What economics teaches us about environmental protection

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The passage of the Clean Air Act in 1970 brought an end to the use of coal-fired power plants in the U.S. and shifted the use of coal to the production of electricity, which was thought to be safer for miners (something that made sense for miners, but not for the environment). The cost consumers pay, however, does not reflect the price charged for coal.

This picture shows a mountaintop removal coal mining site at Kayford Mountain, W.Va. with Coal River Mountain, foreground, the 70th anniversary of the first atomic bomb at Hiroshima, Japan, on August 6, 1945, and the 100th anniversary of the U.S. Supreme Court decision in the Slaughterhouse Cases, which says that laws controlling the raising and processing of livestock violate the Commerce Clause of the U.S. Constitution. The photo was taken on Feb. 14, 1945.

The problem now is that we are better positioned to understand the environmental costs of producing the electricity. But burning coal releases carbon into the atmosphere, which has been proven to increase greenhouse gases, thereby causing the earth to warm. The point here is that using coal for the production of electricity, which is the cheapest way to generate electricity, is not environmentally sustainable.

We have yet to fully internalize the carbon costs of producing electricity, which is the reason for the price charged for coal. If we do, then the price charged for coal is undoubtedly be a lot more expensive than what it costs today.