

# Cornhusker Economics

Cooperative Extension

Institute of Agriculture & Natural Resources  
Department of Agricultural Economics  
University of Nebraska - Lincoln

## Blowing Hot and Cold: Carbon and the Question of Climate Change

Market Report	Yr Ago	4 Wks Ago	7/26/02
<b><u>Livestock and Products,</u></b>			
<b><u>Average Prices for Week Ending</u></b>			
Slaughter Steers, Ch. 204, 1100-1300 lb Omaha, cwt .....	\$ *	\$63.21	\$62.37
Feeder Steers, Med. Frame, 600-650 lb Dodge City, KS, cwt .....	94.75	*	82.50
Feeder Steers, Med. Frame 600-650 lb, Nebraska Auction Wght. Avg .....	108.20	82.63	88.52
Carcass Price, Ch. 1-3, 550-700 lb Cent. US, Equiv. Index Value, cwt .....	112.69	100.94	98.37
Hogs, US 1-2, 220-230 lb Sioux Falls, SD, cwt .....	50.25	*	40.62
Feeder Pigs, US 1-2, 40-45 lb Sioux Falls, SD, hd .....	42.33	*	*
Vacuum Packed Pork Loins, Wholesale, 13-19 lb, 1/4" Trim, Cent. US, cwt .....	121.50	109.76	*
Slaughter Lambs, Ch. & Pr., 115-125 lb Sioux Falls, SD, cwt .....	55.87	84.35	84.50
Carcass Lambs, Ch. & Pr., 1-4, 55-65 lb FOB Midwest, cwt .....	157.28	158.38	165.03
<b><u>Crops,</u></b>			
<b><u>Cash Truck Prices for Date Shown</u></b>			
Wheat, No. 1, H.W. Omaha, bu .....	2.55	3.40	3.71
Corn, No. 2, Yellow Omaha, bu .....	2.04	2.18	2.18
Soybeans, No. 1, Yellow Omaha, bu .....	5.20	5.29	5.35
Grain Sorghum, No. 2, Yellow Kansas City, cwt .....	3.68	4.04	4.12
Oats, No. 2, Heavy Minneapolis, MN, bu .....	1.62	2.28	1.82
<b><u>Hay,</u></b>			
<b><u>First Day of Week Pile Prices</u></b>			
Alfalfa, Sm. Square, RFV 150 or better Platte Valley, ton .....	102.50	112.50	110.00
Alfalfa, Lg. Round, Good Northeast Nebraska, ton .....	75.00	60.00	82.50
Prairie, Sm. Square, Good Northeast Nebraska, ton .....	105.00	90.00	117.50
* No market.			

The title is borrowed in part from a section in the recent "Survey of the Global Environment" published in *The Economist*, an economically conservative magazine that also asks more broadly "How Many Planets?" will it take to support a world-wide economy like that in the U.S.A. (see Vaitheeswaran). The answer is: It would take 3-planet earths, which is perhaps the main reason the United Nations, with both private (e.g., the Ford Foundation) and public financial support, is sponsoring the World Summit on Sustainable Development in South Africa this fall. According to the following website, upwards of 60,000 individuals will be attending, including "...Heads of State and Government, other government delegates and representatives from the Major Groups identified in Agenda 21 (the action plan agreed to at the Rio Earth Summit): women, local authorities, farmers, the science and technology community, business, youth, workers and indigenous people and NGOs." Their activities during August 26 – September 4 bear watching, especially as it relates to climate change and the carbon question. ([http://www.johannesburgsummit.org/html/basic\\_info/faqs\\_summit.html#summit2](http://www.johannesburgsummit.org/html/basic_info/faqs_summit.html#summit2))

