George Shultz Shares Vision for Protecting Climate and Solving Political Gridlock

by Debbie Mytels
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Former Secretary of State George P. Shultz explained why he thinks a revenue-neutral carbon tax and dividend plan will help curtail climate change at an Acterra event in Palo Alto on April 4. Shultz, who was interviewed by Acterra executive director Adam Stern, delighted an audience of 200 at the Palo Alto Art Center with anecdotes from his more than seventy years of public service, starting as an economic advisor to President Eisenhower and serving in four cabinet positions under Presidents Nixon and Reagan.

As a founding member of the Climate Leadership Council, Shultz joined other prominent Republicans in February in issuing “The Conservative Case for Carbon Dividends,” a proposal similar to a plan promoted by the Citizens Climate Lobby in recent years. The plan would enact an initial tax of $40 per ton of carbon emissions, charged at the extraction site or port of entry for imported fossil fuels. The tax would increase each year, incentivizing energy efficiency and the use of carbon-free energy such as renewable solar and wind power. The funds generated would be distributed on a per capita basis to all Americans—about $2,000 per year for a family of four, increasing as the tax goes up. Shultz recommended that the Social Security Administration receive and distribute the funds. Individuals and families would be sent quarterly carbon dividend checks—a welcome benefit that would strengthen public support for the carbon tax.

To build a political coalition for a carbon tax, Shultz suggested copying Ronald Reagan’s strategy in winning approval for the 1987 Montreal Protocol to protect the ozone layer. Convinced that scientists were right about the dangers of ozone depletion, Reagan confronted skeptics by reminding them that they all had fire insurance, even if they knew chances of a house fire were slight. Similarly, Shultz said, “Let’s take out an insurance policy to protect against the risk of climate change.”
When Shultz, who is a distinguished fellow at the Hoover Institution, was asked if he thought China, the world's largest carbon emitter, would agree to a comprehensive global approach to carbon reduction, he said, “We had a big meeting at Hoover the other day with a delegation from China. The air is so polluted there, you don't need to persuade them that something needs to be done.”

Stern asked Shultz how he talks to Washington politicians who still express doubt about the underlying science of climate change. “I try to break the science down into observable facts,” Shultz said. “I ask them, 'How come there's a new ocean being created in the Arctic? And why are the ice sheets melting in Antarctica?' These are observations—and there's a lot of evidence that carbon is the culprit. So then I bring out the concept of the insurance policy—and remind them that a revenue-neutral carbon tax can address the climate problem efficiently.”

When asked why he supports a carbon tax over the cap-and-trade process used in California and in Europe, Shultz said that with cap and trade “the price of carbon goes up and down, and the credit system isn't always transparent. There are a lot of fraudulent carbon credits in Europe.” A carbon tax, on the other hand, would be straightforward, he said, and the revenue stream would be predictable.

Responding to the challenge of enacting such a tax, Shultz recounted how successful presidents in the past had won their legislative victories. “Everybody liked Ike,” he said. “People trusted him. Trust is essential to governing well. Nixon has a bad reputation” he added, “but Nixon did a lot of good things, including creating the EPA.” Shultz had the highest praise for Ronald Reagan's political skills. “Reagan set up a movie theater in the White House, and he regularly invited representatives of both political parties to watch the latest Hollywood films. We'd see the films and then have a discussion. This way we'd meet and become friends. I did this, too, with dinners at the State Department. When you meet and get together, you come to trust each other as people. That's how you build coalitions.”

Noting that seventeen Republican members of Congress have recently signed a resolution urging the federal government to address climate change, Stern asked if it might take five to ten years to grow a successful coalition for a carbon tax. “Sooner than that,” Shultz answered. He noted that former New York mayor Michael Bloomberg is on board with the carbon tax and dividend plan, and Bloomberg is working with city leaders around the country to enlist their support.

Shultz also praised electric vehicles for reducing carbon emissions by using fossil-free electricity. “Tesla is great,” he said, “but Chevrolet now has a car called the Bolt that can go 238 miles on a single charge! I've had solar panels on my Stanford house for six years now. I've long since paid them off. I drive a Chevy Volt. I get more electricity from my panels than my car uses, so the electricity cost is zero. So what's not to like?” he laughed.