



The Climate & Freedom Accord:

A Strategic Proposal For An International Free Market Agreement on Climate & Sustainable Development

Core Ideas & Strategy:

- Poverty and climate change have the same solution: more FREEDOM
- Solving climate requires innovation acceleration, which requires free markets
- Free economies are clean economies... and also richer, and more innovative.
- Reagan's policies model how to fix stagflation with lasting economic & climate impact:
 - **Deregulate and open markets to competition** (telecoms, gas, power, trucking, airlines, banking, trade) to open opportunities for innovation (cellphones, PCs, internet, smartphones, Microsoft, Apple, fracking, clean tech... all decarbonizing)
 - **Supply-side tax cuts**: fund new innovation with unlocked capital flows and IPOs
 - **Reduce cost of new investment** to drive investment, jobs, growth and supply which helped fight inflation. But that also accelerated decarbonizing innovation because it accelerates deployment of new, more efficient and cleaner tech while retiring older, dirty tech. It accelerates natural drivers of competition/innovation
 - Reagan era sparked innovations that led to efficiency and productivity gains that decoupled energy use from GDP, driving big emissions reduction per unit of GDP
 - Reagan also encouraged private conservation with the conservation easement tax deduction, which drove the regrowth of 20 million acres of US forests
 - Competitive US power markets decarbonize 66% faster than monopoly markets
- Reagan's decarbonization was an unintended consequence of free market policies
- We can improve on that by replaying and globalizing the Reagan strategy:
 - The Accord opens markets to trade, competition and innovation.
 - New internationally reciprocal supply side tax cuts (CoVictory Funds and Clean Tax Cuts) shrink investment cost and drive int'l investment to new innovations.
- These new tax cuts can act as a big incentive for both free markets and decarbonization – a big incentive for nations to form a big, growing, really clean and really free market.
- Most current climate policy is out of date, counterproductive and constricts freedom
- EU Carbon pricing results in uncompetitiveness, deindustrialization and offshoring CO2
- US tax credit subsidies block innovation, create dangerous bubbles and many losers, by picking "winners" like ethanol, that increase emissions and would fail without subsidies. They also favor the biggest investors, and freeze out small entrepreneurs
- Those problems disappear using tech-neutral, supply-side Clean Tax Cuts that reward reduced product emissions with lower investment tax rates. No bubbles, no picking winners and losers, no chasing industry away, no uncompetitiveness, no offshoring CO2
- Whether the climate change threat is exaggerated or not, addressing issues seriously with free market solutions leads to better solutions and more freedom.
- Showing how freedom can uplift people and save the planet will upend global politics



The Climate & Freedom Accord – the Basic Deal & Proposals:

Nations would agree to free market streamlining:

- **Phase out statism**, cronyism and tax-and-spend climate policy: US-style subsidies, EU-style carbon pricing; tariffs or trade/competition barriers; state owned companies; price controls or excessive regulation or taxation above OECD average; subsidized or monopoly markets, excessive government owned land and resources.
- **Phase in free market policies**: free trade, fully private competitive markets without subsidies, classical human, economic and property rights, rule of law, democratic self-regulation of the economy and taxation, low pro growth tax rates below OECD average, more land and natural resources privately held with US style private conservation frameworks. Copy the Reagan free market strategy, more or less.

New incentives for free markets and decarbonization – Nations would gain access to new foreign investment flows, unlocked by reciprocal supply-side tax rate cuts:

- **CoVictory Bonds, Loans, Savings Accounts, Investment Funds** – tax-exempt private debt of all kinds for capital investments in property, plant and equipment (PP&E)
 - In every Accord nation, anyone can raise tax exempt debt of any kind, pool it in funds and invest it in PP&E in any Accord nation.
 - Unlocks vast international capital flows.
 - CoVictory Funds reduce cost of debt roughly 30% (no tax on interest), driving investment, jobs, growth, while helping to tame inflation by boosting supply
 - They promote decarbonization and innovation by accelerating the deployment of the newest technologies, without picking winners or losers
 - Very flexible they can serve multiple purposes for multiple nations: fighting stagflation, promoting free trade, building a financial market, rebuilding Ukraine or Gaza, funding the decarbonization of the global south.
 - Much more bang-for-the-buck than traditional subsidies. In a typical energy project 50% equity, 50% tax-exempt debt, tax revenue on equity will be roughly 350% higher than tax expense on debt. Savings account debt even more so because of low interest rates on savings, and fractional reserve effects.
- **Clean Tax Cuts** – Bonus layer of tax rate reduction on business and investor income rewarding lower product emissions. Perhaps 5 percentage points lower, nationally set.
 - e.g. Auto industry: the lower the average vehicle fleet emissions, the lower the tax rate. Same idea for all transportation, power; oil & gas, beef, lumber, industry, real estate. Those sectors make up >80% of GHG emissions
- **Reciprocity** – No Accord nation will impose carbon tariffs or minimum global tax penalties on any Accord nation who uses the above Climate & Freedom tax cuts.
- **Other Optional Climate & Freedom Tax Cuts**:
 - **Demonopolization Tax Cuts** — For two years, no gains tax when investors sell a monopoly into a competitive framework. Reduces political resistance to reform.
 - **Full Expensing** – Lower new investment cost = growth, anti-inflation, clean tech

For more information email info@climateandfreedom.org. See the full proposal for details: <https://cleantaxcuts.org/wp-content/uploads/climatefreedomaccord-straw-230202.pdf>

The Climate & Freedom Accord emerged from three policy innovation workshops facilitated by the Climate & Freedom Int'l Coalition, convened by the Austrian Economic Center and Students for Liberty