

WHY WE NEED AN IMMEDIATE INCOME BASED CONSUMPTION TAX TO REDUCE THE CARBON FOOTPRINT OF THE TOP 5% OF EARNERS.

The capitalist class, in the form of investors, board rooms and bankers are adding to global warming by their empty hot air promises to curb emissions. In reality, global emissions are going up not coming down. They rose by 1.7% in 2018, the highest increase in five years. <https://www.iea.org/qeco/emissions/> And they continue to rise in 2019 by an annual rate of 0.5%. <https://www.co2.earth/> Clearly capitalism, the source of the problem, cannot simultaneously be the cure. (This post was inspired by a discussion around the local XR citizens assembly on how best to reduce carbon emissions in transport.)

The media in concert, is pushing the idea that we are all responsible for global warming and that it is up to each and every one of us to sacrifice our consumption of goods in order to save the planet. Nowhere in this narrative are class distinctions found nor emphasised. Gaia forbid. But the vast majority of the world's population are the victims of the profit system not its beneficiaries. So why should they sacrifice when the rich won't.

The narrative of individual responsibility is an adaptation of the Thatcherite economic doctrine of individual responsibility. In reality, treating society as equals when in fact the opposite is the case, means that the remedies proposed to reduce carbon emissions always fall hardest upon the poorest sections of society. A bit like taxation over the last three decades. The reduction in tax bands and the shift to indirect taxes has meant that the poor now pay the highest rates of tax.

This is brought out in the following study funded by the Rowntree Trust examining the proposal by the British Government to eliminate CO2 emissions by 2050. *“Household carbon emissions in Great Britain are strongly related to income: the richest 10 per cent of households emit three times that of the poorest 10 per cent from energy use in the home and personal travel. The UK Government has a target to reduce greenhouse gas emissions by 80 per cent on 1990 levels by 2050. When modelled independently of each other (one policy at a time) the impact and notably regressive nature of certain policies becomes more apparent. For example, households benefiting directly from FIT – some 12 per cent in the scenario modelled in this study – are notably higher income (36 per cent of the top income decile) and see an average saving of £359 on their annual energy bill in 2020. However, the remaining 88 per cent of the population pay for the policy at an average cost of £10 a year on their 2020 energy bill.”*

https://www.cse.org.uk/downloads/file/key_points_from_distribution_of_uk_carbon_emissions.pdf

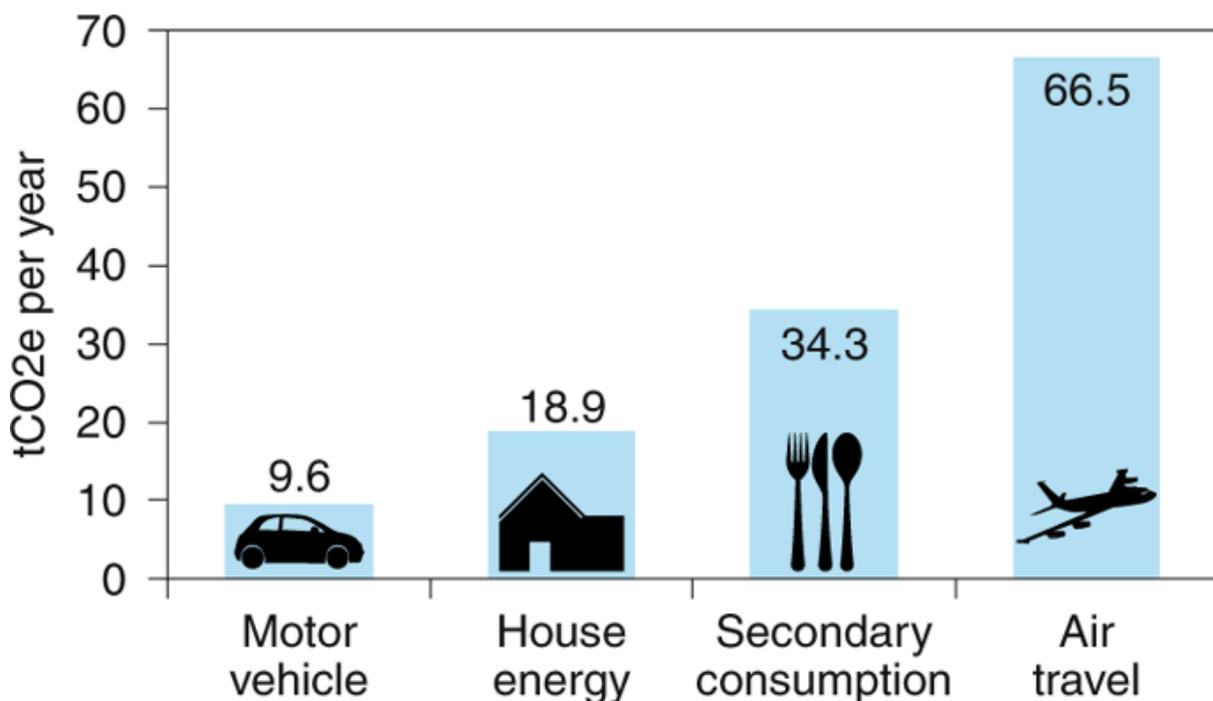
So the top 12% of earners will see a reduction in energy bills while the other 88 percent will see an increase. You can't make it up. The worst offenders get extra money to become even worse offenders. It's the equivalent of the Probation Service bribing newly released offenders to steal. The Foundation suggests a different approach. *“... incorporate a wide-scale retrofit of the English housing stock, with optimum combinations of housing energy performance measures deployed, whilst avoiding the regressive distributional impacts of the current approach to policy cost recovery.”* At \$17 billion per year, creating 150,000 new jobs, this would be just 35% of what the government spends on Defence whose purpose is to blow up houses rather than renovate them.

