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What Is an Incentive?

CX Strategy Guide

Topicality: What Is an Incentive?

Questions about what qualifies as an incentive have become very common in topicality debates on this year's topic. Some negative teams claim carbon tax affirmatives are not topical because the plan does not directly subsidize alternative energy, instead they penalize fossil fuel use. Below we offer arguments you can use in a round to win that plans penalizing conventional energy are topical under this year's resolution.

According to the Merriam-Webster Dictionary, an incentive is "something that incites to determination or action." In other words, an incentive is designed to affect behavior.

1. The Role of Relative Prices. In the economic theory of consumption, what matters are relative prices, not absolute prices. How much renewable energy does a household consumer, versus non-renewable? The choice is based on the price of the former relative to (divided by) the price of the latter. If the government could magically double the money supply and at the same time double all wages, prices and incomes there would be no change in anyone's pattern of consumption. People change consumption decisions only if the price of one good rises or falls relative to another. The same principle holds for production decisions, where firms must decide how much renewable or non-renewable energy to use as input in the production process.

The important principles follow. First, the only way to get consumers and producers to choose more of one energy type over another is to change their relative prices. Second, a change in relative prices can be obtained by raising one price, lowering one price or some combination of the two.

2. Incentive Symmetry. How does this work? Incentive symmetry means by any two substitutes, a tax on one or a subsidy (negative tax) or the other are equivalent ways of achieving the same overall change in their relative prices. Either "incentive" can be used to obtain the same energy use outcome. Thus, a tax on fossil fuels and a spending subsidy for alternative energy are two different sides of the same coin. In terms of outcome, one is the mirror image of the other. Many combinations of taxing and spending can accomplish the

same result:

- Tax conventional energy but not alternative energy
- Give spending subsidies to alternative energy but not conventional energy
- Tax all energy but tax alternative energy less than conventional energy
- Give spending subsidies to all energy but give more to alternative energy
- Give tax rebates to alternative energy but not conventional energy
- Give tax rebates to all energy but more to alternative energy

Each of these scenarios alters the relative price of alternative energy and fossil fuels. Relative price is the price of a commodity such as a good or service in terms of another. In other words, if conventional energy is more expensive than alternative energy, its relative price is higher. It is logical that if a carbon tax is placed on coal, oil and natural gas, alternative energy will have a lower relative price and consumers will be more likely to choose it. An affirmative case can just as well induce people to use more alternative energy by taxing fossil fuels as subsidizing alternative energy. "Whether one subsidizes X or taxes Y, it is going to be bad for Y and good for X."[\[1\]](#)

Many negative debaters argue that only direct subsidies to alternative energy are topical because only they directly increase alternative energy use. Some debaters call these "positive incentives." However, there is no such thing as an incentive that is unambiguously "positive" or "negative." These are relative concepts that depend on an arbitrary starting point. For example, if we begin in a world of no spending subsidies (Starting Point A) and we create a subsidy for alternative energy, that might be viewed as a positive subsidy for alternative energy. On the other hand, if we begin in a world in which there are spending subsidies for both types of energy (Starting Point B) and we renew the subsidy for conventional energy, that might be viewed as a negative subsidy for alternative energy. Regardless of the starting point, however, the end result will be the same and the mechanism by which we get there (a change in relative prices) is the same regardless of how it is labeled.

The only thing that matters is the relative price of alternative energy. If your plan decreases the relative price of alternative energy, you are increasing incentives for alternative energy. It does not matter whether you are going in a positive or negative direction. As the affirmative you can argue that we should have the option to explore different mechanisms, taxes as well as spending subsidies (negative taxes), that achieve the behavioral change the resolution calls for.

3. Affirmative and Negative Balance. If we exclude cases that penalize conventional energy, we create a mismatch between the affirmative and negative that favors the negative. The reason? The negative can use a states counterplan to solve most affirmative plans that implement subsidies or tax credits for alternative energy. States can easily fund alternative energy projects and give subsidies to alternative energy producers. Many states currently offer these type of incentives: [\[2\]](#)

- California provides rebates to residents and businesses who install photovoltaic (PV) systems on their properties.
- In Oregon homeowners and renters who pay Oregon income taxes are eligible for the Residential Energy Tax Credit if they purchase premium-efficiency appliances.

- New York provides a tax credit for businesses that own buildings which meet certain "green" standards.

A states counterplan that has all of the 50 states enact the same spending subsidies or tax credits can solve most advantages offered by the affirmative plan. However, it is more difficult for states to implement a carbon tax. Many groups, like the military, people on Native American territories and nonprofit organizations, would be exempt from a state carbon tax. Moreover, a state carbon tax may violate the commerce clause because it interferes with interstate commerce.

Because of this, the affirmative can argue that accepting the negative's claim that only cases that directly subsidize alternative energy are topical will lead to unbalanced and unfair debates.

4. Policy Literature. Policies such as the carbon tax and renewable portfolio standard are major proposals found in the literature on energy policy. As the affirmative, you can argue that you should be able to debate the major energy policy proposals of the day. Ignoring a large portion of big affirmatives found in the policy world decreases the educational value of debates on this topic.

If you run a case that penalizes conventional energy, use these arguments the next time you are in a topicality debate!

[1] Earl Grinols and James Henderson, "Health Care for Us All: Getting More for Our Investment," April 2007.

[2] Database of State Incentives for Renewables and Efficiency, 2008 <http://www.dsireusa.org/library/includes/incentive2.cfm?Incentive_Code=CA168F&state=CA&CurrentPageID=1&RE=1&EE=0>

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