

Economist Believes U.S. Moving Closer to Carbon-based Tax Rates

[By Mark Carter](#)

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Adopting a politically acceptable approach to carbon-based taxes remains a challenge but is an achievable goal, according to a leading voice on the economic impact of climate change.

Dr. Robert Shapiro, co-founder of the U.S. Climate Task Force, the principal economic advisor under President Clinton and head of the influential economic advisory firm Sonecon, was in Little Rock Friday to speak at the Clinton School of Public Service.

He stopped by Arkansas Business prior to his speaking engagement to explain how the U.S. can address climate change through a carbon-based tax rate without impairing the economy.

Shapiro believes the political climate is emulating the global climate, and that climate change is an issue Americans are now prepared to take on.

"We've entered a new phase," he said. "Climate change began as an issue that only a small group of environmentalists cared about. But the consensus of opinion really shifted with the last presidential election."

Carbon-based tax rates will not only reduce carbon emissions, Shapiro believes, but enable Americans to avoid long-term costs associated with greenhouse gases.

A carbon-based tax system would apply a stable price to carbon, he says, creating direct incentives to develop and use less carbon-intensive fuels and more energy-efficient technologies. Under the cap-and-trade system, the government sets an annual "cap" on greenhouse-gas emissions.

"How do you get businesses to make these long-term commitments if they don't know the price of carbon," he said. "Businesses need to know how much they should be prepared to spend to make these calculations. A cap-and-trade system, by its very nature, can't produce that."

A recent Climate Task Force study found that by applying a carbon-based tax rate and returning 90 percent of the revenues as tax relief to the people and businesses using the energy and paying the tax, the U.S. can reduce CO2 emissions to levels consistent with protecting the climate and offsetting the tax-related costs for most Americans.

"Now, there's more open debate about carbon-based taxes as opposed to cap-and-trade," Shapiro said. "There is increasing support from political figures. Three years ago, a national consensus to take serious action wasn't there yet. Now, it's there. A majority of the Senate technically, formally had been supporters of cap-and-trade. Last year, cap-and-trade got less than 40 votes."

Shapiro, who served as Under Secretary of Commerce for Economic Affairs under Clinton and advised Al Gore's 2000 presidential campaign, noted that the issue has moved from whether or not to do anything about climate change to what should be done about it.

"The focus of my work is looking at the economic, environmental and social implications to the different approaches to climate change," he said. "The vast majority of economists prefer a carbon-based tax system."

Shapiro speculates that by 2020 the developing world will be producing more emissions than the "advanced" world, and stressed that the U.S., Japan and Europe alone are not enough to affect change.

"We can't do enough if we can't get China, India, Brazil, Russia, even the OPEC countries to join us," he said.

Before heading to his speaking engagement at the Clinton School, Shapiro noted the changes in downtown Little Rock since his last visit in the mid-90s.

"This city is totally different," he noted. "It's changed a lot, for the better. Fifteen years ago, it was a sleepy little town. Now, the modernization is amazing."