

CLEAN CAPITALIST LEADERSHIP COUNCIL

Turning Capitalism Into Clean Capitalism

Policy Brief 1: Overview of Clean Free Market Policy Innovation:

A guide to key concepts & development history

This overview offers an introduction to clean free market policy development, a new branch of free market environmentalism based on the laissez-faire policy preference for expanding freedom and removing barriers for harmless, beneficial activities and enterprises.

Classical free market thinkers have long urged sovereigns to empower ordinary people with greater economic freedoms and opportunities, which grow when tax, trade, and regulatory barriers shrink, along with unfair privileges that exclude many, and distort the playing field.

Clean free market policies follow that advice. By removing barriers for clean free enterprise, they correct economic distortions, damages, and unfair barriers created by negative externalities. These grow out of control when privileged polluters get a free ride, dumping costs on non-polluters. Clean free market policies correct that, not by taxing, regulating, commanding, or nationalizing industry, not by punishing those deemed eco-sinners, but by expanding freedom, profit margins and open markets for everyone – even recovering polluters – who deploy innovative clean enterprise solutions. They don't rob Peter to pay Paul. They instead simply empower everyone to keep more of their hard earned income and profits from new clean opportunities, continuously expanded by minimizing barriers and interference.

As more fully described in several policy briefs below (and [here](#)), clean free market policies include:

- **Clean tax cuts** (CTC – lower marginal tax rates on equity and debt investment returns for clean solutions). NOT conventional tax credit subsidies, nor carbon taxes. Includes:
 - *Tax-exempt private bonds and loans to finance profitable, scalable clean infrastructure;*
 - *Lower marginal tax rates for business and investor income, rewarding cleaner products;*
 - *Tax-exempt business/investor income for breakthrough clean energy innovation;*
- **Clean free trade** (CFT – proposes international clean free markets characterized by low taxes, and no tariffs or other barriers impeding international flows of clean capital and goods);
- **Energy choice competition** in (and even between) power markets; less monopoly privileges;
- **Private land conservation via strong property rights with stewardship incentives** (The US conservation easement tax deduction provides a highly successful precedent for CTC, with over 33 million acres of US forest regrown since 1987. Suggests a potential model for rainforest conservation globally, especially if combined with CTC and CFT.)
- **Voluntary national best practice standards and certification frameworks** (e.g. Energy Star product ratings). Agreed upon metrics-based standards helps green producers, investors and customers find each other. Transparent data on impact delivers a high market impact.
- **New market-transitioning Energy Sector Innovation Credits** (ESICs). Tho' still tax credits with market constricting drawbacks, ESICs do cure many conventional subsidy barriers by incorporating features natural to free markets (tech neutrality, promotion of revenue generation, which then triggers automatic phaseout, so avoiding dependency barriers). They shrink the quasi-political barrier of incumbent advantage, while promoting successful independence, not dependence.

A powerful new solution set is now possible, based not on conventional subsidy, not on penalty, but on liberty. Capitalism provides the fastest, most powerful driver of innovation and change the world has ever known. We can now harness that empowering force, turning capitalism into clean capitalism.

Rod Richardson, President, Grace Richardson Fund, CCLC Co-Chair

Understanding the New Clean Capitalist Policy Opportunity:

- **Increasingly profitable clean capitalism creates brand new clean free market policy opportunities.** The rapidly improving economics of clean technologies – the shift from unprofitable to profitable (unsubsidized) in just this past decade* – has big implications:
- **Older climate and environmental policies are increasingly obsolete**, based on outdated assumption that we always need highly interventionist strategies to make perpetually unprofitable solutions viable (e.g. tax credit subsidies, carbon taxes, coercive regulation and mandates). These policies were perhaps essential 10, 20, 30 years ago to make early clean tech viable. But now, that mission is increasingly off-point. We need new policies that speed scale-up for all profitable and pre-profitable clean solutions, accelerating capitalization, popular participation, and above all, breakthrough innovation.
- **Clean technologies are now profitable clean capitalism. As such they thrive on the same policies that created the explosive growth of capitalism in the first place: *laissez-faire***, the classic policy of removing barriers to harmless beneficial enterprise, be they barriers created by Royal or monopoly privilege, distortionary taxation or trade barriers. This means:
 - Clean technologies can increasingly gain market share in open, competitive markets.
 - We can powerfully accelerate clean technology innovation and market share growth by targeted barrier removal with respect to taxes, trade, regulation and cronyism.
 - Emerging profits, and the capital market instruments that evolve naturally to finance new clean enterprise opportunities, offer new policy levers we can innovate around.
- **Faster policy solutions are now possible by empowering the capitalist dynamic: innovation speeded-up and spread via accelerated capital flows throughout expanded open markets.**

* Technology tipping points: utility scale wind achieved a lower LCOE than fossil fuels in 2011; utility scale wind did so in 2015. See [Lazard LCOE Studies](#) and [the first published article on the free market policy implications of this shift](#).

The Clean Free Market Policy Innovation Offers Important Benefits:

- Consistent with conservative economic thinking, which is rooted in *laissez-faire*, and the preference to expand inclusive freedom and shrink government –
 ✓ *So more likely to attract conservative leadership and bipartisan support*
- Entirely based on positive incentives via barrier removal – carrots not sticks
 ✓ *So less likely to generate political opposition and gridlock. Reduces political polarization.*
- Removing burdens creates economic lift, raises GDP, increases prosperity, opportunity and innovation. Older policies impose costs and burdens, create economic drag, reduce GDP.
 ✓ *So more economically beneficial; reduces need for economically harmful policies.*
- Does not redistribute wealth by fiat. Instead expands opportunity/participation for all.
 ✓ *Inclusive opportunity offers “social justice” benefits that left and right can agree upon.*
- Creates new policy tools for policymakers to explore, new possibilities for high impact, collaborative policy design, leadership and implementation.
 ✓ *New ideas generate fresh interest and enthusiasm that can motivate positive change.*

More detailed information about the barrier-shrinking policies following Clean Free Market (aka *laissez-faire*) principles can be found in the policy briefs below, (and at [this link](#)).