurance industry. The marketplace works, but every buffer makes it work less well. Make container sellers deal with their own containers. Their choice if they want to pay for local landfill, take them back to recycle. Pay at the pump for insurance and roads. Price all mined products to cover first-class clean up, and insurance agaisnt futurre damages. Rich people want to use lots of energy in locations that they have NIMBYed so that the power plant is further deteriorating the property values of people with less clout? make them bid for what they will pay the communities who accept the locally unwanted land uses (LULUs).

I think there is almost always a way to make it more direct than it is now. I think most of what we have now is the use of government

by elites to transfer costs to poorer people and  
and income and assets to richer people. It is structural. Why didn't Occupy Wall Street occupy themselves suing for damages on  
behalf of the "inexperienced non-experts" at the other end of the mortgage-backed securities scam - those who took out the  
mortgages and lost everything?

Same reason more black teenagers go to jail for stealing a car for a joyride and white teenagers "are just being kids" who need to be  
protected until they grow out of it. Structural.

Health care is the exception that proves the rule, seems to me, but even there, single-payer needs some market discipline.



Ikuyasu · 7 weeks ago (#IDComment712193198)

0

I am surprised to find that there are still people who believe the global-warming-because-of-the-rising-the-amount-of-CO2-level-  
in-the-atmosphere scam.