

A Sustainable Environment: Our Obligation to Protect God's Gift

by
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Fighting Climate Change While Improving the U.S. Economy

About eight years ago, I wrote an article about how to increase jobs in the U.S. The strategy that I proposed seems to have more validity today than when I first suggested it. Three major issues today are climate change, trade with China, and illegal immigration. I think there is one strategy that can address all three issues with some success.

More than ever there is a need to reduce carbon emissions in order to bring climate change under control. One strategy for reducing carbon emissions is to place a price on carbon. This had led to organizations such as the former Chicago Climate Exchange that placed a value on carbon dioxide emissions and required member companies to reduce their emissions or purchase carbon credits from those companies that reduced emissions more than required. Eventually, the companies didn't renew their membership when it was no longer economically feasible and not required by law.

Another way of reducing carbon dioxide emissions is to place a tax on carbon. It would be necessary to determine the amount of carbon dioxide emitted throughout the entire life-cycle from sourcing the materials needed to manufacture the product, the manufacturing process itself, and transporting the product to the end consumer. The world's largest manufacturer of products sold in the U.S. is China, and China's manufacturing processes are among the greatest carbon emitters as this country still uses some old coal technology for energy production even though it is making efforts to reduce its emissions. That product must then be shipped to the U.S. and in the transportation process emits more carbon, which must also be taxed. A combination of employing dirty coal energy technology and shipping products a great distance will make the product more expensive due to the carbon tax. This will reduce trade to the U.S. without the need to place a tariff as has been suggested by the U.S. administration.

An alternative site to manufacturing products in China is Mexico. The labor rates in China have risen faster than in Mexico and currently are 14% greater than in Mexico. With energy production being somewhat similar and the lower labor rates, products from Mexico would become cheaper than those from China because the shipping distance would be considerably less. Consequently, the carbon tax on the shipping portion would be the differentiator.

So what does this mean? If the cost of manufacturing products in Mexico for shipment to the U.S. is less than those from China, this carbon tax will shift manufacturing to Mexico. This means a better economy for Mexico and more jobs in Mexico. This will also slow down the illegal immigration to the U.S. from Mexico, and

it may even shift the movement of Mexicans from the U.S. back to their families in Mexico. If this movement actually happens, it would mean more job opportunities in the U.S.

If we can be really optimistic, how about reducing the shipping distance (from Mexico) even more by producing in the U.S? If we can manufacture products more efficiently and by using cleaner power generation, the addition of the carbon tax could eventually make products from the U.S. cheaper than from China. Then we could bring even more jobs back to the U.S. We have then improved trade with China, reduced carbon emissions and reduced illegal immigration.

Now you are probably asking whether this could really happen. In theory, it should really work. Unfortunately, I am not too optimistic that this could ever happen. Our Congress has failed to accept the Paris Agreement or pass any kind of carbon emission reduction bill even though all of the other developed countries have done so, and it is unlikely to do so during the next two years. Also, since this proposal would probably be somewhat detrimental to China, they may not agree to this universal carbon tax until their energy production becomes primarily renewable.

And then there are still some unanswered questions. Would the carbon emitter in each step of the process collect the tax? Or would the country of the end consumer collect the total carbon tax? And what would be done with this tax money? These are questions for another day.