

## **Environmental Tax Reform: Expanding the Neoliberal Agenda**

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The Green Party of Canada has become a national political force over the past few years. They have risen from their usual two percent of the vote to over four percent in the 2004 and 2006 elections. Now under the leadership of Elizabeth May, they have risen to between eight and 10 percent in the national polls and are even making a breakthrough in Quebec. If Canada had proportional representation electoral laws as in Europe, Greens would have seats in the legislature and be considered for participation in coalition governments.

Most Canadians know that May and the Greens are strong on environmental issues like global warming and climate change. But how do they stand on other issues? As a party which is determined to enter Parliament and provincial legislatures, their position on fiscal policy and taxation is crucial.

Across the industrialized world Green Parties have been elected to parliaments since the early 1980s. Over the years they have developed comprehensive fiscal and taxation policies. These reflect their historic commitment to the Four Pillars of the international Green movement: ecological wisdom, social justice, participatory democracy and peace and non-violence. In all the industrialized countries the Green Parties are deemed to be part of the broad left, and in many countries, including Australia and New Zealand, they are to the left of the social democratic and labour parties. The Green Party of the USA is well to the left of both the Republican and Democratic parties. Thus the norm for Green taxation policy has been a combination of progressive taxes designed to promote greater equality and social justice and ecological taxes. Where does the Green Party of Canada stand in relation to other Green parties on these key issues?

### **Green Party of Canada shifts direction**

The Green Party of Canada was founded in 1983 but had a very minimal presence outside Ontario and British Columbia. It was a progressive party with a strong opposition to militarism and military alliances, joined with the broad left to oppose the free trade agreements with the United States, and had a commitment to reduce the military budget and shift the revenues to helping to reduce the gap between the First World and the Third World. On domestic policy it strongly supported the Keynesian welfare state and its social justice program called for the elimination of poverty and the reduction of inequality. This policy direction required a progressive taxation system. Of course the party had a major focus on resolving ecological problems and reflected a growing concern over endless economic growth, rampant consumerism and the depletion of resources. Its general orientation was close to that of the other major Green parties. But this progressive left tradition began to fade.

The first major change was in Ontario with the election of Frank de Jong as

leader. A number of people who had been active in the Conservative Party switched to the Greens. There have always been different ideological currents in the Green parties, including green socialists, deep green ecologists, green anarchists, and libertarian greens. In the United States there are also the ecocapitalists, often identified as followers of the Natural Capitalism school associated with Paul Hawken and Amory Lovins. Under the leadership of de Jong, the Ontario Greens moved to adopt a general policy of ecocapitalism. The tax platform of the Ontario Green Party dropped all the progressive taxation policies and embraced Ecological Tax Shifting. They are committed to shifting taxes from income and business profits to resources and land. The platform for 2006 focused on tax shifting, particularly a shift to land taxes and resource use. They declared that income taxes and business taxes “should be minimized,” and the party concluded that they “do not reduce economic inequity.” (1)

The policy direction of the Green Party of Canada began to change after the election of Jim Harris as leader in 2004. Harris was also a former member of the Conservative Party. During the 2004 and 2006 federal elections the new leader raised eyebrows when he regularly pledged to reduce income and corporate taxes by shifting to Green taxes. The party platform called for “lower taxes on income, profit and investment, to promote increased productivity and job creation.” The Greens promised to “raise taxes on harmful activities such as pollution, waste and inefficiency” as well as “shift taxes onto land use and away from incomes.” They also pledged to bring in a series of carbon taxes. (2)

Many thought that the Green Party of Canada would shift back to its traditional policies with the election of Elizabeth May as its new leader. But at the very first policy workshop forum, held in Halifax on November 4, 2006, the agenda on taxation was limited to Environmental Tax Shifting. The program for the “experts” forum, entirely set by the leadership of the party in Ottawa, included only presentations supporting tax shifting. It even included a presentation from the Forest Products Association of Canada. No presentations were made supporting the traditional Green Party commitment to social justice and greater equality. (3)

In late 2006 Elizabeth May released the Green Party Green Plan - GP2. The new platform position proudly proclaims that it “endorses the recommendations of conservative economic voices, such as *The Economist* and the C. D. Howe Institute.” The Canadian Greens note that both these organizations have “embraced the foundation of Green Party policy and platform: tax shifting.” The Green Party would “introduce a carbon tax with revenues offset by reduction in other taxes, particularly on payroll and income.” This is part of the policy of “getting prices right” which is “the single most significant step” towards a low carbon future. There is no discussion what so ever of issues of equity, inequality or the impact of the new environmental taxes on low income Canadians. This is a major shift away from the pre-2004 policy direction of the Green Party of Canada. (4)

