

Make Me Smart October 26, 2021 transcript

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Molly Wood: Hello everyone, I'm Molly Wood. Welcome back to Make Me Smart, where none of us is as smart as all of us.

Kai Ryssdal: You know what else somebody did in here? They turned on the speakers in here, there's all just a new rule. Nobody gets to use my studio. It cannot keep happening like this.

Molly Wood: I think that's a new rule.

Kai Ryssdal: No, it's not a new rule. It's not a new rule. But sometimes you just have to emphasize these things. I'm Kai Ryssdal. Thanks for joining us, everybody. Tuesday today, which means it is time for our weekly deep dive into a single topic. Today, a carbon tax, that being one way to go about putting a price on the carbon and the other greenhouse gases we put into the atmosphere on this planet of ours for however much longer we have it. And, you know, law of supply and demand being what it is, you make something more expensive, maybe we'll do less of it. You never know.

Molly Wood: You never know. We're talking about this at a great time. Because of course, this weekend is the start of the UN Climate Change Conference called Cop 26. It's going to kick off in Glasgow, Scotland. You will be hearing a lot about carbon taxes, carbon neutral, carbon negative, net zero, carbon offsets, global net zero, and so on and so forth. It's a lot. Yeah, a lot. So we thought alright, let's take at least one of those things and try to dive in and just understand what we mean when we talk about pricing carbon. A few Democrats have been kicking around the idea of a carbon tax, this conversation goes back a long time, but might be taking baby steps to reality. So we thought what better time to get some help talking about these, these programs and, and whether something like your carbon tax would actually slow the rate at which we are barfing carbon into the atmosphere.

Kai Ryssdal: So we have gotten Professor Shi-Ling Hsu on the phone. He's an economist, also the Delon Baird Professor at Florida State University College of Law, and an author of a book called The Case for a Carbon Tax. Professor Hsu, thanks for coming on. We really appreciate it.

Shi-Ling Hsu: Thanks so much for having me.

Kai Ryssdal: Is a carbon tax just what it sounds like? A tax on carbon? I mean, just to sort of set some ground rules here.

Shi-Ling Hsu: It sure is, it's just a tax on the emission of an amount, typically a ton of carbon dioxide.

Kai Ryssdal: When you say a ton, by the way, sorry, I've always had a question about this. You mean like a ton, like 2000 pounds of?

Shi-Ling Hsu: Yeah, yeah. Well, you know, I mean, if you're driving around and you're emitting carbon dioxide, you're not emitting a ton every time you make a trip to the store. But you pay some fraction of that, and some fraction of the carbon tax would cover your trip.

Molly Wood: Who would, let's just sort of keep digging into the definition for a minute. Who would pay a carbon tax in theory, like, how would a tax like this work?

Kai Ryssdal: Do you hear that oh?

Molly Wood: Did I jump all the way to the end?

Shi-Ling Hsu: Yeah, no, no, no, it's a good question, though. But it is something that I'm glad someone asked up front. You know, it depends. It depends on where you levy the tax. You could be levying the tax if you're a government on the end user. So, you know, you fill up at the gas pump, you pay a little extra for the carbon tax, you get natural gas piped into your house, you pay a little bit extra for that. You could also levy a carbon tax way up streams, what they would call it, up the distribution chain, at the coal mine, at the natural gas processing facility or at the oil refinery. And so the polluter would pay in that sense. But you know, wherever you emit, wherever you levy the carbon tax, in theory, it doesn't matter. Because if you levied on, say the oil and gas company, they're going to pass some of that down onto you. Not all of it, but some of it. If you levied on the end user, like someone who fills up at the gas pump, they're actually going to pass some of that cost up the distribution chain to the gas oil and gas company. And they do that because, you know, they buy less gas, they make adjustments. And oil and gas companies see that, they see people buying less gas, so they lower their prices, thereby absorbing some of the costs. So in theory it doesn't matter, in practice, it's, well, it's not so clear, it might make a little bit of difference who actually literally pays the tax.

Kai Ryssdal: Okay, so keep going with that, right. Because part of the challenge with this thing, historically, has been, number one, how are you going to enforce it? How are you going to, you know, actually get the mechanics in place? Number two, who pays it? How far do we have to go until a legit Global Carbon Tax becomes a thing?

