

# **The Case Against (Some) Carbon-Fee Critics**

A Response to *Making Climate Policy Work*

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## **Summary**

Over the past two years, a growing number of critics have challenged the consensus among climate policy experts in favor of using market-based incentives to induce households, businesses, and other institutions to reduce their carbon footprint. Many of these critics accept the theoretical merits of imposing a “carbon tax” or “carbon fee” on greenhouse gas pollution but argue that it will never become politically viable. Their case deserves close attention, if only to give carbon-fee advocates a more sophisticated understanding of the political obstacles they face. However, many of the critics’ arguments lack merit. They wrongly conclude from the current inadequacy of most carbon-pricing programs that better ones cannot be implemented; they apply insights from political science selectively; they elide difficulties inherent in implementing regulations and industrial policy at the required speed and scale; and they often conflate flawed cap-and-trade schemes with superior carbon-fee-and-dividend policies, which attract widespread support in surveys of U.S. voters. Climate activists should reject their unsupported assumption that advocacy of fee-and-dividend policies will detract from, rather than strengthen, complementary regulatory and subsidy policies to curb greenhouse gas emissions.

## **Introduction**

Theodore Roosevelt once said, “The more you know about the past, the better prepared you are for the future.” To that bit of wisdom, there is a corollary: the more you misinterpret the past, the worse prepared you are for the future.

Today, humanity has no higher calling than to mitigate runaway climate change. Drawing appropriate lessons from the hard sciences, economics, politics, and history has never been more important. The [vast majority of economists](#) assert that taxing sources of greenhouse gas emissions is the “most cost-effective” means of rapidly bringing climate change under control, just as [health experts have concluded](#) that tobacco taxes are “the single most consistently effective tool for reducing tobacco use.” By encouraging nearly every participant in the economy to find efficient and innovative ways to curb emissions, such market-based measures can offer a uniquely powerful and systemic contribution to addressing the climate crisis. Proposals to make climate polluters pay have been endorsed by the World Bank, International Monetary Fund, Organization for Economic Cooperation and Development, UN Secretary-General, major corporations, prominent environmental organizations, renowned climate scientists such as Michael Mann and James Hansen, and several dozen national and sub-national governments.

Attempts to promote such a solution have been challenged for years by climate deniers and political lobbies funded by fossil fuel interests. More surprisingly, they are now being challenged from the opposite direction—by analysts who comprehend the severity of the climate crisis. Unlike members of [fringe anti-market organizations](#), these thoughtful academics and pundits concede at least some *theoretical* case for using price incentives to drive the economy onto a low-carbon trajectory but question their *political viability*.

In 2018, for instance, the influential journal *Foreign Affairs* [featured an article](#) on “Why Carbon Pricing Isn’t Working: Good Idea in Theory, Failing in Practice.” During the run-up to the 2020 election, two UC Santa Barbara political scientists, Matto Mildemberger and Leah Stokes, branded carbon pricing “a political disaster” in a widely cited [essay](#) in *Boston Review*. Also receiving [widespread publicity](#) that fall was a [book](#) by California lawyer Danny Cullenward and UC San Diego international relations expert David Victor, which derided most carbon pricing systems around the world as “Potemkin markets” that offer only the illusion of progress.

Appeals to bleak political realities persuaded even Nobel laureate economist Paul Krugman that public policy should “emphasize investments and subsidies, not carbon taxes.” He [explained](#):

But wait, shouldn’t we be considering a carbon tax? In principle, yes. As any card-carrying economist can tell you, there are big advantages to discouraging pollution by putting a price on emissions, which you can do either by imposing a tax or by creating a cap-and-trade system in which people buy and sell emission permits.

It’s Economics 101: A pollution tax or equivalent creates broad-based incentives in a way less comprehensive policies can’t. Why? Because it encourages people to reduce their carbon footprint in all possible ways, from using renewable energy, to conservation, to shifting consumption away from energy-intensive products.

A carbon tax is, however, a tax — which will upset the people who have to pay it. Yes, the revenue from a carbon tax could be used to cut other taxes, but convincing enough people that they will be better off over all would be a very hard sell. And claims that a carbon tax high enough to make a meaningful difference would attract significant bipartisan support are a fantasy at best, a fossil-fuel-industry ploy to avoid major action at worst.