### **True Cost Pricing**

For many years environmentalists and conservationists have been calling for changes in the way that economists and businesses assess the costs of production. True cost pricing is designed to demonstrate the extensive subsidies that are granted

certain industries. Very often the price of a good or service is distorted as it does not include the full costs of production. Many of the costs are “externalized” and passed on to the society as a whole. As a general rule, traditional cost pricing does not include environmental, social and health costs. In many cases these are heavy costs which the industries would be incapable of absorbing. These include water, air and soil pollution, deforestation and the production of toxic wastes. Environmentalists have long argued that these subsidies are a major barrier to moving to a conservation economy. A few examples will illustrate the case.

SaskPower Corporation, and most other power producing industries, insist that power is most cheaply produced by burning coal in large generating plants and puts the cost at around \$.045 per kilowatt hour (kWh). This calculation excludes many other costs, including air and water pollution, mercury contamination, cancer caused by coal ash, health impacts to workers, and of course, greenhouse gas emissions. An independent cost-benefit analysis done for the Ontario Ministry of Energy calculated that if these costs were included, the true cost of generating electricity from coal is around \$.164 kWh. The artificially low cost assigned for power from coal is a major barrier to the introduction of less polluting and more environmentally benign alternative energy systems.

The automobile industry benefits from a huge subsidy from governments and the population at large. The costs of air, water and noise pollution, the building of roads and highways, loss of agricultural and green lands, urban freeways and parking spaces, congestion in urban areas, injuries and deaths from accidents, are some of the high costs which the industry externalizes. Automotive transport is one of the major sources of greenhouse gas emissions. These subsidies to the automotive industry are a formidable barrier to the development of public transport and smart urban development.

The industrial food system is highly subsidized by the state. Air, water and soil are polluted from factory farms and the widespread use of pesticides and fertilizers. There is a heavy dependence on the use of fossil fuels in production, transportation, packaging and storage, and distribution. The industry is a major source of greenhouse gas emissions. Industrial agriculture is directly supported by government agriculture departments, universities, and technical institutes. These subsidies serve as a formidable barrier to the development of locally grown foods and ecological agriculture.

Aviation, as a form of public transport, would be drastically reduced if passengers were required to pay the full costs of the industry. The industry has extensive direct government subsidies, is a major sources of air pollution, and greatly contributes to greenhouse gas emissions. The existence of subsidized air travel undermines the establishment of much more efficient and less polluting rail, bus and ship transportation.

Implementing true cost pricing is not that easy. We exist within the world capitalist system, where all businesses are struggling to maximize their profit in competition with other firms, at home and abroad. Those industries which exist and profit because they can externalize major costs of production have a great deal of political influence. Those who work in these subsidized industries also fear that changes will lead to the loss of jobs. The mainstream political parties, including those on the left, have demonstrated a strong commitment to the status quo on this issue.

### **Environmental tax reform within the market economy**

The advocates of Environmental Tax Reform (ETR) today emphasize the use of market based incentives and penalties to steer individuals and businesses to make more environmentally benign choices. There is less of a commitment to the use of government regulations. It is often argued that in the present period of the neoliberal political economy, there is general resistance to the expansion of the state in the economy. Therefore, a market approach is more appropriate.

Robert J. P. Gale, a supporter of ecological economics, makes this point. "Governments in both Europe and North America (with different tax loads) are arguing that they cannot increase personal or corporate taxes. They are reforming their tax systems by embracing some indirect taxes." He argues that "In Canada and the United States, direct taxes appear to have reached their limit." There is a move to the introduction of users fees "in almost every area of public service." But this raises the issue of equity, the impact of ETR on lower-income groups. (5)

Supporters of ETR regularly cite the theories of Arthur C. Pigou, one of the classical economists who followed Alfred Marshall and strongly believed in the free market. Pigou is probably best known for his disagreement with John Maynard Keynes over economic depressions and appropriate government policy. Pigou was basically in the camp of the supporters of Jean Baptiste Say, who believed that if there were a temporary lack of demand causing a downturn in economic growth, this would be quickly and automatically fixed by the competitive price system, and equilibrium and full employment would follow. Government intervention in the economy was not necessary.

