The problem of compensation and moral economies of climate change

Rebecca Elliott

The climate crisis is here. Wildfires, running hotter and longer, burn homes to ash. Storms dump more water, faster, onto areas that have been paved over and built up, submerging private property and public infrastructure. Already-observed sea level rise has eaten away at coastal shorelines and generated "sunny-day" flooding from high tides, disrupting normal routines. So who pays for all this loss and damage, and how much?

By now, economic sociology has taught us a great deal about economic approaches to accounting for and mitigating future or further climate change, that is, the ways various actors have marshalled markets and market technologies to measure, price, and exchange emissions, and the politics thereof (e.g., Engels and Wang 2018; Liu 2017; Lohmann 2009; Lovell 2014; MacKenzie 2009). We know a good deal less about complicated questions related to the economic implications of climate change's effects – effects which are no longer hypothetical but rather are already being felt and addressed, in uneven ways, around the world.

In the spirit of strengthening the engagement of economic sociology with this particular dimension of climate change, here I sketch out contested issues of *compensation* for climate change, where processes familiar to economic sociologists – commensuration, economization, valuation – reveal the play of economic techniques and rationalities, configurations of knowledge and political power, murky and contested boundaries between public and private, and cultural understandings of worth and worthiness. I raise and illustrate some ways economic sociology might productively examine compensation for climate change by situating the discussion first in the empirical domain of insurance: the arena I study and one in which actors are already involved in sorting these issues out as a matter of economic practice (Elliott 2021). I then take the questions about compensation that arise in the insurance context and consider how they might be ripe for examination in other emergent arenas of compensation. And because processes of compensation typically involve designations of responsibility, I conclude with some discussion of how tracing those processes yields insight into moral economies of climate change.

Compensation for climate change with or without "climate change"

Compensatory arrangements already exist and function to distribute funds to those who find themselves affected by floods, storms, droughts, and wildfires – events that climate scientists view as influenced by climate change. Some of these arrangements are organized through insurance institutions, which pay out claims to people for such losses whether anyone is talking about climate change or not. I once asked the president of a U.S. insurance trade association how his member firms were preparing for climate change and he explained to me that they didn't need to account for climate change *per se*. They were, after all, in the business of assessing, pricing, and protecting against risk, with contracts typically written on a year-to-year basis. If the risks of various perils were indeed changing, insurance operations would adapt as they always had: by updating their assessments, premiums, and terms of contracts accordingly. As and when policyholders suffered losses, they would make their claims as usual and be compensated for the losses they experienced.

One task for economic sociologists then is to trace how and with what effects climate change – decomposed into its constituent hazards – is channeled through existing financial institutions and particularly those that establish arrangements for risk-spreading,

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risk-transfer, indemnification, property valuation, and redistribution (Grove 2010; Johnson 2015; Taylor 2020; Weinkle 2019), even where frontal engagements with "climate change" may appear inconsistently or not at all. Through risk assessment and actuarial techniques, insurance economizes the natural hazards that are intensifying with climate change, and in doing so defines and distributes the costs of climate change. As economic sociologists well know, these processes of risk assessment and economization, however arcane, technical, and objective they might appear, involve human judgments of what is or is not relevant to various calculations. These judgments in turn mobilize particular social models and values, as well as reflect organizational decisions and constraints. Risk assessments and economizations don't simply solve pre-existing problems, but instead work to define problems in the first place, in this case setting the financial terms upon which compensation for climate change can be secured. Furthermore, through setting the terms of contracts and selling policies, insurers decide what losses to include or exclude, as well as whose risks to include or exclude. These decisions effectively constitute climate communities of fate, creating specific obligations and entitlements vis-à-vis collective resources that pay for the losses faced by members (Heimer 1985; Lehtonen and Liukko 2015). By tracing how monetary amounts are estimated and disbursed, and to whom, economic sociology can provide insight as to how different people will fare as the climate changes.

Other important economic sociology questions emerge where the elegant logic of "normal" insurance compensation, as outlined by the trade association president, has begun to break down. Mounting catastrophic losses have in fact strained the ability of some insurance institutions to compensate policyholders; catastrophic losses have become routine losses. This has unsettled prevailing distributions of responsibilities across the state, the market, and individuals. In the U.S., the National Flood Insurance Program (NFIP), a public, federal program that insures most homes and small businesses, has been tens of billions of dollars in debt to the U.S. Treasury since Hurricane Katrina in 2005. Claims vastly outstripped premium revenues and, despite having large portions of its debt forgiven by Congress in the years since, the NFIP has never been able to claw its way out of the red. When catastrophic losses occur one after the next, the NFIP's duty to compensate policyholders implicates budgetary constraints, public liabilities, and taxpayer obligations (Elliott 2021).

