

**Václav Klaus**

**“From Climate Alarmism to Climate Realism”<sup>1</sup>**

**Mr. Chairman, ladies and gentlemen,**

I would like first of all to thank the organizers of this important conference for making it possible and also for inviting one politically incorrect politician from Central Europe to come and speak here. This meeting will undoubtedly make a significant contribution to the moving away from the irrational climate alarmism to the much needed climate realism.

I know it is difficult, to say anything interesting after two days of speeches and discussions here. If I am not wrong, I am the only speaker from a former communist country and I have to use this as a comparative - paradoxically - advantage. Each one of us has his or her experiences, prejudices and preferences. The ones that I have are - quite inevitably connected with the fact that I have spent most of my life under the communist regime. A week ago, I gave a speech at an official gathering at the Prague Castle commemorating the 60th anniversary of the 1948 communist putsch in the former Czechoslovakia. One of the arguments of my speech there, quoted in all the leading newspapers in the country the next morning, went as follows: "Future dangers will not come from the same source. The ideology will be different. Its essence will, nevertheless, be identical - the attractive, pathetic, at first sight noble idea that transcends the individual in the name of the common good, and the enormous self-confidence on the side of its proponents about their right to sacrifice the man and his freedom in order to make this idea reality." What I had in mind was, of course, environmentalism and its currently strongest version, climate alarmism.

This fear of mine is the driving force behind my active involvement in the Climate Change Debate and behind my being the only head of state who in September 2007 at the UN Climate Change Conference, only a few blocks away from here, openly and explicitly challenged the current global warming hysteria. My central argument was - in a condensed form - formulated in the subtitle of my recently published book devoted to this topic which asks: "What is Endangered: Climate or Freedom?" My answer is clear and resolute: "it is our freedom." I may also add "and our prosperity."<sup>2</sup>

What frustrates me is the feeling that everything has already been said and published, that all rational arguments have been used, yet it still does not help. Global warming alarmism is marching on. We have to therefore concentrate (here and elsewhere) not only on adding new arguments to the already existing ones, but also on the winning of additional supporters of our views. The insurmountable problem as I see it lies in the political populism of its exponents and in their unwillingness to listen to arguments. They - in spite of their public roles - maximize their own private utility function where utility is not any public good but their own private good - power, prestige, carrier, income, etc. It is difficult to motivate them differently. The only way out is to make the domain of their power over our lives much more limited. But this will be a different discussion.

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<sup>1</sup> Held by Czech president Vaclav Klaus at New York Climate Conference, 4 March 2008

<sup>2</sup> My contributions to this debate in English include: a speech in the Cato Institute ("Environmentalism and Other Challenges of the Current Era," Cato Institute Economic Development Bulletin, No. 10, April 20, 2007); an article in the Financial Times ("Freedom, not Climate, is at Risk," June 14, 2007); a speech at the UN Climate Change Conference (United Nations, New York, September 24th, 2007); a speech at the Ambrosetti Forum ("Global Warming Hysteria or Freedom and Prosperity?", Ambrosetti Forum, Villa d'Este, Cernobbio, September 7, 2007), etc.

My book "Modra, nikoli zelena planeta" (Blue Planet in Green Shackles), published in Czech in the spring of 2007, appeared at the end of 2007 in German. The Dutch and Polish translations will be out in several weeks' time and the English version, prepared for publication by the Competitive Enterprise Institute, will follow shortly thereafter, in May this year. Translations into other languages are under preparation. A strictly economic, technically rather sophisticated paper devoted to the topic of inter-temporal analysis, entitled "Towards a Critique of the Concepts of Solidarity and Discrimination as Applied in Inter-temporal Analyses of the so-called Global Problems" (written together with the Czech economist Dusan Tl'iska), was published in the Czech leading economic journal Politická Ekonomie (Vol. LV, No. 6, 2007).

We have to repeatedly deal with the simple questions that have been many times discussed here and elsewhere:

- 1) Is there a statistically significant global warming?
- 2) If so, is it man-made ?
- 3) If we decide to stop it, is there anything a man can do about it?
- 4) Should an eventual moderate temperature increase bother us?

We have our answers to these questions and are fortunate to have many well-known and respected experts here who have made important contributions in answering them. Yet, I am not sure this is enough. People tend to blindly believe in the IPCC's conclusions (especially in the easier to understand formulations presented in the "Summaries for Policymakers") despite the fact that from the very beginning, the IPCC has been a political rather than a scientific undertaking.

Many politicians, media commentators, public intellectuals, bureaucrats in more and more influential international organizations not only accept them but use them without qualifications which exist even in the IPCC documents. There are sometimes unexpected and for me unexplainable believers in these views. Few days ago, I have come across a lecture given by a very respected German economist (H. W. Sinn, "Global Warming: The Neglected Supply Side, in: The EEAG Report, CES info, Munich, 2008) who is in his other writings very critical of the German interventionist economic policies and state institutions. His acceptance of the "conventional IPCC wisdom" (perhaps un-wisdom) is striking. His words:

"the scientific evidence is overwhelming"; "the facts are undeniable";

"the temperature is extremely sensitive to even small variations in greenhouse gas concentration";

"if greenhouse gases were absent from the atmosphere, average temperature of the Earth's surface would be -6°C. With the greenhouse gases, the present average temperature is + 15°C. Therefore, the impact of CO<sub>2</sub> is enormous";

he was even surprised that "in spite of all the measures taken, emissions have accelerated in recent years. This poses a puzzle for economic theory!" he said.

To make it less of a puzzle, let me make two brief comments.