Why we need an income-based consumption tax.

“Rich US households produce more CO2 each year from driving than the entire carbon footprint of poor households over 8 months” Their 2.4 cars, mainly overweight gas guzzlers, produce 12 tons of carbon dioxide compared to the 0.6 cars owned by the bottom 10% which produces 3.6 tons of CO2.

<http://www.lse.ac.uk/GranthamInstitute/news/a-rich-american-household-typically-produces-more-carbon-dioxide-emissions-each-year-from-driving-than-the-entire-carbon-footprint-of-a-poor-household-over-8-months/>

The next study is even more revealing. The emissions by the wealthiest top 0.54% of the world's population are responsible for 13.6% of global lifestyle-related carbon emissions. In contrast the bottom 50% are responsible for a mere 10%. So a family in the top half-a-percent emit roughly 150 times the pollution caused by a family in the bottom 50%. <https://www.nature.com/articles/s41558-019-0402-3#Tab1> Not only do they produce more pollution but the way they produce it is uniquely damaging as the graph taken from the article, below, shows. In particular their love of zooming around the world either first class or if they find that demeaning, in their private jets.



Another study which demonstrates the gap in consumption between the richest and poorest was highlighted by the Huffington Post when it reported data published by the British Office of National Statistics on Household Spending in the year 2014. The link for the ONS survey is - <https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/compendium/familyspending/2015> Huffington reported that the top 10% spend more on wine than do the poorer sections of society spend on tap water (water rates). And they found the top 10% spend more in restaurants and drinking out annually, than poorer people spend on housing, fuel and power.

Given the enormity of the challenge facing humanity, it is alarming just how few meaningful studies have been conducted examining the relationship between income and emissions. This is especially true for studies that incorporate the export of pollution via the import of goods from other countries. Nevertheless, a few high-quality studies such as the one conducted as early as 2008 by state senator Will Brownsberger concluded that carbon footprints grow with income level.

The question that arises is how do we end this state of affairs. Here an analogy is fitting. Every fire fighter knows that the first priority is to put out the fire, for unless it is put out, the building cannot be

made safe and subsequently be repaired. Similarly with paramedics. When they first arrive at the scene of an accident, the first priority is to stop the victims bleeding to death. Until they are stabilised, nothing else can happen.

This applies to those who deal with the climate emergency. We recognise that the ultimate solution is the abolition of the capitalist mode of production, whose pursuit of profit has not only led to wars, has not only blighted the lives of billions, but has also wrecked our planetary home. To those who dispute this, one fact springs to mind. Since 9/11 the US has wasted over \$5 trillion dollars on its self-inflicted "War on Terror". In this war they have laid waste to entire countries.

In contrast the current cost (2018) net stock of fixed assets in the Utility Industry in the United States amounts to \$2.59 trillion. (BEA Table 3.1ESI published 8th August 2019.) In other words, for the money the US government has spent on destruction, they could have replaced their entire energy production system in the country with zero carbon units. There would have been ample money to build solar and wind based power stations across the USA's five to eight time zones, linked by high voltage DC cables, using small storage dams in the Rockies needed to store excess energy to smooth loads and avoid the use of coal or gas base stations.

Instead of armies of young men and women sent overseas to destroy and terrorise the world, there would be armies of the young rebuilding and replanting the country. Imagine the enthusiasm, the lifelong friendships, the communion with the planet this would bring about. Except that this will not happen as long as the 10,000 richest families effectively own the continent of North America. (Latest data: the top 1% in the USA own 40% of the wealth, while the bottom 90% own just 20%. <https://www.washingtonpost.com/news/wonk/wp/2017/12/06/the-richest-1-percent-now-owns-more-of-the-countrys-wealth-than-at-any-time-in-the-past-50-years/>)

Three costs.

