

Financial Times  
(London, England)

March 4, 2009 Tuesday

**Obama's chance to lead the green recovery**

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We face two crises: a deep global financial crisis, caused by inadequate management of risk in the financial sector; and an even deeper climate crisis, the effects of which may seem more distant but will be determined by the actions we take now.

The scale of risk from climate change is altogether of a different and greater magnitude, as are the consequences of mismanaging or ignoring it. The US, in particular, has a window of opportunity to act on the financial crisis and, at the same time, lay the foundations for a new wave of growth based on the technologies for a low-carbon economy.

President Barack Obama, in his speech to Congress and budget last week, explained that we need to address both of these challenges, and outlined a broad approach. US leadership could generate a powerful response from across the world, making possible an agreement at the United Nations climate change conference in Copenhagen in December on a scale necessary to manage the risks involved.

We will eventually emerge from the financial crisis, although mistakes in management can affect its depth and duration. However, mistakes in managing the risks of the climate crisis may be irreversible. As noted in *Making Globalization Work* \*, if we had a thousand planets we might continue with the reckless experiment on which we are embarked, and if the likely disaster occurred we could move on to another. Unfortunately we do not have that luxury: we have only one planet.

The financial crisis originated from the housing market bubble and was preceded by the dotcom boom. We cannot replace these with yet another bubble. The investments necessary to convert our society to a low-carbon economy - investments that can change the way we live and work - would drive growth over the next two or three decades. They would ensure that growth, with accompanying improvements in standards of living, was sustainable. The path that we have been on is not.

The economic crisis will leave the US and other economies greatly weakened and it will be imperative to increase efficiency. One area in which there is ample room for improvement is in the energy efficiency of businesses, consumers and the government.

According to a recent paper by the Peterson Institute, spending \$10bn (EUR7.9bn, £7.1bn) to insulate US homes and federal buildings could create and sustain up to 100,000 jobs between 2009 and 2011, while saving the economy from \$1.4bn to \$3.1bn a year between 2012 and 2020.

This type of investment and those in green technology and infrastructure would not only provide a short-term stimulus but also improve the US competitive position. As the world moves to a low-carbon economy, there will be a competitive advantage for those who embrace these technologies.

Private investments are driven by market signals. These signals are distorted because we have been pricing one of the world's scarcest resources - a "good" atmosphere; or the societal costs of emissions, which lead to a "bad" atmosphere - at zero. Not surprisingly, this has led to inefficient outcomes, with emissions levels too high and too little effort devoted to energy conservation and research.

Providing a strong, stable carbon price is the single policy action that is likely to have the biggest effect in improving economic efficiency and tackling the climate crisis. Clarity on policy and prices is all the more important now, with companies facing such uncertainty because of the financial crisis: the two risks compound each other, damping investment. We may not be able fully to resolve the risks of the financial crisis quickly; but we can take actions now that will markedly reduce uncertainties about future carbon policies and prices.

As creative entrepreneurs turn their minds to the challenges posed by a low-carbon economy, the excitement and drive of innovation is evident. This can be the spur to real growth that has so long been missing. The problems of global warming cannot be attacked without the participation of all countries. The world has been waiting for the US: there is now reason to believe that it is ready to lead.

*Joseph Stiglitz, awarded the Nobel Prize in economics in 2001, is the author of Making Globalization Work\*. Lord Stern is the IG Patel professor and chair of the Grantham Research Institute on Climate Change and the Environment at the London School of Economics. They are attending the US Climate Action: a Global Economic Perspective symposium in Washington today.*