The point is that going for a less-than-ideal but salable policy [of subsidies and regulations], at least initially, is better than letting the best be the enemy of the good.

Given the extraordinary stakes, a careful evaluation of such critiques is of the highest importance. If they are largely correct, carbon pricing advocates must redirect their efforts toward more viable policy proposals. If substantially incorrect, however, such arguments risk becoming dangerously self-fulfilling prophecies that discourage climate activists from pressing for one of the most effective solutions to meet today’s unprecedented global challenges.

## Points of Agreement—and Disagreement

Carbon-pricing advocates generally agree with sophisticated critics on several key points:

1. Most experts have long advocated raising the cost of greenhouse gas pollution, through taxes, fees, or creation of a market for pollution permits (“cap and trade”), as an effective way to curb harmful emissions rapidly and at relatively low cost.
2. However, [carbon pricing has not been implemented widely or robustly enough](#) to make a major dent in global greenhouse gas emissions.
3. Implementing tougher carbon pricing is a major political challenge, given opposition from well-heeled industry lobbies and the strong distaste of most voters for higher energy and consumer costs.
4. [Carbon pricing is not a “silver bullet.”](#) [Well-targeted](#) regulations, subsidies, and public investments can enhance the effectiveness and reach of carbon taxes.

However, proponents of carbon taxes part company with some harsher critics in key respects:

1. Points 2 and 3 above do *not* logically support a conclusion that well-designed carbon fees are politically infeasible. History is replete with examples of committed movements overcoming political challenges and achieving major change—for example, the vote for women, civil rights laws, and same-sex marriage.
2. Points 2 and 3 above also do not demonstrate that expanded reliance on other approaches would be politically *more* feasible than carbon pricing. Critics rarely subject their preferred alternatives—typically involving sectoral regulations, subsidies, and industrial policies—to the same level of skeptical scrutiny. Instead, they claim unconvincingly that voters and affected industries will rebel only against the costs of market-based incentives while remaining blind to the typically [much greater costs of regulatory policies](#).
3. Many critics make the obvious point that voters dislike higher taxes but fail to seriously address proposals to combine carbon fees with “dividends” or tax cuts that would make such programs financially attractive for a sizeable majority of households.
4. Critics do not support their crucial implicit assumption that climate politics is something of a zero-sum game, i.e., that support for carbon pricing must come at the expense of other measures. On the contrary, carbon taxes or fees would [supercharge the effectiveness of many other climate policies](#)—accelerating the transition to cleaner energy, transportation, and industrial production, and promoting technical innovation.
5. Critics routinely conflate straightforward carbon taxes with complex cap-and-trade systems, which “price carbon” by issuing pollution permits and creating arcane financial markets to trade them. Because they are so opaquely administered, cap-and-trade systems are more prone to regulatory capture and gaming by special interests than tax policies. They suffer well-known technical drawbacks, such as a propensity to cause sharp and unpredictable fluctuations in permit prices, and are fundamentally incompatible with emissions regulations (see below).

## **A Case Study—Cullenward and Victor, *Making Climate Policy Work***

In a book published in late 2020, two California-based climate policy analysts, Danny Cullenward and David Victor, take aim against “an elite group of climate intelligentsia” who promote “conventional wisdom” and “groupthink” in support of carbon pricing. They plead for “policy designers and advocates” to “start making a sharper distinction between the world as it is and a fantasy in which market policies could do most of the work in creating deep decarbonization.” Until then, the authors maintain, “growing pressure to act on climate change can’t be channeled in the most productive ways.”

Cullenward and Victor make several core claims:

*Claim 1: Most real-world carbon prices are inadequate to the task.*

The first premise of their book, accepted by virtually all supporters of carbon pricing, is that effective carbon prices in most countries remain much too low to drive down greenhouse gas emissions at the necessary scale and speed. This point simply reflects their broader observation that “many governments around the world are ignoring the problem of greenhouse gas emissions, focusing, instead, on other priorities.” Regulations and subsidies are also woefully inadequate today. Carbon-pricing policies are no more inadequate than others. It is sadly instructive that recent declines in U.S. GHG emissions [were driven](#) mainly by recession and market shifts favoring natural gas over coal in electric generation rather than government policies. Even in California, a leader in sub-national environmental regulation for decades, [total GHG emissions in 2018 were only 10 percent lower than in 2000](#), and some of that was due to the “[leakage](#)” of emissions to out-of-state sources. Clearly, climate activists everywhere have more work to do.

