

Discussion of "The Macroeconomic Impact of Europe's Carbon Taxes" by Metcalf & Stock

Christian Matthes

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- Should we worry about the employment and output effects of Carbon taxes?

Takeaways

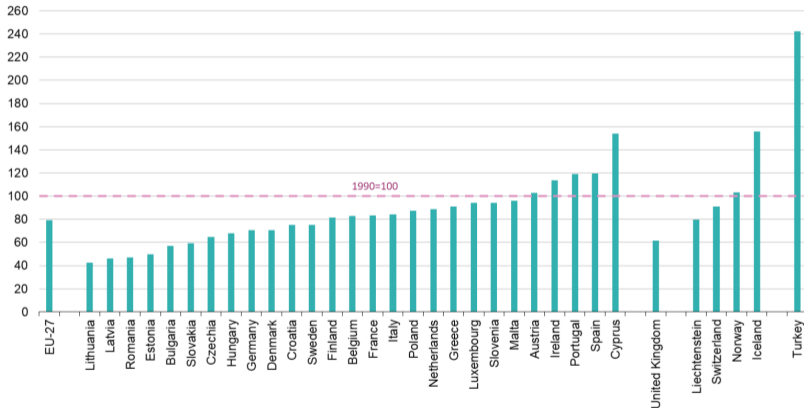
- Should we worry about the employment and output effects of Carbon taxes? **No, at least not when considering taxes at European levels**
- No significant employment and output effects so far

Takeaways

- Should we worry about the employment and output effects of Carbon taxes? **No, at least not when considering taxes at European levels**
- No significant employment and output effects so far
- **Significant decline in emissions**

Some Perspective

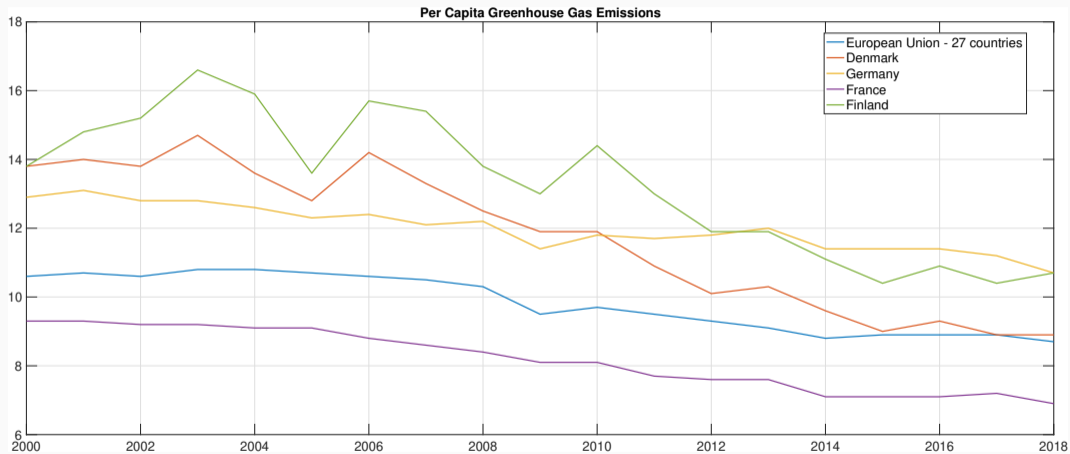
Total greenhouse gas emissions by countries (including international aviation, excluding LULUCF), 2018



Source: European Environmental Agency (online data code: env_air_gge)

eurostat 

Some Perspective



Are there Taxes Changes That Are Close Substitutes?

- Germany did not introduce a new tax (yet..), but changed existing taxes to incentivize firms and households ("Ökosteuern")
- There is probably more variation that could be exploited (albeit at a high cost)

Anticipation Effects

- A lot of work in macro on fiscal foresight
- probably relevant here, even though annual horizon might mitigate effects
- From October of this year \implies

FRANKFURT (Reuters) - Germany's lower house of parliament on Thursday approved a tax on greenhouse gas emissions to be levied in stages from 2021, raising retail prices of car fuels such as gasoline and diesel, heating oil and natural gas.

The move, which entails alterations to a law on fuel emissions trading, envisages a tax of 25 euros (\$29.41) per tonne of carbon dioxide equivalent in 2021, rising to 55 euros per tonne in 2025.

Gasoline prices will rise by 7 cents per litre and by 8 cents per litre for diesel from next year.

(Spatial) Anticipation Effects

- If all your neighbors levy a carbon tax, how long can you put it off? (Scandinavia)