It is necessary to understand that the destruction of the planet is not a by-product of capitalism, it is capitalism in action. Capitalism can be summed up succinctly as: the maximisation of profit through the minimisation of cost. Minimising costs of course impacts the environment and people. If capitalists can avoid cleaning up their production processes or containing them, which adds to their paid costs, they will attempt to avoid this.

What prevents them is legislation. But legislation which is good for society is costly for the corporations as they see it. This has resulted in a continuous guerrilla war by the corporations seeking to push back and minimise this legislation. In the United States the Trump administration has emasculated the Environmental Protection Agency (EPA), turning it into a poodle for the corporations. Trump once described his approach to the agency as reducing it to "little titbits", and if that means reducing it to Ronald Reagan levels of ineffectiveness, then he has achieved his goal.

One stark report brings it all home. The seminal 2013 World Bank report, reissued in 2016, showed the total welfare losses caused by pollution rose to \$5 trillion in 2013 equal to 7% of world GDP which amounted to \$75.6 trillion at the time. It also exceeded the estimated \$3 trillion in global corporate profits, and more importantly, it exceeded the total spent on global healthcare. It also accounted for one in ten deaths, a figure that would be revised sharply higher today given more up to date methodologies. <http://documents.worldbank.org/curated/en/781521473177013155/pdf/108141-REVISED-Cost-of-PollutionWebCORRECTEDfile.pdf>

Thus for a much lower outlay to curb pollution the losses to society would be greatly reduced. But capitalism has no concept of the distinction between paid costs and actual costs. The only costs they

recognise are paid costs, the ones that cost them cash. Capitalism's vision was and remains, tunnel vision. A myopia caused by the fixated calculation of cash costs. Had the \$5 trillion cost of pollution been added to the price of coal, gas and oil, it would have raised their prices well above the cost of producing solar and wind energy. This is a point made repeatedly by environmentalists.

One of the revolutionary aspects of a transformed socialist society is that the distinction between paid and actual costs is abolished for ever. This co-operative society, which replaces the previous competitive society, recognises only actual costs, the costs that affects society as a whole. Private property no longer blurs this view and paid costs no longer rules the roost. Thus by seeking to reduce actual costs it achieves cheaper and more effective outcomes. Eliminating the \$5 trillion cost of pollution to society in fact frees up resources rather than freezes them. But it is not a game of economics alone, a socialist society puts human life first, always.

It is important that we understand the three costs and that they are delineated. The paid costs of production is what production costs the capitalist. The actual cost of production is what production costs the worker. The capitalists do not recognise the unpaid labour of the working class as a cost but rather as their profit, but to the worker it is a cost. The third cost is the actual cost plus the cost to the environment of producing and consuming that product, which we may call the overall cost of the product. The production cost of a product represents that fraction of the labour time of society expended on its production. The environmental cost represents that fraction of the total carbon cost formed by producing and consuming that product. Together they add up to the overall cost.

An income-based consumption tax.

Applying a straight consumption tax would be the equivalent of applying a flat tax rate instead of a progressive tax structure. In the UK there are three tax rates, 20%, 40% and 45%, while the US has seven marginal tax rates. The more tax bands, the more progressive taxation becomes, the greater the tax burden on the rich. Anyone, who calls for these bands to be reduced to only one, is correctly branded a neo-liberal reactionary, because the effect would be regressive, the tax burden would fall most heavily on the poor who pay the same rate as the rich but whose income is a small fraction of the rich.

Similarly, the working class fought against the tax burden being moved to a sales tax (indirect taxation). A sales tax means everyone pays the same tax, even the unemployed or pensioners when they purchase vatable goods. *"In 2020 it is expected that income tax will collect £268.3 billion, National Insurance collections will amount to £143.4 billion, indirect taxes will amount to £345.3 billion, and Business revenue will be £53.4 billion"* (Office for National Statistics). In other words for every 54p collected in income tax and N.I., 46p will be collected in the form of indirect taxes.

So why should any environmentalist call for a flat rate consumption tax to reduce pollution. This would be reactionary because it would hammer the poor. Take heating. If the tax on gas and electricity was doubled say, it would hurt the poor most. As the above ONS report shows, the bottom 10% of society spends three times more on heating their homes in terms of income, than do the top 10%, despite having smaller homes and often having to often turn down their thermostats out of necessity.

Thus an income based consumption tax recognises that the rich use up a disproportionate amount of the world's resources and they contribute a disproportionate amount of the world's emissions. Thus they should bear a disproportionate amount of tax, both to modify their behaviour and to provide resources for planetary renewal.

