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Libertarian-Green Tax Reform Alliance?

Kevin Carson

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I just happened on this article at TomPaine.Com. It's a couple of months old, but I thought it was worth commenting on.

Patrick Doherty notes that government intervention in the market insulates many prices from reflecting a wide range of externalities. He recommends a proposal by Andrew Hoemer to shift taxes onto resource use and pollution. According to Doherty, such "green shift" taxation could bring in annual revenues of \$475 billion (although I haven't yet figure out where he gets that figure from).

In addition, Doherty cites an estimate by the Joint Committee on Taxation that tax expenditures—special tax credits and deductions—cost \$873 billion in 2002. The great bulk of these went to the wealthy and privileged.

In conclusion, Doherty suggests that closing corporate tax loopholes and "taxing bads not goods," offset by a reduction in taxes on labor, would completely shift the pattern of incentives in our economy:

The shift toward efficiency and innovation, the shift toward work not waste, and the shift toward

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responsible prices instead of corrupt subsidies will usher in a new high-employment, high-wage, highly competitive and sustainable economy.

Such a “green tax shift” might be a fruitful area of cooperation between Libertarians and Greens:

Shifting taxes away from human initiative and onto monopolization of natural resources, pollution and government-granted privileges instead.

Even for a free market anarchist, such a set of tax priorities should be preferable—as an intermediate step—to the present system. Even in the end state, arguably, some of these charges would continue to exist as part of a libertarian property system that internalized cost in price: as access fees to socially-regulated commons, or common law penalties for inflicting harm on one’s neighbors. For that matter, if your free market end state is the anarcho-Georgist variant (which I recently gave my reasons for rejecting), the “land tax” is not a tax at all, but rent on common property.

But we can leave aside such theoretical matters for the time being; any world in which they’re the primary issue to be resolved will, at the very least, be a much better one than ours. In the meantime, a tax on unimproved value of land is probably the least unjust tax, along with taxes that serve to internalize costs formerly pushed off on others.

Stipulating that Doherty’s “green taxes” really did bring in \$475 billion, imagine the appeal of substituting that revenue for an equivalent amount of personal income tax, and raising the personal exemption enough to reduce revenues by that amount! And assuming that tax expenditures really are close to a trillion \$\$, imagine closing those loopholes—and then raising the personal exemption, and reducing corporate income tax rates, enough to make it revenue-neutral. Not to mention ending the Drug War and translating those savings into even more

income tax reductions. And shifting sales taxes, and property taxes on buildings and improvements, to taxes on site value. Overall tax rates would be lowered considerably, with taxes on productive behavior reduced still more drastically. What's not to like? Again, imagine the popular appeal.

Follow-up:

In the comments on the Libertarian-Green Tax Reform Alliance thread, Matthew supports in principle the use of "green taxes" as a mechanism for forcing polluters to internalize costs, but raises the question of how the value of pollution damage can be assessed.

One partial answer is Bill Green's: front-load the process. Pollution is itself an externality of subsidized resource consumption. By charging fees for the use of natural resources in the first place, we can encourage producers to use them economically, and thus minimize pollution at the same time. The pricing issue is settled, in the case of renewable resources like aquifers, woodland, etc., by auctioning off permits based on the sustainable yield.

Another possible answer is civil liability, imposed by local juries, as a pollution "tax." Here's an interesting link to Elizabeth Brubaker's Property Rights in the Defense of Nature, which Terry Burgess of the LeftLibertarian yahoo group directed me to. The book is online at the Environment Probe website. Environment Probe emphasizes "putting... market mechanisms to work for the environment."

Central to its work is the promotion of property rights and decentralized decision making to empower individuals and communities to protect natural resources. It is also a sharp critic of subsidies to resource industries.

Green Scissors is also a group worth looking into; they're dedicated to eliminating subsidies and preferential tax breaks for the consumption of resources.