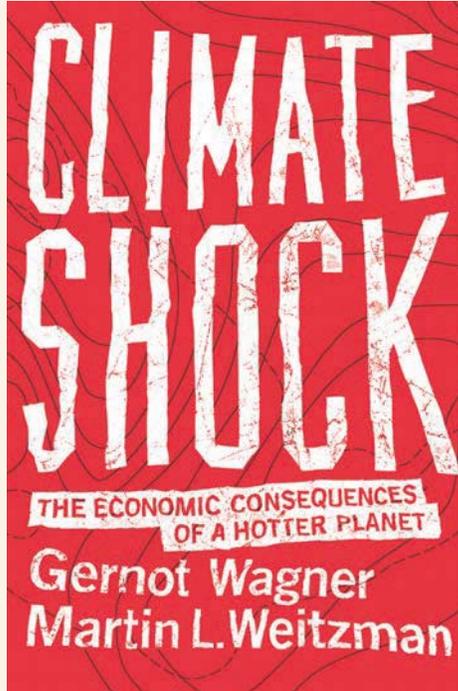


## 4 Trade

HOW KNOWING THE EXTREME RISKS OF  
CLIMATE CHANGE CAN HELP US PREPARE  
FOR AN UNCERTAIN FUTURE



“A remarkable book on climate change, *Climate Shock* is deeply insightful, challenging, eye-opening, thought-provoking, and sheer fun to read. It will help you to think clearly and incisively about one of the most important issues of our generation.”

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Cloth \$27.95T

978-0-691-15947-8

288 pages. 3 line illus. 5 tables. 5 1/2 x 8 1/2.

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## CLIMATE SHOCK

The Economic Consequences of a Hotter Planet

GERNOT WAGNER &  
MARTIN L. WEITZMAN

If you had a 10 percent chance of having a fatal car accident, you'd take necessary precautions. If your finances had a 10 percent chance of suffering a severe loss, you'd reevaluate your assets. So if we know the world is warming and there's a 10 percent chance this might eventually lead to a catastrophe beyond anything we could imagine, why aren't we doing more about climate change right now? We insure our lives against an uncertain future—why not our planet?

In *Climate Shock*, Gernot Wagner and Martin Weitzman explore in lively, clear terms the likely repercussions of a hotter planet, drawing on and expanding from work previously unavailable to general readers. They show that the longer we wait to act, the more likely it is that an extreme event will happen. A city might go underwater. A rogue nation might shoot particles into the Earth's atmosphere, geoengineering cooler temperatures. Zeroing in on the unknown extreme risks that may yet dwarf all else, the authors look at how the same economic forces that make sensible climate policies difficult to enact also make radical would-be fixes like geoengineering all the more probable. What we know about climate change is alarming enough. What we don't know about the extreme risks could be far more dangerous. Wagner and Weitzman help readers understand that we need to think about climate change in the same way that we think about insurance—as a risk management problem, only here on a global scale.

Demonstrating that climate change can and should be dealt with—and what could happen if we don't do so—*Climate Shock* tackles the defining environmental and public policy issue of our time.

**Gernot Wagner** is lead senior economist at the Environmental Defense Fund. He is the author of *But Will the Planet Notice?* (Hill & Wang). **Martin L. Weitzman** is professor of economics at Harvard University. His books include *Income, Wealth, and the Maximum Principle*. For more, see [www.gwagner.com](http://www.gwagner.com) and [scholar.harvard.edu/weitzman](http://scholar.harvard.edu/weitzman).

## An interview with Gernot Wagner &amp; Martin Weitzman

**There are plenty of books about climate change. How is this one different?**

**Gernot Wagner:** Most books are about what we know. Ours zeroes in on what we don't. The most interesting—and potentially frightening—aspects of climate change are in the “unknown unknowns,” so to speak. It's common to think a lot about this sort of uncertainty when it comes to financial markets, but less so when dealing with global warming.

**Martin L. Weitzman:** There's this long-standing belief in economics—and in the public characterization of the economic debate—that a balanced approach requires us to go slow: for example, start with a low carbon price that ratchets up over time.

That's fine as far as it goes, but it's based on what we know. What we don't know—the all-important tail risks—means that what's now perceived as the middle-of-the-road approach may well be on the conservative end of the spectrum.

**So, what do we know?**

**MLW:** We know that climate change is about risk management—on a planetary scale, with possibly catastrophic consequences. It's among the most difficult public policy problems the world has ever had to deal with. Doing something about it means tackling issues that go to the core of what drives—powers—the modern economy.

**GW:** We also know enough to act now. Whether the correct price of a ton of carbon dioxide is \$40 or ten times as much is largely beside the point. The world subsidizes fossil fuels to the tune of \$500 billion per year. That makes for an average carbon dioxide price of negative \$15 per ton. So, step one: let's get the sign right.

**I'm sold. What can I do?**

**GW:** Scream. Cope. And, as you may expect to hear from two economists: Profit. Let's make sure our politicians hear us loud and clear to put the right policies in place. Meanwhile, let's also prepare for what's in store ...

**MLW:** ... and let's guide investment decisions in a way to steer clear from the current high-carbon, low-efficiency trajectory and instead make the low-carbon, high-efficiency one the profitable path.

Economics—misguided economics—is the big problem. It's also the solution. Avoiding an eventual climate shock is all about correcting misguided market forces.

**GW:** This isn't about drawing up a battle between capitalism and the climate. It's about using the tools we have to get a handle on our uncertain future. We know what to do. Let's get to work.



Photo by Jennifer Weitzman

“Wagner and Weitzman's *Climate Shock* explores two of the most alarming risks from climate change: unpredictable catastrophes and the all-too-foreseeable human tampering with the environment. They explain how the same political barriers to addressing the problem will leave nations racing to deflect the damage through geoengineering. For anyone interested in the new risk landscape of our changing climate, *Climate Shock* is a compelling and highly recommended read.”

—Ian Bremmer, president of the Eurasia Group

“*Climate Shock* gives broad perspectives and logical tools that will let you think through the threat of climate change on the level of the best minds on this planet.”

—Peter C. Goldmark Jr., former president of the Rockefeller Foundation