July 18, 2018

The Honorable Paul D. Ryan
Speaker, U.S. House of Representatives
Washington, DC 20515

Dear Speaker Ryan:

Congressman Scalise (R-LA1) has sponsored a resolution expressing the sense of Congress that a carbon tax would be detrimental to the economy of the United States. We are concerned that this resolution offers a limited perspective on carbon taxes and is blind to the potential benefits of market-based climate policy. Legislation that incorporates a carbon tax could include regulatory and tax reforms to make the United States economy more competitive, innovative, and robust, benefiting both present and future generations.

We recognize that a carbon tax, like any tax, will impose economic costs. But climate change is *also* imposing economic costs. This resolution falls short by recognizing the cost of action without considering the cost of staying on our present policy course. There are, of course, uncertainties about the future cost of climate change and, likewise, the cost associated with a carbon tax (much would depend on program design and the pace and nature of technological progress).[1] The need for action, however, is clear. A recent survey of economists who publish in leading peer-reviewed journals on these matters found that 93% believe that a meaningful policy response to climate change is warranted.[2]

The least burdensome, most straightforward, and most market-friendly means of addressing climate change is to price the risks imposed by greenhouse gas emissions via a tax. This would harness price signals, rather than regulations, to guide market response. That is why carbon pricing has the support of free market economists,[3] a majority of the global business community,[4] and a large number of the largest multinational private oil and gas companies in the world (the corporate entities among the most directly affected by climate policy).[5]

In reaching a conclusion, this resolution neglects the fact that the United States *already* has a multiplicity of carbon taxes. They are imposed, however, via dozens of federal and state regulations, are invisible to consumers, unevenly imposed across industrial sectors, unnecessarily costly, and growing in size and scope.[6] The policy choice is not *if* we should price carbon emissions, but *how*.

Unfortunately, this resolution also fails to differentiate between proposals that would impose carbon taxes *on top of* existing regulations, and proposals that would impose carbon taxes *in place of* those existing regulations.[7] Conservatives and free market advocates should embrace the latter, regardless of how they view climate risks.

An economy-wide carbon tax that replaces existing regulatory interventions could *reduce* the cost of climate policy and deregulate the economy. It could also provide revenue to support pro-growth tax reform, including corporate income or payroll tax cuts, which could dramatically reduce overall costs on the economy.[8] Revenues could be applied to compensate those who suffer the most from higher energy costs; the poor, the elderly, and individuals and families living on fixed incomes.[9]

Unfortunately, none of those options are presently available because Members of Congress have neglected opportunities to design and debate market-friendly climate policies in legislation. Instead, they have yielded authority in climate policy design to the Executive Branch. By discouraging a long-overdue discussion about sensible carbon pricing, this resolution frustrates the development of better policy.

Sincerely,

Jerry Taylor
President, Niskanen Center

Eli Lehrer
President, R Street Institute

Bob Inglis
President, RepublicEn

The Rev. Mitchell C. Hescox
President, Evangelical Environmental Network

Aparna Mathur
Resident Scholar, American Enterprise Institute

Alex Flint
Executive Director, Alliance for Market Solutions

[1] For a good summary of the estimates, see Jonathan Harris et al., "The Economics of Global Climate Change," Global Development and Environment Institute, Tufts University, 2015 http://www.ase.tufts.edu/gdae/education_materials/modules/The_Economics_of_Global_Climate_Change.pdf.

[2] Peter Howard and Derek Sylvan, *Expert Consensus on the Economics of Climate Change*, Institute for Policy Integrity, New York University School of Law, December, 2015,http://policyintegrity.org/files/publications/ExpertConsensusReport.pdf. The consensus among published economic specialists in favor of carbon pricing reflects the opinion of economists more broadly. See IGM Economic Experts Panel, "Carbon Taxes II," University of Chicago, Booth School of Business, December 4, 2012,http://www.igmchicago.org/igm-economic-experts-panel/poll results?SurveyID=SV_8oABK2TolkGluV7.

