

CLARETXT

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The attached text formed the basis for my opening contribution, as also some later remarks, at the discussion that followed the 2008 Clare Distinguished Lecture in Economics and Public Policy, given in Cambridge, England on 14 May 2008. The lecturer was Professor Mohan Munasinghe, and his subject was 'A policy framework for Climate Change and Sustainable Development: economic analysis and beyond'.

Economic Progress and Climate Change Issues: A Dissenting Viewpoint

David Henderson¹

Introduction

I am pleased and honoured to be opening the discussion at this 2008 Clare Distinguished Lecture, and I would like to thank the Master and Fellows of Clare for inviting me to do so.

In his talk, Professor Munasinghe has put before us a rich and varied menu. Drawing on his extensive published work, as also on his experience as a high-level participant on the international scene, he has provided a wide-ranging review of leading world issues together with a comprehensive suggested framework for policy. His has been a notable presentation.

However, I have to say that both his view of the world and his proposed orientation of policy are not mine: he and I are a long way apart. When the Master wrote inviting me to speak today, I was careful to check before accepting. I wanted to be sure that he and the Fellows would be happy for the opening remarks in today's discussion to come from a dissenter. Today's lecture has not served to undermine or qualify my dissenting status.

In my remarks, I will focus on broad areas of disagreement, rather than on specific points and arguments – of which there could be many - arising from Professor Munasinghe's lecture.

I have two main areas or headings of dissent. One goes a long way back, while the other has emerged more recently.

Rival visions

Under the first heading, rival views of history are in question. Looking back over the past six decades or so, on the basis of direct personal experience, what especially

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impresses me is the remarkable extent and spread of material progress. Over these years, output per person in the world generally, and in most though by no means all of the economies within it, has grown at rates that were substantially higher than in the past and much higher than anyone foresaw.

All the countries that counted as developed in 1950 have shared in this greatly increased prosperity. But the record of economic progress goes beyond these already advanced economies, in ways that no one predicted or even imagined, and which mark a decisive break with the past. In the course of these recent decades, an increasing number of previously poor countries achieved sustained rates of growth in GDP per head which were either rare or wholly unprecedented anywhere in earlier history.

In both groups of countries, developing as well as developed, the advances in real income have gone together with notable improvements in life expectation, in health, in educational standards, in leisure, and, in some important respects, in the quality of the environment.

Generally speaking, the extraordinary progress that has been made in many countries that were previously poor has owed little to outside assistance. It was not the outcome of official aid programmes, of public-spirited conduct by large multinational enterprises, or of charitable actions on the part of 'the international community'. It was not made possible by 'empowerment'. These developments have further confirmed, what earlier economic history already indicated clearly, that the material progress of people, rich and poor alike, depends primarily on the dynamism of the economies in which they live and work.

That dynamism chiefly comes from innovative activity on the part of people and enterprises. In that connection, both the manifest failure of collectivist regimes and the experience of progress elsewhere bear witness to the positive and creative role of economic freedom.

Given reasonable political stability and scope for markets to function effectively, material progress is likely to go ahead at rates which at the time when I graduated in Oxford would have been viewed as unthinkable.

So much for my vision. A rival version of history is to be found in a long and still continuing series of documents and reports, official and unofficial, in which the record of progress is disregarded or played down. Instead, these various publications, which have won widespread acceptance by governments and public opinion, have characteristically presented a dark and disturbing picture. They give expression to the set of beliefs which I have termed *global salvationism*.

In the salvationist view of the world, two elements are combined. First is an unrelentingly sombre picture of recent trends, the present state of the world (or 'the planet'), and prospects for the future unless governments involve themselves more closely, and with immediate effect, in the management and control of events. Developing countries, whose relative poverty is often greatly overstated (as in Professor Munasinghe's lecture²), are portrayed as victims of an unjust international

² The 'champagne glass' diagram that he presented, which purports to show the distribution of world GDP by income groups, is not only many years out of date but wholly misleading, since the underlying

system, so that their progress largely depends on assistance and empowerment from without. Environmental issues are treated almost exclusively in terms of problems, dangers, and potential or even imminent disasters, with the presumed harmful effects of economic growth as one reason for concern. The second element is a belief that known effective remedies exist for the various ills and threats that beset the world: ‘solutions’ are at hand, given wise collective resolves and prompt action by governments and ‘the international community’. Global salvationism thus combines dark visions and alarming diagnoses with confidently radical collectivist prescriptions for immediate adoption by the world as a whole.

