

The Direction of Technological Change

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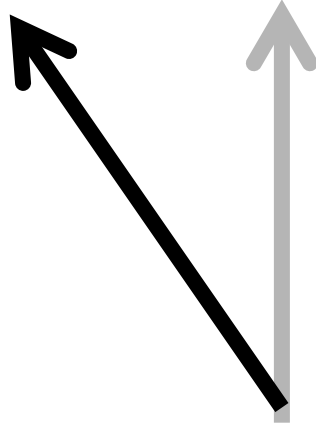
wealthier
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dirty

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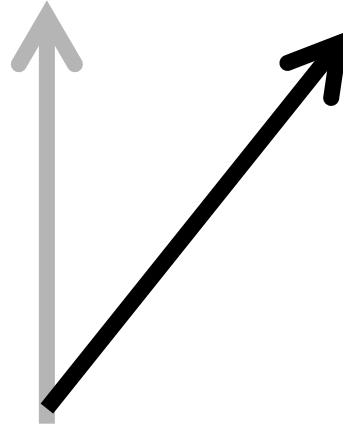
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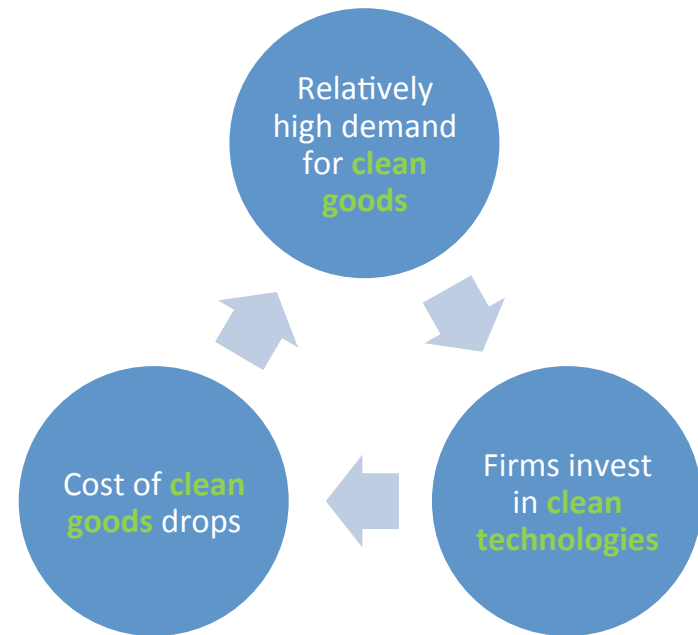
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