

20th anniversary

EAERE

EUROPEAN ASSOCIATION OF ENVIRONMENTAL AND RESOURCE ECONOMISTS

1990 - 2010: 20 years at the service of environmental
and resource economics in Europe and beyond



www.eaere.org



Partha Dasgupta, President

Environmental and resource economics occupies a curious place in contemporary economics. I know of no economist who does not regard Nature to be a vital capital asset, nor do I know any economist who doesn't regard Humanity's dealings with Nature to involve inter-temporal externalities; and yet, most economists appear to be convinced that technological advances and the accumulation of reproducible capital and growth in human capital can overcome diminutions in natural capital. Otherwise it is hard to explain why twentieth-century economics has been so detached from the environmental sciences. Judging by the profession's writings, we economists see Nature, when we see it at all, as a backdrop from which resources and services can be drawn in isolation. Macroeconomic forecasts routinely exclude natural capital, and accounting for Nature, if it comes into the calculus at all, is an afterthought to the real business of "doing economics". When asked, economists acknowledge Nature's existence, but many deny she is worth much at the margin. I have heard professional colleagues remark at seminars that the services Nature provides amount at best to 2-3% of an economy's output, which is the share of agriculture in the gross domestic product of the United States. Why, they ask, should one incorporate a capital asset in macro-economic models of growth and distribution when it is of negligible importance?

Typically, growth models assume that Nature is a fixed, indestructible factor of production (Ricardo's "land"). The problem with the assumption is that it is wrong: Nature consists of degradable resources. Agricultural land, forests, watersheds, fisheries, fresh water sources, wetlands, the atmosphere - more generally, ecosystems - are assets that are self-regenerative but suffer from depletion or deterioration when they are over-used. Moreover, the environmental sciences tell us that the elasticity of substitution between reproducible capital and human capital, on the one hand, and vital forms of natural capital, on the other, are less than one (Ehrlich and Goulder, 2007). It may have been understandable of economists to assume that Nature doesn't need to be counted at a time when natural resources were abundant relative to the demand that was made of them, but it isn't understandable in models of development possibilities open to the world today.

The stance taken in modern growth models is questionable also because property rights to natural capital are often either vaguely defined or weakly enforced, implying that Nature's services are underpriced in the market. Official statistics on national income certainly give the impression that at the margin natural capital is of small importance; but official statistics are built on market prices, not shadow prices. Studies of local ecosystems suggest that if shadow prices were to be used in economic statistics, the decomposition of national income into its various components would look quite different. The recent literature on sustainable development is a directed move toward the inclusion of natural capital in national accounts so that we are better able to assess the progress or regress of nations (Arrow et al., 2003).

Distortions in the pricing of primary factors of production filter down to influence research and development. The latter in turn influences the character of technological change. Because Nature's services are underpriced in the market, innovators have little reason to economize on their use. We shouldn't be surprised when new technologies are rapacious in the use of natural capital.

Modern growth theories ignore every layer of those resource allocation failures. Recent concerns over global climate change and the growing scarcity of fresh water in the world's poorest regions are perhaps the first acknowledgement among mainstream development economists and international development agencies that at the scales at which the world economy has been operating for some time, Nature is in many aspects fragile. The Millennium Ecosystem Assessment (MEA, 2003) is the first global study of the state of the environment. The publication and the technical reports that accompanied it make for uneasy reading: the Assessment found that 15 of the 24 major ecosystems that were examined are either already degraded or currently subject to unsustainable use.

In any case we should be skeptical of a view of economic progress that places such enormous burden on an experience not much more than 250 years old. Extrapolation into the past is a sobering exercise: over the long haul of history (a 5000 years stretch, say, up to about 250 years ago), economic growth even in the currently-rich regions was for most of the time not much above zero. The study of possible feedback loops between poverty, population growth, and the character and performance of both human institutions and natural capital is not common currency in modern growth models. Which is probably why environmental and resource economics remains isolated from the main body of contemporary economic thinking.

Evidence of that isolation has been provided strikingly, even if unintentionally, by Kim et al. (2006), who identified what has mattered to the economics profession since 1970, by surveying 41 of the most prominent refereed economics journals. In his Plenary Lecture in 2007 at the Annual Conference of the European Association of Environmental and Resource Economists, Ehrlich (2008: p.16) observed that the following words appeared neither in Kim et al. (2006), nor in the titles of the top 146 articles (500 cites or more) in those 41 journals: "abatement, aquifer, ..., biotic, ..., carrying capacity, climate, ..., ecosystem, ..., fertility, forest, ..., pollution, population, poverty, ..., soil, ..., toxic, ..., warming, and water."

