

Universal Income from Environmental Protection

James K. Boyce
Political Economy Research Institute
University of Massachusetts Amherst

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Abstract

One way to fund universal income is to charge fees for the use of assets that are owned in common by all. These assets – which can be called “universal property” or “common wealth” – include the limited capacity of the environment to safely absorb wastes, such as carbon dioxide. When pollution is free, this capacity is in danger of overuse and abuse: the so-called “tragedy of the commons,” or more accurately the “tragedy of open access.” If we limit use and charge fees for the permitted emissions, and then recycle the money as equal payments to all, we can simultaneously safeguard the environment and create an environmentally-friendly source of universal income. Carbon dividends are a case in point.

The Climate Justice Imperative

The core proposition of climate justice is that the historic transition from fossil fuels to clean energy must go hand-in-hand with the transition to a more egalitarian social order. Climate justice will be a crucial part of any serious effort to tackle climate change for three interlocking reasons.

First, climate justice is a moral imperative. The benefits and costs of the fossil-fueled economy have been distributed in a profoundly unjust manner. The wealthy benefit disproportionately: as owner of the corporations that profit from fossil fuel production, and as the biggest consumers of carbon for the simple reason that they consume more of just about everything.

The poor meanwhile are most vulnerable to the deadly impacts of climate destabilization. They are more likely to die in extreme weather events like the August 2003 heat wave that killed 70,000 in Europe. They are more likely to die in catastrophic storm surges as when Hurricane Katrina struck New Orleans in 2005. Above all, they are more likely to die in the low-income countries of Africa, Asia, and Latin America, where inequality within countries multiplies the effects of inequality among countries.

An ethical strategy for combating climate change will seek to repair these injustices rather than exacerbate them.

Second, climate justice is an environmental imperative. Unless we shrink inequalities of wealth and power along with our carbon footprints, a root cause of environmental degradation will persist, setting the stage for more tragedies in the future.

Research on the [links](#) between inequality and the environment has shown that higher inequality is associated with more air and water pollution, more rapid loss of biodiversity, less public spending on environmental protection, and higher carbon emissions. These correlations reflect the willingness and ability of the wealthy to propel environmentally degrading activities, secure in the knowledge that they can reap the lion's share of the benefits while imposing the lion's share of the harms onto the poor.

An ecologically sound strategy for combating climate change will seek to curb the economic and political inequalities that drive environmental destruction rather than allowing them to perpetuate their threats to people and the planet.

Third, climate justice is a political imperative. Without broad-based public support, climate policies cannot be politically sustainable. Public investments must be designed to create good jobs and build infrastructure in communities that need it most. Regulatory standards must guarantee significant reductions in emissions in the localities that have been most harmed by the toxic legacies of fossil fuel extraction, processing, and combustion. [Just transition](#) policies must protect the livelihoods of workers and communities who today rely on the fossil fuel industry. The revenue from policies that increase the prices of fossil fuels must be returned to the public in a fair and transparent way to safeguard the real incomes of working people – an issue I discuss below.

The political risks of failing to build these principles of justice into climate policy were vividly illustrated by the Yellow Vest movement that swept France in response to President Macron's 2018 announcement that fuel prices would be hiked to combat climate change. "Macron worries about the end of the world," [explained a protester](#). "We worry about the end of the month." Many working families throughout the world share the same worry, for good reason.

A politically durable strategy for fighting climate change must bring tangible benefits to working people rather than adding to the hardships they already face in daily life.

The climate policy litmus test

The litmus test for a serious climate policy is that it must keep enough fossil fuels in the ground to prevent global temperatures from rising more than 1.5-2 °C above pre-industrial levels, the target set in the Paris Agreement. A variety of policies, including clean energy standards and infrastructure investment, the centerpiece of the Biden administration's [climate plan](#) in the United States, will help us to move in this direction. But whether they will be sufficient to meet the target is another question.

There is only one way to be truly certain that we cut emissions at the pace and scale needed to pass the climate litmus test: we must put a hard ceiling on the total fossil carbon we let into the national economy and ratchet it down year by year. An 90% cut in emissions between now and 2050, for example, translates into reductions of 7.5% per year.

To enforce this ceiling, governments would issue permits to bring fossil carbon into the economy (and ultimately into the atmosphere) up to the limit. At every pipeline terminal and coal mine head, corporations would have to relinquish one permit for each ton of carbon dioxide that will be released when their fuel is burned. If governments auction the permits, the revenue is then available for distribution to the people, public spending, or a combination of the two.

If the other climate policies succeed in reducing demand for fossil fuels at the required rate, the ceiling will be redundant and the permit price will fall to zero (or to the floor price set by a carbon tax, if there is one). But if other measures fall short, the ceiling will ensure that we meet the target. Think of it as an insurance policy to guarantee that our climate goals are met.