The good news is that when governments such as Sweden and the UK *have* implemented substantial carbon taxes, emissions often dropped substantially with no ill economic effects—giving some (admittedly [limited](#)) [empirical support](#) to econometric modeling of carbon taxes. The authors themselves grant that a \$25-per-ton tax on CO<sub>2</sub> emissions in the United Kingdom’s generation sector “accelerated the extinction of coal from electrical power” within just six years, no small feat for the country that pioneered the use of coal to fuel the Industrial Revolution.

In addition, the authors ignore the near ubiquity of taxes on gasoline and diesel, a limited form of carbon pricing. A careful analysis by Thomas Sterner [concluded](#) that “fuel taxes are the single most powerful climate policy instrument implemented to date—yet this fact is not usually given due attention in the debate.” Among the 26 advanced economies in the OECD, [the average gasoline tax](#) was \$2.24 per gallon in 2019, roughly equivalent to a carbon tax of \$220 per ton of CO<sub>2</sub>. [Countries with the highest fuel taxes consistently have the lowest road emissions](#). High fuel taxes are also helping to motivate the [fast uptake of clean electric vehicles in Europe](#). The United States is an outlier in terms of political resistance to high gasoline taxes, but even here, [voters can be persuaded to support increased fuel taxes](#).

*Claim 2: Taxes are more vulnerable politically than regulations that disguise costs.*

Like many critics of market-based policies, Cullenward and Victor assert that regulations and subsidies are politically more viable than taxes because their costs are harder for low-information voters to discern. Their point is straight out of political science 101:

Because a carbon tax requires the policymaker to identify a specific price for pollution, it also paints a target on the policymaker's back: anti-tax opponents can easily finger exactly how much the policy would raise everyday people's utility or gasoline bills. Since the polling data suggest that the public are wary about policies that have visible costs even when they want the more abstract benefits . . . this attribute of direct taxation is a huge political liability. . . .

Regulatory policies that might impose higher overall economic costs on the economy usually present lower visible costs than would be the case under a carbon pricing policy. That pattern is a feature, not a bug, to politicians who are wary of over-stepping on climate policy.

Their superficially plausible claim looks much more questionable under close examination:

a) *Although voters may be swayed by the illusion of lower costs when the household impacts are small, they are unlikely to remain quiet when sweeping regulatory policies begin forcing them to radically readjust home and work life.* They will surely question regulations that impose [double or more the cost of readjustment](#) while constraining their personal choices more than price incentives would. Hostile industry lobbies will ensure that voters quickly become aware of the [high costs](#) of any regulatory programs imposed on them. Leah Stokes and Hanna Breetz [observe](#) that renewable energy policies and electric vehicle subsidies have attracted growing and sometimes fatal opposition over time as their costs mount. In another paper, Stokes and Christopher Warshaw [concede](#) that “paying for renewable energy policies using alternative revenue sources, such as carbon tax revenues, may be important to sustaining public support over the long term.” In short, political subterfuge is not a guaranteed path to success. The most viable way to enact *any* long-term solution to the climate crisis is sustained advocacy coupled with a substantial degree of informed consent.

b) *The authors ignore [evidence](#) that resistance from voters to higher taxes [can be mitigated](#) by returning revenues to individuals through other tax cuts or “dividend” checks.* The evidence is admittedly [mixed](#), but an [international study](#) of carbon pricing concluded that “recycling revenues as lump-sum dividends addresses most of the political and behavioural barriers.” British Columbia's popular carbon tax, enacted in 2008, [helps offset income and trade taxes](#) and funds “Climate Action Tax Credits” each quarter to low-income households. As Craig Axford [observed](#), “That this tax survived the financial crisis that reached its zenith just two months after its implementation is a testament to the fact that even during the worst of times a skeptical and insecure public can still be persuaded to support a policy if it truly reconciles environmental protection with equity and fairness.” Since then, Canada has adopted a national fee-and-dividend model. One political analyst [declared](#) after Canada's federal elections in 2019, “the big winner was the carbon tax.” Although the success of this policy remains too soon to call, its passage suggests that smart political strategies and carbon-fee designs can win public favor.

