

Tekst 8

IN THE BLOGS * ECONOMIX

The puzzles of energy pricing

As I mentioned in an earlier post, Michael Shellenberger and Ted Nordhaus of the Breakthrough Institute have a somewhat hostile relationship with other environmentalists.

They believe that environmentalists have made a grave mistake by putting so much emphasis on raising the cost of carbon, through either a carbon tax or cap-and-trade system¹. They prefer government funding for clean-energy research. As they see it, the history of technological innovation suggests that government support, rather than prices, is the building block of most breakthroughs.

“We didn’t tax typewriters to get the computer,” as Mr. Shellenberger says.

My sense is that Mr. Shellenberger’s and Mr. Nordhaus’s political analysis — that cap-and-trade is a very tough sell — has turned out to be more right than wrong. They also make an important economic point: that government funding has been crucial to many of society’s most important innovations. But I think they sometimes go too far by suggesting that the price

of carbon is almost irrelevant — that the price of a good has little to no effect on demand for it and for the alternatives to it.

Can you think of any product for which that is the case? When the price of beef rises, people buy less of it — and more chicken. When the price of airline tickets fall, people buy more of them — and take fewer driving vacations.

It’s true that the relationship between price and demand is weaker for energy than for most products. People still drive to work even when the price of gas goes up. But there is a relationship. Rising gas prices can affect driving habits. Higher oil prices can clearly affect companies’ behavior.

So there seems little question that putting a price on carbon, through a cap-and-trade system or carbon tax, would affect demand for both dirty energy and clean energy. That’s why, in the long term, a carbon price and more research funding are both important parts of the response to climate change.

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noot 1 a cap-and-trade system is een systeem van uitstootrechten voor schadelijke stoffen; deze rechten zijn tussen bedrijven verhandelbaar.

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- “The puzzles of energy pricing” (heading)
- 1p 39 Which of the following would contribute to solving these puzzles, according to David Leonhardt?
- 1 a cap-and-trade system
 - 2 carbon tax
 - 3 government funding
- A Only 1.
B Only 2.
C Only 3.
D Only 1 and 2.
E Only 2 and 3.
F 1, 2 and 3.