Pigou argued that the operation of the capitalist system did create "market inefficiencies." These were caused by the existence of politically created externalities, where some costs of production of goods and services are passed on to third parties. Pigou called these "market failures" which are not to the benefit of society as a whole. He proposed correcting these market problems by imposing a tax on a production process which would be equal to the externalized costs. If, for example, the cost of polluting soil, air and water is not included in the production process, they will be overused, to the detriment of society as a whole.

In contrast, other political economists, particularly those leaning to the left, would argue that externalizing costs onto the general public represents a market success for an industry. They are able to impose their interests on society as a whole and to increase their ability to maximize their profits.

Nevertheless, the supporters of ETR call for the implementation of eco taxes on "bads" like the production of toxic wastes and fossil fuel energy use. They also call for the imposition of eco taxes on materials at the source of extraction in order to encourage more efficient use and recycling. It is believed that such taxes (like Norway's carbon tax on oil and gas extraction) will be more equitable as it will affect all levels of the fossil fuel energy-production system, not just consumers at the end.

Many of the advocates of ETR also call for a shift in local property taxes from the value of the buildings on to the land to the land itself. It is believed that the present property tax system encourages land speculation and urban sprawl development. (6)

### **Revenue neutrality**

ETR calls for the introduction of direct taxes on certain goods and services to discourage consumption as well as tax credits, tax rebates and tax exemptions on other goods and services. But the advocates of ETR insist that this process should be revenue neutral - it should not be a new system of raising taxes. Instead, the revenue which is acquired should be used to offset existing taxes. Most supporters of ETR, including those in the Green Party of Canada, believe that revenues from eco taxes should be used to reduce the taxes on employment (e.g., payroll taxes) and income, as well taxes on profits made by businesses and corporations.

Frank de Jong and others in the Green Party are stressing a shift in urban taxes away from the actual buildings on the land and onto the land itself. It is argued that this will reduce land speculation and allow for better and more efficient use of land. Like other North American supporters of this policy, he cites the U.S. populist Henry George and his Single Tax Movement. This example reveals a great deal about the supporters of ETR.

Henry George was a strong supporter of the economic philosophy of Adam Smith. He deeply believed that the free market was the best system of political economy, where industrious workers benefit from their labour and businessmen profit from their entrepreneurial activity. He was morally outraged by the fact that within the capitalist free market system, people with capital could buy land, sit on it for a short time, and then sell it and benefit from a capital gain. They were parasites, he believed, not performing any industrious work for their profit. George proposed a capital gains tax to capture this unearned income and use it to replace all taxes on labour and profit. (7)

We can see similar views reflected in advocates of ETR. For example, U.S. Friends of the Earth, in their policy paper promoting ETR, specifically cite Adam Smith and Henry George for outlining the principles on which to judge a tax's fairness. They conclude that "economic decision making is best when done with minimal government direction or interference." They also believe that the solution to urban sprawl is to "modernize the property tax by making the tax on buildings much smaller or even zero." (8)

### **Benefits from tax shifting**

There are benefits to be gained from ETR, and its proponents argue the existence of a "double dividend." In the first case, we will benefit from the tax on "bads" in that the levels of pollution will drop. Through greater energy efficiency, greenhouse gas emissions will drop.

The market will direct investors to avoid polluting industries. But equal emphasis is placed on the benefits from the recycling of the revenues. Almost all of the advocates of ETR call for the reduction of payroll taxes. These taxes are widely collected from employers and workers to finance unemployment insurance and pensions. The theory here is that if employers do not have to pay these taxes they will have the capital available to hire more labour. This is the double dividend: increased employment.

The advocates of ETR also put a high priority of reducing income taxes and taxes on businesses. Thus the Green Party of Canada, and other advocates of ETR, argue that personal income and corporate income taxes cause substantial "negative distortionary effects" on the economy, a position strongly held by economists at

Finance Canada. Reducing the taxes on corporations allows them to introduce more energy efficient operations and use the additional capital to invest in technology to reduce pollution. Thus ETR actually increases the competitive advantages of companies who are on the leading edge of environmental sustainability. (9)

The reduction of taxes on corporations, and in particular the capital tax, encourages companies to increase their capital investment. This, the Pembina Institute argues, “spurs consumption and subsequently increases Gross Domestic Product.” Environmental Tax Shifting thus can be seen to enhance economic development. This position is stressed by the Organization of Economic Co-operation and Development (OECD), a powerful organization in support of the broad neoliberal agenda, and a supporter of ETR. (10)