Building on such political economy lessons, most carbon pricing bills introduced in the last session of Congress committed to partial or full revenue return. Analyses by the [Treasury Department](#), and [studies](#) by economics consulting firms confirm that full revenue recycling provides net financial benefits to anywhere from 60 to 80 percent of households, above all to those of low and moderate incomes. Many politicians would welcome the opportunity to support a legislative program benefiting two-thirds of their electorate. In contrast, regulatory solutions typically impose higher net costs, often with no offsetting financial benefits to voters.

c) *Political resistance to the expansion of carbon pricing from many industries can be remedied by a “[border carbon adjustment](#).”* Through a combination of tariffs and subsidies, such adjustments would level the competitive playing field by eliminating incentives to shift trade and investment to dirtier jurisdictions. As a [whitepaper](#) by the Climate Leadership Council explains,

To make carbon pricing more effective, governments should implement a truly economy-wide price on CO<sub>2</sub> emissions by eliminating sectoral omissions and special treatment of high-emitting industries. But governments will only do so if they are able to overcome legitimate concerns about competitiveness and carbon [emissions] leakage. . . . A truly economy-wide carbon fee becomes politically feasible and economically sound when paired with a border carbon adjustment (BCA). BCAs address the issues of competitiveness and leakage by applying the domestic carbon price on emissions-intensive imports and rebating the carbon price on emissions-intensive exports . . . while encouraging these trading partners to adopt a carbon price of their own.

Recent consideration of a border carbon adjustment by the EU prompted Boston Consulting Group to [conclude](#) that “its action could transform the fundamentals of global advantage. Companies around the world will be compelled to manage their carbon footprints with greater urgency. The best performers in each sector will not only enjoy a competitive edge in Europe but also have a head start against less adaptable rivals in other markets as more nations embrace financial incentives to push companies to accelerate the fight against climate change.”

d) *In this era of heightened attention to economic justice, the authors are remarkably silent about the burdens imposed by their regulatory proposals on low-income households.* Some of those costs could be offset by subsidies. However, means-tested subsidies have often proven politically unpopular, and many green subsidy programs have overwhelmingly benefited more affluent voters. A [careful scholarly study](#) of federal tax credits for “clean energy” investments since 2006 found that the poorest 60 percent of households received just 10 percent of all credits, while the top 20 percent of households received 60 percent of the benefits. (Cullenward and Victor, it should be noted, are derisive critics of “green pork,” worthy-sounding programs that “green groups” favor supporting with public funds. Unfortunately, they offer no guidance for steering public spending away from such programs toward their preferred if unspecified “deep decarbonization” initiatives.)

As costs for Social Security, Medicare, and other entitlements continue to rise steeply along with pandemic relief spending, public funds and political capital will become ever scarcer for helping lower-income households transition to a low-carbon world. Carbon fee and dividend programs

uniquely combine powerful incentives to accelerate that transition with the means to help needy households manage it. With savvy political marketing, advocates of carbon fee and dividend programs can shift the focus of skeptical voters from financial costs to their significant and growing financial benefits.

*Claim 3: Most existing carbon pricing schemes are nothing more than “Potemkin markets.”*

Much of *Making Climate Policy Work* details ways in which existing carbon markets are phony showcases for pricing carbon emissions. The authors focus on the European Union’s Emissions Trading System, the Western Climate Initiative linking California and Québec, and the northeastern United States’ Regional Greenhouse Gas Initiative. All three are cap-and-trade programs rather than carbon taxes. Cap-and-trade is structurally very different from carbon taxes, as the authors ultimately acknowledge. Conflating the two models as “market-based” is like comparing a Chevy Vega to a Tesla Model S. Both are cars, both will move you down the road under the right circumstances, but there the resemblance ends.

Economists have [long identified](#) fundamental differences between these two divergent ways to price carbon emissions. In a 2019 [Brookings paper](#), Gilbert Metcalf observed:

Setting aside economic efficiency, three factors favor carbon taxes over cap-and-trade systems. First, a cap-and-trade system fixes emissions but allows prices to vary as market conditions change. . . . Allowance prices in the European Union’s ETS fell by one-third in one week in April 2006 and by a further 20 percent over the next month upon release of information that initial allowance allocations had been too generous.

