

I've tried to post a comment on the above posting on your blog, but for reasons I don't understand I get a message that I haven't met pre-conditions, whatever they may be. I ask that you post the following comment on your site:

John, You're quite mistaken in thinking that the 'main claim' of Castles and Henderson is that the use of market exchange rates (MER) rather than purchasing power parity (PPP) converters biases projections of future emissions upwards. This can easily be established from our papers (see below). When I wrote to Dr. Pachauri on 17 December 2002 declining the IPCC's invitation to me to attend an imminent meeting of experts in Amsterdam, I offered to participate in 'a well-prepared discussion' later in 2003, focusing on the effect on emissions IF ANY of the Panel's use of MER converters. I also repeated the proposals I'd made in previous months for national accounts statisticians to be involved in the IPCC's scenario work, told Dr. Pachauri that Mr Dennis Trewin - the Australian Statistician and President of the International Statistical Institute - had advised me that the Australian Bureau of Statistics would be glad to assist the IPCC in this way, and expressed confidence that many other national statistical offices would be equally willing to help (I specifically mentioned to Dr. Pachauri that I was sure that Mr Len Cook, the head of the UK Office of National Statistics and former Chief Statistician of New Zealand would also be glad to help, and Len subsequently confirmed to me that this was the case).

It was only because of the IPCC's anxiety to clear up the issue before the plenary session of the Panel in Paris in February 2003 that David Henderson and I agreed to attend the Amsterdam meeting. And it was only when the IPCC had failed, after several weeks, to publish our presentations that we 'decided to send out our documents via the Internet, without recasting them - as a contribution, timely albeit rough and ready, to an important debate which was already under way.' (We did not 'supply' these papers to the Lavoisier Group: we agreed to their request, and that of The Economist, to publish the papers on their respective websites. The IPCC has

never published a report on the Amsterdam meeting).

In these and subsequent papers we greatly widened the scope of our criticism of the economic and statistical work of the IPCC and proposals for improvement in the next (now the current) assessment round. Specifically, we criticised many aspects of the IPCC scenarios other than the effect of 'PPP vs MER' on the projections of emissions, many aspects of the IPCC's reports and modus operandi other than its scenarios, and many aspects of the 'PPP vs MER' issue other than its ramifications for the work of the IPCC.

I don't know whether you had seen the 'Special Report' on 'The Costs of Global Warming' in the current (26 January 2006) issue of 'Nature' when you made your posting. Professor Richard Tol, a lead author and convening lead author in several previous IPCC Assessments, told Nature's correspondent that the convergence assumptions underlying the IPCC scenarios are 'ridiculous'; that 'You can't use flawed economic scenarios for any meaningful analysis of the impacts of climate change'; that 'the composition of the SRES teams was too narrow, and ... future efforts should have a wide range of experts'; and that 'instead of considering an ever wider range of possibilities, the IPCC needs to rethink its scenarios and come up with a selection of likely options based on more up-to-date economic theory.'

The 'Nature' article also says that 'many economists are vehemently questioning the assumptions on which the SRES scenarios are based' , that these assumptions are 'outdated and unreliable' and that 'this could have serious implications for assessments of climate change.'

As you know, the unanimous report of the all-Party Economic Committee of the House of Lords on The Economics of Climate Change reached similar conclusions. I'd thought you would have read this excellent report, but as you haven't cited most of the literature on the emissions scenarios to which the Committee drew attention, I conclude that you haven't done so.

The Castles and Henderson critique has been presented in a series of papers published since the original set of documents. Your 'full-scale' response does not mention any of these, much less begin to respond to them. Specifically, I refer you to our jointly-authored paper "Economics, emissions scenarios and the work of the IPCC" (Energy & Environment, 14 4 2003, 415-35); our jointly-authored paper "International comparisons of GDP: Issues of Theory and Practice" (World Economics, 6 1 January-March 2005: 55-84); David Henderson's paper "SRES, IPCC and the Treatment of Economic Issues: What Has Emerged?" (E&E, 16 3&4 2005: 549-78); our written (and in David's case, oral) submissions to the House of Lords Committee Inquiry; and the submission by David and three other leading British economists to the review of the economics of climate change being undertaken by a team led by Sir Nicholas Stern, Head of the UK Government Economic Service and former Chief Economist at the World Bank (and, I might add, a former student of Australia's Professor Max Corden).