Shi-Ling Hsu: Wow. Well, that's a political question. I don't, I don't think that technical parts of a carbon tax are difficult to do. And in fact, it's a lot easier than anything else we could do to reduce greenhouse gas emissions, and a lot more effective too. You could get a lot more emissions reductions with relatively little effort. The problem seems to be political. And you know, there's resistance on both the left and the right to a carbon tax and like, getting to a

carbon tax requires winning over at least one of those camps. And I would say maybe even a little bit of both.

Molly Wood: Talk to us a little bit about--so it sounds like the metrics are not hard, right? It's not hard to measure the emissions of an industry or an activity and tax that appropriately. Does the resistance come in--I don't know, you tell me. I would imagine it comes from lots of quarters.

Shi-Ling Hsu: Yeah, yeah, though, the metrics are hard. Every time you dig a chunk of fossil fuel out of the ground anywhere in the world, we pretty much know that it's going to get burned completely. And we know what carbon dioxide emissions are going to result. So you always know, like, wherever some bit of fossil fuel is going what the carbon dioxide emissions are going to be. The resistance, well, on the left, I think there are just people that are conditioned to think that prices don't work, that markets don't work. And that if you want something big to happen, and we need something big to happen on climate change, that government has to do something big. I think that's a big mistake. I think prices make profound differences in the way people behave, in the way markets act, we just don't always see them. So, for example, you know, if we had a carbon tax, we might be able to figure out the carbon footprint of all kinds of agricultural products or food products. But you don't necessarily see that price competition happening, you might show up at the store one day and see brand X of something. But if a carbon tax were in place, maybe brand X was making that product with really fertilizer intensive, fossil fuel intensive inputs, and maybe with, because of a carbon tax, they get priced out of the market. The next day you show up at the store, brand X isn't there, brand Y is. You know, that might not make a difference to you. But that's the sort of thing that prices do. It really does move a lot of things. And, you know, the problem with climate change and climate policy is that it is so ubiquitous, if you had to make up rule after rule after rule after rule, one for steel mills, one for power plants, one first cement factories, you'd be taking a long time to clamp down on all of those sources of emissions. An economy-wide carbon tax has the advantage of clamping down on all of them. Almost all of them all at once.

Kai Ryssdal: What are the downsides? Can't be all sunshine and light, right? It can't be, hey this is the answer to the climate change problem.

Shi-Ling Hsu: Well, there are downsides. But there are ways of downsides. I think one kind of pretty legitimate concern coming from progressives about a carbon tax is that it's regressive. That it hurts poor households more than rich households. It's true. If you look at a poor household's budget, energy makes up a bigger fraction of it than it does a rich household. But, but a rich household still uses more energy, a lot more energy. So one way that has been proposed to try and make a carbon tax, not regressive, in fact, make it even progressive, is to take the carbon tax revenues and put it away in some sort of a box, a lockbox, to borrow from candidate Al Gore, or some sort of a trust instrument. But you take those carbon tax revenues and you give it back, you rebate it at the end of the year in a lump sum to every single tax paying household. And so what that does is have the effect of overcompensating poor households, because they don't actually use as much energy as they would get back in a lump sum distribution, and it under compensates rich households. Now we're not talking about a lot of

money. We're talking about a redistribution. And that's what it is, frankly, which is the source of some resistance from those on the right. But we're talking about transfer of a couple of thousand dollars on a 30, 40, or 50 ton carbon tax. So it's not a big deal. It doesn't, it's not going to write all the wrongs of inequality. But it can be made to be not hurtful to poor households. I should say most poor households. Not everyone.

Molly Wood: Broadly, I wonder, does this get to the idea that we actually just don't know how much stuff costs, you know, that this is a way to sort of, to create a sense of a true cost of our actions, but also, the things that we buy, like you give meat as an example, you know, a piece of chicken, it costs what it costs. But none of that takes into effect the, the kind of invisible and real subsidies on the fossil fuels that were used to crude, to bring that piece of chicken to the store.

