

TO CURB CLIMATE CHANGE, TAX CARBON— THEN GIVE AMERICANS THE MONEY

GEORGE P. SHULTZ AND TED HALSTEAD

MOST VOTERS WANT the government to limit carbon emissions, but at a time when half of all Americans own less than \$500 in savings, climate ranks low on their priority list. Through our proposal, the Baker-Schultz Carbon Dividends Plan, the United States can address economic insecurity and climate risk at the same time. In essence, the plan divvies out cash to Americans in support of a low-carbon future. And it has the backing of Big Oil.

The guiding principle is that all revenue from a national carbon tax should be rebated directly to the American people in the form of equal cash "dividends," distributed on a quarterly basis. If passed, the plan would enable the United States to not only meet, but exceed its commitment under the Paris climate agreement.

Everyone agrees that we need to broaden economic opportunity, but the usual bromides—new entitlement programs, universal basic income—run into two profound obstacles. First, the income is invariably viewed as a giveaway. Second, there is no obvious funding mechanism. A carbon dividends program overcomes both obstacles and can provide the vast majority of Americans with a new measure of economic security.

Economists agree that the most cost-effective climate solution is to put a price on carbon emissions, which could yield hundreds of billions of dollars per year in new revenue. Our plan would start with a carbon fee of \$40 per ton, which would raise approximately \$200 billion in revenue in its first year. Rebating that money to the American people could revolutionize US environmental and economic policy.

Far too many Americans are living paycheck to paycheck, fearing that a sudden illness or car accident could turn

into an economic calamity. By largely ignoring these pocketbook issues, past climate efforts have failed the most important test of American politics: mobilizing popular support. By our estimates, a family of four would receive approximately \$2,000 a year in cash as part of this climate solution. These carbon dividends offer a practical way to alter the rules of the game in favor of the majority. For most Americans, any increase in energy costs would be more than offset by the carbon dividend. Over two-thirds of American families, including the most vulnerable, would benefit under the plan.

This is hardly a handout. Rather, these carbon dividends would incentivize socially beneficial behavior based on a formula that makes intuitive sense: the more you pollute, the more you pay; the less you pollute, the more you come out ahead. For families with under \$500 in savings, receiving quarterly dividend payments could be transformative.

Likewise, the carbon dividends framework could overcome long-standing barriers to climate progress. The main obstacle thus far has been finding a solution that is popular with the American people and all key stakeholders in the debate.

But a carbon dividends plan is deeply popular. New polling indicates that the majority of Americans support the idea, with Republican voters in favor by a 3-1 margin and Democratic voters in favor by a 2-1 margin. Among 18 to 35 year-olds—the cohort that will determine the future of any party—support reaches 4-1. The carbon dividends framework is also popular among corporate America: The plan is being developed with the input of companies such as AT&T, P&G, Johnson & Johnson, GM, and PepsiCo. Financial support for the initiative spans a wide range of energy interests: oil, natural

gas, solar, wind and nuclear. In fact, just this week, ExxonMobil pledged \$1 million to promote the plan.

This breadth of support is essential for the system to work and to last. As the carbon price grows every year, so would the dividend to all Americans. This sets in motion a paradigm-shifting feedback loop: the more we protect our environment, the more the majority of Americans reap the rewards.

The system's popularity is also a necessary pre-condition to strike a nonpartisan bargain. It would simultaneously help the majority of American families get ahead and provide American businesses with regulatory certainty. A robust and growing carbon price would justify phasing out carbon regulations that are no longer necessary, such as the Obama-era Clean Power Plan.

Replacing such regulations with a more cost-effective market solution is attractive to businesses and conservatives. Simply put, we could reduce emissions and the size of government at the same time. This, in turn, would unleash American technological innovation and create incentives to secure our nation's position at the forefront of low-carbon goods and services.

Our climate and economic debate has been deadlocked for too long. Carbon dividends provide the key to unlocking these puzzles.

GEORGE P. SHULTZ served as Secretary of Labor, Treasury, and State, and Director of the Office of Management and Budget. He is a Distinguished Fellow at Stanford University's Hoover Institution. **TED HALSTEAD** is Chairman & CEO of the Climate Leadership Council.