[3] Prominent economists on the Right who have embraced carbon pricing include Prof. John Cochrane (Stanford University and Senior Fellow at the Hoover Institution), Prof. Tyler Cowen (George Mason University and Chairman of the Mercatus Center), Douglas Holtz-Eaken (President of the American Action Forum and former Director of the Congressional Budget Office in the Republican 108th Congress), Prof. Martin Feldstein (Harvard University and former Chairman of the Council of Economic Advisors under President Reagan), Alan Greenspan (former Chairman of the Federal Reserve under Presidents Ronald Reagan, George H.W. Bush, and Bill Clinton), Kevin Hassett (American Enterprise Institute), Prof. Glenn Hubbard (Columbia University and former Chairman of the Council of Economic Advisors under President George W. Bush), Art Laffer (a founding father of supply-side economics and former member of President Ronald Reagan's Economic Policy Advisory Board), Prof. Greg Mankiw (Harvard University and former chairman of the Council of Economic Advisors under President George W. Bush), Aparna Mathur (American Enterprise Institute), George Shultz (former Secretary of Labor, Secretary of Treasury, and Director of the Office of Management and Budget under President Richard Nixon, Secretary of State under President Ronald Reagan, and presently a Distinguished Fellow at the Hoover Institution), Irwin Stelzer (Senior Fellow and Director of the Economic Policy Studies Group at the Hudson Institute and founder of National Economic Research Associates), and Alan Viard (American Enterprise Institute and former senior economist at the Council of Economic Advisors under President George W. Bush).

[4] EY, *Shifting the Carbon Price Debate: Emerging Business Attitudes Fuel Momentum for Global Climate Action*, 2015, http://www.ey.com/Publication/vwLUAssets/ey-shifting-the-carbon-pricing-debate-new/$FILE/ey-shifting-the-carbon-pricing-debate-new.pdf.PDF. See also The World Bank, "73 Countries and Over 1,000 Businesses Speak Out in Support of a Price on Carbon," September 22, 2014, http://www.worldbank.org/en/news/feature/2014/09/22/governments-businesses-support-carbon-pricing.

[5] See, for instance, Ken Cohen, "ExxonMobil and the Carbon Tax," ExxonMobil Perspectives, December 15, 2015, http://www.exxonmobilperspectives.com/2015/12/02/exxonmobil-and-the-carbon-tax/, and Brian Kahn, "In Stunning Reversal, 'Big Oil' Asks for a Carbon Price," Climate Central, June 1, 2015, http://www.climatecentral.org/news/oil-companies-carbon-price-19054. For a broader survey of corporate opinion within the oil and gas sector, see Angus Warren, "Results of Global Warming Survey 2014," Warren Business Consulting, June 18, 2014, http://warrenbusinessconsulting.com/articles/results-global-warming-survey-2014/.

[6] For an overview of present policy interventions in the United States to address climate change, see Dallas Burtraw, "The Regulatory Approach in U.S. Climate Policy," in *Towards a Workable and Effective Climate Regime*, Scott Barrett, Carlo Carraro, and Jaime de Melo, eds. (CEPR Press, 2015), pp. 239-249,http://www.ferdi.fr/sites/www.ferdi.fr/files/publication/climate_change_book_for_web.pdf#page=253. For an estimate of how much more expensive it is to address U.S. greenhouse gas emissions via conventional regulation, see William Pizer et. al., "Modeling Economy-wide vs Sectoral Climate Policies Using Combined Aggregate-Sectoral Models," *Energy Journal* 27:3, 2006, https://www.iaee.org/en/publications/ejarticle.aspx?id=2153. See also Sergey Paltsev et. al., "Regulatory Control of Vehicle and Power Plant Emissions: How Effective and at What Cost?" *Climate Policy* 15:4, 2015, pp. 438-457, http://www.tandfonline.com/doi/full/10.1080/14693062.2014.937386.

[7] See, for instance, Jerry Taylor, *The Conservative Case for a Carbon Tax*, Niskanen Center, March 23, 2015, http://niskanencenter.org/wp-content/uploads/2015/03/The-Conservative-Case-for-a-Carbon-Tax1.pdf.

[8] Fifth Assessment of the Intergovernmental Panel on Climate Change, Working Group III, 2014, http://www.ipcc.ch/ipccreports/tar/wg3/index.php?idp=289.

[9] Noah Kaufman and Eleanor Krause, "Putting a Price on Carbon: Ensuring Equity," Issue Brief, World Resources Institute, April, 2016, http://www.wri.org/sites/default/files/Putting_a_Price_on_Carbon_Ensuring_Equity.pdf.