

According to [Climate Wire](#), the Obama Administration is trying to come up with a reliable economic estimate of the cost of unchecked climate change. This sounds like a great idea but is actually full of pitfalls.

Many of the individual elements of the economic impact analysis are the subjects of serious debate. For instance, economists hotly dispute the net effect of climate change on agriculture, with some finding an overall positive effect on U.S. agriculture (but with very large regional variations), while others find substantial negative effects. Now multiply that uncertainty by every sector of the economy.

And then there's the question of how we should treat harm to future generations in the analysis — do those injuries get counted at full value, or do they get “discounted” and if so at what rate? Economists tend to agree in principle on discounting but there's no consensus about the rate — and the rate is hugely important.

Economists also increasingly believe that the risk of catastrophic outcomes is a key part of the analysis. But we don't know how to quantify that risk, so it's hard to put a price on it.

There are a variety of reasons why pricing carbon is an important exercise, but it's not going to be an easy one!