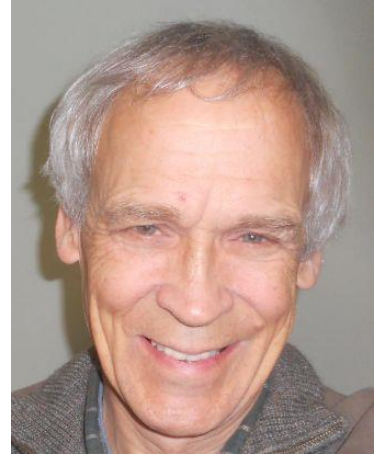


CLIMATE TALK

A Reagan Approach to Climate Change

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George Shultz has had a remarkable career both in and out of government. With a doctorate in economics from MIT, he taught there and at the University of Chicago and served as a senior staff economist to President Eisenhower's Council of Economic Advisors. He went on to serve as Secretary of Labor, Director of the Office of Management and Budget, and Treasury Secretary under President Nixon, and as Secretary of State for President Reagan. Though he is now 94, he's still weighing in on important issues of our day, most recently in an op-ed in the Washington Post entitled "A Reagan Approach to Climate Change."

Reflecting upon President Reagan's response to concerns about depletion of the ozone layer in the 1980's, Secretary Shultz says: "We all know there are those who have doubts about the problems presented by climate change [as there were regarding ozone depletion]. But if these doubters are wrong, the evidence is clear that the consequences, while varied, will be mostly bad, some catastrophic. So why don't we follow Reagan's example and take out an insurance policy?"

What sort of "insurance policy"? Most experts agree that to lower climate change risks to an acceptable level, we need a policy that will greatly reduce carbon emissions, both nationally and internationally. At the federal level, the current approach is to utilize governmental regulations to reduce emissions, such as EPA's proposed regulations requiring a 30 percent reduction in carbon emissions from existing power plants by 2030.

According to speakers from Xcel Energy and Clean Wisconsin at a recent program on the subject at the Sigurd Olson Environmental Institute, Xcel and other Wisconsin electricity providers should be able to achieve compliance with the regulations at a reasonable cost. Xcel is already an industry leader in the use of renewable energy. It has plans to increase its renewable energy portfolio from (currently) 19 percent to 35 percent, and its carbon-neutral energy portfolio (renewables plus nuclear) from (currently) 52 percent to 63 percent. This will be achieved by greatly increasing wind and solar generating capacity, decreasing reliance on coal, and continuing to strongly promote energy efficiency. However, achieving compliance with the regulations may be more difficult in other states, and they won't reduce carbon emissions from other sources, such as industry and transportation. Moreover, economists are in unanimous agreement that governmental regulations are not the most economically efficient option.

George Shultz has a different proposal: A revenue-neutral carbon tax (also referred to as carbon fee and dividend). This tax would be imposed on fossil fuels, gradually increasing over time. But unlike other taxes, all of the proceeds would be refunded to American households to spend as they wish. The tax would be imposed "in conjunction with eliminating burdensome existing laws and regulations, and using the marketplace rather than edicts by the government to do this

or not do that. Put a price out there, and let the marketplace adapt. You would be surprised at its creativity.”

Utilizing a carbon tax to reduce carbon emissions has been embraced by economists across the political spectrum, from (Reagan advisor) Arnold Laffer and (Bush and Romney advisor) Gregory Mankiw on the right to (Clinton advisor) Robert Reich and (Nobel Laureate) Paul Krugman on the left. If you add the revenue neutrality component proposed by Secretary Shultz and a border adjustment to ensure fairness in international trade, you have a proposal that will, according to a recent study by a highly respected economic modeling firm, succeed in greatly reducing carbon emissions while having a positive effect on our economy and employment. It will also greatly enhance our ability to provide essential international leadership in reducing carbon emissions.

This is the proposal that members of Citizens’ Climate Lobby—a non-partisan, grassroots citizens’ advocacy organization with over 250 local chapters, including one right here on Chequamegon Bay—are lobbying their members of Congress to enact as federal legislation. It’s a big proposal, but we face a big challenge. William Nordhaus is a past president of the American Economic Association and one of the world’s foremost authorities on the economics of addressing climate change. Here’s how he puts it in his award-winning book, “The Climate Casino”: “Humans are putting the planet in peril. But humans can undo what they are doing. Moreover, this can be achieved at relatively low cost if people accept the realistic threat of global warming, put in place an economic mechanism that penalizes carbon emissions, and take vigorous efforts to develop low-carbon technologies.”

Here’s how George Shultz puts it: “Before you get mugged by reality, take out an insurance policy. It’s the Reagan way.”

Bill Bussey is a member of the Chequamegon Chapter of Citizens’ Climate Lobby