

CAP-AND-TRADE PROGRAM: CAP-AND-TRADE PROGRAM IS A TAX, GEORGE SHULTZ SAYS

George Shultz, former U.S. secretary of state under President Ronald Reagan – and a former professor of economics at the Massachusetts Institute of Technology – said this week that California’s cap-and-trade program is a tax, not a regulatory fee.

Under the program, specified industries are required to purchase “allowances” from the state or reduce emissions by a specified amount. The state contends that the costs borne by affected industries are “regulatory fees,” while industry groups have filed suit claiming that the costs constitute a tax – specifically, an illegal tax, since the cap-and-trade program was not approved by at least two-thirds of the state Legislature.

“Cap-and-trade is a tax,” Mr. Shultz said in an interview with columnist Dan Morain of *The Sacramento Bee*. “It is just more popular because you don’t call it a tax. So be frank about it. It is a tax.”

Mr. Shultz was in Sacramento this month to attend the unveiling of a statue of President Reagan in the state Capitol. Mr. Morain asked him about his views, and the former president’s views, on climate change. Mr. Shultz suggested that if President Reagan were in office today, he would enact a carbon tax as an “insurance policy” to protect the nation against the possible impacts of climate change. “Better to be direct and charge a carbon tax,” Mr. Shultz told Mr. Morain. (Source: *The Sacramento Bee*, June 25.).