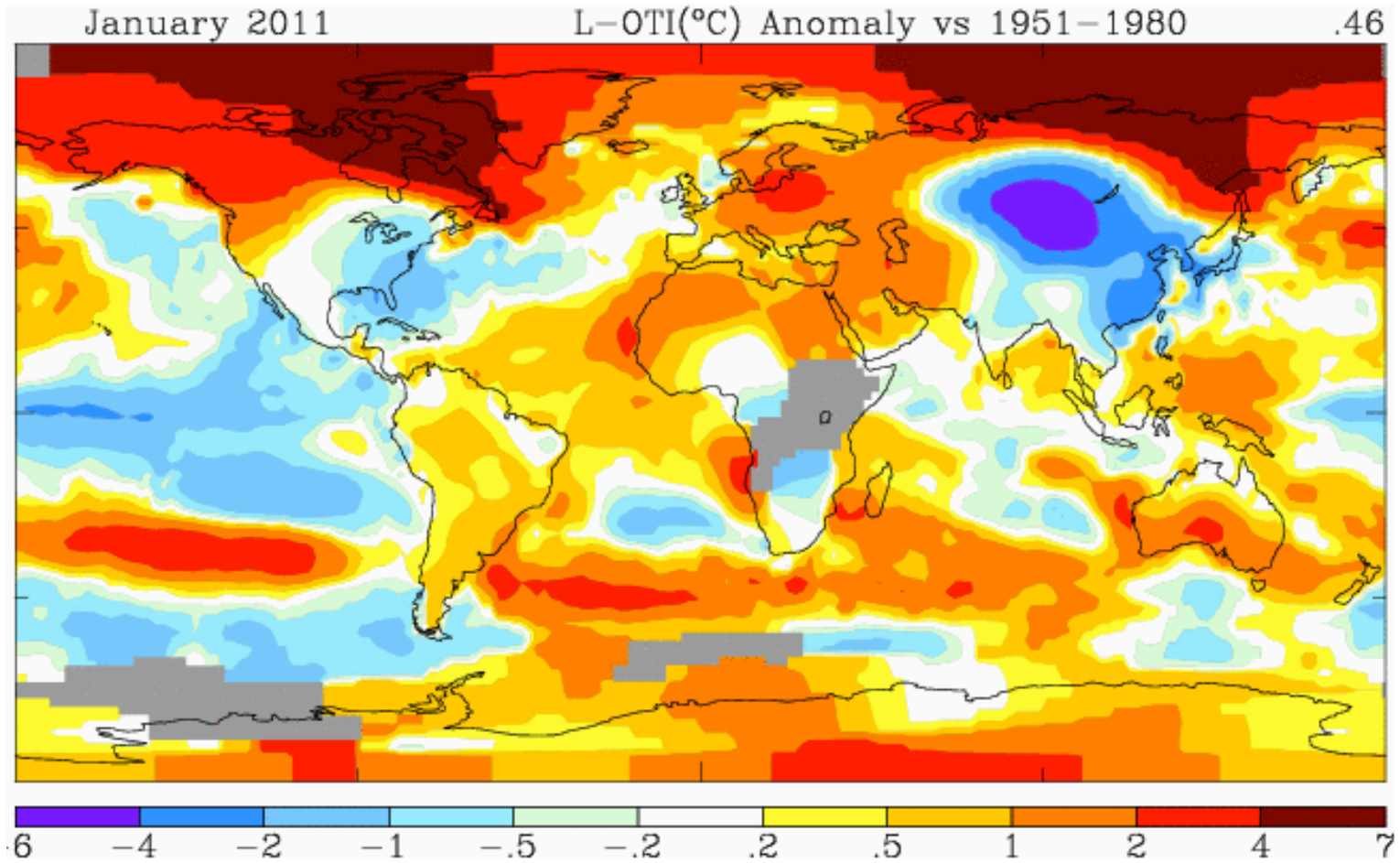


Atlantic Energy Efficiency  
Conference: Energy Efficiency  
Components of Economic Stimulus