You also fail to mention either of the published responses by teams of IPCC scenario authors which were published in Energy and Environment (I note that you describe E&E as a "contrarian social science journal", but Dr. Pachauri characterised it as "a leading international journal" in announcing to the IPCC Bureau that he had arranged for the first of these responses to be published in that journal). References to the SRES team responses will be found in the Lords Committee Report, footnote 52 on p. 33).

You also fail to mention a number of papers which have appeared in Energy & Environment which support elements of the Castles & Henderson critique (e.g., J. Ryten, 'MERs, PPPs and IPCC: Illusions and Reality, 15 3 2004: 363-67 ; W. McKibbin et al, 'Can the IPCC SRES be improved, 15 3 2004 351-62; and P B Dixon and MT Rimmer, 'Analysing convergence with a multi-country computable general equilibrium model: PPP Versus MER" 16 6 2005: 901-21). Our critique was also supported in many of the submissions to the House of Lords Committee inquiry.

Unfortunately, while omitting many peer-reviewed papers

relating to the emissions scenarios and related issues, you've given yet further currency to the seriously erroneous paper by Alan Manne and Richard Richels, 'Market Exchange Rates or Purchasing Power Parity: Does the Choice Make a Difference to the Climate Debate?', which was published in the AEI/Brookings Working Paper series in September 2003, and subsequently used by the IPCC in its press statement of 8 December 2003 dismissing the Castles and Henderson critique. This paper was strongly criticised by Professor Alan Heston at a Stanford Energy Modeling Forum workshop in February 2004. A revised version from which the most serious errors had been deleted was published in 'Climatic Change' in July 2004 with the following author's note:

'We make no attempt to evaluate the work reported in the SRES here and therefore pass no judgment as to whether or not an error was introduced. If for example one assumes that the real rate of growth measured in real domestic currency of a developing country's economy were the same as when measured in PPP, then there would be no problem if the modelers used the PPP rate for model calculations, and made the appropriate conversion to the MER based GDP value for reporting purposes.'

If I have correctly understood the meaning of this note, the authors are saying that no problems would arise as a result of using PPPs to convert values in national currencies into a common unit, so long as they are converted back into exchange rates for reporting purposes, thereby maintaining consistency with the erroneous data reported in the SRES.

I am especially concerned at your failure to cite the Castles and Henderson paper "International Comparisons of GDP: Issues of Theory and Practice", which was published in the peer-reviewed journal *World Economics* in early 2005. The International Advisory Board of this journal includes Sir Nicholas Stern (already mentioned), Robert Solow of MIT, Kenneth Rogoff of Harvard, Allan Meltzer of Carnegie Mellon, Alan Blinder of Princeton, Charles Bean of the LSE and a number of others. One of the four Executive Editors when our paper was under consideration for publication was the late David Pearce, a

deeply respected economist who subsequently became the special adviser to the House of Lords Committee. I am surprised that you have published your working paper, subtitled "A response to the Castles-Henderson critique of the IPCC", without mentioning this paper or considering the entirely different view of the 'issues of theory and practice' which arise in international comparisons of GDP which are put forward therein.

At my request, the publisher of World Economics, David Roberts agreed to the republication of our paper by ANU Eprints Repository, where it is available free online at <http://eprints.anu.edu.au/archive/00003050> . Mr. Roberts told me that he was giving his agreement to this course because of the importance of the paper. As a minimum, I believe that you need to revise your draft paper to explain why you disagree with the main arguments in this paper.