Prominent among the many official salvationist reports down the years was a 600-page action programme called *Agenda 21*, which was presented to, and (with some amendments) adopted by, the huge United Nations Conference on Environment and Development which was held in 1992 in Rio de Janeiro. In a book which they brought out in 2005, Professor Munasinghe and his co-author Rob Swart said of this document that it ‘laid out a blueprint for a just and sustainable world in an integrated, holistic manner’.³ However, had I been a British official at the time of the Rio Summit, I would have argued strongly, though doubtless to no effect, that John Major and Michael Howard, the ministers chiefly concerned, should not sign up to it. In presenting my argument to ministers, I would have begun by taking issue with the opening sentences of the preamble to the document, which read as follows:

‘Humanity stands at a defining moment in history. We are confronted with a perpetuation of disparities within and between nations, a worsening of poverty, hunger, ill health and illiteracy, and the continued deterioration of the ecosystems on which we depend for our well-being’.

I would have said of this passage and of *Agenda 21* as a whole, repeating what I had written in 1980 of its lineal predecessor the Brandt Report, that ‘the view of the world on which it rests is false’.

Now if Professor Munasinghe were commenting on my view of history, he could say with justice that I had not faced up to the issue of *sustainability*. To this I would respond that how far material progress proves sustainable will chiefly depend on the capacity of people and institutions to adapt and innovate, while this capacity in turn will chiefly depend on the prevailing extent of economic and political freedom. However, such a response would not of course close the argument; and in any case, Professor Munasinghe could go on to make the point, again with justice, that I had failed to take account of the problem of climate change. Let me then turn to this latter topic, which in fact constitutes my second heading of dissent.

Climate change issues: received opinion and its basis

Professor Munasinghe has been involved with climate change issues for a long time, most notably in his capacity as a Vice-Chair of the managing Bureau of the Intergovernmental Panel on Climate Change, the IPCC. By contrast, I am a relative newcomer to the subject; my involvement in it came about more by accident than design; and the opinions that I have come to hold are far from being widely shared.

data take the form of invalid exchange rate-based comparisons of cross-country GDP. The diagram has long ago been prudently laid to rest by the organisations that invented and publicised it.

³ Mohan Munasinghe and Rob Swart, *Primer on Climate Change and Sustainable Development*, Cambridge University Press, 2005, p. 4.

Before I summarise those opinions, a word of background is in order.

In relation to climate change issues, there exists what I call an *official policy consensus*. With few exceptions, governments across the world are committed to the view that anthropogenic global warming constitutes a serious problem which requires official action at both national and international level. The decisive collective commitment was made in 1992, through the UN Framework Convention on Climate Change which almost all countries have ratified.

In pretty well every democratic country, this policy consensus is not at all a matter of political controversy: to the contrary, it enjoys general cross-party support. Further, it has met with widespread public approval; and in that context, I note that there is considerable support for it among economists, as evidenced for example in the Stern Review of the economics of climate change and the list of those commending or endorsing the Review.

In relation to climate change issues, therefore, one may speak of a widely shared diagnosis and prescription, a body of well established *received opinion* shared by the great majority of governments and by many of their citizens.

The main basis of this received opinion, I think, is a belief that scientific research has provided increasingly firm and now incontestable evidence of the reality and the potential threat of anthropogenic global warming. The policy consensus is seen as being firmly grounded on objective expert findings that can no longer be seriously doubted. In that context, an important role has been played by the IPCC. In signing up to the Framework Convention in 1992, governments were influenced by the IPCC's First Assessment Report which came out in 1990. Since then the Panel has produced three further massive reports of a similar kind. The latest of these, known as AR4 for short, appeared last year, and some 2,500 experts – authors, contributors and reviewers – were directly involved in preparing it. I refer to this small army of participants as the IPCC *expert network*.

