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Climate Change Isn't the End of the World

Even if world temperatures rise, the appropriate policy response is still an open question.

A dike and a windmill in Rotterdam, a city already prone to floods. PHOTO: ALAMY STOCK PHOTO

By David R. Henderson and John H. Cochrane
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Climate change is often misunderstood as a package deal: If global warming is "real," both sides of the debate seem to assume, the climate lobby's policy agenda follows inexorably.

It does not. Climate policy advocates need to do a much better job of quantitatively analyzing economic costs and the actual, rather than symbolic, benefits of their policies. Skeptics would also do well to focus more attention on economic and policy analysis.

To arrive at a wise policy response, we first need to consider how much economic damage climate change will do. Current models struggle to come up with economic costs commensurate with apocalyptic political rhetoric. Typical costs are well below 10% of gross domestic product in the year 2100 and beyond.

That's a lot of money—but it's a lot of years, too. Even 10% less GDP in 100 years corresponds to 0.1 percentage point less annual GDP growth. Climate change therefore does not justify policies that cost more than 0.1 percentage point of growth. If the goal is 10% more GDP in 100 years, pro-growth tax, regulatory and entitlement reforms would be far more effective.

Yes, the costs are not evenly spread. Some places will do better and some will do worse. The American South might be a worse place to grow wheat; Southern Canada might be a better one. In a century, Miami might find itself in approximately the same situation as the Dutch city of Rotterdam today.

But spread over a century, the costs of moving and adapting are not as imposing as they seem. Rotterdam's dikes are expensive, but not prohibitively so. Most buildings are rebuilt about every 50 years. If we simply stopped building in flood-prone areas and started building on higher ground, even the costs of moving cities would be bearable. Migration is costly. But much of the world's population moved from farms to cities in the 20th century. Allowing people to move to better climates in the 21st will be equally possible. Such investments in climate adaptation are small compared with the investments we will regularly make in houses, businesses, infrastructure and education.

And economics is the central question—unlike with other environmental problems such as chemical pollution. Carbon dioxide hurts nobody's health. It's good for plants. Climate change need not endanger anyone. If it did—and you do hear such claims—then living in hot Arizona rather than cool Maine, or living with Louisiana's frequent floods, would be considered a health catastrophe today.

Global warming is not the only risk our society faces. Even if science tells us that climate change is real and man-made, it does not tell us, as President Obama asserted, that climate change is the greatest threat to humanity. Really? Greater than nuclear explosions, a world war, global pandemics, crop failures and civil chaos?

No. Healthy societies do not fall apart over slow, widely predicted, relatively small economic adjustments of the sort painted by climate analysis. Societies do fall apart from war, disease or chaos. Climate policy must compete with other long-term threats for always-scarce resources.

Facing this reality, some advocate that we buy some "insurance." Sure, they argue, the projected economic cost seems small, but it could turn out to be a lot worse. But the same argument applies to any possible risk. If you buy overpriced insurance against every potential danger, you soon run out of money. You can sensibly insure only when the premium is in line with the risk—which brings us back where we started, to the need for quantifying probabilities, costs, benefits and alternatives. And uncertainty goes both ways. Nobody forecast fracking, or that it would make the U.S. the world's carbon-reduction leader. Strategic waiting is a rational response to a slow-moving uncertain peril with fast-changing technology.

Global warming is not even the obvious top environmental threat. Dirty water, dirty air and insect-borne diseases are a far greater problem today for most people world-wide. Habitat loss and human predation are a far greater problem for most animals. Elephants won't make it to see a warmer climate. Ask them how they would prefer to spend $1 trillion—subsidizing high-speed trains or a human-free park the size of Montana.

Then, we need to know what effect proposed policies have and at what cost. Scientific, quantifiable or even vaguely plausible cause-and-effect thinking are missing from much advocacy for policies to reduce carbon emissions. The Intergovernmental Panel on Climate Change's "scientific" recommendations, for example, include "reduced gender

inequality & marginalization in other forms," "provisioning of adequate housing," "cash transfers" and "awareness raising & integrating into education." Even if some of these are worthy goals, they are not scientifically valid, cost-benefit-tested policies to cool the planet.

Climate policy advocates' apocalyptic vision demands serious analysis, and mushy thinking undermines their case. If carbon emissions pose the greatest threat to humanity, it follows that the costs of nuclear power—waste disposal and the occasional meltdown—might be bearable. It follows that the costs of genetically modified foods and modern pesticides, which can feed us with less land and lower carbon emissions, might be bearable. It follows that if the future of civilization is really at stake, adaptation or geo-engineering should not be unmentionable. And it follows that symbolic, ineffective, political grab-bag policies should be intolerable.

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