SOME people oppose measures to limit greenhouse gases because they believe that global warming is a myth. These denialists may have a little extra spring in their step during the current cold snap, but their influence has been steadily waning.
curb carbon dioxide emissions are two related proposals: taxation of those emissions and a system of tradable emission permits, also known as cap and trade. Both have been attacked as unacceptable restrictions on individual liberty. The attacks have come from both sides of the political aisle, but have been pressed with particular insistence by conservatives and libertarians.

It’s a puzzling objection, because both proposals are squarely consistent with the framework advocated by conservatives’ patron saint regarding matters related to private actions that harm others. That would be Ronald H. Coase, professor emeritus at the University of Chicago and the 1991 Nobel laureate in economics, who will turn 100 this year.

Mr. Coase (the name rhymes with “dose”) summarized his framework in a 1960 paper titled “The Problem of Social Cost,” which has become one of the most-often-cited economics papers ever published. He stressed that actions with harmful side effects — negative externalities, in economists’ parlance — are quintessentially practical problems. They are best solved, he argued, not by chanting slogans about rights and freedoms, but by steering mitigation efforts to those who can perform them most efficiently.

The pre-Coase tradition was to view externalities in terms of perpetrators and victims. The owner of a factory that emitted
smoke was a perpetrator, for example, and those who were harmed by it were victims. The conventional view was that perpetrators should be restrained from harming victims.

Mr. Coase’s profound insight was that this view ignored the inherently reciprocal nature of externalities. Smoke harms others, yes. But preventing smoke causes harm, too, because smokestack filters are costly. Our shared interest, he reasoned, was to use the least costly means of reducing the relevant damage.

In some cases, that might involve filtering out much of the smoke. But in others, the cheapest solution might be for parties downwind to relocate. Mr. Coase argued that whenever it was practical for affected parties to forge private agreements among themselves, they would have strong incentive to use the least costly solution to the problem.

His paper provoked a firestorm of criticism, based on the impression that he was claiming that government didn’t need to regulate activities that cause harm to others. As a closer reading makes clear, however, this could not have been his view, especially with respect to activities like global pollution.

Some pollution damage is localized. But when it comes to global warming, people cannot escape damage by simply moving upwind. Because of the wide variety of activities
involved and the large number of people affected, there is no practical way to negotiate private solutions. In such cases, Mr. Coase suggested, government regulators should try to mimic solutions that people would have adopted on their own if negotiations had been practical.

Climate scientists agree that the cheapest way to combat global warming is to curb carbon dioxide emissions. And economists agree that the cheapest way to do that is by changing emitters’ incentives, either by taxing emissions or requiring emission permits.

I chatted with Mr. Coase briefly last week, and he is still following these issues. He agreed that both taxes and tradable permits satisfy his criterion of concentrating damage abatement with those who can accomplish it at least cost. Those with inexpensive ways of reducing emissions will find it attractive to adopt them, thus avoiding carbon dioxide taxes or the need to purchase costly permits. Others will find it cheaper to pay taxes or buy permits.

Although both proposals pass muster within the Coase framework, conservatives remain almost unanimously opposed to the cap-and-trade proposal approved last year in the House and currently under discussion in the Senate. Much of this opposition is rooted in a passionate distaste for “social engineering,” which, according to the conservative columnist Henry Lamb, “always ends in disaster.”
But social engineering is just another term for collective action to change individual incentives. And unconditional rejection of such action is flatly inconsistent with the Coase framework that conservatives have justifiably celebrated.

According to Conservapedia.com, an online encyclopedia with a conservative orientation, Mr. Coase’s “extraordinary insight was that the free market always reaches the most efficient level of productive activity, in the absence of transaction costs.” Maybe, but as Mr. Coase himself also recognized, transaction costs are often prohibitive, and in such cases all bets regarding free-market efficiency are off. When negotiation is impractical, collective action can often improve matters.

In the case of global warming, markets fail because we don’t take into account the costs that our carbon dioxide emissions impose on others. The least intrusive way to have us weigh those costs is by taxing emissions, or by requiring tradable emissions permits. Either step would move us closer to the conservative/libertarian gold standard — namely, the outcome we’d see if there were perfect information and no obstacles to free exchange.

The Conservapedia.com entry on Mr. Coase continues, “To this day, liberals fail to give him the recognition he earned.” A fair point, perhaps. But while Mr. Coase has often been skeptical of government intervention, he is no ideologue.
Conservatives, too, have sold him short.

Robert H. Frank is an economics professor at the Johnson Graduate School of Management at Cornell University.