

ECONOMISTS AND THE ENVIRONMENT

Economists are increasingly jumping on the "environment bandwagon". On the whole this is a welcome development. Economists are trained to cost things, and to balance cost and benefit. Together with scientists they inject a hard-headed note into an area of debate which is all too often dominated by woolly and emotional thinking.

This week the Institute for Fiscal Studies launched its environment programme with a one-day seminar on the Environment White Paper. Some interesting points emerged:

- David Pearce argued that the "greening" of Whitehall was one of the most important aspects of the White Paper. He had in mind MISC 141, the allocation of specific responsibilities for the environment to a Minister in each Department and the interdepartmental group of economists.
- He added wryly that he had found Whitehall much more receptive to new ideas than he had expected.
- He suggested that he was moving away from the idea of environmental accounting at national level. The effort involved would be huge. There was no evidence that countries which had gone down this route - Norway, France and Indonesia - had actually changed their policies as a result. It really did not look worth the candle.

- David Newbury of Cambridge said that the USA had spent enormous sums of money trying to calculate the actual damage done by acid rain. The cost of measurable damage to fish stocks and the commercial viability of forests was pretty low - certainly lower than the cost to industry of fitting flue gas desulphurisation equipment.
  
- He went on to characterise the acid rain issue in the EC as a "fit up" by the Germans. The Greens had forced German industry to embark on an expensive programme to reduce sulphur emissions. To ensure that they remained competitive, German industry had responded by insisting that the rest of the Community should do likewise. The UK should recognise this reality when it came to reconsider sulphur emission limits in 1994. Combatting SO<sub>2</sub> often resulted in more CO<sub>2</sub>.
  
- Dieter Helm of Oxford said that the policy which dominated the writing of the White Paper was the need for successful privatisation of the electricity industry (quite true). This had set the parameters before the idea of a White Paper on the environment came up. It was a pity that the structure for the electricity supply industry had been set up in such a way that there was no incentive for suppliers to encourage energy conservation.
  
- He went on to ridicule the recent Labour Party proposals on the environment because of their obsession with preserving the position of British Coal.

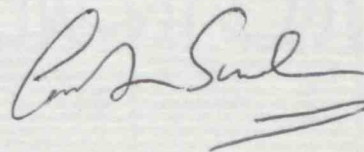
### Conclusion

There is a danger that environmental economists will gallop down

the road in search of monetary values to put on intangible things such as virgin forest, or unspoiled landscape. Such values could prove a Holy Grail, and the road a cul-de-sac.

But there will be other economists who will argue that in any case such "soft" costs cannot be added or compared to "hard" ones, such as the cost to industry of reducing water pollution. Disagreement among economists - which is a pretty safe bet - will remain a healthy corrective to "green" pressure to spend more and more on preserving the environment for its own sake.

There is a lively debate among economists on these issues in the USA. There are signs of it getting underway in the UK. But there is not much evidence of a parallel debate in the rest of the EC, except perhaps in the Netherlands. This is a pity: the absence of such debate leaves too much of the field to green emotion.



CAROLYN SINCLAIR

105.CS