

---

## Event Report

# Committee on Global Thought: The Economics of Climate Change

APRIL 11, 2007

---

*On April 11, 2007, Columbia University's Committee on Global Thought sponsored a panel entitled "The Economics of Climate Change." Nicholas Stern, an officer in the UK Treasury who led the G-8's Africa task force at the 2005 summit in Gleneagles, Scotland, discussed his 2006 publication The Stern Review of the Economics of Climate Change. Adding further commentary were Jeffrey Sachs, director of the Earth Institute at Columbia University, and Joseph Stiglitz, University Professor and Nobel laureate.*

Nicholas Stern began his talk by citing three "popular" reasons why the public should do nothing about climate change. First, the science is uncertain; second, the human species is adaptable; and third, who cares about the future? He then strongly refuted each of these points and described *The Stern Review's* main finding: the benefits of trying to stop or slow global warming outweigh the costs of doing nothing. During the last ice age, the average temperature was just 5 degrees Celsius colder than today, and an additional warming by 5 degrees would be staggering. It would affect every aspect of the world, and the human species would have to leave equatorial regions. In short, the act of doing nothing about global warming is reckless.

Mr. Stern emphasized that the case for strong, urgent action is overwhelming and that there must be an international solution. The long lags between action and consequence, as well as the many risks and uncertainties of the relationship between global warming, economics and social change, make fighting climate change a particularly difficult challenge. Mr. Stern contrasted the externalities of global warming with that of traffic, and cited the traffic-congestion tax on drivers in central London as a problem and solution with very visible and tangible causes and effects. Global warming will affect food, ecosystems and weather, but it will be most visible through water, with more storms, floods, droughts and clouds. Mr. Stern further illustrated his claims

with graphs comparing carbon parts per million against a range of climate change-effects and said that a new kind of economic modeling must take climatic factors into account

The economics of risk and ethics must be brought to bear when combating climate change. While higher sea levels will require London to fix its sewers and seawalls, the adaptation pressures on developing countries, particularly low-lying coastal areas, will put far greater strain on government budgets. Rich countries must take the lead and must start by reducing emissions by at least 30 percent. Pressure from individuals and institutions must oversee global-warming solutions because no international body can enforce compliance.

Jeffrey Sachs followed by describing how the United States and the world are in a political sea change about global warming and rising sea levels, following events like Hurricane Katrina and Al Gore's provocative movie *An Inconvenient Truth*. By 2010, and owing to a fresh U.S. administration — he referred to the Bush team's climate policy as a “disgrace” and a “scandal”—Professor Sachs predicts a global agreement on climate change that, unlike the current Kyoto Protocol, demands action from the United States, China and India. Discussions toward this new agreement will start at an international conference in 2008 in Bali, Indonesia.

The U.S. business community laudably has stood up to Congress, telling it, “We can take it,” in reference to short-term costs for fighting global warming. Therefore, Professor Sachs maintains, Congress should give the business community what it is asking for. Studies show that the cost of reaching a sustainable climate target could be as low as 1 percent of GNP, so long as the use of coal and other fossil fuels are sustained and offset by a system of purchasing and trading carbon offsets. The European Union has a system of carbon trading in place, but perfecting it and exporting it throughout the world—particularly to the United States—will be a key component in any workable and business-friendly climate solution.

Joseph Stiglitz reminded the audience that climate change is a global social justice issue and that in all likelihood the biggest polluters will not be the ones to suffer the worst consequences. Citing Exxon's funding of a think tank that denies global warming, Professor Stiglitz declared that finding a fair distribution of financial liability across countries and corporations will be an equally important task. To this end, the Kyoto Protocol is a poor agreement because it asks nothing of developing countries and puts an unfair burden on rich countries. The results are resentment by rich countries and a breakdown of the kind of cooperation and attitudes that are needed to combat global warming.

In a new global agreement, the most ethically defensible system is an equal per capita number of credits across countries, though it is unclear whether rich countries would grant more credits to the poor. There must also be common standards for items like automobile fuel efficiency, and the best technology must be distributed widely. To do this, there must be improvements to the patent system. Finally, there should be sanctions upon environmental “free riders,” whether they are businesses or countries.

JAY HALLEN MBA '07

Columbia Business School