Dan's thoughtful post on the Hybrid Sales + Carbon Tax is worth careful consideration. My initial thought is that Dan underestimates it one way, but might overestimate it in two ways.

I think he underestimates its political viability. He argues that "voters don't like taxes, and sales taxes are especially easy for them to notice and dislike." Interestingly enough, though, of all taxes, voters seem to like sales taxes the best, because they are seen as "voluntary." Don't want to pay the tax? Then don't buy the product (or service, if we had a rational sales tax system). At least these are Ed McCaffrey's findings, and at least to me, they are credible. McCaffrey also finds that sales taxes are actual *less* prominent than property or income taxes.

I think, though, that he also underestimates its legal viability. Any sales tax that reflects a product's embedded carbon would run into the same problem currently afflicting California's low-carbon fuel standard, viz. that out-of-state products would face a higher tax than identical in-state products because of transportation costs. The Dormant Commerce Clause challenge would await, and given the Supreme Court's extremely partisan nature, would be in jeopardy. (Personally, I'm waiting for the Supremes to strike down California's low-carbon fuel standard on Dormant Commerce Clause grounds, and then strike down federal legislation on Commerce Clause grounds. Nobody can do anything!).

Moreover, as a matter of practical politics, I'm still a little skeptical of what carbon taxes would actually look like once they get through the legislative sausage grinder. Actual cap-and-trade systems often look lousy because they are compared to pristine carbon taxes, but the tax code is full of exemptions. Moreover, with a tax system, exemptions could be more harmful because there is no quantity restriction, and exemptions mean that there is no price restriction, either.

So I'm not persuaded yet. Dan notes that economists "virtually all love" carbon taxes. In so many ways, that's an argument against them.