

VoxEU: Climate change and the cost of inaction

Policy proposals to offset the effects of global warming would be strengthened if we knew more about the net economic benefits of climate action relative to business-as-usual. The cost of inaction may be equal to one-third of the growth rate of US GDP over the next 100 years. **By Ric Colacito, Bridget Hoffmann, Toan Phan from VoxEU**



Climate change protesters at a march in Oslo

Vox EU research provides direct evidence of a strong negative effect from rising summer temperatures on a wider range of US economic activity (Colacito et al. 2016). We combined our estimated impact coefficient with projections of the expected temperature increases under different emissions scenarios provided by climatologists. Our analysis ignores the potential effects of new technologies to cope with rising temperatures, but it measures the cost of inaction.

We calculated that the cost of climate change could be as large as one-third of the growth rate of US GDP over the next 100 years.

You can read the full article [here](#). Below is a key quote:

"Our analysis quantified the effect of rising temperatures across sectors of the US economy. We

find that an increase in average summer temperature has a pervasive effect on all industries, not just the sectors that are traditionally assumed to be vulnerable to climate change. [...] an increase in the average summer temperature has a negative effect on the growth rate of output of many industries, including finance, services, retail, wholesale, and construction that represent more than a third of gross domestic product (GDP). Only a few sectors such as utilities (1.8% of GDP) benefit from an increase in the average summer temperature."

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