“The social cost of carbon” isn’t exactly a household phrase. It’s an estimate of the harm caused by emitting a ton of CO_2 over the many decades it remains in the atmosphere. That’s an important factor in calculating the costs and benefits of climate regulations. For an arcane concept, it has certainly caused a lot of controversy. The Obama Administration came up with a set of estimates, which Trump then slashed by 90%.

In an early executive order, Biden created a task force to revisit the issue. Last week, the task force issued its first report. It’s an impressive effort given that Biden is barely a month into his presidency. The document provides a clear overview of the ways in which climate science and climate economics have advanced since the Obama estimates and makes the case for rejecting the Trump Administration’s revisions. At least one federal court has already rejected those revisions as well.

In no uncertain terms, the report rejects two moves made by the Trump Administration as economically unsound. First, the Trump Administration refused to consider any of the impacts of climate change outside the US. The new report calls for return to using global impacts as the basis for estimating harm for several reasons. The primary reason, however, is that the US is actually connected with the rest of the world and needs global cooperation to limit emissions. Harms in other countries actually do impact US, and we can’t expect much cooperation if we won’t even take into account the harm our emissions do to those countries. All this is, of course, quite contrary to Trump’s idea that the America lives in its own separate universe and doesn’t need to worry about anyone else.

The Trump Administration’s second error is more complicated to explain. Because carbon causes harm over very long periods, economists use something called discounting to telescope all those harms into a single number. Something called the discount rate is the key to this process. A high rate translates into a very short-sided view of harm, whereas a low rate gives much more weight to harm further in the future. The Trump Administration chose a discount rate that was much too high and went against the findings of economists. The Biden Administration rejects that approach, as did the Obama Administration. However, the Biden Administration seems poised to give even more weight to long-term harms than Obama, based on changes in economic theory in the meantime.

The report restores the Obama estimates, adjusted for inflation, as an interim measure. Otherwise there would be nothing to replace the Trump Administration’s defective estimates. The report also says that a detailed list of questions for public comment will be forthcoming as it sets out to create new estimates.

The fact that the Administration is giving such careful attention to this issue suggests that it is going to take cost-benefit analysis seriously. That hadn't been clear from Biden's executive orders. It remains to be seen how economic analysis will be integrated with Biden's call for increased attention to environmental justice.