Shi-Ling Hsu: Absolutely, that is a great point, that is perhaps one of the most valuable things about a carbon tax, it's information, like we take some effort to try and figure out our carbon footprint, but we don't really know what it is. You buy something at the store and you just don't know how that product was made. You don't know if it was fertilizer intensive, you don't know how far it was trucked, flown, or kind of freighted by ship. This is a way of figuring out like, what your actual carbon footprint is, you're gonna find out you buy product X or Y, and it's going to go up by a little or a lot depending on how carbon intensive it is. And, you know, that is really what a carbon tax is supposed to do, make you just feel the pain of the harm that you're imposing upon the environment by buying product X or Y, by the producer of product X or Y paying for the emissions of making that product. And so if you had a carbon tax that has a way of actually what it is, is leveling the playing field. People who are doing a good job of keeping their emissions down, pay less. And that's kind of what we want. That's what Kai said at the beginning of the show, that, you know, supply and demand being what it is, if you could get the price of the harm into the market, we're going to have less of it.

Kai Ryssdal: So let me get a little subjective here. Right, you have spent no small amount of your own intellectual capital the past number of years writing your book, you've thought about this a lot, and you've gained it out. How far are we, do you suppose, from any kind of viable carbon tax being reality in this economy?

Shi-Ling Hsu: Boy, I don't know. I think you got to talk to someone closer to Capitol Hill. I do think there's a perception problem that could be fixed. A lot of people just don't like the idea of a carbon tax because there's a, I don't know, I think there's kind of like a cognitive sente. That's just skeptical of it. There was a poll that was done for the Democratic Party on climate policies. And, you know, like most polls, they ask a question about climate policy, ask prospective voters like, what do you think we should do about climate change? And the question is, I'm oversimplifying a bit, is, would you favor a carbon tax that would increase the cost of energy? Or would you favor regulation that clamps down on polluters and make them pollute less? And, you know, without knowing it, asking questions that way skews the answer, because you tell someone energy costs are going to go up, they're automatically going to go to that part of their brain that says, oh, wait, a carbon tax is going to cost me. I'd rather impose that cost on polluters. The truth is that costs get absorbed by both polluters and consumers. And that

through markets, somehow, you know, what the ultimate tax burden is, is some sort of a compromise between producers and polluters, but it's kind of a false choice to say, carbon tax or regulation, carbon tax costs you, regulation doesn't cost you. They both cost you, it's just that you kind of see the cost a little bit more clearly with a carbon tax. I think you could fix that, you know?

Molly Wood: Right. It's marketing. It's a marketing problem.

Shi-Ling Hsu: Yeah, it kind of is. But it's also real, it doesn't take a lot to fix it. I mean, a carbon tax would, about a \$30 ton carbon tax would generate \$150 billion in revenues. If you could ask survey questions, and some firms do, do it this way. They kind of go to the extra trouble and inconvenience the survey respondents a little bit more by saying, well, the carbon tax does this, it generates revenues. What if you use the revenues for this? What if we use the revenues for that? That could go a long way towards fixing this perception problem that carbon taxes have.

Molly Wood: I wonder, how do you feel about some of the other solutions that are a little bit better marketed for reasons that are somewhat obvious because they let us keep doing what we're doing, like the idea of net zero, cap and trade, carbon offsets, you know, those have much vaguer and blander terms attached to them. And yet, that seems to be what people want to do.

Shi-Ling Hsu: I think you're right about that. They let us keep doing what we do, we just got to feel a little bit better. I'm not sure about carbon offsets, you know, there are some things we ought to pay people to do. And we're not going to get them to do it unless we pay them. The only way to pay them is by saying, hey, what you're doing is valuable. And you can sell a credit for doing what you're doing to somebody else that is supposed to be reducing their emissions. I think the devil is always in the details, you can set these programs up so they work pretty well. The truth is, we haven't typically done a very good job of that, we usually kind of wind up giving away credits and money for stuff that people would have done anyway, or stuff that doesn't actually make a lot of difference in terms of reducing greenhouse gas emissions. So, you know, I don't have a solution for that. But, you know, there are ways to set up a cap and trade program, which is also kind of pricing carbon, that, that clamped down on some of those problems. But, you know, I'm not sure I've seen a lot of those that work that well yet.

Kai Ryssdal: Fundamentally, though, you know, all of those things and a carbon tax as well, we have to put a price on carbon somehow, whatever you want to call it, cap and trade, carbon tax, whatever.

