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The inevitable climate solution

BY GEORGE P. SHULTZ AND LAWRENCE H. SUMMERS

President Trump's decision to withdraw the United States from the Paris climate accord has induced a fateful pessimism about what can be expected of the country on this critical issue. Yet our long experience in Washington has taught us that the transition from the inconceivable to the inevitable can sometimes be very rapid.

The pressure on the administration to find an alternative to Paris will only mount, and its foundations have already been laid in the reasons the president cited for withdrawing. That is, any viable climate solution must promote growth and jobs, be fair to ordinary Americans and prevent other economies from taking advantage of us. It must also meet the broader test of American politics: the ability to appeal to the general public, corporate America and leaders in both parties.

Such a climate plan is not only feasible but is now gaining traction. On Tuesday, the Climate Leadership Council announced its founding members, a group of companies, opinion leaders and nongovernmental organizations who have joined forces to promote a consensus climate solution based on carbon dividends. We are proud to be part of this distinguished group.

The companies involved represent a cross section of industries: BP, ExxonMobil, General Motors, Johnson & Johnson, PepsiCo, Procter & Gamble, Santander, Schneider Electric, Unilever, Total and Shell. Two top environmental organizations are also involved, as are other opinion leaders from across the political spectrum.

We are convinced that the carbon dividends approach first put forward by one of us (Shultz) along with former secretary of state James A. Baker III a few months ago can strengthen the U.S. economy in ways highly valued by both the left and right and simultaneously spur global efforts to address climate change. Adopting a carbon dividend approach would pay huge dividends for the global climate, the U.S. economy and U.S. leadership in the world.

Our carbon dividend strategy has four interrelated elements that account for its strength: a gradually rising and revenue-neutral carbon tax; carbon dividend payments made equally to all Americans, to be funded using all the carbon-tax revenue; rollback of costly command-and-control regulations that were implemented because the environmental costs of carbon fuels have not been incorporated into their price; and border adjustment to ensure a level playing field and U.S. competitiveness.

A carbon tax set at $40 per ton would achieve substantially greater reduction in greenhouse-gas emissions than all of the regulation now on the table. The application of a border carbon adjustment that levied a tax on the carbon content of imported products would incent other countries to adopt carbon pricing, increasing its impact and preventing free-riders. So the carbon dividend approach is best for the environment.

It would also be best for economic growth, which explains why prominent companies are backing it. The alternative to a carbon tax is not the application of the free market. It is the current extensive regulatory apparatus in which government judges the products and production techniques that businesses employ and mandates particular business practices. The enactment of a significant carbon tax justifies the removal of these regulations, thus taking a burden off the economy. And unlike regulation, carbon dividends are consistent with border adjustment, assuring that U.S. firms are not disadvantaged against foreign exporters and carbon-intensive products.

The carbon dividend also represents an important innovation in social policy. Unlike many advocates of carbon taxes, we do not believe this revenue should be earmarked for any form of government spending or for the reduction of other taxes. Rather, we believe it should be rebated as a monthly dividend equally to all Americans.

This approach ensures that working-class Americans benefit financially. Because energy use rises with income and the dividend would be equal for all, the Treasury Department estimates that the bottom 70 percent of Americans would be better off with a carbon dividend plan in a direct sense. At a time when uncertainty about technology and trade looms large for many workers, assuring every American a basic benefit of citizenship with no need to go through an income test or qualification process is desirable.

Finally, there is the question of alternatives. We do not believe the American people will for long wish to stand apart from the global effort to limit the damage from climate change. Nor do we believe that an ever-growing web of government regulation or a proliferating program of subsidies is in our national economic interest. And we share the president's conviction that in approaching international economic policy, we need to ensure that other nations do not free-ride on the United States.

Only the carbon dividend approach is consistent with these convictions. What we said at the outset here bears repeating: Our experience is that the transition from inconceivable to inevitable can be surprisingly rapid.

George P. Shultz, a former U.S. secretary of labor, treasury and state, is a distinguished fellow at the Hoover Institution. Lawrence H. Summers, a professor at and past president of Harvard University, was treasury secretary from 1999 to 2001 and an economic adviser to President Barack Obama from 2009 through 2010.