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A Conservative Case for Climate Action

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CRAZY as it may sound, this is the perfect time to enact a sensible policy to address the dangerous threat of climate change. Before you call us nuts, hear us out.

During his eight years in office, President Obama regularly warned of the very real dangers of global warming, but he did not sign any meaningful domestic legislation to address the problem, largely because he and Congress did not see eye to eye. Instead, Mr. Obama left us with a grab bag of regulations aimed at reducing carbon emissions, often established by executive order.

In comes President Trump, who seems much less concerned about the risks of climate change, and more worried about how excessive regulation impedes economic growth and depresses living standards. As Democrats are learning the hard way, it is all too easy for a new administration to reverse the executive orders of its predecessors.

On-again-off-again regulation is a poor way to protect the environment. And by creating needless uncertainty for businesses that are planning long-term capital investments, it is also a poor way to promote robust economic growth.

By contrast, an ideal climate policy would reduce carbon emissions, limit regulatory intrusion, promote economic growth, help working-class Americans and prove durable when the political winds change. We have laid out such a plan in a paper to be released Wednesday by the Climate Leadership Council.

Our co-authors include James A. Baker III, Treasury secretary for President Ronald Reagan and secretary of state for President George H. W. Bush; Henry M. Paulson Jr., Treasury secretary for President George W. Bush; George P. Shultz, Treasury secretary for President Richard Nixon and secretary of state for Mr. Reagan; Thomas Stephenson, a partner at Sequoia Capital, a venture-capital firm; and Rob Walton, who recently completed 23 years as chairman of Walmart.

Our plan is built on four pillars.

First, the federal government would impose a gradually increasing tax on carbon dioxide emissions. It might begin at $40 per ton and increase steadily. This tax would send a powerful signal to businesses and consumers to reduce their carbon footprints.

Second, the proceeds would be returned to the American people on an equal basis via quarterly dividend checks. With a carbon tax of $40 per ton, a family of four would receive about $2,000 in the first year. As the tax rate rose over time to further reduce emissions, so would the dividend payments.

Third, American companies exporting to countries without comparable carbon pricing would receive rebates on the carbon taxes they've paid on those products, while imports from such countries would face fees on the carbon content of their products. This would protect American competitiveness and punish free-riding by other nations, encouraging them to adopt their own carbon pricing.

Finally, regulations made unnecessary by the carbon tax would be eliminated, including an outright repeal of the Clean Power Plan.

Our own analysis finds that a carbon dividends program starting at $40 per ton would achieve nearly twice the emissions reductions of all Obama-era climate regulations combined. Provided all four elements are put in force in unison, this plan could meet America's commitment under the Paris climate agreement, all by itself. Democrats and environmentalists may bemoan the accompanying regulatory rollback. But they should pause to consider the environmental value proposition.

These four pillars, combined, invite novel coalitions. Environmentalists should like the long-overdue commitment to carbon pricing. Growth advocates should embrace the reduced regulation and increased policy certainty, which would encourage long-term investments, especially in clean technologies. Libertarians should applaud a plan premised on getting the incentives right and government out of the way. Populists should welcome the distributive impact.

According to a recent Treasury Department study, the bottom 70 percent of Americans would come out ahead under a carbon dividends plan. Some 223 million Americans stand to benefit.

The idea of using taxes to correct a problem like pollution is an old one with wide support among economists. But it is our unique political moment, combined with the populist appeal of dividends, that may turn the concept into reality.

Republicans are in charge of both Congress and the White House. If they do nothing other than reverse regulations from the Obama administration, they will squander the opportunity to show the full power of the conservative canon, and its core principles of free markets, limited government and stewardship.

A repeal-only climate strategy would prove quite unpopular. Recent polls show that 64 percent of Americans are concerned about climate change, 71 percent want America to remain in the Paris agreement, and an even larger share favor clean energy. If the Republican Party fails to exercise leadership on our climate challenge, they risk a return to heavy-handed regulation when Democrats return to power.

Much better would be a strategy of "repeal and replace." This would be pro-growth, pro-competitiveness and pro-working class, which aligns perfectly with President Trump's stated agenda.

Martin S. Feldstein was the chairman of the Council of Economic Advisers under President Ronald Reagan and N. Gregory Mankiw was the chairman under President George W. Bush. Ted Halstead is the founder and chief executive of the Climate Leadership Council.