

Much of the effort to rollback current EPA regulations focuses on coal-fired electrical power plants. An article in the August issues of the *American Economic Review* sheds light on the issues at stake. “Environmental Accounting for Pollution in the United States Economy” is an effort to assess the damages caused by various polluting activities.

The findings show that, contrary to current political mythology, coal is *underregulated*. On average, the harm produced by burning the coal is over twice as high as the market price of the electricity. In other words, some of the electricity production would flunk a cost-benefit analysis. This means that we’re either not using enough pollution controls or we’re just overusing coal as a fuel. Here’s a bit of a shocker: “Coal plants are responsible for more than one-fourth of GED [gross external damages] from the entire US economy.”

This harm is mostly in the form of increased mortality from sulfur dioxide and to a lesser extent nitrogen oxides and fine particulates. In particular, coal plants produce about \$53 billion in damages a year. This estimate does not include climate change and uses a conservative estimate of health risks.

It seems unlikely that the study’s findings are exaggerated. The *American Economic Review* is probably the most prestigious academic journal in economics. The authors of the include Robert Mendelsohn and William Nordhaus, whose work on climate economics I’ve followed. In the area of climate economics, Mendelsohn and Nordhaus are considered to be centrist if not a bit conservative; they aren’t beloved of environmentalists. Finally, the work that went into study included computer modeling for emissions of six pollutants from ten thousand different U.S. sources.