
Climate Change: Evading the “Too Late, Too Costly” Trap



By Taimur Baig , DBS Bank Ltd, and Vinika D. Rao , INSEAD

A new crop of rational, well-groomed climate sceptics is pushing a persuasive brand of defeatism that the world cannot afford.

The raging bushfires sweeping through Australia, partly related to unusually dry conditions stemming from climate change, are a stark reminder that the 2020s must be a decade of concerted climate action. While the stakes are exceptionally high, unfortunately the urgency is unevenly recognised by the powers that be in business and politics.

Climate scepticism remains influential despite the scientific consensus. It has even evolved to conform to changes in intellectual fashion. If we are to properly recognise – and respond to – the emergency upon us, we must first acknowledge that the arguments for inaction that could just barely fly in 2019 are crashing to earth today as the bushfires devastate Australia.

The global debate on climate change has become more realistic and nuanced. Gone are the old caricatures of bleeding-heart liberals on one end of the spectrum and staunch climate science deniers on the other end.

Activists, academics and think tanks focused on climate action have been supplemented with heads of state, regulators and CEOs of some of the largest companies in the world who know they must at least publicly acknowledge climate concerns to pacify stakeholders.

The sceptical end of the spectrum, however, is no longer the exclusive domain of unscrupulous business owners and unethical populists. There is no shortage of people with strong analytical backgrounds and mainstream reach arguing that we need to come to the sober realisation that the window of effective climate action has closed. This fatalism differs in tone from flat-out climate deniers. But the rationality of new climate sceptics makes their arguments more effective at squelching the will to fight climate change.

Meet the new sceptics

There are several strands of such line of thought. For instance, *Financial Times* columnist Simon Kuper recently argued that cutting emissions while feeding a growing population is all but impossible, as it would require a degree of economic adjustment worldwide that is politically unviable. While the world is becoming more fuel efficient, and many green technologies are coming to fruition, their net impact, even projected optimistically, will fall way short of a carbon neutral world in the coming decades. Contrary to what some politicians say, according to Kuper, there is no green growth on the horizon.

Another line of argument comes from novelist Jonathan Franzen. In *The New Yorker*, he describes the expressions of unrealistic hope among climate activists who naively expect that between growing awareness and technological breakthroughs, the world can solve the problem of climate change. It is extremely difficult to imagine a scenario where democracies worldwide accept the type of draconian conservation, taxation and limitations on activity necessary to prevent global temperatures from continuing to rise.

Perhaps the most assertive argument comes from Danish author Bjorn Lomborg. He proposes that climate mitigation is not a high-priority imperative for global welfare. According to Lomborg, climate activists have injected so much doom into the debate that we now face the prospect of policies which make the cure worse than the disease. He argues that economic prosperity will ensure resiliency to deal with climate change, whereas regulatory impediments in the name of climate mitigation end up

undermining prosperity. Provocatively, he asserts that a future with fossil-fuel driven growth is a better one for developing economies.

These arguments therefore are all firmly in the “too late, too costly” camp. They declare that we are hurtling towards the point of no return on global warming, so we might as well focus on dealing with the coming difficulties instead of fooling ourselves into costly action to prevent the inevitable.

Pushing back against defeatism

We think that there is an element of defeatism in these lines of thinking that are contrary to the record of humanity’s continued progress since industrialisation. Successful policies and scientific breakthroughs have allowed for unprecedented success in reducing disease and hunger, raising global life expectancy and overall quality of life in the past century. Lomborg cites humanity’s historical resilience and resourcefulness in the face of large-scale crisis to support his thesis that everything will be OK in the end. Yet he fails to recognise that these very examples of our past triumphs over adversity could be interpreted as an exhortation to direct that same can-do spirit toward battling climate change.

Lomborg’s comparison of climate crisis with a cyclical economic recession is rendered weaker with every Australian bushfire news update. The concept that the climate’s worst effects would take years to manifest has been proven wrong – we no longer have the luxury of even a few years before acting.

Global leadership can help humanity evade the “too late, too costly” trap. Given the current volatile geopolitical situation, we could find some unexpected role models to rally around. It will be interesting to see how Australia ultimately responds to its bushfire emergency. As a relatively wealthy and self-contained nation (the Australian economy **grew steadily** during the worst years of the global financial crisis), it is well-positioned to emerge as a testing ground for rapid climate mitigation solutions. China, having seen the soaring cost of pollution caused by its breakneck growth, is today a world leader in green energy production and green technology. As China’s resources are geared toward climate risk rescue with Chinese characteristics, it is filling a vacuum left by the United States, which has recently begun moving to formally exit the Paris climate agreement.

As humanity progresses, goals and aspirations evolve. The early days of industrialisation were characterised by growth maximisation, but that phase ended as the long-term cost of pollution and environmental degradation became evident. Indeed, hardly any society in the world today pushes back against emission standards or attempts to reduce waste, and there is widespread acceptance of responsibilities beyond profit. The dialogue has long shifted, decisively, toward understanding the impact of our footprint.

We are pragmatic enough to find resonance with those who see societies not yet ready to rise fully to the challenges of a carbon neutral world, but that does not discourage us from thinking through all the ways we can be better participants and intermediaries on Earth. We have no doubt that corporations focusing on improving their impact and nations continuing to negotiate to find ways to deal with climate change risk are unambiguously positive. That's much better than resigning to joining the too late, too costly camp.

This post is based on a presentation by Taimur Baig at a conference hosted by the INSEAD Emerging Markets Institute.

Find article at

<https://knowledge.insead.edu/responsibility/climate-change-evading-too-late-too-costly-trap>

About the author(s)

Taimur Baig Taimur Baig, Ph.D., heads economics as well as fixed income and currency research at DBS Bank.

Vinika D. Rao is the Executive Director of the INSEAD **Emerging Markets Institute**, **Gender Initiative** and **Africa Initiative**, and the Asia Director of the **Hoffman Global Institute for Business & Society**.