

Economists' Statement on Climate Change

As economists, we believe that the overwhelming scientific evidence of climate change warrants significant reductions in greenhouse gas emissions to insure against potentially catastrophic social, environmental, and economic risks.

The Bush Administration and Congress have repeatedly heard that policies requiring domestic emission reductions will prove too costly to the economy and result in significant job loss. As economists, we disagree with this assessment. Economic theory does not require us to ignore the threat of climate change. Climate policy should reflect our responsibility to future generations, the long-term benefits of a growing and innovative economy, and equity in sharing the burdens associated with the necessary reductions in emissions of greenhouse gases. We need to invest in an "insurance policy" that reduces the risks of catastrophic climate change. Well-designed policies that encourage switching to energy-efficient technologies and renewable energy resources will enable these emissions reductions to be made cost-effectively, and will encourage additional technological progress as well. The economy cannot be stable and dynamic in the long run if the Earth is threatened by disastrous climate change.

Smart climate policy will involve: (i) large-scale public investment to support the rapid transition to new technologies, (ii) a cap-and-trade system that sells polluters the rights to generate a limited and steadily declining amount of emissions and recycles the revenues equitably, and (iii) a cooperative international approach to climate change that situates domestic emissions reduction as part of a global response to climate change. As the largest and most powerful nation in the world economy, it is our responsibility to lead the search for global warming solutions.

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