Taking Nature into Account: a Report to the Club of Rome. Wouter van Dieren (ed). Copernicus. Springer Verlag. New York, NY, 1995

This report to the Club of Rome "aims to guide the noneconomist through [the environmental] debate and to provide him or her with the intellectual ammunition to enter into it." It begins by proclaiming a concern that the debate "threatens to be dominated by economists." The book fully justifies this concern.

It is a frustrating book. Twenty-five well-known environmentalists, mostly economists, are listed in the preface as contributors, with van Dieren described as the editor, but it is frequently unclear who is responsible for what. This makes life difficult for a reviewer interested in accurate attribution, especially since the editor admits that the contributors sometimes quarreled, and that not all of them "necessarily agree with every conclusion."

The book conveys mixed messages. The conclusion, which appears to be the work of the editor, makes an urgent plea for "integrating environmental values into the System of National Accounts" (291), a process which involves the "pricing of nature." But earlier, chapter 5 (attributed to Paul Ekins), acknowledges the "difficulty and arbitrariness of attaching money values or appropriate weights" to components of welfare, such as nature, and concludes that "the search for a single index of welfare is misguided." (80)

The final chapter considers why there should be resistance to putting a price on nature, and concludes, after some curious theological speculation, that such resistance is illogical:

> "Whatever choices are made to correct GDP, they will always entail some calculation of the costs of depreciation, depletion, or simply consumption of natural goods, in some way reflecting their estimated value. It is obvious that our society adheres to an ethic that holds that nature is God, and consequently that any pricing of nature is an act of blasphemy. This is an understandable reaction, to which we can only respond that advocates of this view must realize that they should then take a similar stand towards those who exploit God's nature, an act which is then logically, also blasphemous." (279)

All the contributors appear to agree that GDP, as presently constituted, is not a trustworthy indicator of "progress" but, despite the book's title, agreement eludes them about the degree to which GDP is capable of "correction" to yield an alternative indicator that better takes nature into account.

The final chapter blames the existence of contending methodologies, the jealousy with which disputatious experts guard their different approaches, and the absence of a forum promoting constructive debate. It notes, by way of illustration, that in Indonesia six methodologies have been tried without any conclusions being drawn about their respective merits. But no clear way forward emerges.

The book's main "recommendation" is a call for "the experts to reach a consensus" on a methodology that will capture "value changes of nonproduced natural assets" in order that an "Environmentally-adjusted Domestic Product (EDP)" might be calculated. (294) This appeal is either naive or disingenuous.

There is a well-known and insurmountable problem standing in the way of such a consensus: there is, and can be, no uncontentious method of monetary valuation that can cope with environmental losses. The problem has been endlessly, and fruitlessly, debated by economists seeking to resolve environmental controversies with cost-benefit analysis. The conclusion to this debate, which economists have been reluctant to accept, is that there is no objective value of nature waiting to be uncovered by clever measurement techniques. The "cash value" of every aspect of nature threatened by "development" - of every tree, every bird, every species, and every cherished view - is the amount of money that every individual in the world would be willing to accept as compensation for its loss. If someone has *rights* to something - be it clean air or water, a view, or an interest in an endangered species - the value of that something is what that someone says it is - i.e. the sum of money that he would accept as compensation for its loss, ***not*** the amount he could afford, and be willing to pay to prevent its loss. This is central to the Pareto Principle which requires that, when deciding whether a project is of benefit to society, the benefits must be measured in terms of what people are willing to pay for them, and the costs in terms of what the losers would accept as compensation. It is a principle that economists routinely honour in the breech.

Chapter 14 - apparently the work of the editor, since it is attributed to no named contributor - asserts that "the most prominent valuation method for estimating nonmarket costs borne are the different types of contingent valuation, especially the so-called 'willingness-to-pay approach." (242) That the chapter does not even refer to the "willingness-to-accept-compensation approach" is perhaps understandable but inexcusable. It is understandable because without a workable method for pricing nature much of the conceptual apparatus of economics becomes useless for resolving environmental issues.

Economists are free to seek to discover the value of an environmental loss, but they must not decide this value for the losers. Routinely when economists have attempted, through contingent valuation surveys, to ascertain what people would accept as compensation for environmental losses, they have encountered people who are inconsolable by mere cash. In practice, the Pareto Principle simply does not work; hence the temptation to substitute willingness-to-pay for willingness-to-accept valuations. But even using this measure the economist frequently encounters "protest voters", people who refuse to give what the economist considers rational answers. The attraction of the willingness-to-pay question for economists is that the answers can be subjected to ability-to-pay credibility checks - thereby giving the economist grounds for rejecting valuations considered extreme. The result, however, is a bias against the environments of the poor, who can afford very little, and a bias in favour of "development" and against the environment generally - even for the wealthy some things are beyond price.

Pretending that this well-known problem does not exist is unlikely to assist the development of the consensus this book claims to be seeking about how to deal with contemporary environmental problems. Certainly there are ways - discussed in the book - in which GDP might be cleaned-up, so that it includes fewer environmental bads and defensive expenditures. But beyond that a much more hopeful way of dealing with the numerous non-economic consequences of traditional economic growth as measured by GDP, is the approach advocated by Ekins - the development of a framework of indicators, with each indicator expressed in units appropriate to the consequence of interest. It has, after all, been known since the time of Midas that when everything is reduce to gold, nothing is of any value.

John Adams
UCL
30.12.1997