



The Daily Dish

Expanding the Green New Deal Menu

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Eakinomics: Expanding the Green New Deal Menu

The Green New Deal (GND) — and AAF’s [analysis](#) of its scope and cost — continue to garner attention. Proponents of the GND have relied on arguments anchored in moral and social imperatives to advocate for its adoption, while others have wanted a more disciplined accounting of benefits and cost. Neither has been delivered by GND proponents, while the AAF paper openly focused exclusively on the cost side. AAF’s Philip Rossetti has a valuable new [analysis](#) that begins to fill in the benefit-cost comparison.

Rossetti makes three contributions. First, he reviews measurement of the benefits of the GND. Specifically, the notion is that emitting carbon has a cost — dubbed the Social Cost of Carbon or SCC — that is the all-in summary dollar figure for the global damages of a ton of carbon emissions. Measuring the SCC is a tremendous undertaking and Rossetti nicely summarizes the nuances of alternative choices. I’ll simply report that the Obama-era estimate (updated to current dollars) is \$62 per ton. Since that is the damage of emitting a ton of carbon, the benefit of the GND is to reduce those emissions.

Second, Rossetti takes a closer look at the electric power sector and notes that it emits 1.78 billion metric tons annually. That means the benefits of eliminating those emissions are \$110 billion annually. However, those are global benefits; the domestic benefits would be only \$7.7 billion. That’s the good news. The bad news is that the annualized cost of getting rid of those emissions costs \$321 billion annually. In short, the GND power plan flunks a benefit-cost test on both a domestic (\$7.7 billion versus \$321 billion) and global (\$110 billion versus \$321 billion) basis. A different way to think about that arithmetic is that there has to be considerable moral or social “value” to swing the decision from no to yes. There is a similar discussion of the transportation sector.

Finally, Rossetti expands the menu. The GND regulation-centric approach is not the only game in town; the notable alternative is a carbon tax. Analyses of carbon taxes do not envision eliminating all emissions, as the cost of getting the very last emissions is prohibitively expensive. Nevertheless, using a \$25 per ton carbon tax roughly equates benefits and costs over a 10-year horizon. More striking, it is possible to use the carbon tax revenue to reduce other taxes. The revenue-neutral approach has lower economic cost, making it possible for benefits to easily exceed costs.

This has two implications for the GND. First, it highlights the fact that the command-and-control approach is much more costly than using the incentives of a carbon tax. Second, if the GND were to expand the menu to use a carbon tax, there would be less economic damage and more (probably not enough, but more) resources to address the universal health care, guaranteed jobs, guaranteed housing, food security, free college and other aspects of the GND. It is in everyone’s interest to address carbon policy in a cost-efficient fashion.