Concerns have arisen over the impact of these new environmental taxes. To a large extent they take the form of consumption taxes, which are inherently regressive and fall heaviest on the poor and those with low and fixed incomes. Many advocates of ETR say that the new revenues can be used to compensate for regressivity. This could include exemption of workers from payroll taxes, lowering of taxes on low income people, or through indirect subsidies, such as lowering fees for public transportation. However, the OECD opposes recycling revenues through direct payment to households, as used in Alaska to transfer some of the royalties from oil and gas, or a reduction in consumption taxes like the European Value Added Tax, concluding that these approaches result in lower or negative employment benefits. The OECD, with its neoliberal orientation, prefers reductions in the taxes on capital, expecting that this will lead to greater investment. (11)

For many supporting ETR, the reduction of taxes is a general goal. The NGO Millennium Forum Taxation Policy Group calls for an “end to tax tyranny.” This would include a Green tax policy which “removes taxes from wages and other private property and increases taxes and user fees on common property.” The Northwest Environmental Watch group in Seattle demands: “Get the Tax Man Off Our Backs!” Amy Taylor, the Pembina Institute’s specialist on ETR, puts the case well:

“Environmental tax shifting that is transparent, complete, and direct will mitigate skepticism about revenue recycling. As well, governments can pursue an environmental tax shift policy in concert with an overall tax reduction agenda, thus appeasing calls for total tax reductions. Implementing environmental tax shifting does not compromise the ability of government to reduce existing taxes. Indeed, revenue from the environmental taxes can be recycled to finance reductions in existing taxes.” (12)

### **Examples of Environmental Tax Reform**

A number of the advanced industrialized countries have introduced ETR programs. They vary considerably. Some are good examples of taxing “bads,” where environmental taxes are imposed on specific commodities which are toxic or contain toxic materials. Denmark has a tax on pesticides. The Netherlands and Belgium have a tax on “excess manure.” The UK has a tax on waste going into landfill sites.

Various taxes and incentives have been used to try to reduce greenhouse gas emissions from the automotive sector, reduce congestion in cities, and improve the air

quality of urban life. Denmark, Germany and the United Kingdom have higher registration taxes on vehicles which have low gas mileage and emit higher levels of pollutants. Several countries provide cash incentives to consumers for the purchase of low-emission vehicles. Some European cities, including Milan and London, have adopted a congestion tax on the use of vehicles in the city centre. But while Germany introduced taxes on fuel for automobiles, and a differential tax on the purchase and registration of vehicles, at the same time they have actively supported the development of the automotive industry.

Many European countries, and even the United States, have introduced programs to encourage individual homeowners and businesses to implement energy conservation programs and to add solar, wind and biomass power. These generally take the form of income and sales tax incentives, but some also include grants to low income households. Supporters of ETR argue that this is one of the best ways of offsetting the revenues from environmental taxes.

Those who stress the seriousness of the problem of greenhouse gas emissions and climate change call for the introduction of some form of carbon tax or a tax on carbon emissions. Sir Nicholas Stern, former chief economist at the World Bank, and author of the special report on global warming for the British government released in 2007, insists that greenhouse gas emissions cannot be reduced without the implementation of a carbon tax. Denmark, Finland, Norway, Sweden and the United Kingdom have some form of carbon tax. A general carbon tax system for industrial emitters is being integrated into a European market for trading emissions. In 1999 the Red-Green government in Germany introduced a series of ETR initiatives which included increasing the tax on gasoline, fuel oil and natural gas, as well as introducing a new tax on electricity. A tax was also imposed on greenhouse gas emissions.

The Netherlands has imposed a range of carbon taxes in the form of excise duties on fuels, electricity, uranium, and cars. These taxes now account for around 50% of the bill for electricity and home heating. The revenues are used to subsidize insulation and the purchase of more energy efficient appliances. (13)

The most comprehensive ETR program has been implemented in Denmark. The drive for energy self reliance began with the oil crisis in 1973. The centralized coal-fired power plant system was decentralized into hundreds of small power plants at cities so that a system of district heating could be introduced, utilizing waste heat from power generation. Carbon taxes were imposed on oil, natural gas and electricity. These carbon taxes have been phased in over a period of time and now make up 50% of the household energy and electricity bills. The carbon tax doubled the price of gasoline. Emphasis was placed on public transportation; those buying a new car must pay a registration fee of 105% of the car's price! (14)

