

An Affordable Truth

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Maybe I'm naïve, but I'm feeling optimistic about the climate talks starting in Copenhagen on Monday. President Obama now plans to address the conference on its last day, which suggests that the White House expects real progress. It's also encouraging to see developing countries - including China, the world's largest emitter of carbon dioxide - agreeing, at least in principle, that they need to be part of the solution.

Of course, if things go well in Copenhagen, the usual suspects will go wild. We'll hear cries that the whole notion of global warming is a hoax perpetrated by a vast scientific conspiracy, as demonstrated by stolen e-mail messages that show - well, actually all they show is that scientists are human, but never mind. We'll also, however, hear cries that climate-change policies will destroy jobs and growth.

The truth, however, is that cutting greenhouse gas emissions is affordable as well as essential. Serious studies say that we can achieve sharp reductions in emissions with only a small impact on the economy's growth. And the depressed economy is no reason to wait - on the contrary, an agreement in Copenhagen would probably help the economy recover. Why should you believe that cutting emissions is affordable? First, because financial incentives work.

Action on climate, if it happens, will take the form of "cap and trade": businesses won't be told what to produce or how, but they will have to buy permits to cover their emissions of carbon dioxide and other greenhouse gases. So they'll be able to increase their profits if they can burn less carbon - and there's every reason to believe that they'll be clever and creative about finding ways to do just that.

As a recent study by McKinsey & Company showed, there are many ways to reduce emissions at relatively low cost: improved insulation; more efficient appliances; more fuel-efficient cars and trucks; greater use of solar, wind and nuclear power; and much, much more. And you can be sure that given the right incentives, people would find many tricks the study missed.

The truth is that conservatives who predict economic doom if we try to fight climate change are betraying their own principles. They claim to believe that capitalism is infinitely adaptable, that the magic of the marketplace can deal with any problem. But for some reason they insist that cap and trade - a system specifically designed to bring the power of market incentives to bear on environmental problems - can't work.

Well, they're wrong - again. For we've been here before.

The acid rain controversy of the 1980s was in many respects a dress rehearsal for today's fight over climate change. Then as now, right-wing ideologues denied the science. Then as now, industry groups claimed that any attempt to limit emissions would inflict grievous economic harm.

But in 1990 the United States went ahead anyway with a cap-and-trade system for sulfur dioxide. And guess what. It worked, delivering a sharp reduction in pollution at lower-than-predicted cost.

Curbing greenhouse gases will be a much bigger and more complex task - but we're likely to be surprised at how easy it is once we get started.

The Congressional Budget Office has estimated that by 2050 the emissions limits in recent proposed legislation would reduce real G.D.P. by between 1 percent and 3.5 percent from what it would otherwise have been. If we split the difference, that says that emissions limits would slow the economy's annual growth over the next 40 years by around one-twentieth of a percentage point - from 2.37 percent to 2.32 percent.

That's not much. Yet if the acid rain experience is any guide, the true cost is likely to be even

lower.

Still, should we be starting a project like this when the economy is depressed? Yes, we should - in fact, this is an especially good time to act, because the prospect of climate-change legislation could spur more investment spending.

Consider, for example, the case of investment in office buildings. Right now, with vacancy rates soaring and rents plunging, there's not much reason to start new buildings. But suppose that a corporation that already owns buildings learns that over the next few years there will be growing incentives to make those buildings more energy-efficient. Then it might well decide to start the retrofitting now, when construction workers are easy to find and material prices are low.

The same logic would apply to many parts of the economy, so that climate change legislation would probably mean more investment over all. And more investment spending is exactly what the economy needs.

So let's hope my optimism about Copenhagen is justified. A deal there would save the planet at a price we can easily afford - and it would actually help us in our current economic predicament.