Shi-Ling Hsu: Yeah, absolutely. We absolutely have to have a price on carbon, that would be the most effective thing to at least start down the road towards reducing emissions.

Molly Wood: Are other economies closer on a carbon tax? Does it have to be global? Like if one, you know, if the EU starts it, could that create a cascade?

Shi-Ling Hsu: That's a great question. A cascade is exactly what we want to have happen. I've argued, cap and trade is okay, but a carbon tax is better. Why? Because collecting a carbon tax

is really easy. In most economies, it's just like collecting a sales tax. So in the United States, we could probably do a cap and trade program or a carbon tax, but climate policies got to be global. Right? It can't be the United States alone. I think that if we had a carbon tax, that would be a better basis for an international treaty, because that kind of looks like what treaties are supposed to be. We all do this one thing. A cap-and-trade program, we tried to go, go global with that back in 1997 with the Kyoto Protocol. And the problem with that is, you know, it becomes this zero-sum thing, I want more emissions. Why do you get such a generous cap. It all kind of descended into like, this bickering about who gets what, and in the end, no one kind of met their goals anyway. Carbon tax, you know, it might not get us all the way there. But if we just start down this road, and we just start these technologies that we need rolling, then I think that would be the quickest way to kind of start reducing emissions.

Molly Wood: Professor Shi-Ling Hsu is an economist and professor at Florida State University College of Law and author of, and I think it's been made here today as well, The Case for a Carbon tax. Professor, thanks so much for the time.

Shi-Ling Hsu: Thanks so much for having me.

Kai Ryssdal: Thanks a lot. That was great. Super interesting.

Molly Wood: Take good care. Holy cow. So interesting. So well explained. And it is, it is so interesting how sometimes the simplest solutions are the best, are like really obvious and potentially the best, right? If something is cost, what it actually costs, if it's too expensive you'll stop doing it. Like, it seems so easy when you put it that way.

Kai Ryssdal: Yeah, totally. Totally.

Molly Wood: I have already started thinking like, what would be the loopholes that people would create, lobbying to be created around a carbon tax. But still, tell us what you think. Do you think a carbon tax seems like it would work? Did we make you smart? Did we raise more questions? If you live in a place that has some version of carbon tax, has it changed your habits and frankly, if you knew how much a piece of chicken really cost, all things considered, would you still buy it? Tell us about it, you can send us an email to makemesmart@marketplace.org

Kai Ryssdal: You know, you can make a case that if we're doing our jobs right on this podcast, on Tuesdays, people should have more questions than when they went in.

Molly Wood: I would hope so. Yeah, absolutely. Totally. Because you have then gotten interested, you've gotten your little intellectual hooks into the topic and now you want to know everything.

Kai Ryssdal: Random thought. Anyway, call us if that's easier for you, leave us a voice message, our phone number's 508-827-6278, 508-82-SMART. We'll be right back.

Molly Wood: And we are back. I put in and took out at least 17 links this morning. I tried to be focused.

Kai Ryssdal: Did you leave the SSU in there? Yeah, you did, I knew you would.

Molly Wood: Yeah. Oh, yeah, for sure. Yeah. So, time for the news fix.

Kai Ryssdal: Alright, I'll climb in just because my, one of them is, you know, tangential to the one we were just talking about, which is that there's cop 26 coming up next week in Glasgow. It's gonna be a whole lot of speechifying and all that stuff that Molly said at the top of the pod. But also in advance of that report, the United Nations has come out with its annual emissions gap report, which I didn't know they came out with every year until this morning. How badly we're doing in terms of how well we need to be doing in limiting greenhouse gases. And here's the deal, I will just read it to you. The Emissions Gap Report 2021 shows that new national climate pledges combined with other mitigation measures put the world on track for a global temperature rise of 2.7 degrees Celsius by the end of the century. They then go on to say that would be catastrophic. What's the target? 1.5 degrees Celsius. So we're blowing it. We got 89 years left to figure this out. No, 99 years, 79 years, whatever it is.

Molly Wood: By some estimates, we have 10 or less. Like we, this is the decade in which we have to make these changes now. Otherwise, we won't, you know, it's, it's a cumulative impact.

