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Biden's Selfish Plans on Climate Change

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BY RICHARD SCHMALENSEE AND DAVID SCHOENBROD, OPINION CONTRIBUTORS — 04/02/21 08:30 AM EDT
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President Biden wants Congress to pass a statute mandating the EPA to issue regulations requiring cuts in carbon emissions. That's his Plan A. Such a statute seems unlikely to survive a filibuster. So, as it was [recently revealed](#), his administration and Democratic state attorneys general are working with green groups on "a regulatory Plan B." This plan would have the EPA use a provision of the existing Clean Air Act to cut carbon emissions under the pretense of cutting ozone.

Still, both plans ignore a solution to cut carbon that might pass under reconciliation — a carbon tax. Although the tax would be better for the public and the planet, it likely would not be as politically expedient for President Biden and his allies.

A carbon tax would be imposed on the production of oil, gas, coal, and anything else that results in carbon emissions. Much of the tax would be passed on to these products' ultimate users, whether big businesses or individuals. This would give them incentives to reduce their direct and indirect contribution to carbon emissions. For example, they'd be more inclined to use electricity generated without emitting carbon, to replace the gas guzzler with an electric vehicle, to make the factory more efficient, or to replace the worn-out weather-stripping on the back door. If the tax is high enough, everyone from the biggest corporation to modest homeowners would have an incentive to search out the most cost-effective ways to cut carbon emissions.

In contrast, regulation would have agency officials dictating where and often how to reduce such emissions. Yet, they know far less than individual factory owners and homeowners of how to cut emissions most cost-effectively and thus to reduce the cost of the tax to themselves. Besides, these officials would be subject to pressure from Congress members and lobbyists to do favors for campaign contributors—for example, by going easy on favored industries or

regulating in ways that protect them from competition. Regulation also comes with procedural requirements that impose paperwork expenses, delay, and uncertainty on business. The upshot would be less environmental-protection bang for the buck.

Regulation is a bad deal for the public compared to a carbon tax despite much of the tax getting passed on to consumers. So, too, does much of the cost of complying with regulation. The critical differences are that regulation would be a far more costly way to cut emissions and the government could rebate the tax proceeds to consumers.

Proponents of Plan B might object that it is unclear whether Congress would pass a statute authorizing a carbon tax. Plan B, they hope, could be put into effect without legislative action. Yet, the lobbying arm of the oil industry, the American Petroleum Institute, previously a powerful opponent of action on climate change, recently issued a [draft policy statement](#) calling for the government to set an economy-wide price on the emissions of carbon instead of prescriptive regulation. A carbon tax is the most direct way of doing so. Besides, the courts may well find arbitrary the ultralow limits on ozone needed to implement Plan B's design to cut carbon emissions as a side effect of cutting ozone.

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Finally, former EPA general counsel Professor E. Donald Elliott has [argued](#) that the EPA already has statutory authority to impose a tax on carbon emissions. So, if Congress does not act, a carbon tax may be just as much of an option as regulation. However, in a democracy, Congress should have to enact any major policy aimed at radically reducing carbon emissions, whether through taxation or regulation. Besides, the program would be more quickly and [cost-effectively](#) implemented under a statute designed for the purpose rather than shoe-horned into existing statutory authority.

A statute authorizing regulation to combat climate change brings elected officials credit for bold action, but shifts blame to the agency for the likely failure to deliver and the regulatory burdens. In contrast, a statute imposing a tax on carbon would place the credit and blame squarely on elected officials. Such transparency is essential to democracy. Compared to a carbon tax, either Plan A or Plan B is sneaky and selfish. The public deserves Plan T, for transparency.

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