



# Avoiding The Judgment Of History

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Art Laffer, former economics advisor to President Ronald Reagan, recently met with former President ... [\[+\]](#) THE WASHINGTON POST VIA GETTY IMAGES

“Let’s get this on the record,” Kim Beazley, Australia’s former ambassador to the US, likes to say to climate skeptics. “I want my children and grandchildren to know what I was saying about climate change and what you were saying about climate change.”

The U.S. House of Representatives just went on record. Last week, they condemned a carbon tax even though carbon pricing is the most powerful means of solving climate change. The [non-binding resolution](#) was offered by Rep. Ryan Zinke (R-MT1). Previously it’s been offered by Rep. Steve Scalise (R-LA1).

These folks seem to be unaware of two key features of a well-designed carbon tax: (1) that it can be made revenue-neutral by pairing it with a reduction in an existing tax so that there is no growth of government; and (2) that it can be made border-adjustable by applying the tax to imports from countries that have yet to tax pollution.

It’s ironic that on the same week that the never-never-ever carbon tax resolution passed through the House, Art Laffer was reported to have met with Donald Trump about the possibility of Laffer replacing Jerome Powell as Chairman of the Federal Reserve Board. There was also reporting about Kevin Hassett being a candidate for consideration

by Mr. Trump. Both Laffer and Hasset have spoken of solving climate change through a carbon tax that's paired with a dollar-for-dollar reduction in existing taxes.

Laffer and Hasset are familiar with Arthur Cecil Pigou, the English economist who lived from 1877 to 1959. Both are members of the Pigou Club, founded by the Harvard economist Greg Mankiw who was George W. Bush's Chairman of the Council of Economic Advisers.

[Pigou is famous for suggesting](#) that we should tax that which we want less off and untax that which we want more of. We want more income; we want less pollution. Those who voted for the never-never-ever carbon tax resolution should be asked: what's your problem with such a tax swap? Were you mostly concerned that a carbon tax would hurt poor people? What if we reduced taxes on payroll income and taxed carbon pollution instead? Such a tax swap would specifically address the regressivity problem of a naked carbon tax. Contrary to the assertion in the never-never-ever carbon tax resolution, low wage workers would not be hurt. Meanwhile, Social Security (which is supported by payroll taxes) would be buttressed by an economy-wide broadening of its tax base.

The drafters of the never-never-ever carbon tax resolution seem to be unaware, as well, that under [existing World Trade Organization rules we could apply our carbon tax](#) to imports coming from countries without a carbon tax. It's called a border adjustment, and other countries would pretty quickly decide that there's no future in forking over to America carbon tax revenue that they could have collected for themselves. They'd follow our lead—without any international agreement, without any bowing and scraping at the UN, without protracted negotiations. They'd follow our lead and impose carbon pollution fees in their own countries because it would be in their interest to do so. And then 8 billion people around the world would begin to see the true cost of burning fossil fuels. Those costs would be built into products. Greener, cleaner products would be cheaper relative to dirty products made accountable.

This would make Pigou proud. He developed the idea of that negative externalities (costs that firms and individuals get away with dumping on society) cause a market distortion. That market distortion inhibits innovation. If my company can get away with dumping into the trash dump of the sky, I can charge less for my product than my competitor who's built a newer, cleaner process. Liberals might suggest that I should be regulated. Dr. Milton Friedman, one of President Reagan's economic advisers, would suggest that I should be taxed—a suggestion he made in [this two-minute clip from the Phil Donahue Show](#) in the 1980s.

History comes as a judge, and it's not just Republicans who stand at risk. There were Democrats who chose politics over policy in voting for the never-never-ever carbon tax resolution. The good news is that the resolution was non-binding, the mistake can be fixed and we're never beyond redemption.

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I'm a Republican who served in the U.S. Congress for twelve years. I represented Greenville-Spartanburg, SC from 1993-1999 and again from 2005-11. Before... [Read More](#)

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