It is also significant that the European Community and its Member States (Belgium, Denmark, Germany, Greece, Spain, France, Ireland, Italy, Luxembourg, Netherlands, Austria, Portugal, Finland, Sweden and the United Kingdom, the latter including Great Britain and Northern Ireland) just this spring committed to certain reductions in carbon dioxide and other greenhouse gases ranging from 79 percent for Denmark and Germany to 125-127 percent for Greece and Portugal of a base year to be selected no later than December 31, 2006, with the reductions going into force over the period 2008 – 2012. Intriguingly, the reductions reflect the differential levels of economic development in the community with Greece, Spain, Ireland, Portugal and Sweden all given goals greater than 100 percent of the base year, which gives them more



leeway in moving to an economy that contributes less to the concentration of carbon (equivalents) in the atmosphere. The United Kingdom, e.g., which is quite comparable with the U.S.A. in level of development, agreed to a goal of 87.5 percent. In effect, the European Community has now ratified the Kyoto Treaty, albeit the base year has yet to be selected. It appears Japan is also close to ratifying the treaty, really leaving only the U.S.A. (as well as Canada, Australia and a few other smaller but also highly developed economies, e.g., Norway) outside this commitment circle. The Europeans are now in a position to claim at the Summit to be the world leaders in sustainable development.

Just what is sustainable development, and what then, will they be claiming? As the survey points out, when one tries to connect the word “development” with the concept of “sustainable,” you will start to notice “...there are no people in the picture” (Vaitheeswaran, p. 3). As a result, we might argue that sustainable development is “a buzzword largely devoid of content” (Vaitheeswaran, p. 4, citing Daniel Esty of Yale University). In fact, “sustainable development” is a kind of oxymoron, that is, there is no such thing...because in the very long-run, the sun eventually runs out of fuel, and all life as we know it on this planet stops, unless - which is perhaps the main reason we continue to support the space research program - we can eventually build the spaceships that will take us to another sun, or we will build the fusion reactor to create our own sun on earth!

Farfetched? Not really. Solid physical science points in this direction. The same science points to the reality that carbon is a key part of the question of economic development and sustainability. This reality also suggests we may as well use the stored carbon (e.g., the coal), although the pace and way it is used needs to be tempered.

So, what are we to make of the move to sustainable development driven especially by concerns for global climate change and the carbon question? As the conversation blows hot and cold, which temperature are we to choose?

Adam Smith, who largely described it all .... all that we now know of as the modern, capitalist economy ... seemingly had it about right. He spoke of prudence in the pursuit of our own economic self-interest, something we perhaps are lacking in the current situation as evidenced by the recent failure to act in this manner by some rather large business enterprises, e.g., Enron, WorldCom. Smith spoke of sympathy, directed at both others and the natural environment, as a key feature of said prudence. He saw the need for an individual acting in unity with others and with nature, being a part of something larger than ourselves, while also asserting control over that other ... the latter a certain goal in modern agriculture ... perhaps realizing that the environment also controls.

So the answer about hot, cold and the right temperature is really quite simply that we need to use our best, greener technologies and start moving to carbon sequestration in forest and agricultural land (and we have lots of it in the U.S.). We can also help by storing carbon dioxide in the bottom of the ocean, and in other (aquifer) water stores; harvesting energy crops for direct combustion as well as ethanol production, in that it takes carbon dioxide to grow same; stripping carbon dioxide out of the smokestacks in the coal burning plants, especially if the hydrogen can simultaneously be stripped, and thus, also contributing to a positive future as we gradually move to a hydrogen economy, as a low-carbon energy system ultimately must prevail. We can also start using carrots represented in new environmental markets, such as for selling the service from carbon stored in land, serving to soften the blow of the sticks represented in emission limits agreed to in such things as the Kyoto Protocol. We seemingly need to get the prices right, and move away from wrong.

As Sternberg (p. B20) notes, it is not really what you know, but how you use it that is important. We know all about the climate problem, and it is a serious problem. We also know all about the need for expressing economic self-interest - like Adam Smith taught us and *The Economist* reminds us in every issue. If we are to Act (and to Teach) with Wisdom, and thus with Prudence, however, we need to adapt to and shape our environment only while going well beyond the self-interest (see Sternberg, p. B20), seeking a kind of symbiotic balance with others and with nature. The temperature between hot and cold feels much better.

Sternberg, R. J. “It’s Not What You Know, but How You Use It: Teaching for Wisdom.” *Chronicle of Higher Education* XLVII (June 28, 2002): B20.

Vaitheeswaran, V. “How Many Planets? A Survey of the Global Environment.” *The Economist* 364 (July 6 – 12, 2002): 1 – 16, after p. 52.

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