

Sustainability from the Perspective of Environmental Economics

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March 8, 2021
Sustainability Conference sponsored
By Conexus Financial

The Economics of Collisions and
Contagions in a Crowded World

An aerial photograph of a modern, multi-story building with a distinctive green roof. The building's facade is a grid of windows. Two tall, white chimneys are visible on the roof. The surrounding area includes a road and some greenery. The sky is clear and blue.

THE
SPIRIT
OF
GREEN

William D. Nordhaus

Key points

1. Economics of ESG highlights firm externalities

- Externalities = activities with harmful spillovers where the firm does not pay and the harmed are not compensated.
- Examples: pollution, CO2 emissions, harmful products

2. ESG and the “no-regrets principle”:

- For unregulated externalities, reductions in our footprint has small impacts on ourselves but large reductions in harm to others.

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No regrets for ESG