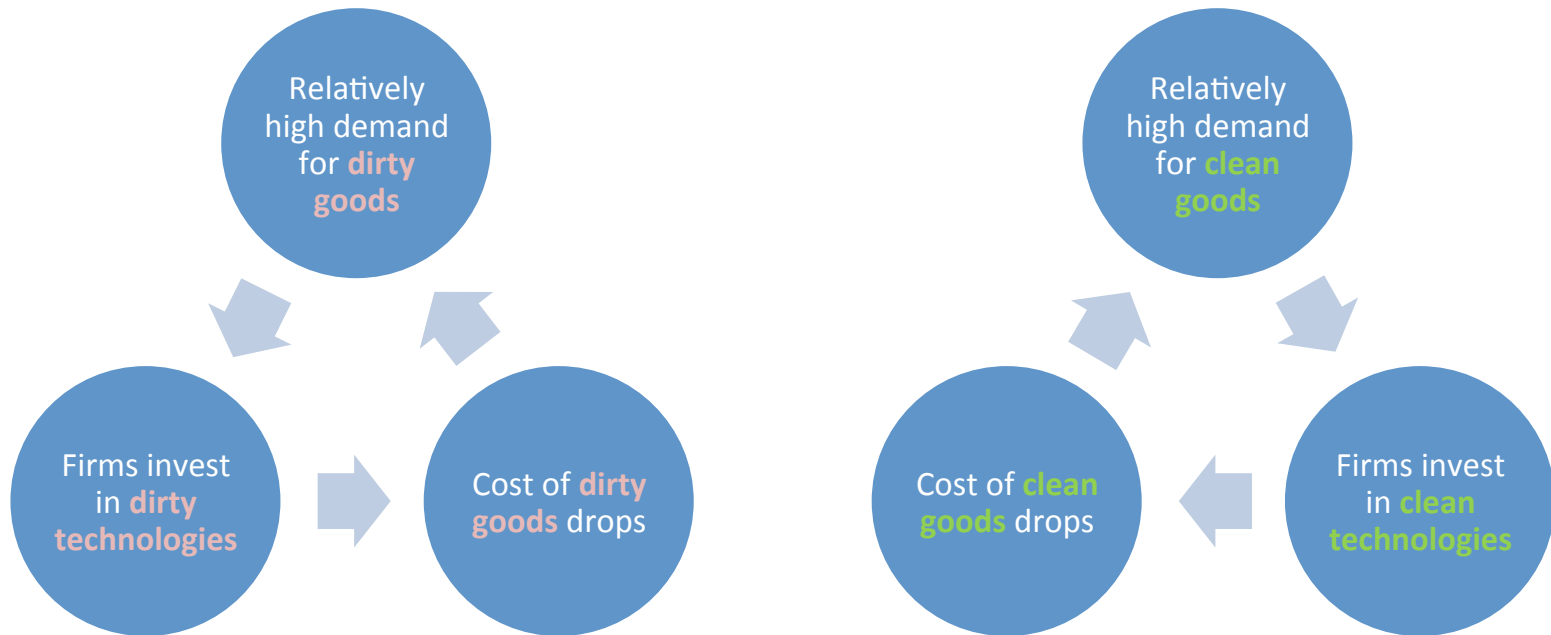
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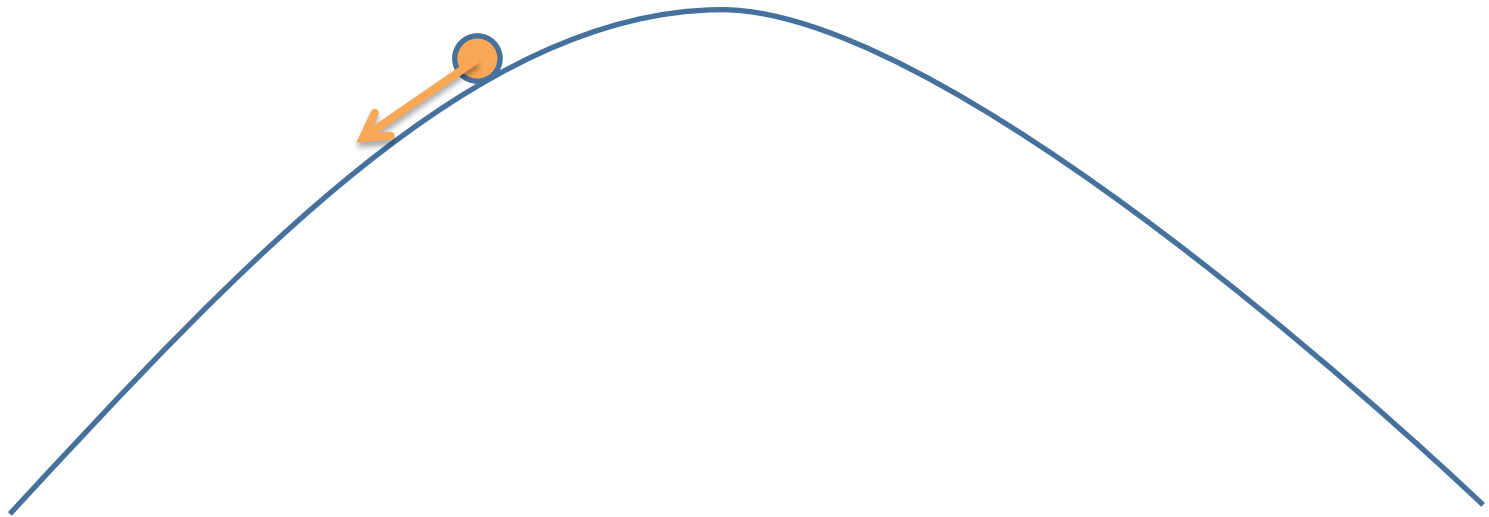
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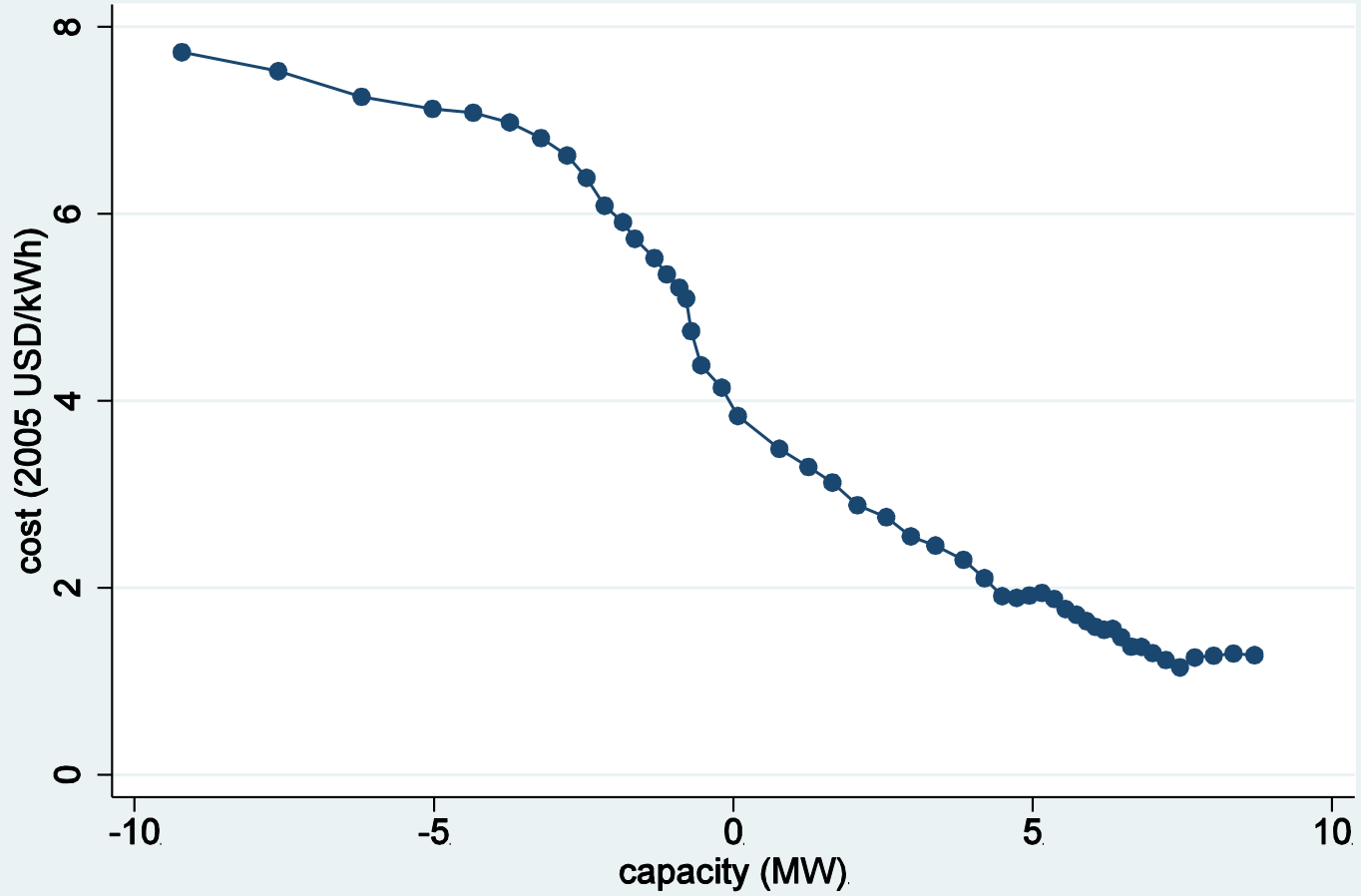


