False Alarm

*How climate change panic costs us trillions, hurts the poor, and fails to fix the planet*

by Bjorn Lomborg

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Reviewed by Thomas P. Sheahen

Danish Economist Bjorn Lomborg is already well known for eight other books at the intersection of economics and public policy. “The Skeptical Environmentalist,” published in 2001 established him as a perceptive observer of the cost of addressing the world’s environmental problems. He provided evidence to show that, with prosperity, civilization is addressing the major environmental issues. Lomborg’s attention to the numbers hidden beneath the slogans gave his analysis a credibility that could not be brushed aside, to the chagrin of some prominent politicians and environmental organizations of the time.

Lomborg’s facility in using simple language to explain economic concepts is put to work once again in this new book “False Alarm,” which is devoted to the topic of climate change. His first chapter, entitled “Why do we get climate change so wrong?” warns the reader to anticipate a critical examination of prevailing public beliefs about climate change. That critical examination compares exaggerated headlines with numerical realities in a very sober way, using graphs to condense large quantities of data into clear presentations. His fifth chapter asks “What is global warming going to cost us?” Rather than enumerate big numbers with lots of zeroes, Lomborg displays the expected costs as a percentage of global GDP (Gross Domestic Product), which gives a much better representation of the relative importance of climate-related costs. That writing technique holds the reader’s attention, as contrasted to the glaze-over effect of many economic treatises about world issues.

In a cluster of 5 chapters, Lomborg addresses “How ***not*** to fix climate change.” With his global perspective on economics, he explains why strategies like the *Paris Accord* won’t work. Chapter 10 “How climate policy hurts the poor,” is perhaps the most important chapter in the book. After recognizing the projected multi-trillion costs of proposed global climate strategies, Lomborg then presents to us the *real* numbers pertaining to *real* poor people. Toward the end of the chapter, he reminds us that “Today there are about 650 million extremely poor people in the world.” He then summarizes:

“It turns out that the theoretical cost to lift *everyone* on the planet out of extreme poverty would be less than $100 billion per year. Compare this to our current trajectory: we’ve committed to spending $1 trillion to $2 trillion a year just on the almost entirely ineffective Paris Accord. Every *month* the cost will be the same as the amount that could lift *everyone* from extreme poverty. This strikes me as obscene. As rich countries commit to going carbon-neutral, the cost will escalate to tens of trillions of dollars per year, to make a small temperature change in a century’s time. Just a couple of days of these new, higher costs could transform the world by ending extreme poverty entirely.”

Lomborg’s figures are correct; his explanation is clear; his argument is compelling. It ***is*** obscene to continue on such an international spending trajectory.

The fourth major block of the book, “How to fix climate change,” presents several much better ways to approach the climate change problem. Bear in mind that Lomborg definitely believes that mankind’s production of CO2 is harmful, because it will cause the global temperature to rise.

Lomborg employs the economic model named DICE, primarily associated with Nobel-prizewinning economist William Nordhaus, to analyze a proposed tax on CO2 emissions. The consecutive figures in chapter 11 show the different costs of achieving certain temperature-change targets, culminating in the very important Figure 11.7. There the “optimum” solution is compared with the cost of achieving certain smaller temperature changes, and with the *cost of doing nothing*. It turns out the “optimum” and the “do nothing” options differ by only a small temperature margin (0.36 oC) and a small change in costs (97.4% of total global GDP vs 97.0%). Those differences are both entirely within the “noise level” of any world-forecasting economic model. Lomborg does not draw attention to that point, but it’s clear to the attentive reader that there is no point at all in further considering a “carbon tax.”

In consecutive chapters Lomborg stresses the value of investing in R&D. The gloomy presumption that we’re stuck with existing conditions has never been true before. He cites examples of how innovation has changed our lives in many ways, and it is reasonable to expect more innovations in the future. It’s not a *zero-sum game*. *Adaptation* (as contrasted to *mitigation*) is what mankind has always done before, and it’s both simple and inexpensive. Lomborg also endorses spending money *doing research* on geo-engineering, but he doesn’t want to i*mplement* any such schemes yet.

Most important of all, however, are actions that advance prosperity. Trade-offs are always necessary, but helping the poor rise out of poverty is much cheaper and more effective than any other plan to protect the environment. Policies aimed at reducing human greenhouse-gas emissions “… cost us resources that could have been spent making people’s live healthier, longer, and more prosperous. If we focused some of these resources on effective development and human capital investments, then people would be more able to afford expensive green energy sources and more capable of investing in adaptation. As a society, we would have more money to respond to climate change.” -- Again, not a zero-sum game.

In his final chapter, Lomborg emphasizes the importance of improving the world, and underlines the inevitability of trade-offs. He points to the low cost of addressing problems like malnutrition and tuberculosis, which are under-funded. He laments that “…one-fourth of aid today is diverted to climate aid projects.” Among other things, he strongly supports free trade*,* because it is also a smart climate policy.

At the end, it is clear why this book is entitled “False Alarm”: “Fixating on scary stories about climate change leads us to make poor decisions. … Overspending on bad climate policies doesn’t just waste money, it means underspending on *effective* climate policies and underspending on the opportunities we have to improve life for billions of people, now and into the future. That’s not just inefficient. It’s morally wrong.”

Lomborg has a compelling case, and he makes it quite clearly with common-sense reasoning, a grasp of numerical values, and a comfortable writing style. It contains no equations, only graphs. Everyone who is concerned about pursuing the best approach to climate change will find merit in reading this book. It certainly could be used in an undergraduate college course that addresses climate issues. It is also accessible to sharp high-school readers, especially those whose classmates are fearful of their future because of the changing climate.