

ENVIRONMENTAL ECONOMICS FOR NON-ECONOMISTS

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Over the last decade or so, the dialogue between environmentalists and economists has been both tenuous and difficult, with the two groups taking rather extreme positions and behaving like trains that pass in the night. However, the discipline of environmental economics has been growing and now encompasses a number of concepts familiar to economists, but often seen as incomprehensible to environmentalists. Nevertheless, as most of the world marches to the beat of the profit motive, there is an urgent need to help those who wish to protect the environment and manage our natural resources to be able to present their case to economic and political planners and to devise policy options seen as feasible and sellable. To date, in many economies of the world, there have been efforts to legislate solutions to environmental problems. These have inevitably run into problems of enforcement and interpretation and have not been very effective in achieving the stated goals. More recently, and particularly in more developed countries, there have been efforts to design and implement market-based solutions which rely on the use of traditional economic concepts.

Market-based instruments in the area of environmental management have been sold as providing less costly policy options, and as easier to implement devices requiring less policing. Environmental economics provides the theory and logic behind arguments on the use of economic incentives and disincentives in environment and natural resource management. Discrepancies between theory and practice, so often the case with traditional economics, are largely due to the existence of uncertainty as well as the relative political attractiveness of certain economic tools. Moreover, uncertainties in the world of environmental economics are even larger than those of pure economics as there is a very high level of uncertainty involved in dose-response relationships, in the evaluation of the true value of environmental assets and of environmental damage etc.

With such uncertainties, the practicality of the theory of environmental economics must seem much less clear than that of market economics. For example, a change in the corporate tax rate has a definitive implication for the direction of behavioural changes of the economic actors in the market, while the implications of a tax change related to the levels of pollution emitted by the associated economic activities is not at all clear. Nevertheless, the analytical path of environmental

economics can provide some insights into the implications of various policy options for economic activity. However, the book itself is by no means responsible for the uncertainties of the environmental economics!

Given that environmental economics is built on traditional microeconomic theory, the author inevitably has to face the challenge of explaining an applied form of economic theory to those who do not have any economics background. For example, non-economist readers will have to try to understand the theory of marginal costs and Pareto improvement in the context of environmental economics without prior knowledge of the economic theory behind these concepts. The author's rather ambitious task is thus to overcome these difficulties and so make the theory of environmental economics understandable to non-economists.

Part I presents an introduction to the ideas behind the "ecological economy" as well as basic economic theory. Chapter 2 introduces the relatively new subdiscipline of ecological economics rather extensively as an introduction to environmental economics. The chapter will be informative for economists as well, though some "economists" might find it difficult to digest the concept. Other chapters provide a background on environmental economic theory as derived from basic microeconomic theory, which should be very familiar for economists and comprehensible to environmentalists of various disciplines.

Part II provides an introduction to the policy tools promoted by the believers in environmental economics. As the title of this book demonstrates, the focus is on the academic knowledge of the instruments of environmental economics, with some limited examples of actual data and situations. It is thus designed to help with the understanding of the tools themselves rather than present problems with their real life import and solution. This part will be dense reading for many non-economists as it provides a fairly detailed introduction to the various concepts and approaches of decision-making tools in the world of environmental economics. It may be easier reading for many economists who can spot the theory behind the policy tools discussed.

In rather a sharp juxtaposition, Part III of the book provides an overview of global environmental issues and the associated economic theories that the author sees they are related to. There is some reference to the practices related to these issues in the countries in the ESCAP region, although inevitably those references are simply to illustrate the theoretical discussion rather than to analyse the individual examples. Also each of these topics has been the subject of full books on their own.

Nevertheless, Part III would be a good introduction for non-economists, including policy makers, to gain a general understanding of issues related to environmentally sustainable development. This part includes chapters on the relationship between population growth, resource use and environment, trade and environment, and on sustainable development. However, the chapter on trade and environment appears to be focused more on economic growth and environment than trade per se, including a discussion on possible links between economic growth and

environmental degradation. The chapter on sustainable development introduces the main underlying concepts rather than highlight the theoretical challenges to them. It somehow reminds us of the many documents on sustainable development policy issues produced by international organizations since Rio.

This reviewer would like to congratulate the author for taking on the challenge of explaining environmental economists to non-economists. The author has demonstrated the complexities of the subject, the recent advances in academic thinking behind the new approaches being proposed and the vast range of policy tools that now exist, at least on paper. It remains to be seen how many of these actually make it into the day-to-day tool kit of planners in developing countries, especially of those who are not in the mainstream of economic planning. This reviewer has the feeling that the book as such is of more use in the academic field in developed countries, rather than being within the corpus of developing country practitioners. Consequently its true value lies more in building awareness than as a manual for planners seeking to protect the environment in developing countries.

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* The views expressed in this review are those of the reviewer and do not necessarily reflect those of the United Nations.