



The Daily Dish

Changing the Climate on Climate Change

DOUGLAS HOLTZ-EAKIN | NOVEMBER 20, 2019

Eakinomics: Changing the Climate on Climate Change

Climate change is real and serious. But somehow the perception produced by the likes of Greta Thunberg, Rep. Alexandria Ocasio-Cortez, and the Green New Deal is that addressing it is hopeless. Despair is unwarranted, however. It will be addressed just as soon and effectively as there is a business reason to do so.

In the end, climate policy is all about innovation — the research, development, and commercialization of clean energy technologies on a global scale. What produced the innovations and technical advances that made the United States and western economies the most affluent and powerful in the history of the globe? What raised billions of people out of poverty in China, India, and elsewhere in Asia? What is the hope for prosperity across the developing world? I promise you it was not a regulation, resolution, or revolution. It was the economic incentives embedded in markets and trading. Those same incentives are the hope for the climate.

Bill Gates made [news](#) yesterday when a solar energy startup he backed — Heliogen — announced a breakthrough that generates the extreme heat required to make cement, steel, and other industrial produces. According to CNN, “‘We are rolling out technology that can beat the price of fossil fuels and also not make the CO2 emissions,’ Bill Gross, Heliogen’s founder and CEO, told CNN Business. ‘And that’s really the holy grail.’” See, the “holy grail” is the ability to take the sales, market, and profits of the fossil fuel companies and, in doing so, create a cleaner energy portfolio.

Now, you might think that this is just one example (and one that is not yet fully a reality) that cannot occur on a widespread basis — that the U.S. business sector cannot innovate and adapt to mitigate emissions. Think again. A historical example was recently featured in the movie *Ford v Ferrari*, in which Henry Ford II points out that 3 of every 5 bombers flown by the United States in World War II rolled off Ford production lines. Ford says to Carroll Shelby, “You think Roosevelt beat Hitler?” The industrial might of the United States beat Hitler.

There is a role for government policy to set better incentives. One example is a carbon tax that would generate financial returns to low- or no-carbon technologies. And there should be good incentives for research and development and investment so that those technologies are quickly put into place. At this juncture I do not know what will be done. But I am quite sure it can be done.