This has not just been a problem for public insurance institutions. In October 2020, a few private property insurers in Florida went into receivership due to the stresses of recent hurricane seasons and storm losses, shedding policies that are likely to be picked up by the state's public insurer. In California, private insurance claims related to wildfires in recent years have also driven several insurance companies out of business, leaving policyholders reliant on public backstops. Other insurers responded by "pricing in" the changing risk, but higher premiums put insurance coverage effectively out of reach for those who could no longer afford to buy their way into private networks of risk-sharing. Some companies have refused to renew policies at all because they no longer expect to be able to meet their potential liabilities. The problem of compensating catastrophic loss can in these ways lead to the creation of "protection gaps," where people have uneven access to financial security as they confront a warming and more volatile world (Jarzabkowski et al. 2019; Johnson 2015). What all this might inspire for economic sociologists is an examination of how compensation for climate change reveals or troubles the boundaries between public and private, state and market, as well as how actors imagine that markets, or market-like technologies and arrangements, can or ought to work to manage the potentially enormous losses of climate change (Christophers 2019; Gray 2017; Hirschman and Popp Berman 2014; Mitchell 1999).

Compensation for climate change beyond insurance

Economic sociologists might transport concerns that arise in the world of insurance, about how and with what effects costs are estimated, attributed to climate change or not, and distributed, to other emergent arenas of compensation for climate change. After all, insurance is one way of compensating loss and damage, but there are others (O'Malley 2003). Disaster relief and foreign aid, often raised through tax revenues, do the same thing. Here the redistribution of resources, domestically or internationally, makes compensation possible. For decades now, small island states and developing countries have been trying to secure redistribution from the rich world explicitly to compensate them for climate change, in light of the fact that they will suffer worst from the effects of global warming but have contributed the least to global emissions. There have been steps toward this, despite the resistance of rich countries and particularly the United States. The United Nations Framework Convention on Climate Change (UNFCCC) enacted the Warsaw International Mechanism for Loss and Damage Associated with Climate Change Impacts at the 19th Confer-

ence of Parties in 2013. This "L&D" mechanism concedes that there are limits to adaptation and that some losses are now unavoidable (Tschakert et al. 2017). As currently written, the mechanism includes language that loss and damage "does not involve or provide a basis for any liability or compensation," but legal scholars and policy actors have begun to consider how it might nevertheless create paths to financial support. Part of that project is to establish credible chains of attribution, directly connecting specific, observed, quantified loss and damage first to climate change and then to emissions from the rich world. We might follow these policy developments, and the calculations therein, as a way to gain insight into how differently positioned actors marshal and mix economic styles of reasoning with other forms of expertise, as well as diverse logics of worth (Boltanski and Thévenot 2006) in order to justify or refuse projects of global redistribution for climate change's effects.

Lawsuits are another way to secure compensation for loss. In recent years, U.S. cities, states, and children have brought lawsuits against fossil fuel companies, seeking to hold those companies accountable for the damages caused by climate change. As of date of writing, several challenges continue to make their way through the courts. As Marion Fourcade's (2011) study of litigation to compensate damage from oil spills teaches us, the adjudication of damages in the court systems provides a context for social actors to arrive at various valuations of nature, in which they work out the worth of what has been lost or damaged in monetary terms. Where climate change has begun to figure in court cases, economic sociologists might be attentive to how climate science and other forms of expertise, organizational and institutional histories, and cultural attachments to nature come together in ways that shape if and how compensation is awarded. We might also examine how the pursuit of compensation through litigation reveals the articulation of different kinds of "communities of fate," where people are brought together not through insurance solidarity but through identification as injured parties, claimants, or victims.

In insurance, global governance, the courts, and beyond, the matter of compensation for climate change also raises questions about the larger place of money in responding to climate change. Economic sociologists might engage with the inevitable limits of compensation to leave people "made whole" when they face some of the losses of climate change. Monetary compensation can restore property and other things that can be assessed in monetary terms. But a flood, fire, drought, or storm can disrupt and destroy things that cannot be commensurated and economized so easily: a sense of security, a rhythm of life, an emotional connection to home and place. Money may be an inadequate or only partially adequate response to the losses of some things that matter, that are worth something to people, inviting further exploration of how monetary compensation might in fact "distort the stakes of a decision for different groups," as Wendy Espeland (1998, xiii) puts it, and shape the kinds and amounts of compensation that people desire and find acceptable.

Compensation and moral economies of climate change

The questions of who pays for climate change and how much are conspicuously questions of responsibility. Processes of compensation attribute responsibility, in multiple senses of the word: responsibility for causing a loss, responsibility for doing something about a loss, responsibility that we have to each other (Baker 2002). In the face of further climate change, contestation over compensation will involve claims-making around what is right, deserved, and fair, and the success of these claims will influence the material resources that are ultimately made available to recover from the impacts of climate change, and to whom they are made available.

Ideas about what is prudent and fair will also shape how people think about what compensation does or should do. For example, perceptions that insurance compensation enables people to continue to rebuild unwisely in harm's way have fed a growing chorus of voices – coming from inside and outside governments – calling for different incentives and requirements that would push people out of floodplains, storm-exposed coasts, and the wildland-urban interface, rather than allow them to "get back to normal." This is regarded not only as prudent, because it looks something like adaptation to climate change, but also as fair to taxpayers who don't live in those areas, but who do bear the burden of disaster relief that covers uninsured losses, pays to rebuild public infrastructure, and fills the gap when insurance institutions can't meet their claims.

By following developments in compensation for climate change, where various attributions of responsibility are contested, economic sociology can illuminate facets of emergent moral economies of climate change. This is to say: through tracing the imbrication of stated and unstated moral commitments and normative visions of climate futures with economic arrangements, we can deepen understanding of how precisely climate change is constituted as an economic problem, and for whom.

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