Overall, the ETR taxes have not been that far reaching. In Denmark they represent almost 5% of gross domestic product and in The Netherlands, 4%. But in the other European countries, they are below 3% of GDP. The limited nature of the taxes reflects widespread opposition to their introduction and the ability of those industries with political power to gain exemptions from the taxes or a reduction in their impact. (15)

### **Assessment of Ecological Tax Reform**

The introduction of ETR is taking place within the political economy framework of neoliberalism, the major shift to the political right that began in earnest with the election of Margaret Thatcher's Conservative government in the UK in 1979 and the election of Ronald Reagan's Republican administration in 1980. From this time on we have seen a relentless attack on the achievements of people to implement the Keynesian welfare state. Part of this has been a major emphasis on the reduction of taxes on corporations and wealth. The income tax system has been flattened. This has been accompanied by major cuts to social programs, the elimination of universal rights to social programs, and the expansion of consumption taxes and users fees which fall heaviest on those with low incomes. There is no government in any advanced industrialized country which is promoting a progressive taxation system.

The ETR taxes, as implemented, have generally followed this pattern. First of all, we see that it is common to exempt the most energy intensive industries from carbon taxes, or reduce the level of taxation that they are required to pay. The industries successfully argue that the carbon tax will make it impossible for them to compete in the international market where their competitors do not have to pay a similar tax.

The most serious criticism of the ETR program is its regressive nature, that its taxes fall heaviest on those in the low income brackets. Supporters of ETR insist that the revenue collected from the new taxes can be used to mitigate the impact. But is this the case? Germany used some of the funds to increase children's allowances, increased the tax-free threshold for income taxes, and reduced the rate of tax on those in the lower income brackets. But this did not offset the impact on the poor.

The Netherlands returns some of the tax revenue collected to low income households and has established a base level of energy use which is not taxed. These are the best examples of the offset, although they are opposed by the free market think tanks and organizations supporting ETR. Norway and Sweden have used revenue from their carbon tax to reduce income taxes, but this has little effect on those who do not earn enough to pay income taxes.

Supporters of ETR believe that both labour and capital can benefit from the reduction of payroll taxes which are used to finance programs like unemployment insurance and pensions. The German program does reduce these taxes for both workers and employers, but these new taxes have been tied to a significant reduction in both unemployment insurance benefits and coverage and pensions. In other countries, including Austria, Denmark, Finland, France, The Netherlands and the UK, the payroll tax reductions were given only to employers. (16)

There is little evidence to support the theoretical argument that reducing payroll taxes will increase employment. Perhaps the evidence for such results is lacking because the ETR programs are limited and the cuts to payroll taxes have not been very significant. One study of European opinion found that German businessmen, who had the greatest understanding of the "double dividend" argument, were most skeptical. None of those surveyed believed that payroll tax cuts led to greater employment. Ordinary citizens were most skeptical, considering it to be "a confidence trick." Businessmen in Ireland expressed a strong belief that such taxes would fall hardest on the poor. (17)

Jack Mintz, a well known Canadian business economist, has expressed doubts about the success of a carbon tax. He argues that taxes on gasoline and heating fuel are less sensitive to price increases, as in Canada these are taxes on what are deemed to be essential services by most people, heating and transportation, and cannot easily be adjusted. He also believes that these taxes are inherently regressive and will fall heaviest on the poor. Yet he sees the advantage of these taxes as being used “to replace economically harmful levies with high marginal tax rates on earnings, investment and risk taking.” (18)

I would argue that the imposition of ETR policies would have a more regressive impact in Canada than in Europe. European countries have more comprehensive social safety nets than we have in Canada. The more northern countries, which have implements some ETR programs, have traditionally had lower unemployment rates. Poverty rates are much higher in Canada. Inequality of income and wealth is more pronounced in Canada. The original Green Party of Canada was well aware of this. Not the present leadership.

### **The broader context**

There are a number of more general issues which come to mind when examining the case for Ecological Tax Reform in the Canadian context. The first is the reality of power. It seems to me that most environmentalists and Greens today in Canada do not understand how the capitalist system works. They ought to take some time to read Adam Smith’s description.

Within the capitalist free market economy, individual capitalists and corporations make decisions on where to invest. They are driven by one objective – where and how to invest to increase their capital. In the market they are always in keen competition with others, both at home and abroad. Capital accumulation is the driving force of the system. Smith argues that the proper role of government is to enhance this operation, and that is what our governments do. They are also committed to protecting private investments abroad.

