

Nobel laureate William Nordhaus provided tools to fight global warming. It's tragic conservatives ignored him.

The world would be a much better place if his warnings had been heeded.



Yale University Professor William Nordhaus, one of the 2018 winners of the Nobel Prize in economics, speaks about the honor Monday, Oct. 8, 2018, in New Haven, Conn. (Craig Ruttle)

By **David Bookbinder** and **Joseph Majkut**, October 12, 2018, *The Washington Post*

The awarding of a Nobel prize in economics this week to William Nordhaus — the first economist to develop a model of how the climate and the global economy are linked — highlights a tremendous lost opportunity to fight climate change.

Decades ago, Nordhaus's work provided a set of tools that should have appealed to market-minded politicians as a way to tackle greenhouse gas emissions. Yet American conservatives chose denial instead. And because the right ignored Nordhaus (and those who picked up on his work), it seems unlikely that this country will take the "unprecedented" actions that the U.N. Intergovernmental Panel on Climate Change said this week are necessary to hold global warming to 1.5 degrees Celsius.

Beginning in the 1970s, Nordhaus demonstrated how a growing economy increases greenhouse gas emissions, which warm the planet, and in turn cause economic damages in sectors as far flung as agricultural production and coastal property. Yet, he observed, the producers of those gases do not pay for the damages they cause.

In 1992, Nordhaus first [published a model](#) to estimate the benefits of reducing CO2 emissions. He used it to argue that a modest carbon tax would yield more in climate benefits than it would cost, estimating that an optimal carbon tax would start at \$5 per ton of CO2 in the 1990, and rise over time: It would be near \$10 per ton today. (Nordhaus's subsequent estimates of the proper carbon price have [increased to \\$30 per ton in today's dollars](#), although the appropriate rate for a carbon price remains a matter of [heated academic debate](#).)

A carbon tax makes greenhouse gas emissions reflect the damages they impose, and nudges financial considerations toward lower-carbon resources. The great power of this mechanism is that it does not subject consumers and businesses to complex regulatory schemes drawn up on desks in Washington, D.C., but instead allows all sectors of the economy to find the lowest-cost paths to cutting emissions.

That Nordhaus published this model 26 years ago underscores just how long global warming has been staring us in the face. 1992 was also the year that President George H.W. Bush signed the convention that created the United Nations Framework Convention on Climate Change, which recognized “that States should enact effective environmental legislation,” and that developed countries should “take immediate action . . . as a first step towards comprehensive response strategies at the global, national and, where agreed, regional levels”.

A Republican administration had recognized the problem, and an economist with impeccable credentials had provided a solution that respected, and used, markets. Nor did the idea of taxing pollution to account for the damages it caused originate with Nordhaus. Leading conservative thinkers like Milton Friedman [championed the concept](#) as a superior alternative to regulations. Given this pedigree, it wouldn’t have been outside the realm of possibility for conservatives to have embraced such a tax as a viable approach to climate change.

If Republicans had embraced such an approach, and Democrats joined them — seeking common ground on a crucial issue — today we’d be living in a starkly different world than we are. In this alternate reality we would not see industry whipsawed while successive administrations enact ambitious regulatory programs (Democrats) and then roll them back (Republicans) — with the specter of their return hovering. Instead, the climate debate in Washington would be occurring within the traditional parameters of what the tax rate should be, and how we should be spending the revenue.

Our CO₂ emissions would be lower, and coal-fired power, the power source with the highest CO₂ emissions, would have been virtually eliminated. Although the fracking revolution that has made natural gas the fossil fuel of choice would still have occurred, its tenure as a “bridge fuel” between coal and renewables would be shorter. We would have far more renewable power, with fewer subsidies, because the tax would create an incentive to invest in non-carbon energy sources. We would also have avoided situations like the state-by-state scrambles to bail out nuclear plants for the sake of their zero-carbon electricity, as we’ve recently seen in [Illinois and New York](#); instead, they would be enjoying the same competitive advantage as wind and solar power over gas- and coal-fired generation.

Meanwhile, economic growth would most likely have been unhindered. A carbon tax might have hampered short-term growth on the [margins](#), but the drag would be lost in the wash of other macroeconomic trends and events. If used to cut other taxes, a carbon tax might have even helped [create growth](#). With higher federal revenues, there would be less federal debt, lower federal taxes, or possibly more spending on climate adaptation. Internationally, the United States would have a credible claim to climate leadership, which would also make other countries more inclined to listen to, and follow, the nation on other geopolitical issues.

What's more, climate skepticism, one of the most significant and heavily politicized badges of political affiliation, might have been avoided. For decades, the repudiation of scientific expertise has been, with a few [notable exceptions](#), all but a requirement for card-carrying Republicans. Who knows how many of the knock-on effects of this head-in-the-sand approach — from general anti-intellectualism to the specific “fake news” rallying cry — might have been prevented?

A far cleaner environment, markedly less political polarization, and an economy incentivized to be clean: That's what our world would look like had we acted on Nordhaus's ideas when he proposed them. That he was ignored by market-minded conservatives makes the awarding of the prize this week especially poignant.

As the IPCC report shows, we now need to take rapid, massive action to limit climate change. The things we've tried have helped on the margins, but it's time to get serious. Nordhaus still provides a good map for what we could do.