It is because such a key set of capital assets as those that comprise Nature receives little attention in economics that EAERE is of enormous social value. Since its establishment twenty years ago, our Association has promoted a culture of environmental and resource concerns that has breadth, depth, clarity, and is infused with wide social sympathy. EAERE has done that not only by organizing an annual conference (attendance at which has increased annually to more than 700 last year), but also by sponsoring an annual Summer School series for young economists, on specialized themes within our subject area. EAERE has widened the scope of our subject by inviting ecologists and environmental scientists to participate in our activities and it has advanced our subject through our journal, Environmental and Resource Economics. Our profession should be grateful to EAERE's founders and proud of its achievements. It's been a great twenty years. We all wish it an even greater future.

Partha Dasgupta

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Karl-Göran Mäler, Founding Member

In the early 70's, I had the fortune to spend half a year at Resources for the Future, Washington DC. At that time, there were very few opportunities for international collaboration in economics. At RFF cooperation among researchers was a rule and not an exception, and lunches were filled with scientific discussions. It was like a dream. I was convinced that such collaborations and exchanges of ideas and results were necessary to develop our subject. I asked myself often, why could we not have something similar in Europe? The person who was responsible and who should be honoured for establishing EAERE - Henk Folmer - gathered a small group of young scholars in Wageningen in 1989. They agreed to form a European network and to organize regular meetings in view of encouraging a real intellectual exchange among European environmental and resource economists. Meanwhile, David Pearce had had similar thoughts and had been able to obtain financial support from the European Economic Community. As a result the Association got past the planning stage. The first European conference in Venice in 1990 was a wonderful event and gave us participants the opportunity to spend time together, discussing issues that were close to our hearts. It had the typical format of a conference, but in my opinion, the really productive part were the informal meetings between scholars to discuss common ideas and common problems. That was my dream and I am so pleased that it has been fulfilled through EAERE.



Thomas Sterner, Former President (2008-2009)

EAERE 20 years! Happy birthday EAERE! Other youngsters who turn 20 worry about how to find a job, a place in society and the meaning of life. You do not have to worry about that: the way things are going, there will be plenty to do for environmental economists. 20 years ago, we had to motivate the words "Environmental Economics" since audiences thought they did not fit together. Now our society is growing by leaps and bounds and we have to make sure our own growth is sustainable. Do take the opportunity to make a difference but don't get overworked, desperate and pessimistic.



Anastasios Xepapadeas, Former President (2006-2007)

Looking back, I can clearly see the constructive role that EAERE has played in the development of Environmental and Resource Economics within Europe. I can see the tangible results of the collaborations between environmental economists, not just within Europe but the world over. EAERE is much more than just a scientific association. EAERE is a group devoted to positive achievements, a group interested in activities designed to improve world conditions. It is a place where multicultural collaboration is encouraged, where friendships are created and renewed, where scientific innovation is promoted, where colleagues just entering the field can find support. I look forward to seeing EAERE continue to expand, inspire, produce, and make a difference in today's world.



Frank J. Convery, Former President (2004-2005)

The transition to effective administration. Secretariat moved with President / Many costs - erratic record keeping, communications deficit, huge transaction costs / Major incentive not to take on the Presidency / Solution - contract administration to FEEM, funded by levy. / Controversial but necessary / Enter Monica
Recognition of outstanding achievement. No systematic recognition of excellence / Solution - Outstanding Achievement Awards / Intellectual - supply side, who say / But also Practitioners - demand side, who do
ERE Journal. Rows with Henry / Narrowing the Gap with JEEM / Enter Ian
Europe leader in application. Europe chisels in stone / The rest of the world / Knits in wool / EAERE take a bow



Alistair Ulph, Former President (2000-2001)

I am delighted to congratulate EAERE on its 20th Anniversary. It has been an excellent supporter of and advocate for our discipline over its 20 years. Three significant developments took place while I was President. First, we re-introduced the Summer School for post-graduate students. Second, we changed EAERE's constitution so that a President serves a term as President-elect before taking up the Presidency and Council members serve longer but staggered terms of office. Finally we renegotiated the terms of the agreement with Kluwer for publishing Environmental and Resource Economics.



Aart de Zeeuw, Former President (1998-1999)

EAERE has turned into a big success. It started as a European association for environmental and resource economists but the meetings are attended by scientists from all over the world. EAERE has shown how Europe can develop a strong scientific force by creating an institution establishing contacts between scientists from different European countries. The networks of the future are built through the Venice Summer Schools. But like *mens sana in corpore sano*: it would not have worked without the family feeling and social activities the EAERE meetings have provided.



Rüdiger Pethig, Former President (1994-1995)

Happy bicentennial anniversary, EAERE! Before EAERE, environmental and resource economics was perceived as a niche of few (ill-guided?) scattered economists. In Europe, little information was available about researchers in the field and their not yet published work. EAERE changed all that significantly. It created an annual forum for new research and fostered networking. By now EAERE is well established and prosperous. Yet better connections with the Eastern European community remain a major task. *Ad multos annos, EAERE!*