



OAKWORTH
CAPITAL BANK

COMMON CENTS

I was on the television this past Wednesday morning, and the show host asked me the following: “how will climate change impact the economy?” If you are prepared for it, this isn’t too terribly difficult a question. However, I really sort of wasn’t, as I had only seen the questions mere moments before going on the air.

So, I looked at him and stammered and stuttered as though I had been drinking. Um, well, er, ah. Trust me, drinking is a lot more fun than looking like you have been during an interview while on the TV.

“You know, Mike,” I said, “I have completely lost my train of thought.”

So, he asked me the question again, and this time I was able to answer it with something that made sense. The rest of the segment went well, but, brother, I was beside myself. While not exactly a regular, by any stretch, I have been on the television enough in my career to not make such a rookie mistake. It upset me, as I should have been able to formulate something, anything, to such a benign question during a 5-minute interview.

So, in some sort of way to redeem myself, I wrote on the subject for my weekly Montgomery Advertiser column: Here it is:

What is the impact of climate change on our economy?

That is a great question, and here is the easy answer: if all depends on how we respond to it.

If you believe man is the primary reason why global surface temperatures have been rising, what is the best thing we can do for the environment? That’s right, the best thing for the environment would be to eliminate man. However, I don’t know of too many people advocating such a thing.

The next best thing would be to quit having children, I mean a 0-child policy throughout the world. After all, when you produce kids you produce future little polluters. But, folks don’t seem to want that either.

And let’s face it: if the world were depopulated, economic growth would be 0%, and that doesn’t win votes, now does it? Ha.

It seems most solutions, if you want to call them that, for man-influenced climate change boil down to one common denominator: less consumption. If you save your statements on line instead of getting paper copies, that cuts down on paper usage, which cuts down on the amount of trees needed. If you drive a hybrid, or some other alternative fuel vehicle, you will cut down on energy use. If we make

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Climate change is a complex problem with no central lever, and with unequal distribution of resources.

Seth Priebatsch

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using coal prohibitively expensive, we idle vast industries which support mining the black rocks.

If you use reusable, biodegradable cloth bags at the grocery, you can cut down on the number of plastic and paper bags we throw away. Just don't question how it is the store happily sold you the new bags as a replacement for the ones they would have given you for free otherwise. Also, don't think about how paper is biodegradable as well, or how cotton depletes the soil whereas trees are a renewable resource.

Heck, if you think cow indigestion is a major cause of climate change, methane and all of that, you can quit eating red meat. Obviously, this will cut down on the amount of cows, and this would cut down on the demand for feed corn. This would cut down on the amount of corn we produce, which would cut down on the amount of fertilizer needed, which would reduce the amount of hazardous runoff. Still, it would cut down on the amount of animal fats and hides available for a variety of industrial uses, including energy.

Basically, for every well-intentioned action, there is an economic consequence. If eliminating man's detrimental impact on Mother Nature is the end aim, the desired goal, we simply need to quit producing men. If you can't abide by that, the only financially feasible options are to cut down on our caloric intake, stop traveling as much and such long distances, and reuse every possible thing we can. In so many words, we need to make do with less.

No matter on what side of the climate change argument you sit, no one can possibly argue less consumption, and by definition less pollution, is a bad thing for the environment. But it doesn't do a lot for economic growth, now does it? Particularly in an economy which is roughly 70% reliant on consumption!

After all, I can't fathom an economic model which works when demand falls through the floor. I guess we probably just need to figure out what exactly is desired outcome. You can make sentient arguments for either, but it is hard to find one that completely covers both.

There I go...quoting myself again. It would be the height of arrogance, admittedly, if it weren't so darn efficient. So, please understand this is expedience as opposed to ego.

You never know quite what will set off a newspaper reader, but I have a feeling this will rankle some. I might even get some nasty emails, which only mean someone is reading the piece, and that is all the paper and I care about. Besides, I read it, reread it, read it aloud, and came to the following conclusion: "there is nothing fundamentally wrong with this logic. It flows pretty well, and is inside the desired word count." There you have it: it reads purdy, ain't too long, and ain't completely crazy.

If it matters, I don't think man is **causing** global warming and climate change, as much as being a contributing factor, perhaps a very significant one. There are all sorts of things which can alter the climate: a shift in the magnetic pole and/or rotating axis; significant volcanic activity; a sharp increase in hydrothermal vent activity due to shifts in tectonic plates creating fissures on the seabed; perhaps sunspots, solar flares, and solar flares play a part, etc. You know, there are things we just can't control, no matter how hard we try. Even so, again, there is no way you can tell me 7 billion people consuming goods & services, needing clothing, shelter, and food, breathing, heeding the call of nature, and just otherwise being human isn't having an impact on the environment, a detrimental impact.

But, what to do?

Oh, there are any number of creative solutions. Wind farms and solar panels, and so much science fiction, but

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please note the phrase I used in the newspaper column: financially feasible. Then there are the environmental costs of so-called green energy. Let's consider some of the numbers:

The largest onshore wind farm in the United States is the Roscoe Wind Farm in Texas. This bad boy covers about 100,000 acres, uses 627 wind turbines, and generates 781.5 megawatts of electricity per year. According to the marketing material, this enough to power 250,000 homes per year. Wow, huh?

Well, how many 'homes' are there in the United States? According to the US Census Bureau, in 2010, there were about 130 million housing units in the country. So, some quick math ($130,000,000 / 250,000 =$) suggests we would need 520 Roscoe Wind Farms to power the US. At 100,000 acres a pop, that would be around 52 million acres dedicated to wind power. To put that into perspective, that is about the size of Kansas, the 13th largest state by land area....devoted to wind power. Then you have to consider broken terrain not suitable for a turbine, waterways, and already developed land. What sort of land mass would you need then?

Wouldn't that have some kind of environmental impact? Or flora and fauna? Or migratory bird populations? On songbirds and other native animals? Deer? Raccoons? Other? What about the cost associated with all of this? The turbines; the land leases; the installation; the maintenance; the write down of existing plants and equipment? Who is going to pay for all of this? The Federal government? Which is already in hock up to \$17 trillion? Brother.

This isn't about discrediting wind power, as it does have its place and should be part of the energy puzzle. However, I hope it shows just how expensive this whole debate is. Further, I didn't even touch on the jobs lost in the coal, nuclear, and natural gas industries such a shift would engender.

This takes me back to that original question: how will climate change impact the economy?

I think you can gather I don't think climate change is necessarily good for economic growth, because the best thing we can do for the environment is simply stop consuming as much as we do, across the board and across the globe. If the current level of greenhouse gases is as bad as we think it is for Mother Nature, we will have to slaughter a lot of livestock and reduce our collective carbon footprints significantly. We can't say: "oh, you get to increase over here, and you have to decrease over there." Nope, we have to set a global target of acceptable output at a much lower rate than where we are now, and that will or would have extremely negative effects for global consumption patterns, and therefore standards of living. Then we get into a question of fairness: is it fair for folks in, say, Burkina Faso to never get the chance to live like Americans currently do?

Again, I can't think of a single economic model which works well when the demand curve shifts sharply to the left. However, we need to ask ourselves the question: is man such a contributing factor to climate change we are willing to shift the demand curve significantly to the left. After know, we know that will hurt the average person...and it really isn't open for too much debate. I guess you can say the choice is ours to make.

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