

“Economics and the Self-Fulfilling Climate Tragedy”

Thursday, November 13, 2014
2:30pm to 4:30pm
1190 Guy Street, room GN-M100



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ABSTRACT:

It has become common practice within the economic literature on climate change to model the problem of international greenhouse gas emissions game-theoretically as a so-called “Tragedy of the Commons.” If this choice of model is the correct one, we’re in trouble – the conditions under which such commons problems have historically been “solved” are almost entirely absent in the case of international greenhouse gas emissions. While I believe that this model will support many accurate predictions, I don’t believe this is necessarily a cause for concern.

In this essay, I will argue that the predictive accuracy of the tragedy model stems from the model’s ability to make self-fulfilling predictions within our current international setting. Each nation’s expectation of self-interested actions on the parts of other members in the game, in effect, modifies each nation’s behavior. I present some recent work in behavioral economics that offers a glimmer of hope. In particular, individuals don’t typically act in what such models consider to be rationally self-interested ways. A call for nations to act “irrationally,” much like we all seem to do, may well be our best promise in solving the climate problem.

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