

Macro Roundup Article

Headline: [Is the Green Transition Inflationary?](#)

Article

Link: <https://libertystreeteconomics.newyorkfed.org/2023/02/is-the-green-transition-inflationary/>

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Tweet: Analysts from the @NewYorkFed argue that while climate policies will assuredly impact the relative prices of clean and dirty energy, these policies will not cause a change in the general price level in the absence of price rigidities.

Summary: In terms of price developments, the outcome of these policies is to raise the price of dirty sectors such as oil and gas, and lower those of green sectors such as renewable energy, relative to those of the rest of the economy. But since these are adjustments in relative prices, not absolute ones, they can in principle take place with any level of overall inflation. In fact, if prices in the rest of the economy fall, and prices for green sectors fall even more, we could even have deflation for the economy as a whole and still achieve the required adjustment in relative prices.

Primary Topic: Inflation

Topics: GDP, Global Warming, Inflation, Op-Ed/Blog Post, Science

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