



ALLIANCE FOR MARKET SOLUTIONS

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ICYMI, in [American Action Forum](#):

Eakinomics: Policy Versus Politics, The Carbon Tax Edition

By Douglas Holtz-Eakin

Since the ascendancy of the [Green New Deal](#) on the progressive left, there has been a renewed interest in carbon taxes and [where they fit](#) in any proposed policy architecture. Interest in carbon taxes is not [new](#). A well-designed carbon tax can help to [achieve other tax reform goals](#) and is [much more efficient](#) than the command-and-control regulatory approach. But the idea that a carbon tax is imminent seems overstated; a well-designed carbon tax still faces some severe political headwinds.

What does a well-designed carbon tax look like? In brief, it is economy-wide (carbon is carbon regardless of source), imposed as far upstream as possible (at the well-head, mine, or place of import), is “border-adjusted” so that imports and domestic goods face the same tax for the same carbon content, and has a rate that starts low enough to be economically feasible but rises fast enough to meet climate objectives. What could go wrong? Everything.

Despite the chatter, climate policy (in general) and carbon taxes (in particular) are still an issue for the elites. The recent “yellow vest” protests in France over a gas tax hike are a good example of the populist response when the elites decide to make a basic necessity more expensive for policy goals that do not have widespread buy-in. Switching the carbon tax away from being an economy-wide, upstream tax to a fee on carbon emitters would transfer the policy into a “polluter pays” system. That might be politically more palatable, but the economic and administrative advantages would be lost. Oh, and remember the response when the House of Representatives floated a plan to “border-adjust” the corporation tax as part of tax reform? The screaming will be no more subdued for a carbon tax.

[Read the full article here.](#)

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[Alliance for Market Solutions](#) (AMS) is an organization of conservative leaders with experience in business, government, and the intellectual community who know that markets and economic incentives are the most powerful drivers of change and are more efficient and effective than top-down regulation. We aim to educate conservative policymakers on the benefits of market-

oriented solutions to one of America's most pressing economic challenges: advancing clean energy and reducing carbon pollution.

The carbon tax policy we support is consistent with a pro-growth conservative agenda. It would replace costly regulations and prevent new regulations from burdening families and job creators. And it would eliminate economically harmful taxes on investment and family incomes. AMS is a 501(c)(3) non-profit educational organization. We don't engage in electoral politics on behalf of any candidate, campaign or party. We are recruiting allies and developing policy analyses to help conservative policymakers consider a pro-growth, conservative carbon tax policy.