If other policies do not suffice and the ceiling turns out to be binding, an inevitable result is that fossil fuel prices will go up. The impact will be felt by motorists at the pump. It will be felt in the costs of natural gas and coal-fired electricity. In the absence of compensating policies, the price effect could provoke a public backlash against the policy. This brings us back to the crucial question posed by the Yellow Vest movement: how to secure durable public support for a policy that increases the price of fossil fuels?

The carbon dividend

The extra money that consumers pay does not disappear. It is not shot to the moon. It is not buried in the backyard. Unlike the situation when OPEC cuts oil supplies, it does not go to fuel-exporters. Who gets the money?

If carbon permits are disbursed free-of-charge to corporations, the result is windfall profits for the recipients. This has frequently happened in policies known as “cap-and-trade,” or more accurately “cap-and-giveaway-and-trade.”

If the government auctions the permits, however, there is no need for permit trading: firms can simply buy as many as they want. The amount they bid in the auction is based on what they expect to receive from consumers as a result of the higher price of fossil fuels.

The government can use this revenue to fund public spending or cut other taxes. Or instead it can return part or all of the money to directly the public as carbon dividends – equal payments per person, disbursed monthly or quarterly via transfers into bank accounts or checks in the mail.

With carbon dividends, consumers still have a strong incentive to reduce their own carbon footprints. People who fly often in airplanes, or heat and cool larger houses, pay more in higher fuel prices than they get in dividends. But the majority of households consume lower-than-average amounts of carbon, the average being pulled up by the outsized carbon footprints of the wealthy. As a result, most people come out ahead financially – not even counting the environmental benefits of stabilizing the Earth’s climate.

The following analogy illustrates how it works. Imagine that 1,000 people are employed in an office building whose parking lot has space for only 300 automobiles. If everyone can park for free, the result is excess demand and congestion. To avoid this, a parking fee is charged to limit demand to the lot's capacity. Each month the proceeds from the parking fees are distributed in equal payments to all who work in the building. Those who travel to work by public transport or bicycle come out well ahead: they pay nothing to park, and still get their share of the revenue. Those who carpool more-or-less break even. And those who commute daily in a single-occupancy vehicle pay more than they get back. Carbon dividends apply the same logic to parking fossil carbon in the atmosphere.

This idea has been discussed for more than a decade, but recently it has attracted more and more attention. In the United States, a letter in support of carbon dividends has been signed by more than 3,000 economists, including 28 Nobel laureates, and several legislators have introduced bills to create carbon dividends. In Canada, in 2019 the Trudeau government instituted carbon dividends in all of the country's provinces that did not already have a carbon price. In Australia, a recent survey found broad public support for carbon dividends.

Politically, dividends would help to lock in public enthusiasm for a robust climate policy. Economically, they would make a modest contribution to reducing income inequality. Philosophically, they would give concrete expression to the principle that the gifts of nature belong to everyone in common and equal measure.

A universal basic asset

Carbon dividends illustrate a way to overcome one of the key stumbling blocks to universal basic income: how to pay for it. The income would come from a universal basic asset. In this case, the asset is the biosphere's limited capacity to safely absorb carbon emissions. We hold this in trust for future generations, and our foremost responsibility to safeguard it on their behalf. Letting polluters dump carbon in the atmosphere without limit is an abrogation of this responsibility.

This means we can no longer treat the atmosphere as an "open-access" resource. As the name implies, open access is a situation where in principle a resource can be freely used by everyone. When the resource is depletable, as in the case of the space for carbon storage, open access can lead to its abuse – the so-called "tragedy of the commons."

In practice, however, open access is not equally open for all. Often it is the wealthy and powerful who are responsible for the most abuse of open-access resources, and it is those at the bottom of the wealth-and-power pyramid who suffer most from its consequences. This second tragedy of open access is plain to see in the global climate change.

The antonym of open access is property. Property rights can belong to individuals, to groups of people, or to the state. Their distribution can be more equal or less equal. And the environmental effects of different property regimes can be better or worse.

Universal basic assets are a novel type of property: "universal property." Such property is neither private nor public in the usual senses. Unlike private property, it cannot be bought or sold, or owned by corporations, or concentrated in few hands. Unlike public property, it belongs to the people, not to the state. Universal property is individual, inalienable, and perfectly egalitarian.

Carbon dividends could not only speed the clean energy transition, but also lay the foundation for universal basic income. In so doing, they would help address both climate change and extreme inequality, the two most pressing challenges of our time.

James K. Boyce is an economist at the University of Massachusetts Amherst, and the author of *The Case for Carbon Dividends* (Polity, 2019).