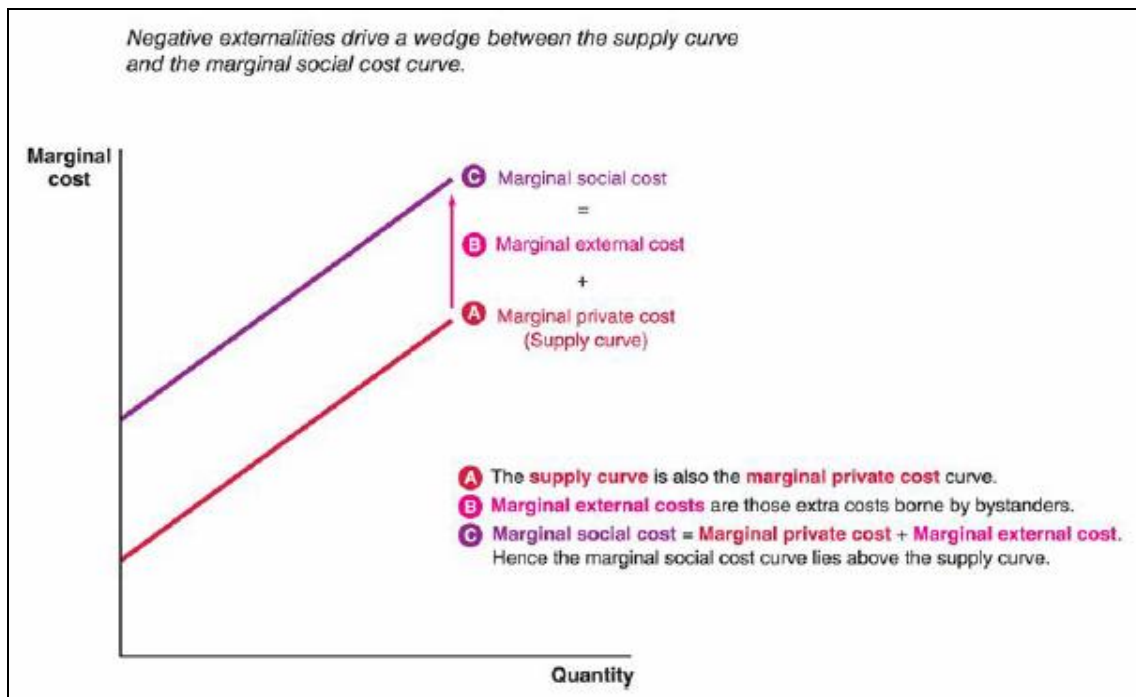


If you want to solve environmental problems, tax polluters

Justin Wolfers*, *twitter*, 20 september 2019

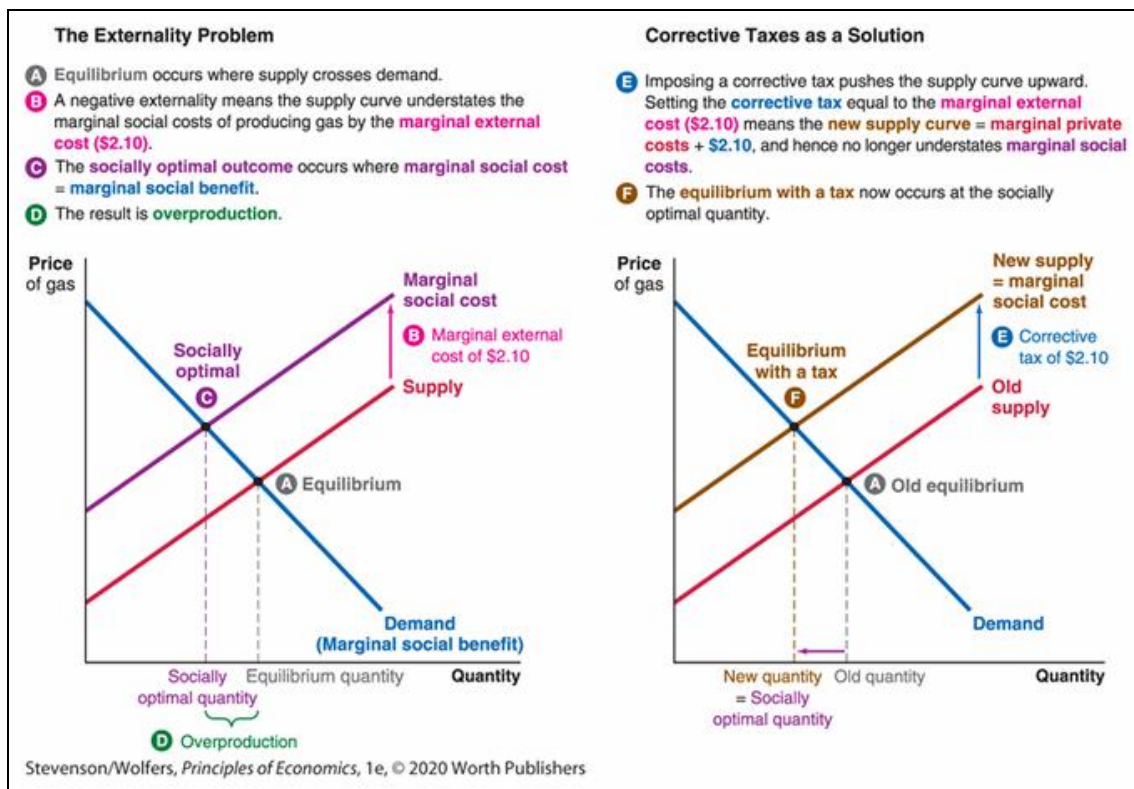
Climate change is what happens when we allow people to harm others—by destroying their environment—without bearing any consequences. Economic reasoning allows you to see clearly that the underlying problem is that there are misaligned incentives.