dirty

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Photovoltaics



Data from Jessica Trancik Lab

dirty

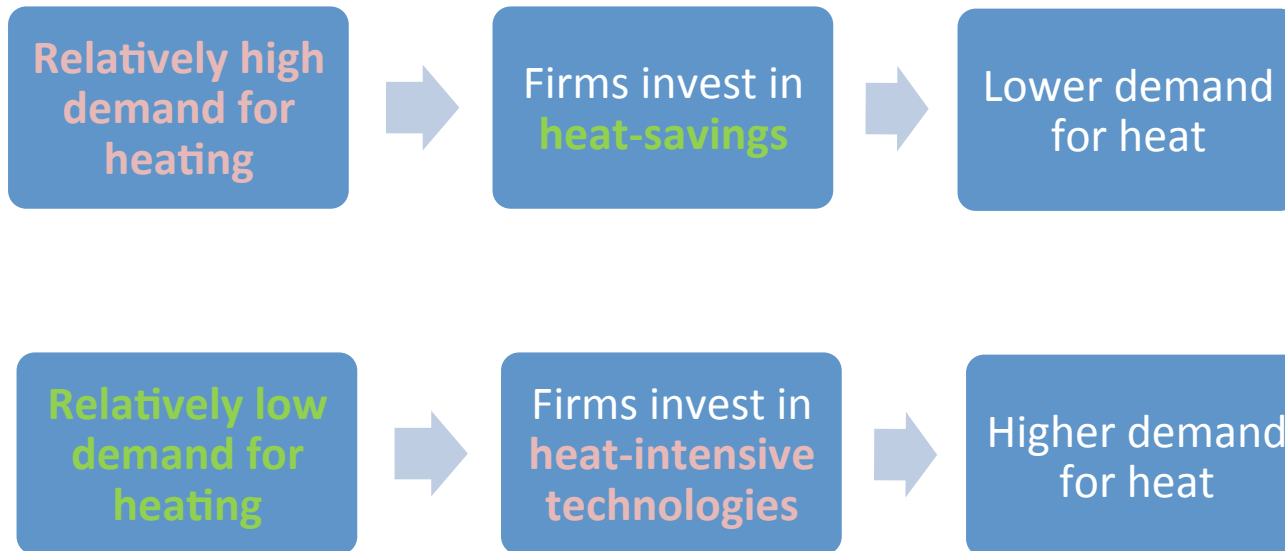
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- We just need to pull the economy a little bit towards green technologies – e.g. with (temporary) subsidies for green goods and taxes for dirty goods.
- Beyond certain threshold, the green economy will run itself and eventually, it will beat the dirty economy
- **WARNING:** The theory works only if clean technologies can substitute dirty technologies

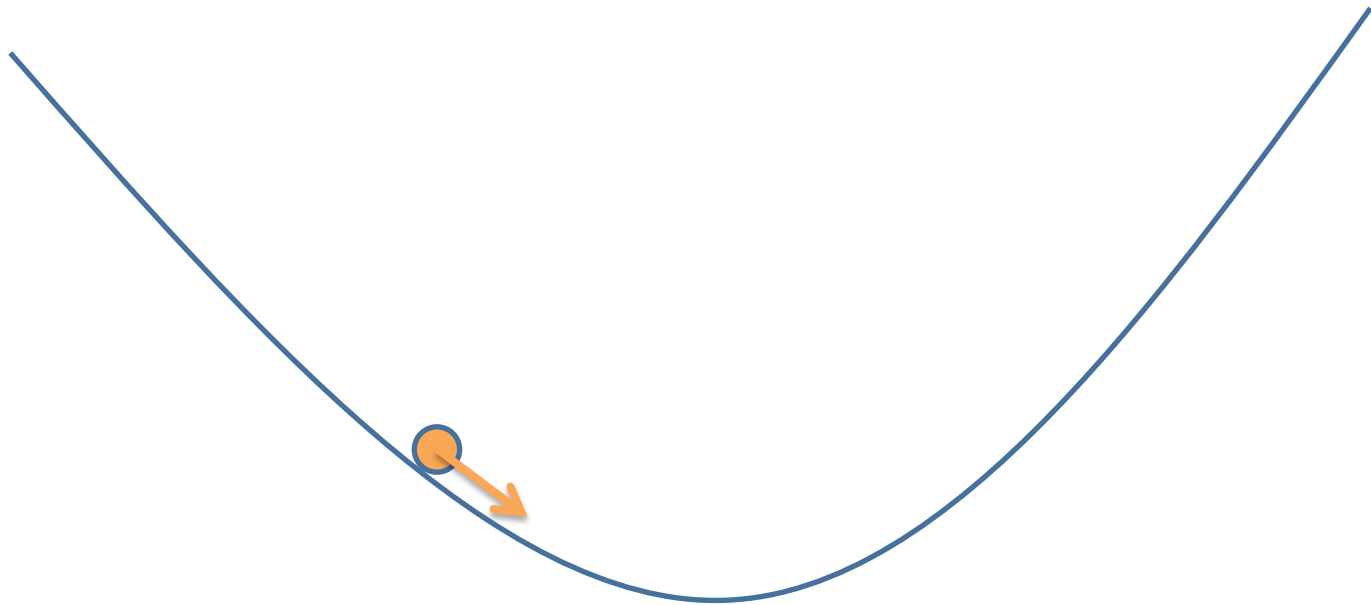
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dirty

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- If goods are complimentary, any temporary subsidy will work only temporarily.
- After the subsidy is dropped, economy will bring us back to the old (not entirely clean) equilibrium
- Only solution: change the equilibrium point by:
 - changes in habits of consumers
 - permanent carbon tax

