



The Daily Dish

On the Policy Horizon

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Eakinomics: On the Policy Horizon

Eakinomics is being written before polls have closed, but regardless of who is elected the next president, climate change will be the most important issue that he faces. Yes, there is a need for more effective control of the coronavirus. Yes, there is an obligation to pull the economy further out of the decline endured this past spring. But neither is as potentially threatening, enduring, or as difficult a challenge as climate change.

The scientific stakes appear to be rising as there is concern that reaching net-zero emissions by 2050 (Biden's stated goal) may not mitigate temperature rise as much as previously believed. Certainly, it will no longer be sufficient to rely on ideas like president's [One Trillion Trees Initiative](#) that sequester carbon. Instead, climate scientists are stressing the need to reduce greenhouse gas (GHG) emissions or even draw carbon directly out of the atmosphere.

The diplomatic stakes are rising. These efforts will have to be global in scale. As of today, the United States will have officially [withdrawn](#) from the Paris Climate Accord, the token - and [toothless](#) - global effort on this issue. The future will require an approach that genuinely has carrots and sticks for compliance with emissions targets. I am frankly skeptical that this can be done without substantial U.S. leadership, and even then there are days it looks unreachable.

The economic stakes are also high and rising. The changing climate has negative impacts on the economy; extreme weather events and rising sea levels impose costs and damage infrastructure; and as the scale of the actions necessary to combat climate change grows with the passage of time, there is always the risk that shoddy policies will have a detrimental impact on overall economic growth.

There is no reason why this should have to be the case. The reality is that the United States

will control and reduce its emissions of GHGs just as soon as the U.S. business community decides to do so. The best way to accomplish this is to impose a carbon tax at the mine, well, or point of import into the economy. The evidence indicates that this can be structured to avoid damaging economic growth and provides a built-in incentive to substitute away from GHG-intensive products and practices, invent and innovate products and production techniques that avoid GHGs, and slowly, steadily march toward net-zero emissions.

It is a simple lesson: If you want less of something, tax it. We tax labor earnings and live with less work in our economy. We tax capital earnings and live with less productivity and innovation in our economy. Why not shift the tax burden to living with fewer GHGs?

Climate change is the biggest issue. It will require doing something, doing something effective, doing something economically efficient, and doing something on a global scale.