

**“But We Must do the Wrong  
Thing!”:**

**Understanding the “Economic” Arguments  
Against Dealing with Global Warming**

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# Plan of the Talk I

- Introduction: Throat-Clearing
- Starting Point: The Technocratic Case for the Market
- Our Opponents Are Not Making a Technocratic Case
- Dealing with the Arguments
  - Full employment
  - Productivity growth
  - Equitable global income distribution

# Plan of the Talk II

- There Are Real Questions: Implications of:
  - Marginal utility of wealth
  - Rate of trend productivity growth
  - The Turnpike Theorem
  - The adequacy of utilitarianism
- But These Aren't the Arguments Being Made
- Conclusion

Technocracy. Making the

# Market System Work

- The Right Distribution of Wealth
  - Willingness-to-pay needs to match social marginal value
- The Right Level of Aggregate Demand
  - To make Say's Law true in practice even if not in theory
  - So that our economic problems are Harberger Triangles and not Okun Gaps
- Then Let the Competitive Market Rip--as Long as...
- You Have the Right Pigovian Taxes and Bounties
  - The Coase Theorem?

# The Coase Theorem?

- The Coase Theorem Is Three Things
- An Injunction to Carve Property Rights at the Joints
- A Powerful Way of Thinking What Scale of Collective Action Is Needed to Decide on Pigovian Regulations
- A Constantly-Misinterpreted Thought Experiment

# Opposition to Market Principles

- Case 1: Regulating Financial Markets
- Case 2: Full Employment
- Case 3: Social Insurance
- Case 4: Dealing with Rising Inequality
- Case 5: Dealing with Global Warming

# These Aren't, at Base, Technocratic Arguments

- There Are Dangers in Our Dealing with Them Soley at the Technocratic Level
- Nevertheless, It Is Our Task to Deal with Them at the Technocratic Level
- But We Also Need to Avoid Falling into the Trap of Failing to Note That Broader Political-Sociological Context

# The Arguments

- Is Full Employment Less Attainable If We Deal Properly with Global Warming?
- Is Rapid Productivity Growth Less Attainable If We Deal Properly with Global Warming?
- Is an Equitable Global Distribution of Wealth Less Attainable If We Deal Properly with Global Warming?
- What Does It Mean to Deal Properly with

# We Deal Properly with Global Warming?

- A carbon tax is a negative supply shock
- A carbon bounty is a positive supply shock
- If all carbon tax revenue is spent on greasing the sectoral shift, there should be no deterioration in the unemployment inflation tradeoff even in the short run
- But what about cap-and-trade?

# Attainable If We Deal Properly with Global Warming?

- What do we mean by "productivity growth"?
- GDP without externalities netted out is a bad guide
- We need to change the framing by not letting ourselves or others use GDP where we ought to be using social, environmental accounts

# Wealth Less Attainable If We Deal Properly with Global Warming?

- The view from East and South Asia: it's our turn to walk the path of carbon-intensive industrialization
- The exiguous likelihood of large-scale transfers to fund carbon-neutral East and South Asian industrialization
- Who is at risk?
- Political myopia in East and South Asia

# What Does It Mean to Deal Properly with Global Warming?

- Social Welfare Functions
- Declining Marginal Utility of Wealth
- How Rich Will the Twenty-Second Century Be, Anyway?
- The Turnpike Theorem

# SERIOUS ISSUES WE NEED to Think Hard About

- But not those currently on offer in the public square

# Conclusion. The Context

- We Have Lost One Generation: 1993-2013
- We Are About to Lose a Second Generation: 2013-2033
- It Is Our Task to Keep the Locusts from Eating a Third Generation: 2033-2053