

Radical Climate Policies

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- The idea: if preferences are influenced by peer effects and if there are production externalities then more radical climate policies could be needed.
 - There are multiple equilibria and a “standard carbon tax” can only improve the outcome around a bad local equilibrium, but will not move the economy to a better equilibrium.
 - To achieve that, more radical climate policies are needed.
- Contrasts Hassler, Krusell, and Olovsson (2021) that claims that even “low optimal” taxes help enormously and that there are decreasing social returns as the tax is increased further.

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We know something about the strength of the first one but how quantitatively important are the other two?

- This is key for the findings of the paper.

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- For the first market failure, there are very large (Knightian) uncertainties regarding both the climate sensitivity and damages,
 - but we have quantitative assessments for the upper and lower bands, which allows us to quantify effects and derive policy implications.

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- What is the exact mechanism behind the technological externality and is it important?
- The paper would benefit from a discussion about these features.

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- It is an empirical question—is the carbon tax effective in reducing emissions?

Are carbon taxes effective?

- De Silva and Tenreyro (JEEA, 2021) evaluate different emission-reducing policies. They conclude that
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- Carbon taxes work!
 - But do they only improve things in local bad equilibrium?
 - Maybe look at the empirical studies to assess?

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 - From 2040 there will be no more emission rights issued.
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- Are the radical policies suggested in the paper more aggressive than that? It could be useful to contrast your suggestions with the Fit-for-55.

Summing up

- I really enjoyed reading the paper and are looking forward to future iterations.
- Thank you!