These later Assessment Reports have served to confirm and reinforce the commitment that governments made 16 years ago. What is more, the IPCC and its work have received unsolicited high-level commendation from leading outside scientists and scientific bodies. I think one may speak in this context of a prevailing body of scientific opinion as well as a policy consensus.

Grounds of dissent

Against that background, let me now reveal my character as a dissenter. My dissenting views, though firmly held, do not extend to all aspects of the consensus and the arguments that surround it.

In the first place, I am not arguing that all actions designed to limit or reduce 'greenhouse gas' emissions are necessarily pointless or misguided. Given past history and the present situation, I am in favour of a carbon tax, provided that it can be made to work and is kept revenue-neutral. Again, I do not take the position that prevailing

scientific opinion is wrong: there is a clear and well recognized difference between questioning and denial, between being an agnostic and being an atheist.

All the same, I have come to the view that today's received opinion on climate change issues is not well founded. I believe that it incorporates three mutually reinforcing and unwarranted presumptions. These are:

(1) That the official policy consensus, as widely interpreted today by governments and international agencies, mirrors prevailing scientific opinion and goes no further than it would warrant.

(2) That prevailing scientific opinion must now be viewed as no longer open to serious question.

(3) That the process of review and inquiry from which prevailing scientific opinion has emerged, and in particular the IPCC process as its leading element, are professionally above reproach.

All these beliefs are unfounded. They show a lack of awareness respectively of the present extent of overstatement, overconfidence, and ingrained bias.

Received opinion: going too far

First, overstatement. Here are three recent and representative high-level British specimens.

- Tony Blair, as British Prime Minister, together with his Dutch counterpart, in a joint letter of October 2006 to other EU leaders: 'We have a window of only 10–15 years to take the steps we need to avoid crossing a catastrophic tipping point'
- Nicholas (now Lord) Stern, writing in *The Guardian* (30 November 2007): 'We risk damage on a scale larger than the two world wars of the past century'
- 150 business leaders, in a double full-page advertisement in the *Financial Times* last November : 'There is no doubt that the fate of our civilisation hangs in the balance'.

Such assertions, and countless others of their kind, purport to be statements of fact; but in reality they are little more than conjecture. The unqualified alarm-prone positions that are widely taken today by political leaders, top international civil servants, eminent scientists in fields other than climate science, leading industrialists, influential commentators and media outlets, and an array of NGOs, not to mention some prominent economists, do not mirror the more measured language of AR4: they go well beyond it.

Second, overconfidence. The G8 Summit Declaration of last year, in a section on climate change issues, refers to 'the scientific knowledge as represented in the recent IPCC reports...' Had I been a pre-Summit Sherpa, involved in the drafting of the Declaration and free to speak my mind, I would have argued for changing 'scientific knowledge' to 'the weight of scientific opinion'. What is in question here, as I think is generally recognised, is a climate system of extraordinary complexity which is far from being well understood. Received opinions to the effect that 'the science' is 'settled' or 'established', and that the scientific evidence is now 'overwhelming', are unwarranted.

Such overconfident assertions are not drawn direct from AR4, which emphasises that its projections are 'based on expert judgement', rather than embodying what is now

unassailable truth. However, these assertions could not have gained such widespread acceptance were it not for the continuing flaws that have characterised the large-scale established official process of review and inquiry which, though it extends well beyond the work of the IPCC, finds its fullest expression in the Assessment Reports.

This brings me to the *third* respect in which received opinion appears as over-presumptive.

