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Environmental and Urban Economics

Matthew E. Kahn presents thoughts on environmental and urban issues.



12

Sunday, October 25, 2015

The Economist Magazine Turns Pessimistic on Climate Change Adaptation

The [Economist Magazine](#) recognizes that Singapore is rich and hot (and air conditioned) but rejects this optimistic vision for the world's urban future. This linked piece reports some "doom and gloom" based on a new important paper by Burke, Hsiang and Miguel. These three excellent scholars have published this piece in Nature which I plan to take a careful look at.

A quote from the Economist Magazine;

"Countries can try to mitigate the effects of warming, but cooling things down is expensive. In Singapore, air conditioning consumes 40% of the power used in buildings. If nothing is done to stop global warming, the world will see an 83% increase in electricity consumption between 2010 and 2100, due simply to greater use of air conditioning, fans and refrigeration, according to a paper published in the journal PNAS in March by Lucas Davis and Paul Gertler. Richard Tol of the University of Sussex points out that homes and offices in cold countries are built to conserve heat, with large south-facing windows. Refurbishing such buildings could help keep people cool, but at great cost."

Note that the economist magazine reports no estimates of the \$ cost of adaptation and cooling. Singapore is doing quite well. Innovation in electricity generating and air cooling clearly has a bright future. Is the Economist Magazine really that pessimistic about induced innovation?

UPDATE: Note the pessimism implicit in this quote above contrast that with [this optimistic piece](#) about our increased ability to shield ourselves from the cold at low cost. Will induced innovation really not come up with great ideas in a world with 7 billion people and venture capitalists seeking to fund "the next Uber"? If 1 in 1 million people has a good energy efficiency idea then we will have

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7,000 good ideas to choose from to provide our future electricity. The best idea from this set will earn the profits of "Facebook today". [Order statistics](#) represents a powerful (and optimistic) concept.

The Economist Magazine is engaging in a pinch of cheer-leading before the December 2015 Paris Climate Treaty meeting. Here is the conclusion of the piece that reveals this.

Moreover, even if rich countries manage to fend off the worst effects of global warming, they will still feel its repercussions. Trade with more vulnerable places would decline; refugees would proliferate. The Paris climate conference this December is supposed to come up with policies to avoid such outcomes. The new findings on the baleful impacts of high temperatures should give rich countries an extra incentive to compromise.

For an ungated piece stating my vision for our urban future; [read this](#).

Posted by [Matthew Kahn](#) at 8:37 AM



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I am grateful to the UCSB Economics Department for offering me the opportunity to give the 3rd Annual Babcock Lecture. I tried my best to gi...

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▶ [March \(25 \)](#)

▶ [February \(23 \)](#)

▶ [January \(17 \)](#)

▶ [2014 \(317 \)](#)

- ▶ [2013](#) (292)
- ▶ [2012](#) (359)
- ▶ [2011](#) (404)
- ▶ [2010](#) (446)
- ▶ [2009](#) (358)
- ▶ [2008](#) (275)
- ▶ [2007](#) (237)
- ▶ [2006](#) (193)
- ▶ [2005](#) (144)

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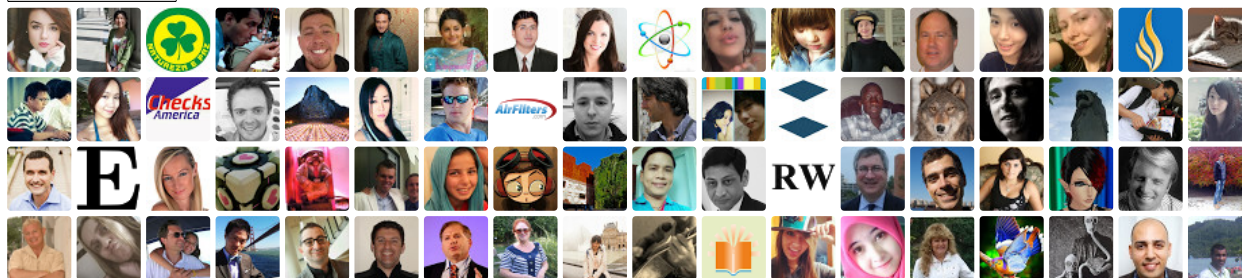
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