

**Transcript of Clive Spash Question and Amartya Sen Reply on the Stern Report:
Plus Comments**

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Matinez-Alier

So I will open now the questions. Is there any questions of people I can see? Yes, Clive Spash.

Clive Spash

You mentioned the Stern report on climate change, and obviously climate change is a major issue of concern around the world. The Stern report to me is not a great example of good economics addressing the environment. It talks a lot about things which you yourself have been concerned about on ethics and economics, it mentions them in passing, it talks about a lot of the issues about poverty and distribution, it mentions these things in passing. But what does it do of expertly in terms of values at the end of the day? It reduces things down to a few percentages or an assessment of GDP. It doesn't really substantively address the issues. It doesn't address things like uncertainty, ignorance, indeterminacy, irreversibility, catastrophe, in any substantive way. This is not good economics, this is bad economics as far as I'm concerned. [pause] I just wondered if you could comment?

Amartya Sen

Ya, I'd be happy to comment on this. Umm. I think two things. [pause] Does this work, does it work [hits microphone] [pause] Umm, I was going to say I'd say three thing in response to that. One is that, you know, as economists, and I take yourself to be one, we are able to bring in a number of considerations which we do, when we can. Umm. I don't think a tactical report that's being presented to a government for action we come to expect that each one of them asks information on asymmetry, uncertainty etc. would be given the role that ultimately a huge tome might be able to cover. It deals with certain issues, and the question is in the context of what the Stern report, the Stern Committee was asked to do how did it perform? [pause] So that's my first point.

[pause]

So I think you know Stern happens to be one of the leading economists in the world, its not the case that we have to point out to them, to him that there are such things as information on asymmetry and other things. The question is why do we not see them spelt out in a way that we might in a more, you know, in an article in Econometrica or, or the, or, or Quarterly Journal of Economics for example?

[pause]

The second question is the, connected with that, is the, what was the particular point for which I was referring to the Stern report? It mainly concerned with one diagnostic issue, I had not quoted it for anything else. I meant it to say something positively about some other parts too but only use [?] the head of the Stern report was to say that it seemed to be now at last convinced the UK government including umm, including Blair and Brown, both of whom

spoke on the subject, that global warming is now established, and I was saying that in many ways it has been, should not have had to wait that long, err, it is very nice way of showing it, but there has been adequate evidence long before that. That was the context in which I was, was making the point and that point is not touched at all by what you are saying.

[*pause*]

The third point, and this is where, not something I use the Stern report for, but which I think is the most valuable part of the report is not really a cost-benefit analysis, its what the economist would call a cost-effectiveness analysis. Namely, what Decant [?] referred to, achieve the same specified environmental goals and include those goals all the things I'm discussing, could have come in, that's not what they did, it isn't a report of that kind; it took some specific goals and asked the question: How much will it cost to reverse just the process of global warming, of all the process of global warming, today, and how much would it have cost in, I forgotten, 30 years time, let's see I had that papers with me but I don't know what uum, no that's the one I was saying, missing papers I was carrying, I could have given the numbers, but I don't know some 30 yrs, how much, how long, in 30 yrs time how much it would cost. And the striking fact that, was that while it would cost about one percent of GNP today, this is pure cost-effectiveness, we are not asking the question why does this goal then nothing else, but in order to achieve that goal it would cost one percent of GNP today and twenty percent of GNP in the future date. So the main message of this is that there is a reason for urgency, for hurry. I think that result is very robust, because like any cost-benefit analysis would include a cost-effectiveness analysis as a part of the story.

So I would say that for the purpose for which the report was solicited, the job that was done does did the job, ahh, adequately, and you know to say that whether you can judge whether it's a good economics report that's a different issue, its not a good economic question to ask the very specific question; if there is global warming how much will it cost to, to halt it now. These are the questions put and these are the questions answered, and to the extent that these are the questions, rather than asking the other questions that an economist could have raised, since that the terms of the report were to answer just those questions, I think it's a good economic job too, namely that was the question that was being asked.

[*pause*]

So I think you're being un [*pause*] somewhat unjustly censorious in this case.

[*END*]

Comments
by
Clive L. Spash

Sen's First Part

Sen's first point is that any government report is bound by a remit. He believes that including the issues I raised would have created "a great tome" and moved Stern outside the requirements of a "tactical" report. This can only be taken as this Report, as a government document, needing to meet political ends and avoid sensitive issues. This raises the question as to the extent to which the Report is a political document bound by a hidden government agenda, rather than an open economic analysis. However, the Report's remit, as written down and published, did not prevent any of the issues I raised being included or addressed. Indeed they do appear, as I noted in my question to Sen.

