

## **Gingrich on prizes and incentives to encourage breakthroughs in environmental and energy development; individual innovation may pave the way to America's energy future**

Last November, Newt Gingrich spoke along with Jeffrey Sachs at the New York Public Library to address some of the issues surrounding a global shift away from a carbon-based energy system. Having dealt with these concerns in his recent book *A Contract with the Earth*, Gingrich asserted that an important way to induce innovation is to offer incentives to individuals for reaching technological breakthroughs that enable the world to create and make use of energy sources with minimum impact on the environment. There is much potential in the harnessing of individuals' knowledge and creativity, Gingrich shows. (Video at: [http://wm.nypl.org/Gingrich\\_11\\_1\\_07/Gingrich\\_11\\_1\\_07.wmv](http://wm.nypl.org/Gingrich_11_1_07/Gingrich_11_1_07.wmv))

**NEWT01:** Newt explains the benefits of “incentivizing” development of new energy and environmental technologies, showing that there are potential positives for biodiversity and for the economy. (44 sec.)

*“And so part of what we’re suggesting is: if you look around at every single major environmental challenge and try to organize it so it’s a management problem first; what are the values we’re trying to achieve, what’s a vision of success in achieving them, how could we incentivize people to achieve them, that we think you can make dramatically faster breakthroughs, and you can actually produce a planet which is much, much more diverse in terms of biological diversity, is much cleaner, has much lower carbon loading, and does so in a way that is economically rational, and therefore is much easier to get India and China to adopt, because it actually makes economic sense as well as environmental sense. And that, I think, is close to the core of what we’re trying to say in *A Contract With the Earth*.” (19:31-20:15)*

**NEWT02:** Gingrich acknowledges that both the political right and left have not done their part in encouraging the discovery of real solutions to America's energy challenges. Government rules currently hold up needed development, hindering the use of innovations by knowledgeable and talented individuals. (1.29 min.)

*“Well, I think that it’s a dual failure. I think on the Left there has been a relative unwillingness to consider incentives as opposed to punishment, entrepreneurs as opposed to regulators, scientific breakthroughs as opposed to litigation. So on the Left there hasn’t been any—simple example: The current rules in Congress and in the Office of Management and Budget make it virtually impossible to establish a prize, because one of the things I’d like to see is a billion-dollar prize for the first hydrogen engine that can be*

*built at a reasonable price and becomes competitive in cars. Because the outcome of a hydrogen engine would be so radically different that it's worth way more than a billion dollars to us as a society to get that kind of effort. And I want a prize rather than a process run by the Department of Energy because I don't want Ford and General Motors and Chrysler and Toyota and Honda and people like that to be the center of activity. I want every graduate student at Cal Tech and every graduate student at Georgia Tech and every graduate student at Carnegie Mellon, anyone who thinks they can do it. The Wright Brothers were, after all, bicycle mechanics. Henry Ford who built his first car at night while working for the Edison Electric Company. Thomas Edison who invented his own laboratories. I want anybody who thinks they can do it to go out and try it. And I'm convinced that you will see an explosion of creativity." (21:07-22:36)*

**NEWT03:** Here, Gingrich rejects some currently popular suggestions to mitigate environmental and energy challenges—a cap-and-trade system and a carbon tax. The approach, he says, ought to reward people for using new technologies, rather than punishing them for using old technologies. (1.46 mins.)

*JEFFREY SACHS: Do you think we should have a carbon trading system like you helped introduce on sulfur oxides, right now?*

*NEWT GINGRICH: I'm very skeptical about it. I'm skeptical for two reasons. First of all, the sulfur oxide problem is a very, very definable, limited problem involving a very small number of plants. Carbon trading is enormously complex and the European experience so far is a mess. And second, if you have single country adopt carbon trading what you will almost virtually guarantee is that the jobs and the industries will go offshore. And there's a fairly famous case of a cement factory in Belgium that the minute they adopted carbon trading they moved the whole factory to Morocco, and it actually pollutes more in Morocco, which doesn't have any air control standards, than it was polluting in Belgium. So, the Belgians lost the jobs, the plant increased the pollution. I'm not sure that's a win-win strategy. I'm very cautious about cap-and-trade because I think it's inherently politicized and it's inherently very inefficient. Now, I'm sympathetic with the large corporations that see fifty different states adopting their own environmental standards, and suddenly see such a mess that trying to operate as a nationwide company is going to become extraordinarily complicated. And I think trying to find a different strategy—but here would be my point. Whether it's a carbon tax, which I think is politically suicidal, or cap-and-trade which will turn out in the end I think to be a very complicated mess—both of those are designed to say, "We want to create a differentiation between non-carbon and carbon by raising the cost of carbon." I would rather use tax breaks and prizes to lower the cost of non-carbon. You actually create the exact same differential either way. (36:42-38:28)*

**NEWT04:** Newt uses examples from the early 20<sup>th</sup> century to show how individuals have come up with the technologies we now consider

mainstream. Without their efforts, perhaps many of the innovations we now enjoy would never have come into being. (59 secs.)

