

Politics

From Greenspan to Yellen, Economic Brain Trust Backs Carbon Tax

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January 16, 2019, 7:47 PM EST

- ▶ Strategy cheered by economists who served last six presidents
- ▶ Endorsement could give boost to carbon tax-and-dividend plan



Emissions rise from a coal-fired power plant in Winfield, West Virginia, U.S. *Photographer: Luke Sharrett/Bloomberg*

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XOM
EXXON MOBIL CORP
 71.64 USD
 ▼ -0.03 -0.04%

COP
CONOCOPHILLIPS
 65.66 USD
 ▼ -0.37 -0.56%

EXC
EXELON CORP
 45.80 USD
 ▲ +0.01 +0.02%

An all-star lineup of economists, from Alan Greenspan to Paul Volcker, is endorsing a plan to combat climate change by slapping a tax on greenhouse gas emissions and then distributing the revenue to American households.

All living former Federal Reserve chairs, several Nobel Prize winners and previous leaders of the president’s Council of Economic Advisers have signed on to a statement asserting that a robust, gradually rising carbon tax is “the most cost-effective lever to reduce carbon emissions at the scale and speed that is necessary.”

“A carbon tax will send a powerful price signal that harnesses the invisible hand of the marketplace to steer economic actors towards a low-carbon future,” the 45 economists say in the opinion piece, published by the Wall

Street Journal late Wednesday.

The missive is a rare case of the economic establishment speaking with a single voice on a pressing social issue, albeit one that faces political challenges from conservatives, Republicans and the current White House. The signers include economists who have served every president going back to Jimmy Carter.

“This is one of the few ideas of economic policy that commands broad, bipartisan support,” former Harvard University President and U.S. Treasury Secretary Larry Summers said in an interview. “Nowadays on economic policy, we don’t see much of that.”

Other signers include former Fed Chairmen Janet Yellen and Ben Bernanke as well as former White House economic advisers Austan Goolsbee and Christina Romer.

The economists’ endorsement could deliver momentum to a carbon tax-and-dividend plan devised by two former secretaries of state -- James Baker and George P. Shultz -- that has already drawn financial support from Exxon Mobil Corp., ConocoPhillips and Exelon Corp.

Pressure is already mounting in Congress to take aim at climate change, following dire warnings about the growing consequences from a United Nations panel and the U.S. government. House Speaker Nancy Pelosi, a Democrat from California, has promised the chamber will take up climate legislation. And some Democrats, led by freshman Representative Alexandria Ocasio-Cortez of New York, are advancing a so-called Green New Deal that calls for phasing out fossil fuels by 2030.

That effort may not get far in the current political dynamic, with Republicans controlling the Senate and the White House. President Donald Trump said he opposed taxing greenhouse gas emissions while campaigning for the White House. And House Republicans voted in July to condemn the very idea of a carbon tax as “detrimental” to the U.S. economy, with only six Republicans breaking ranks to vote against the measure.

Advocates of the proposal say they are trying to build momentum for action two years from now.

The economists’ statement includes proclamations that could have broad appeal to Republicans. For instance, the group highlights the importance of keeping the tax “revenue neutral” by giving rebates to all Americans, a tactic the economists say will “avoid debates over the size of government.” They also tout the promise that by replacing inefficient “cumbersome regulations” with a carbon tax, the government can “promote economic growth and provide the regulatory certainty companies need for long-term investment in clean-energy alternatives.”

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“This is a turning point in Republican climate policy, where the GOP economic brain trust unites behind the Baker-Shultz carbon dividends plan,” said Republican Trent Lott, the former Senate majority leader helping push the proposal.

Many economists have favored a carbon tax as the most effective strategy for discouraging greenhouse gas emissions and combating climate change. But the economists now are going further by stressing that the revenue should be rebated to citizens, instead of being used to reduce the deficit, fund government or pare income taxes.

“For the first time, there’s consensus among economists on what to do with the money, and the answer is to give it back to the American people,” said Ted Halstead, head of the Climate Leadership Council backing the plan.

That approach is key to ensuring it is a progressive tax that ends up helping the poor, instead of just hiking their energy bills. The premise is that periodic dividend checks could more than make up for the hike in costs for poor- and middle-income Americans.

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