Kai Ryssdal: Yeah. The next sentence in this report is, the world needs to cut in half annual greenhouse gas emissions in the next eight years. Yeah, so there's that and I just, I just wanted to throw this, this one little tidbit in on my beat out there. Inflation is real. And it has come to Disneyland. Disneyland ticket prices, one day to a park at Disneyland on the busiest day of the year, if you wanted to go, \$164. That's up 8%. Happiest Place on Earth, my patootie

Molly Wood: Is that really inflation or is that just Disney?

Kai Ryssdal: Well, yeah, they're doing it because they can, right. They're doing it because they can. And also, there are so many people who want to go to those parks that they could raise tickets, you know, 15%, and they'd be better off with fewer people coming because it would be less crowded and they'd get fewer complaints. But I just, yeah, anyway, just wanted to throw that out there.

Molly Wood: Yeah. Crazy. Yeah. I also saw that UN story and so I was glad that you put it in there because it is, it is discouraging, to say the least. But it should light a fire or like a electric fire under everybody.

Kai Ryssdal: Clean generated electric fire.

Molly Wood: A clean generated electric fire. There was a piece in The Guardian that said that Americans are up to 60% in terms of the number who hold fossil fuel companies, oil and gas

companies, responsible for climate change, ahead of those hearings that we're expecting, but that there, and that there is still a massive partisan gap in the number of Americans who believe that climate change is real and an existential threat or exists at all. And I think you can guess which way that goes. That's a tough one. I have been, as you know, we've been following these like, Facebook papers nonstop. The Facebook files, how it started. But there has been this kind of interesting subset of reporting that at first I thought was just sort of like journalism ego stroking or navel gazing about the way that this information is being distributed.

Kai Ryssdal: Oh, yeah. No, it's actually, yeah, there's the, the way this information is coming out is a huge story, I think. Sorry to jump in.

Molly Wood: Yeah, no, totally agree. Like I think it is actually a huge story. And so there were a couple pieces. There was one actually that Kai had in the rundown yesterday, if you look on our show notes, you'll see it, by Ben Smith at the New York Times. I think Wired had one too called like, it's Frances Haugen's world and we're just living in it. That, of course, is the, the kind of key whistleblower who is releasing all this information as what is essentially its own huge coordinated media operation. And has sort of created this consortium of outlets that are reporting on this, but that the thing, what some journalists are pointing out, including Gizmodo today, is that the thing that we don't have is the documents. We have like, pictures of screens, in some cases, there are documents that have been released, but with like, lots of redactions in them, so that Frances Haugen and her legal team--and listen, like, protect yourself if you're a whistleblower, I get it, right--but her legal team is deciding what information is available. And it's very interesting, because if you compare that to something like the Snowden disclosures and WikiLeaks, and I know that many of those things take on a different cast today than they did at the time, but that was a data dump. There was like, the information was released. And then news outlets did with it what they will on their own time, as opposed to this like, fairly carefully manipulated release.

Kai Ryssdal: It's been definitely curated for sure.

Molly Wood: It's being curated. Exactly. And I, and I think that it is, I am actually in retrospect, compared to what I thought yesterday but didn't say, happy to see that media outlets are asking reasonable questions about how this information is being released and curated, and that, as with almost all things, especially now that you see that there's like, this consortium, and they were, there were like, winners and losers and I don't think any public media is part of it. It's just better to have the raw data. Yeah, it's just better. Yeah, then we can tell the true story. This isn't, this isn't, you know, I don't, I don't necessarily agree with Mark Zuckerberg that this is a carefully coordinated attack just designed to do maximum harm on Facebook. But at the same time, we would tell truer stories if we just had all the information.

Kai Ryssdal: Look, it's definitely carefully coordinated.

Molly Wood: It is. It is. And it's not ideal. So there was a piece in Gizmodo today saying like, hey, kids, you want to see some leaked documents. They're essentially saying, whatever we

can get our hands on, we're gonna publish, we're gonna give as much access to the raw documents as we can, and put them into context. But I would urge this operation, this sort of separate but equal media operation that is Frances Haugen and her team, to just maybe give the data.

Kai Ryssdal: Yeah. It'd be better. It'd be better.