At 700 pages, the Stern Report is "a great tome". The issue is not lack of space or failure to mention the issues I raised, but rather a failure to address them meaningfully and substantively. Stern and colleagues exhibit an unwillingness to address anything outside the narrow frame of welfare economics. Issues and concepts are then taken and squeezed into an orthodox approach regardless of how distorted they become in the process. Strangely, in light of his criticisms of 'welfarism', Sen seems concerned the Report is not orthodox enough, and should have more closely replicated mainstream economics journals, such as he mentions.

In passing Sen states that Stern is such an eminent economist that he is fully aware of all the issues and implies he really should not be criticised. I find this quite astounding. The implication is that having reached a certain elite status economists are beyond question! Indeed who are we, mere plebeians, to question such a person?

Sen's Second Part

The second argument seems to be that Stern has established the enhanced Greenhouse Effect as a reality within UK government circles and done so in "a very nice way". This seems to be getting the cart before the horse. The Stern Report was commissioned by the UK government with the much publicised backing of the Prime Minister Tony Blair and the Treasurer Gordon Brown. As Sen already noted, Stern was meeting a government remit.

This is not to deny the considerable media attention arising in wake of the Report, but this has less to do with the "nice way" than to political context and government promotion. If Sen's argument here were to be taken to its logical conclusion then it would justify any "nice way" of doing something as long as the outcome were desirable. This is in effect an argument for a form of object oriented pragmatism. My comments are irrelevant because the political outcome was favourable, as judged by Sen.

Some of us remain more sceptical that anything substantive has changed in terms of government policy, and believe that Stern merely provides a pro-growth environmental argument to support the continuation of neo-liberal policy as usual. Human induced climate change was politically "established" in the UK and elsewhere at least 20 years prior to Stern, Déjà vu, even Mrs Thatcher was expressing her serious concern before she left office.

Sen's Third Part

Here I really began to wonder whether Sen had actually read the Report. Sen clearly believes and states the Report is a cost-effectiveness analysis. He goes on to recount how Greenhouse

Gas pollution control costs are presented as low now and high in the future. The passage Sen would have liked to have to hand is probably the following:

“Using the results from formal economic models, the Review estimates that if we don’t act, the overall costs and risks of climate change will be equivalent to losing at least 5% of global GDP each year, now and forever. If a wider range of risks and impacts is taken into account, the estimates of damage could rise to 20% of GDP or more. In contrast, the costs of action – reducing greenhouse gas emissions to avoid the worst impacts of climate change – can be limited to around 1% of global GDP each year.” (Stern, 2006: vi).

However, that is a clear statement comparing pollution control costs (1%) with the control benefits of avoided damages (up to 20%). Sen wrongly refers to the control benefits as costs and the Report as a cost-effectiveness analysis. This is not a cost-effectiveness analysis as the statement from Stern makes clear. I would note that, Stern and colleagues do use terminology poorly and in a very confusing manner; even in the above passage they refer to both pollution control and the benefits of that control as being costs.

More generally, would a cost-effectiveness analysis be preferable, as Sen apparently argues? He alludes to the fact that multiple criteria might be set as objectives and then economists could assess the costs of achieving these. He seems to believe this would be better than a full cost-benefit analysis. Well, as I have noted elsewhere, cost and benefit categories can be identical and none of the difficult valuation issues are necessarily avoided just because monetary valuation is restricted to items constituting the costs of a project (Spash, 2002). For example, carbon might be sequestered by planting trees, but this is a change in ecosystem type from the non-tree ecosystem to the forest. This means the value of the prior system (which will be lost) needs to be taken into account in any meaningful cost-effectiveness study. All the issues (e.g. discounting, strong uncertainty, incommensurability, non-marginal change, indeterminacy) relating to future benefits also relate to future costs.

I have pointed out elsewhere why the results of the Stern Report are not “robust”, contrary to Sen’s claim, and specifically because of the issues I raised being inadequately addressed (Spash, 2007). The reasons for urgency have little to do with either cost-effectiveness or cost-benefit analysis, or similar financial appraisals, and much to do with the potential for irreversible disasters and harming the innocent on a scale unprecedented in human history.

Closing Remark

The statement on ‘questions asked and questions put’ seems to return to an argument favouring pragmatism over content, and a very rhetorical one at that. For economists who have been offering criticism of orthodox economics Sen’s comments were seriously disappointing, and appeared contradictory of his own writings. As a member of the scientific committee, for this international ecological economics conference, I put Sen’s name forward to be an invited plenary speaker. Unfortunately he seemed either unaware of key issues, or just as keen as Stern and colleagues to put them to one side. If anyone is being censored here it would seem to be the critics by an economic elite rather than the other way around!!

Literature Cited

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