Received opinion: uncritically accepting a flawed advisory process

Over the past 20 years governments everywhere, and many outside observers too, have placed uncritical reliance on the advisory process as a whole and the work of the IPCC in particular. I believe that this widespread trust is unwarranted, and that this fact puts in doubt the accepted basis of official climate policies. The point here is not, as suggested by Stern Review authors, one merely of ‘procedures’ as distinct from ‘substance’. *If and in so far as the advisory process that the world relies on is lacking in objectivity, and is not professionally up to the mark, the basis and rationale of the official policy consensus are put in question.*

Why do governments, and outsiders too, place so much trust in the IPCC? I think that the trust largely results from the wide and structured expert participation that the IPCC process ensures. People visualise an array of technically competent persons whose knowledge and wisdom are effectively brought to bear through an independent, objective and thoroughly professional scientific inquiry. Indeed, many people identify the Panel with the expert network, as though numerous well-qualified and disinterested scientists were the only persons involved. The reality is both more complex and less reassuring.

A basic distinction has to be made between the IPCC as such, that is to say the *Panel*, and the IPCC *process*. The two are not the same, and the process involves three quite distinct groups of participants.

The first of these groups comprises the *Panel* itself, together with its Secretariat and its managing Bureau of which Professor Munasinghe is a leading member. The Panel controls the preparation of the Assessment Reports. It comprises those officials whom governments choose to send to Panel meetings.

A second group is made up of the *expert network*, the persons who put together the draft Assessment Reports. The network is separate and distinct from the Panel itself. There is little or no overlap between the two bodies.

Last but far from least, there are the government departments and the agencies which the Panel reports to: it is here, and not in the Panel itself, that the ‘policymakers’ are chiefly to be found. The relevant political leaders and senior officials within these departments and agencies form the core of what I call the *environmental policy milieu*.

Now the IPCC as such has been formally instructed by its member governments, in the ‘principles governing IPCC work,’ that its reports ‘should be neutral with respect to policy’. However, the instruction can only refer to the contribution made by the

expert network through the reporting process. It does not, *and could not*, apply to the other two participating groups. The official Panel members, as also the policy milieu which they report to, are almost without exception far from neutral: they are committed, *inevitably and rightly*, to the objective of curbing emissions, as a means to combating climate change, which their governments have agreed on. The clients and patrons of the expert network, with few exceptions, take it as given that anthropogenic global warming is a serious problem which demands, and has rightly been made the subject of, both national and international action.

Now it could still be the case that within the network itself, and in the reporting process, the principle of policy neutrality was faithfully observed. Indeed, it seems to be widely believed, or presumed, that an invisible Chinese wall separates the committed patrons and clients of the reporting process from the array of disinterested scientists, policy-neutral in their expert capacity, who take part in it.

I have come to believe that this picture is not accurate, and that the expert reporting process is flawed. Despite the numbers of persons involved, and the lengthy formal review procedures, the preparation of the IPCC Assessment Reports is far from being a model of rigour, inclusiveness and impartiality.

Critics of the IPCC process have drawn attention, in my opinion with good reason, to flaws which include:

- Weaknesses in the treatment of some economic issues.⁴
- Over-reliance on peer review procedures which do not serve as a guarantee of quality and do not ensure due disclosure.
- Serious failures of disclosure in relation to studies which the IPCC has drawn on.
- Basic errors in the handling of data, allied to failure to consult or involve trained statisticians.
- Failure to ensure an adequate range of views and expertise.
- Failure to take due note of critics in the preparation of the Assessment Reports.
- Failure on the part of the Panel and the IPCC directing circle to recognise and deal with the above deficiencies.

These professional shortcomings have recently been documented, in relation to key chapters in the report of Working Group I which forms the first volume of AR4, in an article by David Holland in the journal *Energy and Environment*.⁵ In this connection, I would also like to highlight the work of two Canadian authors who are among those cited by Holland, namely, Stephen McIntyre and Ross McKittrick. Both separately and in joint writings, these two authors have made an outstanding contribution to public debate⁶.

⁴ From late 2002 on, Ian Castles and I jointly put forward a critique of some leading aspects of the IPCC's economic work, and in particular of the scenarios that provided emissions projections for both the third and fourth Assessment Reports, while authors involved in that work contested our criticisms. Following these exchanges, we published in 2005 a joint paper on international comparisons of GDP, and I reviewed and carried further the whole debate in a later article published in *Energy and Environment* (Vol 16. No. 3 & 4, 2005).