Molly Wood: Yep. It's interesting. And a quick make me smile before we go to the feed, the mailbag. I just think it is super cool that President--super cool and also vaguely embarrassing that we now have at least a nominee to chair the FCC that would be the first woman chair of the Federal Communications Commission, Jessica Rosenworcel, who has been the acting FCC chair since I think Biden took office just about. But would become the first woman to lead the agency.

Kai Ryssdal: She's been a guest on this podcast, I do believe, a number of years ago.

Molly Wood: She has, yeah, she, we had her on Marketplace Tech, I think since she's been acting Chairwoman. And it's just a, it was a, it was worth marking milestones, even if they're overdue. They're still good news. Yep.

Kai Ryssdal: We got to do it. On to the mailbag.

Molly Wood: This is so different, not at all related. And I love it already. Here's a listener who wants to yes, and my suggestion that we all learn to knit for this holiday season instead of relying on not only our broken supply chain, but our old habits of buying too much crap. This is Monica in Ann Arbor.

Monica: It doesn't matter what state you live in, I promise there is a shepherd or rancher with sheep, llamas, alpacas and various other spinnable fibers. And believe me, they would love to make friends with you. So you can become a spinner, which means that you can get you a nice little spindle to handstand, or you can find a nice spinning wheel. It's a great hobby, you can make your own yarn and then make your own sweaters and mittens, hats, and maybe even learn to weave, and you can do it all local. Thank you.

Kai Ryssdal: There you go, that's awesome.

Molly Wood: I mean this just makes me want to move to Ann Arbor and have a whole other life. I love it.

Kai Ryssdal: Oh man, all right, so here is somebody with a solution for those of you going back to video free none zoom conference calls.

Michael: Hi, this is Michael from Statesville, North Carolina. And I noticed that everybody is back on those conference calls and all that good stuff now and a very simple solution to all that,

dropped back to how they use it in the military. When you finish talking you say over, and of course, when you finish your conversation for good and hang up, for that you can always say over and out. Talk to you later, guys.

Kai Ryssdal: Over and out, Michael, over and out. You left it! Come on, dude. Good grief. But yes. we could all do that. Over.

Molly Wood: It's gonna be awkward to socialize but I think if we try to be influencer enough about it enough, we'll be like, what? Over. Oh my god, I love it. That's outstanding. All right. And then today, our listener Jody from Minneapolis has an answer to our make me smart question, which is, of course, what is something you thought you knew that you later found out you were wrong about?

Jody: What I used to believe is that money management and personal finance was, was just all about math, self control and discipline. What I learned long ago is that it's all about your emotions, beliefs, and values. How does how I spend my money support my efforts to make the world more just. All this emotional excavating has paid off. My wife and I are really proud of how we manage our money. We take care of our community, our families and ourselves. It's become a source of joy for me instead of a source of stress like it is for so many people. Thanks again for the show.

Kai Ryssdal: Yeah. Look, that's totally true. Money is all emotional. Holy cow. Yes. Holy cow. Yeah.

Molly Wood: And I love the idea of thinking of it as part of your ecosystem and what you project into the world and create with it when you are, have the privilege to be off of the treadmill.

Kai Ryssdal: What's that saying? Show me your budget and I'll--the say it in policy all the time, right--show me your budget and I'll show you your values, right, that's, that's what it is. That's what it is. So the make me smart question. What is something you thought you knew but then found out you were wrong about, we love y'all answers, we really do. Send them to us, call us, leave us a voice memo 508-82-2-SMART, and we'll get it on the pod. On the pod. Sorry, I'm just waiting. Okay, there we go. Make Me Smart is directed and produced, as opposed to produced and directed, by Tony Wagner on this day. Marissa Cabrera is having a well deserved vacation. Tony is also writing our newsletters this week. He's only however getting one paycheck. We had production help from Marque Greene. Our intern is Grace Rubin.

Molly Wood: That's just how we roll. Today's program is engineered by Liana Squillace with mixing by Jake Cherry. Ben Holliday and Daniel Ramirez composed our theme music. Man, does that seem like it's been a long time without those two. The senior producer is Bridget Bodnar. Donna Tam is the interim director of on demand and Marketplace's vice president and general manager--the new guy--Neil Scarborough. Think he just has till the end of the month and then he's not the new.

Kai Ryssdal: Yeah, that's right.

Molly Wood: Then he's just the guy.