J. Bradford DeLong  
U.C. Berkeley

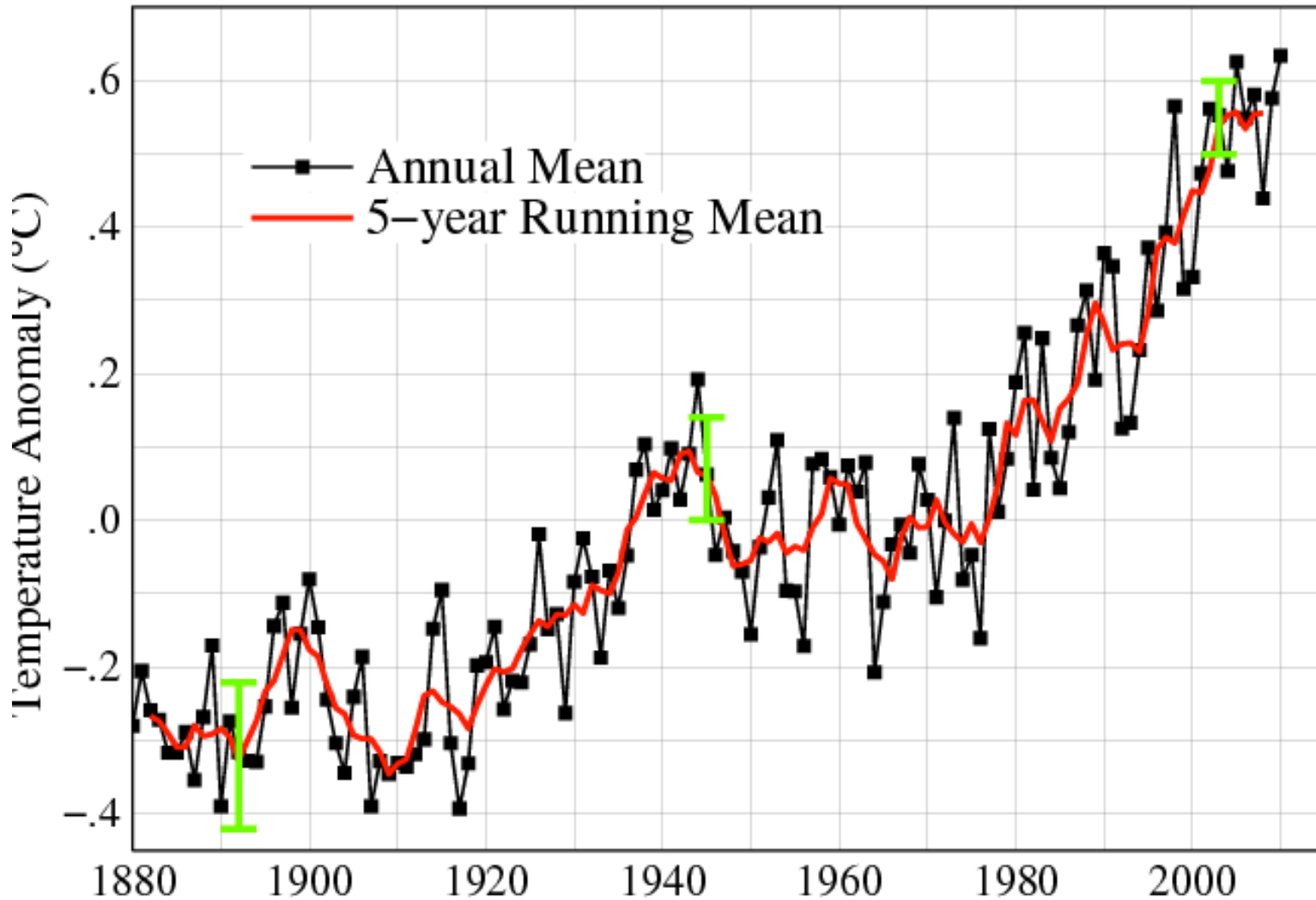
February 11, 2011

# What We All Know I



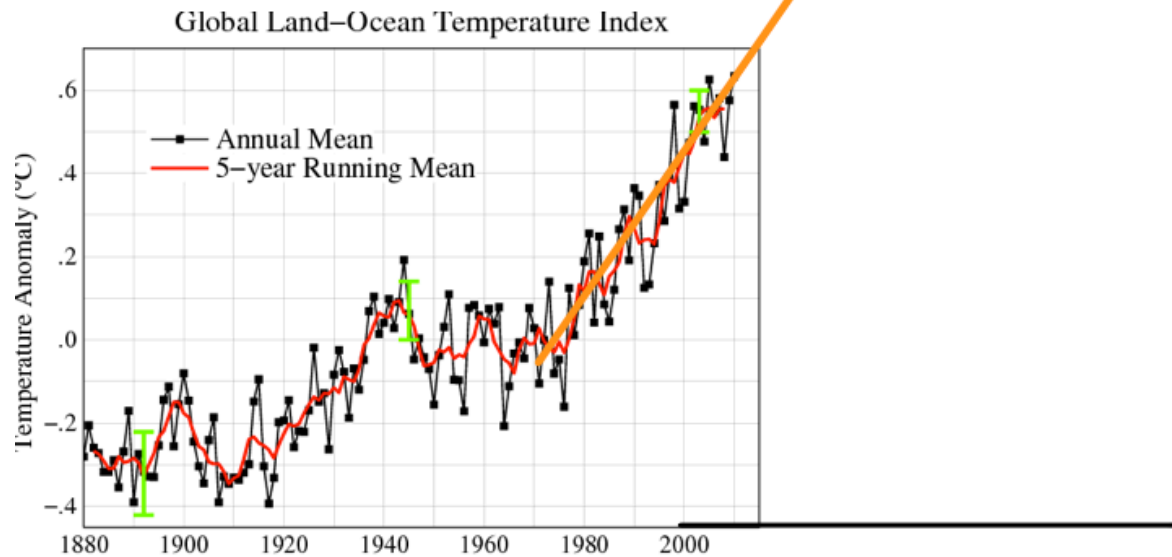
# What We All Know II

Global Land–Ocean Temperature Index



# What We All Know III

**2100: +2.4C**



# What We All Know IV

- +2.4C is not “business as usual”
  - Unprecedented reductions in carbon emissions relative to GDP
  - And yet it strongly looks to me at least as if China, at least, is embarking on an even more carbon emissions-intensive development path than the United States
- Projections are uncertain
- Uncertainty is not our friend
- At a sea level rise of 5 meters, we can no longer build enough nuclear power plants to do the Dutch thing—we lose every current seaport city in the world...

# What Some of Us May Not Know I

- The poisonous state of American politics: environment
- Reasons to do nothing
  - Our scientists and engineers will create a magic bullet, so we don't need to worry
  - The science of global warming is not settled, and claims it is are a socialist conspiracy
  - The science of global warming is not settled, and claims it is are the work of greedy scientists who want bigger Department of Energy budgets
  - Jesus Christ will save us—the key is to restore Historic Israel, which will provoke the attack of Gog and Magog and bring on Armageddon after which we will be raptured up to heaven
  - Computer technology will save us—the key is to rapture us by uploading all of us into virtual realities
  - I'll be dead before it is a real problem, and in the meantime interests that think they would lose from carbon-control pay me and/or fund my campaign
  - I'll be out of office or in a new job before it is a real problem, and in the meantime interests that think they would lose from carbon-control pay me and/or fund my campaign

# What Some of Us May Not Know II

- The poisonous state of American politics: environment
- The normal thing to do would be to
  - Maximize the chances of a scientific-technological magic bullet
  - Minimize the damage in the meantime
  - And the natural policy to do so would be a carbon tax
- Benefits of taxing carbon
  - Global warming
  - Global politics
  - Local congestion