⁵ David Holland, 'Bias and Concealment in the IPCC Process: The "Hockey-Stick" Affair and Its Implications', *Energy and Environment*, Vol 18, No 7 & 8, 2007.

⁶ McKittrick's website provides an annotated list of references, while McIntyre's blog is a continuing source of analysis and commentary.

How is one to explain the disturbing state of affairs that I have just described? I have a straightforward answer. I believe that the flaws in the IPCC reporting process, as in the advisory process as a whole, can be largely accounted for by a pervasive bias on the part of the people and organisations that direct and control it. From the earliest days, members of the environmental policy milieu and the IPCC directing circle, as also of the Panel itself, have been characterised by what my friend Clive Crook, writing in the *Financial Times*, has termed ‘pre-commitment to the urgency of the climate cause’. The advisory process is run today, as it has been from the start, by true believers.

It is not only within the environmental policy milieu that this ingrained bias is to be found. Elements within the international scientific establishment appear as strongly committed, rather than neutral and objective, in relation to climate change issues. One aspect of this strong commitment has been a readiness to describe dissenters as ‘undermining’ established science, and to portray them as members of ‘an active and well-funded “denial lobby”’: they are treated (to use George Orwell’s term) as Thought Criminals. In part, the bias arises from uncritical adherence to global salvationist presumptions and beliefs, as evidenced for example in some ill-informed recent pronouncements on the world economy by leading scientists who have been involved in the climate change debate.⁷

Summing up

Let me now summarise my second heading of dissent. I believe that currently received opinion on climate change issues, official and unofficial, embodies over-presumptive conclusions which are biased towards alarm. These take as their point of departure the results of a flawed process, and they represent a dubious extension of those results.

The chief moral to be drawn for policy is a simple one. In relation to climate change, there is a clear present need to build up a sounder basis for reviewing and assessing the issues. Governments should try to ensure that they and their citizens are more fully and more objectively informed and advised. *A new framework is needed - less presumptive, more inclusive, more watertight professionally, and more attuned to the huge uncertainties that remain.*

Where so much remains uncertain and unsettled, policies should be evolutionary and adaptive, rather than presumptive; and their evolution should be linked to a process of inquiry and review which is more thorough, balanced, open and objective than is now the case.

Post-script: a story of failure

From the published material that I have seen, there is no sign that the grounds for concern that I have outlined above are shared, or even that the possibility that they

⁷ The argument of this paragraph is spelled out, with supporting evidence, in a paper of mine entitled ‘Governments and Climate Change Issues: The case for rethinking’, published in *World Economics*, Vol. 8 No. 2, April-June 2007. The relevant sections are on pp. 206-7 and 219-24. The words quoted in the above paragraph are from a review article by Lord May, a past President of the Royal Society.

might exist is recognised, in any of the central economic departments of state across the world – the treasuries, ministries of finance or economics, and, in the US, the Council of Economic Advisers. This is not a good situation. One of the few things that are agreed in relation to climate science issues is that the economic stakes, and the possible costs of mistaken policies, could be very high. This places a responsibility on those departments and agencies – as also, it could be argued, on the advisory units working directly for heads of government – to make informed assessments of their own, and not simply to take on trust and in full the received opinions of the environmental policy milieu and its chosen instruments – even when those opinions are endorsed from the outside by eminent scientists and scientific bodies.

I am myself a former British Treasury official; and much later, as Head of what was then the Economics and Statistics Department in the OECD Secretariat, I had close dealings over a number of years with economics and finance ministries in OECD member countries. I have been surprised by the failure of these ministries to get to grips with climate change issues, their uncritical acceptance of the results of a process of inquiry which is so obviously biased and flawed, and their lack of attention to the criticisms of that process that have been voiced by independent outsiders – criticisms which, as I think, they ought to have been making themselves.

The same failures of omission are currently to be seen in the newly-expanded work programmes on climate change issues in both the OECD and the IMF.⁸

Altogether, this is a poor show.

⁸ This last aspect is considered in an article of mine entitled ‘New Light or Fixed Presumptions? The OECD, the IMF and the treatment of climate change issue’, published in *World Economics*, Vol. 8 No. 4, October-December 2007.