The second difference between the two policy instruments is in administrative complexity. The United States has a well-developed tax collection system, including systems in place to collect taxes on most fossil fuels. A cap-and-trade system, in contrast, requires an entirely new administrative structure to create allowances, track them, hold auctions or otherwise distribute them, and develop rules to avoid fraud and abuse. Fraud is a particularly significant problem in a system that is creating brand-new assets (emission allowances) worth billions of dollars. . . .

The final difference between a carbon tax and a cap-and-trade system is the potential for adverse policy interactions that can work against the goal of reducing emissions. This is a big problem for cap-and-trade systems. . . . Any additional policies enacted to reduce emissions in sectors covered by the cap-and-trade program (for example, low carbon fuel standards or renewable portfolio standards) will do nothing to reduce emissions but can only undermine allowance prices in the program. Any emission reductions in these supplementary programs will simply be offset by increases in emissions elsewhere, assuming the cap is binding. All that can happen is that the allowance price falls as the cap is loosened. This is precisely what has happened in the major cap-and-trade programs.

Cullenward and Victor devote an entire chapter to another dire failing of many cap-and-trade schemes: the liberal granting of emissions credits to polluters through “carbon offsets.” The authors rightly decry the dubious accounting practices used by polluters to claim emissions reductions from measures like forest protection to avoid any real change in their practices.

Although this practice is common in cap-and-trade programs, it is conceptually distinct from carbon pricing. As an exercise in public relations, big companies, from airlines to tech giants, routinely boast about how they are slashing their carbon footprints by purchasing carbon offsets. Many individuals, too, buy carbon offsets to ease their consciences, quite apart from the operations of formal carbon markets.

When Cullenward and Victor aren't citing flaws particular to cap and trade to denigrate *all* market-based programs, they occasionally acknowledge the merits of carbon taxes:

In effect, cap-and-trade systems can be made more effective when they are designed to behave more like taxes; it is no accident that the few jurisdictions with the highest prices and the greatest level of effort use taxes, not cap and trade. More stable prices will make it easier for firms to invest in anticipation of market signals and to build political coalitions that are supportive of that investment. Systems that are designed like taxes also perform better in the real world where market policies are implemented alongside other regulatory programs. In that setting, cap and trade schemes merely trade the residual and get little work done in cutting emissions—they are Potemkin markets. Tax approaches by contrast, create a clear incentive for change (the specified tax level), which persists even as other policy instruments have big impacts on behavior as well.

No argument there.

*Claim 4: The best way to promote deep decarbonization is sector-by-sector bargaining to promote an aggressive industrial policy.*

“For academics,” the Stanford and UC San Diego authors write, “markets offer the prospect of economy-wide prices and transparency so that, ideally, all sectors are treated equally. Unfortunately, that feature of markets is toxic to policymakers and climate policy advocates, who must tackle political barriers and opportunities one step at a time, one sector at a time. . . . A political perspective sees each sector as a separate challenge that requires bespoke solutions.”

The obvious retort is that crafting separate policies and regulations for each industry would be extremely labor-intensive, time-consuming, and subject to case-by-case intervention by each and every industry lobby. The difficulties of measuring performance may also invite fudging if not outright cheating. As van den Bergh and Botzen [note](#), “sector-specific approaches tend to be ad hoc, costly, and susceptible to lobbying, while causing intersectoral carbon leakage.”

Cullenward and Victor's preferred approach is vague. “Leaders,” they argue, “must rethink how they invest in leadership.” Governments must “build new industrial policies” and create “strong incentives” to motivate firms to “invest in new technologies.” As successful examples they mention in passing increased production of sustainable palm oil, airlines exploring cleaner operations, and unspecified initiatives by gas and oil companies. Lacking details, such examples are unconvincing. In fairness, it does not follow from deficits in their argument that sectoral policies are unworthy of attention, either [in addition to](#), or to [pave the way for](#), carbon taxes.

Cullenward and Victor also maintain that only government-led industrial policies can mobilize firms to innovate “new technologies that . . . will launch the global process of deep

decarbonization and displace incumbent industries.” Here they betray the limitations of their either-or thinking. The vast majority of economists agree with Cullenward and Victor that public support for research and development is vital to *spawning* new technologies. To accelerate private *adoption* of new technologies, however, market incentives are equally vital. As Columbia University economist Glenn Hubbard [observed](#), “business people don’t innovate because it feels good; they innovate because there’s a return to that innovation. If you want a return to that innovation . . . you will need to put a price on carbon.” [Studies of innovation](#) find carbon taxes are highly complementary with government R&D.