- It's off the table—barring some Road-to-Damascus moment by key “centrist” legislators

# What Some of Us May Not Know III

- The poisonous state of American politics: environment
- Carbon tax off the table
- Cap-and-trade off the table
- What is left?
  - Environmental Protection Agency using its Clean Air Act authority to undertake command-and-control regulation
  - State-level initiatives...
  - Discretionary federal spending initiatives
    - To support R&D
    - To accomplish the goals a carbon tax would accomplish, if we had one



# What Some of Us May Not Know IV

- The poisonous state of American politics: economics
- John Stuart Mill and Jean-Baptiste Say, 1829:
  - The problem in a panic and a depression is an excess demand for financial assets
  - Hence a cutback on spending as people think if they spend less they can build up their stocks of financial assets to where they want them to be
- The cure for a depression (Mill, Bagehot, Wicksell, Fisher, Keynes, Friedman, Bernanke, etc):
  - Give the financial markets the assets they want to hold so people will start spending again
  - Have the government stand up and spend more while the private sector is spending less

# What Some of Us May Not Know V

- The established consensus principles for dealing with a downturn:
  - Give the financial markets the assets they want to hold so people will start spending again
  - Have the government stand up and spend more while the private sector is spending less
- Are both right now contested
- Barack Obama:
  - “Obama said that just as people and companies have had to be cautious about spending, ‘government should have to tighten its belt as well...’”
  - Now there were—and still are—people in the White House who take these lines out of speeches as fast as they can, but the speechwriters and others keep putting them in

# Where Does This Leave Us

- In big trouble...
- Buy property in Canada and Lapland...
- Publicly, keep pushing...
- As Edward Barbier is about to demonstrate
  - The benefit-cost ratio for the “green” components of 2009-2011 stimulus are very impressive
  - But where will the political will come from to do more of them?
- And how to we build space for a less irrational politics?