

Clean Free Market Streamlining for Rapid, Resilient COVID Recovery

In the context of COVID disaster recovery, the key issue is, how to lift the US and the world from a sudden slide into poverty, avoid depression and restore prosperity. Special pleading for clean tech seems ill-timed. More on-target: a plan to recover from and avoid catastrophe.

All the straw proposals below amount to *free-market streamlining*, eliminating all inefficiencies and barriers that would hold back recovery, or contribute to foreseeable future catastrophes. They advocate a level playing field for all, whereby EVERY impacted industry is treated even-handedly by economic catastrophe recovery and prevention policies, which insures that clean free enterprise will be lifted by a tide that lifts all boats. Clean free market principles and proposals describe the free-market streamlining of the economy we need now, which can be adapted to powerfully lift all those boats. In the wake of the heavy costs imposed by COVID, the US and world economy simply cannot afford any inefficiencies that deepen poverty and increase catastrophic risk. Government monopolies, conventional subsidies, anti-competitive restrictions must go. Tax and trade barriers must fall. Capitalists that develop new business models and technologies free of the negative externalities that threaten public health and lead to catastrophe must be empowered. The barriers that hold them back must be removed.

After the catastrophe recovery, these principles and proposals – in essence, clean free market policy – will be in place for future catastrophe prevention, mitigation and adaptation.

- (1) COVID Victory Bonds & Loans (or CoVictory Bonds & Loans) for everyone:** CCC groups have developed the Clean Asset Bonds & Loan (CABL) proposal as a means to accelerate clean infrastructure finance. This concept could be extremely helpful if adapted for rapid economy-wide COVID economic recovery. Hundreds of billions of dollars of federal emergency loans will need to be repaid within three years. Companies will need low cost capital to do so. They will also need to rebuild companies severely damaged by COVID economic impacts. Homeowners will need help as well. Private tax-exempt CoVictory Bonds & Loans (or CVBLs) could be allowed during a four year period, both to repay those federal loans, and to finance all normal commercial and homeowner investments. The **Clean Free Market Act (CFMA)** would serve as the catastrophe avoidance and pandemic resilience section of the CoVictory legislation, extending the use of the CABLs for qualified clean assets for a six year period as proposed in the CFMA.
- CVBLs will be extremely fast and easy to implement, because it is simple to declare most interest tax free. CABL qualifications will take more time, for Treasury to develop rules, but clean infrastructure projects can use federal loans and CVBLs until then.
 - This proposal will help unwind and repay the massive federal emergency loans, which could otherwise cause a financial crisis in three years, and helps reduce the federal deficit and exposure to default risk.
 - Including CABLs as a supply-side tax cut accelerant for environmentally beneficial infrastructure deployment – to improve public health and resilience, and price the catastrophic damages and unfair cost-shifting by polluters – will help secure agreement from both Democrats and Republicans finding their footing in a changed world.
 - Establishing the universal use of private tax-exempt bonds and loans as a catastrophe recovery tool, will pave the way for the use of CABLs for catastrophe prevention, mitigation and adaptation.
 - There may be an appetite to extend the CABL application to health care capacity, O&G emission control technologies, etc.
- (2) Trade War Cease Fire:** Now is absolutely not the time to engage in a trade war, unless we want to repeat the Great Depression. The Smoot Hawley Tariffs are widely blamed for the extremity of the Depression, and should be a cautionary tale for any protectionist politician

right now. In fact, the current trade war has contributed to the lack of US medical capacity. A two-year trade war cease fire would greatly lift the confidence of markets, and help restart the global economy. Ceasefire might be extended as needed. [Note: free marketeers like Tyler Cowen recommend similar tariff reduction.]

- This could be done unilaterally, or as a reciprocal offer to zero out all tariffs with any nation that agrees to do the same.
- Tyler Cowen advises: “The American government should not stop its campaign to keep hostile foreign companies out of our communications systems.”
- For the sake of future catastrophe prevention and mitigation, tariffs should be permanently eliminated for all medical supplies in shortage right now, and all environmentally beneficial goods and services that can help prevent future catastrophe.
- This will help lower the costs of much needed stockpiles of medical equipment needed to prepare for future pandemics, which should be restocked as soon as possible.
- To mollify protectionists, the trade war ceasefire might need to be limited to two years, and it may help to concede that a small portion of the new medical stockpiles may be filled exclusively by US manufacturers, although that may raise the cost.

(3) Fast-track US-UK Free Trade Deal with Clean Free Trade, Anti-Competitive Barrier Removal, Reciprocal CVBLs and CABLs:

Such a deal could act as a model for other such trade deals, creating a huge global clean free market stimulus. CABL tax reciprocity means US citizens could invest in UK clean infrastructure tax-free, and vice-versa.

(4) Incent Competitive Power Markets (nationally & globally): Globally, uncompetitive, crony-dominated energy markets deliver energy poverty, stifle development and are a key driver of poverty and the ills that follow. Competitive power markets deliver both economic and eco-benefits (decarbonizing faster and cheaper than uncompetitive markets). So:

- Make sure CVBLs and CABLs can only be used by private companies in competitive markets, and not directly by rate-based public utilities or power monopolies.
- *No Infrastructure Subsidies for Monopolies.* Disallow rate-based utilities from directly using any federal subsidy (tax credits or muni bonds) for infrastructure projects.
- Incent monopolies to seek competitive bids for infrastructure projects from private developers who may use federal loans, CVBLs or CABLs.
- Demonopolization tax cuts: capitals gains tax exemption on asset sales for power monopolies that demonopolize, and shift to an ERCOT model.
- Internationalize the competitive incentive to open markets with CABL tax reciprocity

(5) Capital Gains Tax Cuts for All, with Extra Cuts for Environmental Benefits: Free marketeer Amity Schlaes recommends slashing capital gains tax rates in half (to 10%) to spur new equity investment. This by itself will be opposed by Democrats, who at the same time want action on airline emissions and oppose the rollback of EPA enforcement and standards. So how about we reduce capital gains taxes to 15% for all, and down to 10% for companies that voluntarily meet or exceed recently suspended higher EPA standards, and airlines and auto manufacturers that reduce fleet emissions by >5% per year?

(6) Innovation Tax Cuts: Capital Gains Tax Exemption for 10 Years for:

- First Five Commercial Plants of a New Zero Emission Technology (with ESICs)
- Fossil Fuel Plant Conversion to Zero Emission Power Source

(7) Eliminate Most Conventional Subsidies, Replace with Clean Tax Cuts (including all energy subsidies, MLP tax benefits for fossil fuels, infrastructure subsidies for power sector monopoly utilities.) Marginal tax rate cuts boost GDP while conventional subsidies reduce GDP. There are many kinds of Clean Tax Cuts we might consider. Reduced taxes on income from clean baseload power sales might be especially important.