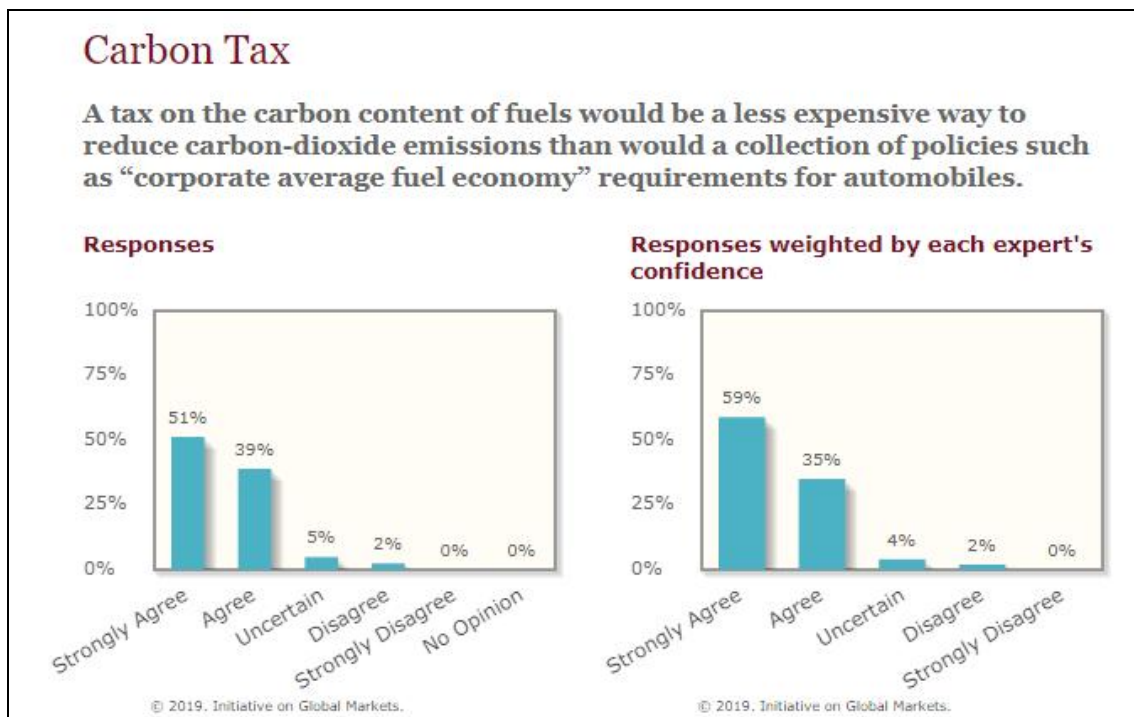
So to an economist, figuring out an efficient and effective solution to climate change isn't that hard: Fix the incentives. If you want people to do less of something—like dumping their crap in the atmosphere—tax them.

So if you want to solve environmental problems, tax polluters. If you set the tax equal to the harm they inconsiderately inflict on others, they'll end up acting as if they're considering the full effects of their choices. Economist AC Pigou figured all this out many moons ago

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That's why nearly all economists are in favor of a carbon tax. It's efficient, because it gets people to account for how their choices affect others. And it's fair, because it asks polluters to pay for the effects of their choices.



And a carbon tax is not bad for "the economy." Indeed, the opposite. It's an incentive for people to shift from activities that harm others, to activities that don't. That sounds like a good change to me (and nearly all economists). Look I know that economists have a reputation as neoliberal shills. But on climate change, we see the issues clearly: Climate change is real, it's a problem, and policy can fix it. Here's nearly every economist you've ever heard of (including me!) signing on to a carbon tax.

ECONOMISTS' STATEMENT ON CARBON DIVIDENDS

The Largest Public Statement of Economists in History

SIGNATORIES INCLUDE

- 3554** U.S. Economists
- 4** Former Chairs of the Federal Reserve (All)
- 27** Nobel Laureate Economists
- 15** Former Chairs of the Council of Economic Advisers
- 2** Former Secretaries of the U.S. Department of Treasury

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ECONOMISTS' STATEMENT ON CARBON DIVIDENDS

Global climate change is a serious problem calling for immediate national action. Guided by sound economic principles, we are united in the following policy recommendations.

I. A carbon tax offers the most cost-effective lever to reduce carbon emissions at the scale and speed that is necessary. By correcting a well-known market failure, a carbon tax will send a powerful price signal that harnesses the invisible hand of the marketplace to steer economic actors towards a low-carbon future.

So what's hard here isn't the economics of climate change. And the difficulty isn't finding solutions. It's mustering the political will to impose a carbon tax.

There are technical issues, but they're minor compared to the social gains from a carbon tax. And perhaps an economist's framing can help win the political debate. After all, who would disagree with the notion that we should force people to pay for the harm they inflict on others?