As an economist, I have to start by stressing the obvious. Carbon dioxide emissions do not fall from heaven. Their volume (ECO<sub>2</sub>) is a function of GDP per capita (which means of the size of economic activity, SEA), of the number of people (POP) and of the emissions intensity (EI), which is the amount of CO<sub>2</sub> emissions per dollar of GDP. This is usually expressed in a simple relationship which is, of course, a tautological identity:

$$ECO_2 = EI \times SEA \times POP$$

but with some assumption about causality it can be turned into a structural equation. What this relationship tells is simple: If we really want to decrease ECO<sub>2</sub> (which most of us assembled here today probably do not consider necessary), we have to either stop the economic growth and thus block further rise in the standard of living, or stop the population growth, or make miracles with the emissions intensity.

I am afraid there are people who want to stop the economic growth, the rise in the standard of living (though not their own) and the ability of man to use the expanding wealth, science and technology for solving the actual pressing problems of mankind, especially of the developing countries. This ambition goes very much against the past human experience which has always been connected with a strong motivation to go ahead and to better human conditions. There is no reason to make the above orchestrated change just now, especially with arguments based on such an incomplete and faulty science as is demonstrated by the IPCC. Human wants are unlimited and should stay so. Asceticism is a respectable individual attitude but should not be forcefully imposed upon the rest of us.

I am also afraid that the same people, imprisoned in the Malthusian tenets and in their own megalomaniac ambitions, want to regulate and constrain the demographic development, which is something only the totalitarian regimes have until now dared to think about or experiment with. Without resisting it we would find ourselves on the slippery "road to serfdom." The freedom to have children without regulation and control is one of the undisputable human rights and we have to say very loudly that we do respect it and will do so in the future as well.

There are people among the global warming alarmists who would protest against being included in any of these categories, but who do call for a radical decrease in carbon dioxide emissions. It can be achieved only by means of a radical decline in the emissions intensity. This is surprising because we probably believe in technical progress more than our opponents. We know, however, that such revolutions in economic efficiency (and emissions intensity is part of it) have never been realized in the past and will not happen in the future either. To expect anything like that is a non-serious speculation.

I recently looked at the European CO<sub>2</sub> emissions data covering the period 1990-2005, which means the Kyoto Protocol era. My conclusion is that in spite of many opposite statements the very robust relationship between CO<sub>2</sub> emissions and the rate of economic growth can't be disputed, at least in a relevant and meaningful time horizon. You don't need huge computer models to very easily distinguish three different types of countries in Europe: the EU less developed countries - Greece, Ireland, Portugal and Spain - which during this very period tried to catch up with the economic performance of the more developed EU countries. Their rapid economic growth led to the increase of their CO<sub>2</sub> emissions in 15 years (in which they signed Kyoto) by 53 %; the European post-communist countries which after the fall of communism went through a fundamental, voluntarily unorganized transformation shake-out and an inevitable radical economic restructuring with the heavy industry disappearing (not stagnating or retreating) practically over night. Their GDP drastically declined. These countries decreased their CO<sub>2</sub> emissions in the same period by 32 %; the "normal" EU, slow-growing if not stagnating countries (excluding Germany where it's difficult to eliminate the impact of the fact that the East German economy almost ceased to exist in that period) increased their CO<sub>2</sub> emissions by 4 %.

The huge differences in these three figures - +53 %, -32 % and +4 % - are almost fascinating. And yet, there is a dream among European politicians to reduce CO<sub>2</sub> emissions for the entire EU by 30 per cent in the next 13 years (compared to the 1990 level). What does it mean? Do they assume that all countries would undergo a similar economic shock as was experienced by the Central and Eastern European countries after the fall of communism? Now in the whole of Europe? Do they assume that European economically weaker countries would stop their catching-up process? Or do they intend to organize a decrease in the number of people living in Europe? Or do they expect a miracle in the development of the emissions/GDP ratio, which would require a technological revolution of unheard-of proportions? With the help of a - from Brussels organized - scientific and technological revolution?

What I see in Europe (and in the U.S. and other countries as well) is a powerful combination of irresponsibility, of wishful thinking, of implicit believing in some form of Malthusianism, of cynical approach of those who themselves are sufficiently well-off, together with the strong belief in the possibility of changing the economic nature of things through a radical political project.

This brings me to politics. As a politician who personally experienced communist central planning of all kinds of human activities, I feel obliged to bring back the already almost forgotten arguments used in the famous plan-versus-market debate in the 1930s in economic theory (between Mises and Hayek on the one side and Lange and Lerner on the other), the arguments we had been using for decades - till the moment of the fall of communism. Then they were quickly forgotten. The innocence with which climate alarmists and their fellow-travellers in politics and media now present and justify their ambitions to mastermind human society belongs to the same "fatal conceit." To my great despair, this is not sufficiently challenged neither in the field of social sciences, nor in the field of climatology. Especially the social sciences are suspiciously silent.

The climate alarmists believe in their own omnipotence, in knowing better than millions of rationally behaving men and women what is right or wrong, in their own ability to assemble all relevant data into their Central Climate Change Regulatory Office (CCCRO) equipped with huge supercomputers, in the possibility to give adequate instructions to hundreds of millions of individuals and institutions and in the non-existence of an incentive problem (and the resulting compliance or non-compliance of those who are supposed to follow these instructions).

We have to restart the discussion about the very nature of government and about the relationship between the individual and society. Now it concerns the whole of mankind, not just the citizens of one particular country. To discuss this means to look at the canonically structured theoretical discussion about socialism (or communism) and to learn the uncompromising lesson from the inevitable collapse of communism 18 years ago. It is not about climatology. It is about freedom. This should be the main message of our conference.

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