



LSE Public Lecture

Cool It: global warming and getting our priorities straight

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Why economics supports strong action to reduce the risks of climate change

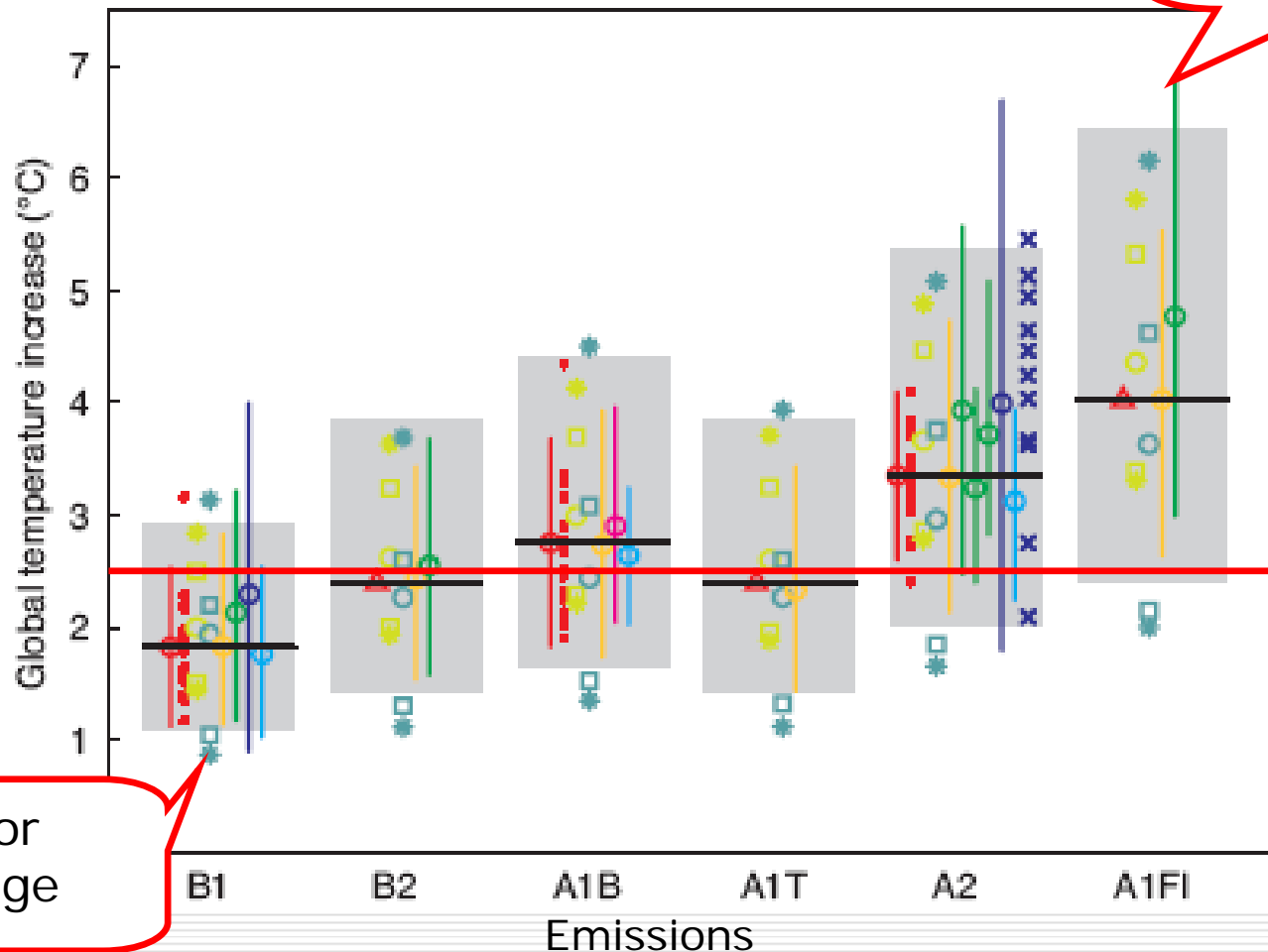
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Climate change is pollution with a difference

- Four essential features:
 - Global in causes and consequences
 - Long-term and persistent
 - Highly uncertain
 - Worst-case scenarios are very worrying
- Sensible approaches must face up to:
 - Risk
 - Ethics
- 'Cool it' does neither

Climate change is all about risk...



Huge planetary changes

Lomborg

Minor change

...and ethics

- ☐ ~~"Don't invest in climate change; you'll get a higher return elsewhere"~~
 - Do we know what the market rate of return is over 200 years?
 - Actually the most relevant rates of return (government bonds) are very low
 - Markets are not perfect and do not indicate social value (e.g. climate change itself!)
 - Should we let investment decisions by private individuals over their own lives dictate decisions on climate change over many generations?
 - We must directly discuss the ethics

False consensus

- Climate change is not an investment opportunity
 - It is a market failure. Market failures should be corrected
 - Emission reductions \neq public spending; carbon taxes raise revenue to spend on other things
- Climate change is not a small development project
 - Its impacts are felt worldwide
 - It can wipe out the gains from other investments
 - It is very long-term; what do we learn by putting it up against a short-term project?
- Even if we accept a budget constraint on promoting human welfare (!), realise that governments spend little of their money on any of the things in the Consensus (but military spending > \$1 trillion)
- So the argument is then that future policies should be as bad/parochial/myopic as past ones!
- Even if we accept all this, proper consideration of risk and ethics would put climate change high on the list

“Governments should act not on the basis of the likeliest outcome from climate change but on the risk of something really catastrophic...Just as people spend a small slice of their incomes on buying insurance on the off-chance that their house might burn down, and nations use a slice of taxpayers' money to pay for standing armies just in case a rival power might try to invade them, so the world should invest a small proportion of its resources in trying to avert the risk of boiling the planet. The costs are not huge. The dangers are.”

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