Greta Thunberg & the economics of global warming: A delayed response to climate change is an economic catastrophe waiting to happen

A recent study by researchers at Stanford University has identified the optimal annual temperature for economic productivity.

By Rohan Abraham, ET Bureau | Updated: Sep 28, 2019, 07.37 PM IST

Greta Thunberg's impassioned address in New York was well received, but it remains to be seen if the alarmist tone of her speech would rouse politicians and business leaders into action.

With mercury levels on the rise, climate change unbelievers will find it hard to challenge the gospel of Thunberg – a bleak narrative that fuses science, rhetoric and outrage to deliver radical prescriptions aimed at lowering the temperature of a feverish planet.
On August 28, a pale, 16-year-old girl in a black windcheater stepped off the gangplank at New York’s North Cove Marina - a pint-sized silhouette against the backdrop of the Statue of Liberty. Accompanied by her father, Greta Thunberg had spent two weeks at sea, crossing the Atlantic on a 60-foot racing yacht owned by the royal family of Monaco. The royal steed, which is zero-emissions compliant, made the crossing during the hurricane season by harnessing wind, solar, and hydro power.

A scrum of people gathered along the hem of the lower Manhattan waterfront, waving at the Swedish teenager, who in the space of a year, had gone from being an awkward schoolgirl with social anxiety, to a messianic figurehead for climate change - a cross between Joan of Arc and John the Baptist.

Thunberg’s anger-laden speeches have helped rally troops in her inter-generational battle with climate change deniers, a demographic she accuses of “stealing her dreams”. But at the United Nations General Assembly - the seat of global power- her apocalyptic prophecies seem to have fallen on deaf ears. U.S. President Donald Trump lampooned her impassioned address, calling her a “very happy young girl looking forward to a bright and wonderful future”.

On Fox News, the conservative pundit Michael Knowles chided Thunberg’s parents, accusing them of being in cahoots with vested interests. “The climate hysteria movement is not about science. If it were about science it would be led by scientists rather than by politicians and a mentally ill Swedish child who is being exploited by her parents and by

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Greta Thunberg & the economics of global warming: A delayed response to climate change is an economic catastrophe waiting to happen, Knowles said.

However, many liberal politicians and celebrities, the likes of Leonardo DiCaprio and Priyanka Chopra, have sided with the Swedish teenager, lauding her fearless approach at confronting the reality of climate change.

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Thunberg is a polarizing figure, and her views on climate change, extreme. Scientific literature on the subject shows that irreversible ecological changes are afoot, and that the symptoms of anthropogenic pollution are beginning to manifest on a warming planet. The telltale signs are clear. Sea levels have been rising at unprecedented rates, cyclonic storms and earthquakes are becoming more frequent, and the earth’s average surface temperature has steadily shot up over the past century.

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India has been ambivalent on its energy policy, committing to a renewable future, whilst still relying on coal to meet the lion’s share of its power demands. India is the second largest consumer of coal globally, aged of developed countries like the US, Japan and South Korea. A few days before he made a pledge to double India’s non-fossil fuel target to 450 gigawatts at the United Nations, Prime Minister Narendra Modi mediated a deal between India’s Petronet and the US energy company Tellurian for the import of up to 5 million tonnes per annum (5 mtpa) of liquefied natural gas (LNG) from America.
However, in the short term, such developments seem justified. A sudden transition to renewable energy could precipitate an economic slowdown, given the energy demands of developing countries have not marched lockstep with investment in renewable infrastructure. But for businesses holding out to change in the hope of a pyrrhic victory, the consequences can be far reaching.

A recent study by researchers at Stanford University has identified the optimal annual temperature for economic productivity: 13 degrees Celsius or 55.4 degrees Fahrenheit. While seasonal changes in weather can shift the scales to either side of capitalism’s ambient temperature, a change in the fulcrum could affect economic output drastically. The economic model, which was published in the scientific journal Nature, found that this pattern held true in more than 150 countries, impacting the lives of rich and poor alike for the better part of a century.

Moreover, it expects average global incomes to fall by 25 percent come 2100. Silicon Valley yuppies, working in insulated air-conditioned offices, will see a downward correction in their wages, as will corn farmers, toiling in parched fields on the other side of Trump’s proposed border wall with Mexico. The study, conducted by Stanford economist Marshall Burke and his colleagues, took into account data from 166 countries. The average annual temperature of each country was identified from 1960 and 2010, and compared with its economic performance.

**Economic Impact of Climate Change on The World**


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By juxtaposing the data points for warm years with that of normal years, the response of individual economies to changes in the temperature were gauged. It was found that 13°C, in Burke’s words, “is really good at producing stuff around the world.” In countries where the average annual temperature is less than 13°C, global warming might prove beneficial for the economy. On the contrary, for equatorial countries like India, any increase in temperature may cause a spike in sunscreen sales, but a dip in demand for other commodities, with economic growth slipping by as much as 25 per cent of the level it would’ve attained without climate change. The early indicators of climate change can be seen in the agriculture sector, with irregular rains and draughts wiping out crops and ravaging rural economies.

However, the reasons for the adverse economic impact on white collar jobs remain uncertain. Burke et al investigated the socioeconomic and health effects of a rise in temperature, and the findings were bleak. Violent crime would increase, as would heart disease. The biological clock would also need winding, with the quantity and quality of sleep taking a toll on productivity.

A 2008 study published in the National Bureau of Economic Research journal drew a linear correlation between temperature and economic output, concluding that the burden of climate change will be felt more by poor countries, since coincidentally, most of them are located in geographies with warmer climes. Burke’s study, however, does not concur. While it does maintain that productivity dips with rise in temperature, it holds that rich countries will also have to bear the financial brunt of unmitigated climate change.


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The average annual temperature in G7 countries, like the US, China, and Germany already hover around the 13°C cliff, so a further increase in temperature could slow down their economies. Burke’s study found that 77 per cent of all countries could end up poorer by 2100 if global warming went unchecked. The extant research, which is based on creating integrate assessment models (IAMs), has found its way to the United States Congress, where policy decisions on the ‘social cost of carbon’ have cited older models, which Burke reckons, are off the mark “by several hundred percent.”

Greta Thunberg’s impassioned address in New York was well received, but it remains to be seen if the alarmist tone of her speech would rouse politicians and business leaders into action, given that their decisions are based on a pragmatic economic considerations. The transition to renewable energy has indeed been slow, but Burke’s research ought to serve as a reminder to all stakeholders that a delayed response to climate change is an economic catastrophe that is waiting to happen.

Thunberg, who accused governments of advancing the interests of oil companies, is not returning home immediately. She will travel overland to Chile to attend a United Nations Summit in December, spreading the gospel of climate change in the Americas, along the way. Incidentally, the two-member crew that sailed her to the US aboard a zero-emission yacht took a return flight from New York.

Transatlantic voyages are not for everybody - especially, not DiCaprio. Climate change could, however, render air travel and other comforts we now take for granted, relics from an age of indulgence. “The eyes of all future generations are upon you. And if you choose to fail us, I say, we will never forgive you. We will not let you get away with this. Right here, right now is where we draw the line,” Thunberg said in a televised address. We are all witnesses.