As the capitalist system developed in the era after Smith it took on other characteristics that have been noted by many political economists. Competition leads to concentration of economic power as weaker firms are driven from the market. Capital concentrates in population centres where industrial and financial capital can interact for investment purposes and there is the existence of the stock and commodity markets. In addition, the existence of a world imperial and colonial system over the 19<sup>th</sup> and 20<sup>th</sup> centuries led to a wide disparity in the standard of living between industrialized countries at the centre and those less industrialized countries in the world hinterlands. This polarization also appears within countries. To support this international system of imperial domination, the advanced industrial powers built large military establishments and have operated on a world scale in support of national and international interests.

This international system of domination is still very much present today. Joan Martinez-Alier, an ecological economist, points out that this domination is reflected in the trade of all materials, including energy carriers, minerals and biomass. The European Union is importing around four times as much as it exports. Latin America, in contrast, is exporting six times as much as it imports. The present world capitalist

system is founded on “ecological unequal exchange.” (19)

Present day supporters of this free market view of capitalism stress that the alternative model of capitalist development, the Keynesian system, is no longer relevant. It was based on a national view of capitalist development, where popular forces and political parties could use the state to defend the interests of the people as a whole. A partnership could be built between a popular democratic government and a national capitalist class. But in the era of neoliberalism, which began around 1980, international competition is fierce, with national states having a much reduced role to play, and the Keynesian approach is no longer seen to be relevant.

The capitalist system as a whole is committed to economic growth. In today’s world this requires the introduction of endless wants, the consumer throw away society. Steady economic growth has been required by the system to counter the demand for greater equality of income, wealth, status and power. John Stuart Mill, in his *Principles of Political Economy* published in 1848, argued for the creation of a steady state economy. He believed that Great Britain had already created enough wealth to provide for a good life for its citizens, all it needed was a more equitable system of distribution. But given the nature of the capitalist system, and the concentration of political and economic power, this could not happen. (20)

This is the context in which ETR policies are being introduced. Thus it is no surprise to find that their overall effect is to strengthen the neoliberal order and enhance its unequal nature.

It is also important to remember that the Greens and the environmentalists in Canada who are actively promoting these policies at one time believed in the creation of a new economic and political order, one which stressed “social justice,” one of the four pillars of the international Green movement. In no way can the ETR program be seen as part of a policy of social justice. It is always described as a system which depends on the market, reduces the role of the state, and can be used to cut taxes on income, wealth and business operations.

Most Green parties still formally hold to the four principles of the international Green movement. The policies of many of them, like the U.S. and Australian Greens, include a wide variety of eco taxes and policies in their platforms. But they also include a strong commitment to social justice taxation, including a more progressive income tax, higher taxes on corporations, taxes on wealth and inheritance, and the elimination of regressive consumption taxes. But where Greens have entered governments in Europe, they have been a minority partner in a broad left coalition led by social democratic parties. These coalition governments have implemented a range of neoliberal policies, including regressive taxation. This has been most noticeable in Germany, France and Italy.

The power of the capitalist class can be seen in the general attack on the Keynesian welfare state. The push for the neoliberal order, the free market and free trade, has come from the organized business class. They have been able to dominate and control the major international institutions which support the business version of the neoliberal order: the International Monetary Fund, the World Bank, the World Trade Organization, the Bank for International Settlements, the OECD, the G-8 and a range of other institutions.

One result of this concentration of power and the resulting policies is the dramatic rise in the inequality of income and wealth, within each country and between the countries of the industrialized North and the less developed South. The broad range of tax cuts has greatly contributed to this increase in inequality, as described in a great many studies. At one time the reduction of inequality, both within Canada and between Canada and the Third World, was a high priority of the Green Party of Canada. That is no longer the case. (21)

### **Ecological Tax Reform and the Ecological Crisis**

The push for ETR by Green parties and environmental groups must also be seen within the context of the international ecological crisis of greenhouse gas emissions, global warming and climate change. The UN Intergovernmental Panel on Climate Change (IPCC) has concluded that we need a 70% reduction in the consumption of fossil fuels below that of 1990 if we are going to avoid the “dangerous anthropogenic interference” (DAI), the tipping point where the global warming process would begin to feed off itself and become irreversible. This DAI is often set at between 450 and 500 parts per million of carbon dioxide in the atmosphere. At present we are at 380 ppmv and in recent years this has been increasing by around 2.5 ppmv each year. The study prepared for the Pentagon projects severe climate changes leading to the freezing of Europe, massive droughts, mass migrations and ecological disasters in the United States, and increased wars. This is a very serious problem which requires drastic action. (22)

