

Foreign Policy

Cold, Hard Economics

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Why changing your old lightbulbs and toting your eco-friendly canvas shopping bag around won't save the planet.



Global warming is happening faster and with more intensity than anyone expected, yet the fossil-fueled right has succeeded in removing the issue almost entirely from the agenda through a false pretense of defending “free markets.” In response, environmentalists have tended to retreat further into their own organically padded corners, when what’s needed is to get back to economic basics: Markets cannot be free when benefits are privatized and enormous costs are being socialized. The only way out of this environmental crisis is to align citizens’ economic self-interest with the planet’s

health.

The problem is that the very people who can help us do so — economists — have been pushed aside in the public debate.

On one side, you have climate scientists who, if anything, have underestimated the true effects of global warming — the North Pole now looks to be free of summer sea ice within this decade, a half-century earlier than scientists predicted in consensus documents as late as 2007.

On the other side, you have the true believers: Environmentalists, who seem to want to reduce, reuse, and recycle our way out of every situation and would never touch an out-of-season grape, let alone a plastic bag.

The mismatch is striking. Our current technologies will allow no level of personal action or sacrifice to achieve anything close to what is truly necessary to turn this ship around. We need to decrease global greenhouse-gas emissions by at least half by 2050 compared with current levels. Individual action won't and can't do that. As a presidential candidate, Barack Obama put it most succinctly: "We can't solve global warming because I fucking changed light bulbs in my house. It's because of something collective."

Let's start with plane travel. A flight from California to New York results in about half a ton of carbon dioxide pollution per passenger. A flight across the Atlantic pollutes the planet to the tune of around 1 ton per passenger. Each ton of carbon dioxide pollution causes at least \$20 worth of measurable damage to society — *right now*, not sometime in the distant future, when it will be a multiple of the current cost.

Knowing that, the most moral of flyers opt to offset their emissions. You can turn to any number of online vendors and voluntarily pay a few dollars to have someone else plant a tree or cover a methane pit on your behalf. Prices vary, though they often hover around \$20 for a trans-Atlantic flight.

Some airlines now even offer this option to their passengers. First, you pay for the ticket; then, you pay for the damage your journey will cause. The point, of course, is not to make anyone feel bad about flying. Quite the opposite: Airlines want you to feel good about flying and perhaps do more of it. But providing this option isn't a solution; only a small number of people are going to choose it, while the rest of us freeloaders will go on with our lives and might even fly more as a result.

The biggest problem with these kinds of voluntary offsets is that they provide no incentives to the airlines themselves to fly more fuel-efficient planes or plan routes to minimize carbon emissions. When airlines do take these steps, they do so only in so far as it helps them save money. This, of course, is part of the airlines' DNA: When oil prices go up, for example, the time between actual takeoff and landing tends to go up as well, as airlines fly more slowly to save on fuel and fuel costs.

Sensible climate policy ought to prompt these kinds of changes on a much larger scale and also encourage many more ambitious technological innovations. Air travel may account for only about 3 percent of industrial global-warming emissions, but it is a rapidly growing segment of total emissions. It is also one for which few alternatives currently exist, at least when it comes to traveling long distances. That points to a clear case for the need for technological breakthroughs.

The European Union has taken it upon itself to pursue one of these sensible steps. Next year, it will start to **limit emissions from flights** within the EU, as well as to and from its territory. The system is still far from perfect: Airlines initially will receive over 60 percent of required allowances for free, and the additional cost for a flight from Brussels to New York will be a vanishingly small \$2 in 2012. But it's a start.

The EU does other things right as well. It encourages other countries to take equivalent measures to decrease emissions at home and gain an exemption for their airlines from the EU's system. The planet will not notice where emissions are reduced, just that they are. And in this case, the planet would indeed notice the overall effect, as the EU's system covers almost a third of global flights and miles flown.

Aviation, of course, is not the only area in which the benefits of polluting go to the few, while the rest of the planet is left holding the bill. This kind of socialism for the privileged — where costs are paid by society to support the lifestyle of the rich — is sadly endemic.

The rest of the world should borrow a page from the EU's playbook — and fortunately, many governments are already taking steps to hold polluters accountable. The EU's aviation directive is only an offshoot of a much larger **emissions trading system** that covers almost half the EU's annual carbon emissions. California **just enacted** an even more ambitious limit on all greenhouse gases. China is **piloting cap-and-trade systems** as part of its twelfth five-year plan. Funds from India's **coal tax**, over \$500 million a year, are being used to expand the reach of clean-energy programs. And just last month, legislation for a carbon tax in Australia **cleared its biggest hurdle**.

All these are examples of the principle that there ain't no such thing as a free lunch. Someone is always paying for the pollution. By instituting a carbon tax or direct limit on emissions, it's polluters who pay.

[Freakonomics](#) and others might have popularized the unexpected in economics, but they have made it easy to forget just how important standard economic prescriptions are and how well they work. Studies have shown that when consumers walk into a car dealership and compare the fuel efficiency of cars with model prices, for example, they [are willing to pay](#) around 70 cents now for every dollar in fuel savings over the lifetime of the car.

You could look at this result and say that consumers aren't fully rational, and you would be right. But you could also look at this result and say that if you want to decrease emissions and encourage consumers to buy more fuel-efficient cars, the best way of getting there is to raise the cost of gas through a tax.

No one will win a Nobel in economics for this insight, but it's still the most fundamental answer. It's also the key to guiding society as a whole away from its current head-on collision course with the planet.

In the end, it's economists, not deep moralists, who have the right ideas for stopping global warming. We do, of course, need activists, but we need an army for fundamental policy reform rather than an army of recyclers. That's especially true when the latter may well interfere with true reform. "Single-action bias" points to the very real problem that many of us do one thing — say, recycle — and then move on: "Me worry about global warming? I already carry my groceries home in cotton canvas bags."

It's not that everyone shouldn't be insulating their homes, carrying around cotton canvas bags, and taking public transport whenever possible. Everyone should do these things, not from the desire to make a personal sacrifice but because it is the cheapest, easiest thing to do. Only smart economics can ensure that's indeed the case.

As much as this issue has been politicized, this is not about right vs. left, Republicans vs. Democrats, conservatives vs. conservationists, or markets vs. the environment. It's about liberating markets and consequently turning each and every one of us into a force for good.

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