[In an interview to discuss their book](#), the authors appear to concede that the sweeping program of government-led economic restructuring they propose will present staggering challenges. Referring to the Green New Deal, Cullenward remarked with no apparent irony, “What’s totally lacking from my friends on the left is a serious discussion about what administrative capacity and competence look like in public management. Everybody just invokes public ownership and public investment. But nobody knows how to run these programs. If you’re going to have a big role for the state, the state has to be extraordinarily competent.” He added, “When the scale of money and influence is as big as it is just in our pilot systems — let alone what a serious national program would look like — we have to be really open-eyed about conflicts of interest and the way people will maneuver to capture and direct large-scale revenues. . . . All these pieces of the puzzle are not talked about.”

Such considerations explain why so many economists favor relying primarily on market-based incentives rather than a nimble, unfailingly competent, and scrupulously honest state to dictate investment, production, and technology choices. The requirement for state competency is particularly relevant when assessing decarbonization policies that can be adopted internationally to slash global emissions. Many countries with limited administrative capacity may find taxes simpler to administer and less susceptible to large-scale corruption than complex, state-directed industrial policies.

### **Why We Should Reject the Pessimism of Carbon-Tax Critics**

To the valid claim that carbon fees—like every other serious climate policy—face stiff political headwinds, we should recall the words of Nelson Mandela: “It always seems impossible until it’s done.”

Fortunately, support for *all* climate solutions will likely strengthen soon as extreme weather and other climate-related disasters unfortunately become more common. Global warming only became a really [salient political issue](#) for many voters in 2020. “Climate change now sits alongside only four other mainstays—health care, the economy and jobs, immigration policy, and Social Security—in its ability to command the electorate’s attention,” [said Anthony Leiserowitz](#), director of the Yale Program on Climate Change Communication.

Political scientists explain that climate change had the misfortune to emerge as an issue in the late 1980s just when American politics were growing more polarized and the Republican Party in particular was shifting sharply to the right. “The practical effect of the increasing polarization

was to make bipartisan cooperation and legislative compromise more difficult,” [writes political scientist Doug McAdam](#). “For any movement hoping to pursue its aims through legislative means, the dysfunction and gridlock in Congress in recent years have served as a powerful disincentive to mobilization.”

Frustrating as that polarization is, effective U.S. federal climate policy is unlikely to be enacted without some bipartisan support. Progressives who counted on a wave of support for the Green New Deal in 2020 were confronted instead by the loss of Democratic seats in the House and an evenly split Senate. A modicum of good news in the wake of that outcome is that market-based climate policies tend to “attract support from conservatives and others that reject command-and-control regulations,” according to [one recent study](#). Republicans also tend to be considerably more supportive when revenues are used to reduce other taxes or deficits.

Polls consistently show that roughly [two-thirds of all voters](#) favor taxing fossil fuel companies and returning the revenue either in the form of other tax cuts or individual dividends. In 2019, Republican pollster Frank Luntz [reported strong bipartisan support](#) for a carbon fee and dividend, including 2-1 support from GOP voters and 75 percent support from Republicans under 40.

Such polls prove little, of course, since people’s beliefs often [change markedly](#) in the presence of well-funded opposition campaigns. Moreover, some surveys show stronger support for certain clean-energy mandates. On the other hand, carbon tax supporters have learned a great deal about how to [fashion](#), [implement](#), and [communicate](#) such programs to win support. Several international studies suggest that lump-sum dividends are popular. There’s also reason to believe that the more [skeptical](#) voters learn about the environmental, [health](#), [jobs](#), and family financial benefits, the more they will appreciate fee-and-dividend proposals.