However, ETR bears no relationship to the scope of the problem. These are very modest reform proposals. Where they are implemented, in relatively few states, they generally exempt the largest industrial emitters. In Canada, for example, a few hundred large industrial and power generating facilities produce around 50% of all of Canada’s total emissions. The Green Budget Coalition, representing 20 of Canada’s environmental organizations, advocates very moderate actions by the federal government which don’t begin to address the issue. (23)

This problem must also be seen in a global perspective. The scope of the problem is outlined in the annual *Living Planet Report*, the global footprint of the world and its countries, prepared by the World Wildlife Federation, the Zoological Society of London and the Global Footprint Network. The world average “footprint” for each individual is around 1.8 hectares equivalent, according to the scale used. For less developed countries like China and India, the per capita footprint is below the international average. For the industrialized countries, it is far above the world average.

For example, Denmark is seen as the country which has gone the farthest to introduce energy efficiency and a range of ecological taxes and ETR reforms. Yet its ecological footprint is about 5.8 hectares per capita, three times the international average, and it is not falling. Industrial production and economic growth continue.

The *Living Planet Report* also traces the footprint by national average per person income between 1961 and 2003. It reports that for the low income countries, little has changed over this period; they are still using less than the equivalent of one hectare per person. For middle income countries, the average has risen from around 1.2 hectares to 1.8 hectares per person. But for the industrialized high income countries, the footprint

per capita has risen from 3 hectares in 1961 to over 6 hectares by 2003. Clearly, the world's ecological problems, including greenhouse gas emissions, are a problem primarily caused by the advanced capitalist countries. (24)

### **Concluding remarks**

All of this brings to mind the arguments made by Michael Shellenberger and Ted Nordhaus in their widely read report, *The Death of Environmentalism: Global Warming Politics in a Post-Environmental World*, published in November 2004. The central theme of their paper is that environmental organizations have been focusing on mitigating local problems and advocating technical fixes to ecological problems. But the threat of climate change requires a radical transformation of the capitalist economy. By focusing on relatively minor issues, and promoting minor changes, the environmental organizations were "fighting the last war" and failing to articulate to the public the scope of the crisis we face. Environmental Tax Reform falls clearly within this analysis. (25)

Ross Gelbspan argued in *Boiling Point* that the environmental activist organizations were putting forth positions that are "dismally inadequate to the magnitude of the challenge." Dealing with climate change involves "a high-stakes battle with big coal, big oil and the immense financial resources and political levers at their disposal." The environmentalists are "too timid to raise alarms about so nightmarish a climate threat" and at the mercy of their funders. They are also trapped in their free market ideology.

A similar point is made by Petr Cizek in his critique of the major environmental organizations in Canada. He argues that their limited agenda is basically determined by the ideological orientation of their major funding organization and their links to corporate interests. (26)

Environmental Tax Reform is a moderate environmental program which fully accepts the domination of the free market, the reduced role of the government, and believes that it is no longer possible for the general public to mobilize a political campaign for needed changes. It fits well with the ideology of the mainstream environmental organizations and the eco-capitalist sector within the international Green Party movement. They have captured control of the Green Party of Canada.

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### **Notes**

(1) Ontario Greens. "Tax shifting best way to tackle climate change." November 29, 2006. Accessed at <http://www.gpo.ca>

(2) Green Party of Canada. 2004 and 2006 Platforms. Accessed at <http://www.greenparty.ca>

(3) See policy forums and papers at

[http://greenparty.ca/en/policy/policy\\_conferences/halifax](http://greenparty.ca/en/policy/policy_conferences/halifax). Elizabeth May regularly praises Brian Mulroney as the “greenest” Prime Minister in Canada’s history. But in 1988 environmental organizations across Canada came together to form the Canadian Environmental Network to join with other popular groups to oppose the Canada-US Free Trade Agreement. In the United States Ralph Nader led the U.S. environmental groups in opposition to this agreement.

(4) GP2: *Green Party Plan: Our Greenprint for the Future*. 2006. Access at <http://www.greenparty.ca/en/platform/documents/gp2>

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