The Daily Dish

Things are Heating Up on the Climate Front

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Eakinomics: Things are Heating Up on the Climate Front

Policies toward climate change have been remarkably missing-in-action (MIA) during the first 100 days of the Biden Administration. After all, the president called it the pre-eminent policy issue of his administration and named John Kerry to a dedicated leadership position on the issue. Despite that initial nod to the issue, the bulk of the administration's attention has focused (correctly) on defeating the coronavirus, (incorrectly) on passing the American Rescue Plan, and on beginning the sales pitch for the American Jobs Plan. Sure, there have been a couple of hundred billion dollars here and there for climate efforts, but these days that's the equivalent of after-dinner mints.

Yesterday, however, saw two significant events. First, Senator Edward Markey and Representative Alexandria Ocasio-Cortez reintroduced the Green New Deal (GND), two years after the resolution first appeared in the House and Senate. As AAF noted in its analysis of the original, the GND is utterly sweeping in its scope and monumental in its likely cost. The resolution, which does not have the force of law, has also been influential in pushing climate change issues to the top of progressives' policy agenda and shaping the stance of more mainstream Democrats.

Some evidence of that influence appeared yesterday. *The Washington Post* reports that "President Biden this week will pledge to slash U.S. greenhouse gas emissions at least in half by the end of the decade, according to two individuals briefed on the plan, as part of an aggressive push to combat climate change at home and convince other major economies around the world to follow suit." An important caveat is that the 50 percent cut is from the levels in 2005 (not 2021): the "pledge represents a near-doubling of the target that the nation committed to under the 2015 Paris climate agreement, when Barack Obama vowed to cut emissions between 26 and 28 percent compared to 2005 levels."

Still, doubling the target is a big deal. To get a sense for the magnitude of such a shift, note that doubling the target for raising revenue with a tax would require more than doubling the tax rate (because people move away from purchasing highly taxed items) and would more than quadruple the economic harm inflicted. The Obama Administration, with its deleterious, industrial-strength, top-down regulatory strategy, was already inflicting great damage in the pursuit of smaller reductions.

How will the Biden Administration pursue its goal? There is a (policy) consensus that a revenue-neutral, border-adjusted carbon tax is the most efficient way to meet any target. But the carbon tax is MIA in the current discussions. The actual plan has not yet been revealed, but with a target that ambitious, it will not matter what is in the American Rescue Plan, American Jobs Plan, American Family Plan, or any other American Plan. The growth prospects of the American middle class will hinge on the decisions made to implement such a pledge.