Carbon pricing continues to receive overwhelming support from opinion leaders. In 2019, carbon pricing won endorsements ranging from the [U.S. Conference of Mayors](#) to [Pope Francis](#). In late 2020, even as some critics were declaring market-based policies dead, the United Nations [declared](#) that “momentum is growing to put a price on carbon pollution as a means of bringing down emissions and driving investment into cleaner options. Economists, businesses, governments, NGOs and international bodies like the World Bank, International Monetary Fund (IMF) and the Organization for Economic Cooperation and Development (OECD), are advocating carbon pricing as a key instrument in transitioning to a low-carbon economy.” President-elect Biden named [Janet Yellen](#), one of the nation’s most prominent supporters of carbon fee and dividend, as his choice for Secretary of Treasury. Biden also named John Kerry as special climate envoy four days after Kerry published an [op-ed](#) calling for national carbon pricing. Alaska Republican Senator [Lisa Murkowski told a Stanford webinar](#) that carbon pricing should be on the table to help spur innovation. Support for carbon pricing also came from the powerful [U.S. Chamber of Commerce](#), [Shell Oil’s US president](#), the [Commodities Futures Trading Commission](#), the [Business Roundtable](#), the [Electric Power Supply Association and the Nuclear Energy Institute](#), the sustainability advocacy group [CERES](#), and the UK’s [Zero Carbon Commission](#). In 2019, Canada instituted a [national carbon fee and dividend system](#), whose price is slated to reach C\$170 per tonne of CO<sub>2</sub> by 2030. Around the world, some [five dozen carbon](#)

[pricing initiatives](#) are implemented or scheduled, covering more than a fifth of global greenhouse gas emissions—triple the levels of just a decade ago.

Rather than prematurely abandoning such effective solutions, [many social scientists](#) are bringing their expertise to bear on analyzing and closing the gap between public opinion and action as it relates to building collective power for effective climate policies. Leslie Crutchfield, in her influential book [How Change Happens: Why Some Social Movements Succeed While Others Don't](#), draws on the work of Theda Skocpol to argue that national carbon pricing legislation failed in 2009 owing to “the largely top-down leadership approach deployed by environmental reformers at the time, and their failure to engage effectively with and to embolden the grassroots.” A secondary factor in the 2009 failure was self-defeating opposition from militant, anti-market environmentalists for whom “compromise is not an option.”

Insights from Crutchfield, Skocpol, and others give reasons to hope that more effective results may come from broad-based organizations such as Citizens’ Climate Lobby (CCL), which stands out by virtue of its clear and focused support of carbon fee and dividend legislation. Its grassroots organizing and sophisticated approach to building bipartisan relationships with legislators in Washington offer a promising model for overcoming past political gridlock. Its favored bill, the Energy Innovation and Carbon Dividend Act, attracted 85 co-sponsors in the House in 2020. CCL drew more than 3,700 climate activists from across the country and several other nations to its [virtual conference](#) in December 2020 to lay the groundwork for promoting carbon-pricing legislation in the new Congress. Addressing the group, one of the nation’s leading experts on the power of social change movements [and climate policy](#), Johns Hopkins University Professor of Political Science Hahrie Han, said, “Big change always comes from doing that transformational work with the people we engage. I think that if Citizens’ Climate Lobby builds on all the roiling energy that we see in the communities across the country, that will begin to make possible the politics of possibility that we need right now.” At the same event, Senator Chris Coons, D-DE, told the group that he was in the “finishing stages” of negotiating a carbon fee bill that could have at least three Republican cosponsors in the next Congress.

Groups like Citizens’ Climate Lobby have immense work ahead educating the public and convincing members of Congress to pass a comprehensive fee-and-dividend bill. Many voters likely still have [little appreciation](#) either of the positive environmental benefits of carbon taxes or the financial benefits they could reap from dividends. But any other solution that puts the United States on a rapid trajectory to zero carbon emissions will also face great challenges. As energy reporter [David Roberts observed](#) in January 2021, carbon fees may be among the *least difficult* climate policies to enact, thanks to the arcane budget reconciliation process, which is not subject to Senate filibusters: “The most obvious place to look is at measures that directly affect the budget: a refunded carbon fee, clean-energy tax credits and RD&D investments, infrastructure investments, and the like. Anything that spends money or charges fees.”

In the meantime, proponents of other climate policies should look to build broader coalitions rather than denigrating carbon fees—promoting what *New York Times* columnist and carbon-tax skeptic David Leonhardt [called](#) “an ‘all of the above’ approach.” The House Select Committee on the Climate Crisis took just such an approach in its 2020 report [Solving the Climate Crisis](#),

which accompanied a long list of sectoral policy proposals with a strong call to “put a price on carbon pollution.” As the famed climate scientist [Michael Mann put it](#), while declaring his support for market-based policies like a carbon fee and dividend, “we’re going to need to use every tool in the toolbox if we’re going to solve this problem.”

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