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Understanding the political economy of carbon taxes

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ABSTRACT

We study environmentalists as well as citizens who have signed protest petitions against fuel taxes. Even in the latter group, there is quite a strong opinion for climate policy. However the current policies pursued by the government are not well regarded. They are generally negative to many instruments including subsidies for electric vehicles and so-called “environmental” vehicles. Opinion on carbon taxes is very polarized with some support but also strong resistance. Just more than a third of the respondents identify the main purpose of a tax as changing the behavior of themselves and others in the economy. 15% however think it is just a way of collecting revenue and they will only support such a tax if the revenues are used for climate purposes.

Many are very negative to carbon taxes and consider them unfair - in particular with respect to those who live in urban areas. When asked about how to use the revenues from a tax they still mainly support using them for investing in climate mitigation although there is also some support for revenue recycling although this opinion is split between recycling to all citizens or to low income earners.