*“Look, if it was 1903, and we were having this conversation, today, and we were talking about transportation patterns over the next quarter century, and the argument was basically over a) how much horse manure we’re getting in New York streets, b) the amount of time it takes for a train to get from here to California, and I was sitting here saying, “There’s this whacked out guy in Detroit who thinks he can build a mass-produced car, and there’s these two nut cake bicycle mechanics at Kitty Hawk, who by the way two days from today will fly for the first time.” Now every economist would have said to me, “Those don’t count. We have to have a rational projection. So you can’t have cars and you can’t have airplanes.” So I’m going to start and say, “You’re exactly right.” If you assume a static world, and you assume no technological breakthroughs, and you assume incentives don’t work, this is really hard to solve.” (41:15-42:14)*

**NEWT05:** Gingrich explains how incentives and prizes speed up innovation. The free market has the potential to provide many technological discoveries, and incentives simply hasten this process. (22 secs.)

*NEWT: I think you get changes in behavior much faster through incentives than you do through regulations and punishment.*

*SACHS: But his point was that we already have incentives.*

*NEWT: They’re clearly not enough. For example, we don’t have incentives that make solar power competitive directly with coal. Solar power is still significantly more expensive. (1:23:20-1:23:42)*

Recently, Gingrich also was a keynote speaker at EcoVision 2007, along with Colorado congressman Mark Udall. The two discussed the potential course of energy development and offered insight into possible solutions. Despite coming from two different political parties, they show that meeting the world’s environmental and energy challenges is truly a bipartisan issue. (Video at: <http://www.webcastgroup.com/client/start.asp?wid=0690418073354>)

**NEWT06:** Here, Newt pledges his support for tax credits rather than carbon taxes or a cap on carbon emissions. Tax credits, he explains, represent a positive way to encourage the widespread use of upcoming innovations. (1.38 mins.)

*“When we have figured out the direction to go—this is the fundamental argument I have with the dominant faction in the current environmental movement—I would argue that regulation, litigation, and punishment are the least effective models of change that we have developed in this country in the last 250 years. Incentives work in America. So, for*

*example, some of my friends want to create a regulated cap on carbon. Others of my friends was to create some kind of tax on carbon. I would propose the opposite. What if we had a tax credit for being carbon free? I know for some of you the idea of pleasure vs. pain in public policy is a radical innovation. But I want to suggest that historically it is what works in America. So if we said if you can generate a megawatt for no carbon, you get x number of money in your tax credit, and if you generate that amount of megawatts for half the amount of carbon, you get a dramatically smaller tax credit, and if you generated for no carbon, you get no tax credit, you have just sent a pleasure signal to every financier in America. And the length of time it would take them to shift their behavior is shorter than the length of time it would take to call the first congressional hearing to discuss the bill, which would eventually lead to a bureaucracy, which would eventually write a regulation, which would eventually lead to change.” (36:46-38:24)*

**NEWT07:** Gingrich asserts that there needs to be a paradigm shift in the way we look at energy and environmental development, with incentives representing the wave of the future. (1.16 mins.)

*“Designing a tax credit and prize system that accelerates the rate of growth of a new cycle of technology so that you have green prosperity and green development is the key to the future of the human race because you need green prosperity to get India and China to buy in and you need green development so Africa and the poorest parts of Latin America and the Middle East are not desperately deprived by the adoption of the kind of system that rich countries can afford and poor countries cannot. So I would argue that there is a whole new paradigm. That if we develop it together that over the next 3 to 4 years that has the potential to dramatically shift the level of incentives we have in this country and through that to shift the incentives we have on the planet. As our entrepreneurs and scientists and engineers invent this new technology, it will be the best single export market, and we and the Chinese can have a terrific competition creating a clean economy over the planet and seeing who can deliver best the highest quality environment at the lowest cost to maximize prosperity for all humans.” (1:07:04-1:08:20)*