This tax is levied on the expenditure side. It should not be confused with normal personal tax which is levied on the income side. It is a separate and additional tax. This allows it to be ring fenced, meaning legally it can only be spent on green issues. The omission of this income based consumption tax in the proposals of the Labour Party and in the resolutions submitted to the forthcoming Conference is a serious political error. It is all very well proposing to bring forward zero carbon emissions to 2030, but that cannot and will not happen without a consumption tax.

An overall income based consumption tax does not preclude specific or tailored consumption taxes, for example on air fares. The rise of the budget airlines has increased the frequency of travel by many sections of society, not only the rich. This frequency of travel, as well as regular airline travel, could be sharply reduced by ramping up the travel tax on second and subsequent annual trips. This would apply to all flights regardless of whether they were for recreation or business. The only exception would be compassionate flights. I do not wish to go into detail, this is the task of a commission set up for this purpose, but such a consumption tax would immediately render the third runway at Heathrow uneconomical.

Of course, a consumption tax is not the be all and end all. It does not substitute for nationalising the rail and busses for example. Without this nationalisation a unified transport structure cannot be assembled, nor could the streamlined infrastructure needed to support it. Rather than counterposed, a consumption tax and the nationalisation of transport are complimentary because some of the proceeds of this tax could be used to reduce fares thus encouraging the use of public transport.

Conclusion.

The demands we raise are not minimum demands. This would imply we seek to preserve the capitalist system by limiting these minimum demands to the maximum the system can bear. Instead what we seek are transitional demands, demands that have their origin in the capitalist system but their realisation in a transformed system.

While a basic consumption tax would be a minimum demand, an income based consumption demand is eminently transitional. It begins the process of breaking down of the barrier between paid costs, actual costs and total costs. The slogan "*Those who pollute the most must pay the most*" begins to reconnect paid costs with actual costs. What is seen as a tax replaces what is missing, the external costs hitherto ignored.

Clearly, such a consumption tax cannot be levied in one country. We need to make it a global tax. If it is levied in some countries, it will allow other countries to take advantage of it and to pollute with impunity. Applied and distributed correctly, it will also be protective of poorer countries where goods are produced but not consumed. Thus by making this demand international we once again make it transitional.

It is often said that the planet cannot support present day consumption. Technically this is nonsense. It assumes that there will be no investment to reverse pollution, to not only end emissions but to suck emissions from the atmosphere and the land. An income based consumption tax, levied worldwide, will release the trillions of Dollars needed to plant the countless trees, fund the thousands of desalination plants needed to green the deserts, and pay for re-alkalizing the seas. Working with nature, everything is possible.

In addition we should add the slogan "not a penny for the defence of the nation, all pennies for the repair of the planet". In 2018, IHS Jane's Defence Budget put global defence spending at \$1.67 trillion, which was equal to \$240 for every woman, man and child worldwide.

<https://www.businesswire.com/news/home/20171218005445/en/Global-Defence-Spending-Hit-Post-Cold-War-High> However, it should be pointed out that there are costs of war that are found outside defence budgets. For example the \$50 billion plus spent each year by Homeland Security in the USA, or the investment in military technology outside the defence forces, and so on. <https://www.nationalpriorities.org/cost-of/> Taken in the round the total amount is likely to be in the region of \$2 trillion.

This gives the reader some idea of the scale of the resources that can be freed up to reverse the damage done to our planet. For example the installed cost of a desalination plant, excluding its running costs is \$1 million per 1,000 cubic metres of water. 1,000 cubic metres of purified water daily satisfies the needs of 3,000 people. \$100 billion dollars which is 100,000 more than \$1 million, could therefore satisfy the needs of 300 million people and just half of the annual spending on defence could satisfy the needs of nearly half the world's population if it was needed. The other half could be used to provide green power. Thus money spent on desalination, instead of defence, could prevent water wars breaking out around the world.

Therefore to the pessimists, the nay Sayers, those who say we need four planets to satisfy our needs, we say you appear to be completely unaware of the present productive potential of society; and you are unaware of the scale of the waste and misuse of these resources. Once society is freed from the ball and chain of profit, everything and anything will be possible.

Workers not only have a world to win, but a planet to restore. We are the unique animal. Alone in the animal world, we are capable of adapting the world to our needs rather than having to adapt to the world. Having domesticated the world in our image, we now need to ensure that this transformation is harmonious, that we no longer exploit our world but care for it, and, that we do not neglect all the living things that share our glorious earthly home. Our inheritance is the productive potential to achieve this goal, but only if we take it into our hands.

Brian Green, September 2019