What This Year’s Nobel Prize Winners in Economics Can Teach Us About Global Warming

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As Joe Kennedy writes for InsideSources, this year’s Nobel Prize winners is economics show how a carbon tax would accelerate significantly the pace of innovation in clean-energy technologies.

In the early 1990s, Yale economist William Nordhaus made us an offer we shouldn’t have refused. His work showed we had an opportunity to curb carbon dioxide emissions, and thereby avert the worst of global climate change, if we simply taxed the emissions, starting at a rate of just $5 per ton. That would have provided our market-driven society an incentive to seek less carbon-intensive ways of operating. Of course, we lacked the political will to accept the offer, so emissions continued unabated. As a result, our cumulative emissions problem has now worsened considerably, which has driven up the price we will have to pay to bring it under control.

So, where does this leave us? As Joe Kennedy writes for InsideSources, we need to accelerate significantly the pace of innovation in clean-energy technologies. And as it happens, Nordhaus shared this year’s Nobel prize with another economist, Paul Romer, whose work shows how to make that happen – through by incorporating technology into models of economic growth. In the case of a carbon tax, raising the cost of carbon emissions causes companies to emit less and invest more in finding better technologies to reduce emissions.