

The Grace Richardson Fund

New Free Market Policy Solutions for 21st Century Challenges

Policy Brief – Clean Tax Cuts & Deregulation

A New Capital Tax Rate Cut Solution for Climate & Pollution:

Cheap Clean Products/Energy/Solutions, Investment & Innovation Acceleration, Higher GDP

The Political Problem of Current Climate Policies:

- Carbon tax, subsidies, regulation increase taxes, spending, government.
- Perceived as punitive, left-wing, harmful to economy: energy prices go up.
- Alienates conservatives, ordinary folks, entire industries.
- Result in fierce opposition, extremism, polarization: **POLITICAL GRIDLOCK**

Finesse all that with a New (Conservative) Policy Option – Clean Tax Cuts (CTC):

- **Ronald Reagan's supply side tax rate cuts applied to all clean solutions.**
- If you want more of something, tax it less.
- Capital tax rate cuts on all taxes investors face on debt and equity drives down cost of capital, increases ROI and investment, drives down cost of all clean outputs. That means cheaper, clean energy, cars, products, homes etc.
- CTC simultaneously increases both supply and demand for all clean solutions.
- More powerful than a carbon tax: same tax differential, better growth via tax cuts.
- **Technologically neutral:** CTC picks metrics, not winners and losers.
- Well known GHG and energy metrics (e.g. Energy Star, LEED, SASB, CDP) can set tax reduction. Broad-based. No favorites. Can apply across all sectors.
- **Spending cuts are baked-in:** CTC lowers need for inefficient subsidy and regulation. Replaces (and justifies end of) most tax breaks economy-wide.
- All investors earn rate cuts profitably, easily, as reward for growing clean/efficient.
- CTC beyond a carbon tax CUT: can include other impacts (water quality, safety).
- CTC re-levels playing field by tilting capitalism towards ever-cleaner.
- **All carrot, no stick.** Rewards positive voluntary action; punishes no one.
- So less opposition, more support. All companies can benefit, boost profits.
- **Unites core values of Left and Right:** ecology + tax cuts = clean capitalism

How CTC works:

- Values carbon by rewarding capital flows to carbon conserving solutions.
- Positive feedback loop, not negative feedback loop. Rewards not punishments.
- Alternative to tax on negative externalities: capital tax cut on positive externalities.
- More efficient to unblock (vs block) capital flows. Less friction. Less conflict.
- **NOT revenue neutral: revenue & spending negative. Reduces government.**
- Good alternative, especially where other tax cut or climate policy politically DOA.
- Investors' profit motives drives boards to voluntarily clean-up economy, utilities.
- More powerful than current climate policies, without economic drag/risk/cost:
- Economy-wide CTC boosts GDP, removes economic drag of high taxes.
- \$1 tax cut = \$11 new investment = \$3 growth (Romer & Romer study).
- 5X more powerful than 30% ITC: \$1 subsidy = \$2.33 new investment.
- Unlike subsidy, CTC does not promote failure, dependency, gatekeepers
- Only profitable companies benefit - the most profitable benefit most, grow fastest.
- **Tax rate cuts accelerate low cost leaders fastest, drive down prices faster.**

The Results:

- **Clean Capitalism:** Wealth creation w/ **ever-cheaper/cleaner energy/industry.**
- Done by *reducing* taxes, spending, size of government, all eco/economic harm.
- Benefits economy, health, environment **whether climate change is real or not.**
- **UN application: Global Tax Cap on Clean Solutions – easier than GHG cap.**
- Capitalism saves the planet... at a profit. Read more: GraceRichardsonFund.org

To all scholars, think tanks, policy makers and philanthropists: Clean Tax Cuts is a new policy option being shaped by an open-source, charrette-driven development process, guided by a working group of policy makers like yourself. We invite you to tell us how to make this idea better, or apply it to your concerns. If you want to be in on the ground floor of the creation of a powerful new policy option, please contact Rod Richardson, President GRF: RRR.GRF@gmail.com