

The economic impact of weather and climate

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Online Zoom:

<https://syddanskuni.zoom.us/j/63802457545>

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I propose a new conceptual framework to disentangle the impacts of weather and climate on economic activity and growth: A stochastic frontier model with climate in the production frontier and weather shocks as a source of technical inefficiency. I test it on a sample of 160 countries over the period 1950-2014. Results reconcile inconsistencies in previous studies: climate determines production possibilities in both rich and poor countries, whereas weather anomalies enhance inefficiency only in poor countries. In a long-run perspective, the climate effect dominates over the weather effect: simulations suggest that, in the worst-case scenario with unmitigated warming, climate change will curb global output by 13% by 2100, and that a large share of these damages would be avoided if warming were limited to 2C.