

# *Sustainability from the Perspective of Environmental Economics*

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The Economics of Collisions and  
Contagions in a Crowded World

An aerial photograph of a modern, multi-story building with a distinctive green roof. The building's facade is a grid of windows. Two tall, white chimneys stand on either side of the building. The surrounding area includes a road, some greenery, and a cityscape in the distance under a clear sky.

**THE**  
**SPIRIT**  
**OF**  
**GREEN**

William D. Nordhaus

# *Key points*

## **1. Economics of ESG highlights firm externalities**

- Externalities = activities with harmful spillovers where the firm does not pay and the harmed are not compensated.
- Examples: pollution, CO2 emissions, harmful products

## 2. ESG and the “no-regrets principle”:

- For unregulated externalities, reductions in our footprint has small impacts on ourselves but large reductions in harm to others.

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# *No regrets for ESG*

