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TITLE: Denniss: carbon price and the truth about ‘truthiness’

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The current debate about the introduction of a carbon price in Australia marks the nadir of policy evaluation and political commentary in Australia. It is hard to imagine an economic issue where there could be less reliance on established facts and consistent logic. Then again, recent developments in US politics suggest that we may indeed have a lot further to slide down the slippery slope of “truthiness”.

Truthiness is the phrase now widely used in the US to describe “concepts or facts that one wishes or believes to be true rather than concepts or facts known to be true”. In the words of Stephen Colbert, “I don’t trust books. They are all fact no heart”.

Truthiness is at the heart of the climate policy debate in Australia, and it is embraced by all sides of that debate.

The most obvious form of truthiness is the belief(s) that the climate isn’t changing, if it is changing it isn’t because of humans and/or that if it is changing and it is caused by humans the impacts will be minor. To feel the truthiness of these arguments requires the feeler to believe that the data is fabricated by scientists motivated by money, that scientists are monumentally (but consistently) incompetent in their observations, or both.

When challenged by the argument that any conspiracy theory that can capture climate-change fabrication needs to be big enough to capture NASA, CSIRO, John Howard, Angele Merkel, David Cameron, Greenpeace and Malcolm Turnbull the standard sceptic response is to shift the debate to the costs of reducing emissions.

The second truthy line of defence for those determined to keep polluting is that the costs of tackling climate change are much greater than the benefits. The fact that every major effort to determine the macroeconomic costs of reducing emissions finds trivially small costs in the order of a 0.1% reduction in the rate at which we will get richer is easily ignored. It is far truer to simply add up all of the costs to the industries that are supposed to bear the brunt, multiply the number by 10, 20 or 50 to provide an “insight” into the long run cost of action, and then express the end result in tens of billions of dollars rather than as a percentage of our \$1.3 trillion economy.

The final truthy argument against reducing emissions is to state that Australia “shouldn’t act first” and can’t make a difference as we are only 1.5% of the world’s emissions. In responding to such an argument experience suggests mentioning Europe will not help persuade those who feel we shouldn’t act first. Nor will pointing out that given that there is nearly 200 countries worldwide we should all, by that logic, only be emitting about 0.5% of the world’s emissions. Asking if China could escape its responsibilities by breaking itself up into a large number of ‘mini-Chinas’ is particularly unpersuasive.

Of course it is not just the climate sceptics and the economic sceptics opposed to the introduction of a carbon price that are embracing truthiness. The government, the Department of Climate Change and large segments of the environment movement have also embraced truthiness when it comes to defending their preferred schemes.

The most obvious example of this is the claim that the steadily deteriorating versions of the Carbon Pollution Reduction Scheme and now the acronym-less carbon price all delivered least cost abatement. Given that the scope of the scheme kept narrowing and the generosity of the compensation kept rising how could it possibly be that the latest iteration delivers “least cost” emission reductions? Did the version of the scheme proposed in the 2009 green paper deliver “leaster cost” abatement?

When people say that the carbon price will deliver least cost abatement what they mean to say is something such as “given that there is no way we can remove the \$10 billion in subsidies we currently provide for fossil fuel use, no way we can reforest on low value agricultural land, no way we will invest in public transport, stop Australians driving two-tonne cars to get the groceries or insulate their homes before they buy air-conditioners, the carbon price will deliver the cheapest abatement in the parts of the economy that are responsive to a carbon price.”

It is simply not polite in the Australian policy debate to ask why we are introducing a price on carbon before we remove the subsidies for using fossil fuels.

The other nice big truthy argument pushed by the enthusiastic proponents of the proposed carbon price is that a 5% emission reduction target by 2020 in some way represents Australia’s “fair share” in the international context. Don’t look at the absolute reduction, we are told, look at the reduction from the projected emissions on a per capita basis. Apparently doing so makes some people feel a lot better about the fact that we are completely ignoring the scientific or diplomatic consequences of pursuing such an unambitious target.

The introduction of a carbon price is an important step towards reducing Australia’s greenhouse gas emissions. But doing so will neither destroy our economy nor transform it. Neither side of politics is interested in taking the most sensible first step of abolishing the perverse subsidies that actually encourage fossil fuel use, and neither side is interested in taking the actual science of climate change too seriously. The atmospheric data may suggest we need to take urgent action, but the polling data just doesn’t support the truthiness of that conclusion.

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