



# **BIG** energy seminar series

Addressing the scale and complexity of the global energy challenge.



## *Carbon Taxes and Deficit Reduction*

Jarod Carbone, University of Calgary

**Date:** Monday, February 11<sup>th</sup>, 2013 at 3:30–5:00 p.m

**Location:** Economics Building, ECON room 117

(Building is near the intersection of Broadway and College Avenue)

### **Abstract:**

**This paper looks at both the efficiency and distributional implications of a carbon tax and/or other energy taxes as part of a package of measures to address the budget deficit. We build a dynamic general-equilibrium overlapping-generations model (OLG) of the U.S. economy, including detail on government taxes and expenditures and a disaggregated production structure including several energy industries. We find that both the overall cost of including a carbon tax in a package of deficit reduction measures and the distribution of that cost across generations vary significantly based on what other tax and spending measures are included in that package, and vary quite substantially based on which of those measures the carbon tax revenue is used to offset. Moreover, the effects of a carbon tax within a deficit-reduction package can differ significantly from the effects of a revenue-neutral tax swap (as modeled in the prior literature).**

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