

## HOW MUCH CLIMATE PROTECTION CAN WE AFFORD?

**For more than two decades, climate change has been regarded as one of the most important problems humanity faces going forward. More than almost any other environmental problem, dealing with this major challenge requires interdisciplinary efforts. Alongside the natural sciences, the economic sciences also have a key role to play. The new Professorship for Environmental Economics and Climate Change can make a substantial contribution toward answering one of the pivotal questions of our time: what do we do about climate change?**

How should we approach the topic of climate change? Should we reduce its extent or just take appropriate steps to minimize its impact? How can environmental goals be achieved at the lowest possible cost? Research in the natural sciences is vital here as it is helping to clarify the true scale of the greenhouse effect and what can be done to prevent it. Economic research, meanwhile, is looking at the financial side of the problem, asking what

the expected damage will cost us in the future and how much we need to spend now in order to prevent it. In examining these questions, we must also think about how the welfare of future generations is weighed against that of our own.

### Seeking the most efficient path

Which path should we take to counteract global warming as cost-effectively as possible? How much should we invest to avoid potentially enormous damage when its extent is hard to predict? Another important issue is who should reduce emissions. Spreading the load between industrialized nations and emerging economies is not just a matter of fairness, it will also determine the cost of reducing emissions for the world economy as a whole. Does it make sense for individual countries to go it alone, or is this counterproductive? Economic theory and experiments can help us to assess suitable mechanisms such as carbon taxes, tradable emissions certificates and feed-in tariffs more effectively. It is also



**Prof. Ernst Fehr**

Prof. Ernst Fehr is responsible for the new Professorship for Environmental Economics and Climate Change. He is Chairman of the Department of Economics and Director of the University Research Priority Program on the Foundations of Human Social Behavior.

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possible to develop strategies that ensure constructive collaboration between the key partners in climate negotiations.

#### **Leading research at the University of Zurich**

The Department of Economics at the University of Zurich enjoys a strong reputation in many areas. It is the home of three research centers funded by the European Research Council by means of an ERC Advanced Grant – the European Union’s most prestigious research award. The Center for Engineering Social and Economic Institutions combines new approaches from mechanism design theory with experimental methods, with the objective of optimizing social, political and economic institutions. Researchers at the Center for Institutions, Policy and Culture in the Development Process examine questions of macroeconomics and growth as well as globalization and technological change, with special attention to the economic development of China. The Center for Foundations of Economic Preferences examines the question of how people’s personalities and skills are shaped by their family, schooling and society.

#### **Innovative research laboratories**

In addition to the world-renowned Laboratory for Experimental and Behavioral Economics, the department recently established the Laboratory for Social and Neural Systems Research. This laboratory combines the most modern technologies in imaging methods with non-invasive brain stimulation, neuropharmacology and computer simulations. This permits the study of biological mechanisms that form the basis for economic decisions.

#### **The objective:**

**to find the most efficient measures to alleviate climate change.**

The new Professorship for Environmental Economics and Climate Change will focus on the following objectives:

- Translating the expected consequences into financial categories and comparing them with the cost of avoiding them.

- Identifying the best ways to reduce greenhouse gas emissions.
- Developing an overview and assessing the effectiveness of various measures aimed at avoiding climate change.

#### **The benefit:**

**reaching a societal consensus on the right climate goals to aim for and how to achieve them.**

The research work done under the new professorship will yield findings that will make it possible to identify the most efficient ways to reduce the impact of climate change. It can also facilitate the constructive collaboration between key stakeholders. The new Professorship for Environmental Economics and Climate Change will thus help to bring us closer to solving one of the toughest long-term problems humanity has to face.

#### **Department of Economics, University of Zurich**

The Department of Economics at the University of Zurich is one of the leading research centers in Europe. The broad area of research includes various fields in economics, including econometrics, macroeconomics, microeconomics, and neuroeconomics. Research is done with an interdisciplinary approach, combining modern economic theory with the newest elements from psychology, sociology, biology and neuroscience. Above and beyond this, the success of the Department of Economics is based on the dedicated research done by a large number of promising young scientists.

[www.econ.uzh.ch](http://www.econ.uzh.ch)

#### **Excellence Foundation Zurich**

The Excellence Foundation Zurich is an independent foundation established in accordance with Swiss law. Its objective is to allow economists and social scientists at the University of Zurich to conduct world-class research in order to find solutions to the most important current questions of our time. The foundation has the objective of establishing the best science for finding answers to important questions and problems.

The Excellence Foundation Zurich supports the Department of Economics in seeking new paths for cooperation with business and society. Serving as an interface between research and the economy, the Excellence Foundation Zurich brings the Department of Economics into contact with enterprises, foundations and individuals. As an innovative foundation, it offers various possibilities and tailor-made partnerships to its supporters.

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