
Excerpts from

The Price Is Not Right

By [THOMAS L. FRIEDMAN](#), Op-Ed Column in the New York Times, April 1, 2009

“... it’s now obvious that the reason we’re experiencing a simultaneous meltdown in the financial system and the climate system is because we have been mispricing risk in both arenas — producing a huge excess of both toxic assets and toxic air that now threatens the stability of the whole planet.

“Just as A.I.G. sold insurance derivatives at prices that did not reflect the real costs and the real risks of massive defaults (for which we the taxpayers ended up paying the difference), oil companies, coal companies and electric utilities today are selling energy products at prices that do not reflect the real costs to the environment and real risks of disruptive climate change (so future taxpayers will end up paying the difference). Whenever products are mispriced and do not reflect the real costs and risks associated with their usage, people go to excess....

“This is why we need new banking regulation that reins in the leverage and speculative trading that big banks and insurance companies can undertake so they never again become simultaneously too reckless to regulate but too big fail and taxpayers are forced to pay off the toxic assets they accumulate. And this is also why **we need a tax on carbon** — so we and our power utilities don’t become permanently addicted to cheap coal that makes for lower electricity prices today but spits out toxic greenhouse gases that have to be paid for by future generations.”