

Jan Bojö, Karl-Göran Mäler and Lena Unemo: Environment and Development: An Economic Approach. Kluwer Academic Publishers 1992. ISBN 0-7923-1878-1

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This book is the second edition of a text based on a report commissioned by the Swedish International Development Agency (SIDA). It is intended as a contribution to the effort of incorporating environmental concerns into development work, and the authors endeavor to demonstrate the practical usefulness, and the difficulties, of applying economics to environmental problems. In justifying what is special about this edition, reference is made in the foreword to the shared concern of the authors that policy failures are often overlooked as an obstacle to efficient environmental management.

More specific aims of the book are (i) to discuss, from an economic perspective, the causes of environmental degradation, (ii) to provide a conceptual framework for the organization of information in order to enhance environmental decision-making, (iii) to provide an overview of economic methods that can assist in the valuation of environmental costs and benefits, and (iv) to give examples of applications of the theoretical methods described.

Despite - or perhaps because of - this challenging agenda the three writers explicitly abstain from claiming to have obtained new results. Instead, they limit themselves to asserting that they have their own way of presenting the subject matter. It is, however, quite clear that different people have contributed, and the chapters vary in both style and technical detail. This contributes to giving the volume a somewhat uneven quality from one chapter to the next. The book is, nonetheless, meant to be read by anyone interested in the subject matter, without formal education in economics.

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The book contains seven chapters, including a summary but no conclusion, and the analysis is carried out from three major perspectives: (i) general policy, (ii) environmental policy, and (iii) the project level. The summary is succinctly written, but appears as a left over from the executive summary of the original SIDA report. It is not really needed in the present academic volume. A concluding chapter drawing the various threads and findings together would have been much more appropriate.

Chapter 2 is a very brief introduction with background information and a clarification of for example the concept of sustainability. This is useful, but the arguments are well known by now. The same accounts for the review in chapter 3 of the concept of market failures. It is, in this context, illustrative of the approach chosen that hardly any attention is given to distributional issues. This is hardly satisfactory, not only on moral grounds, but also because the usual separability of equity and efficiency of orthodox economics cannot be taken for given in developing country context. In addition, the present reviewer does not agree that the concern for improved income distribution is simply one that has to be dealt with on the macro level.

Given the key importance assigned by the authors to policy failures in environmental management, section 3.3 on policy failures is somewhat disappointing. This section tries to cover a wide range of issues in just a few pages. It ends up being rather superficial - and the terminology used is a bit puzzling. To identify the lack of well defined property rights and the existence of political elites as policy failures rather than as complex development issues is certainly to stretch the concept of policy failure a bit too far. The same can be said about some of the observations made about population growth.

This critique is put further into perspective by the fact that very little concrete documentation is provided on the policy failure theme elsewhere in the book (except for the few additional case studies added to the last chapter of the book). As such the authors do not really succeed in establishing in a convincing

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manner the significant role, they assign to policy failures on the basis of a priori expectations. It remains a hypothesis to be tested.

Chapter 4 discusses general equilibrium analysis and national accounting. It is from the outset argued that the core theory of economics is the Walrasian theory of general equilibrium. Nevertheless, the material reviewed in chapter 4 is not really used in other parts of the book, and could easily have been left out, except for the summary review of aggregate welfare measures. The reviewer - when reading this chapter - also felt that at least a reference should have been made to the fact that many of the contributions of development economics to economics were conceived by the "tribe" of the "develops" when they moved away from the making of "exquisite models finely carved from bones of Walras" (to use terminology phrased by Leijonhufvud).

The presentation of the national accounts in a SAM (Social Accounting Matrix) framework is standard. No effort is made to distinguish between value added (gross domestic product) and national income. This is noted because this is usually difficult for non-economists to grasp. Moreover, the SAMs presented have - despite their potential usefulness with which the reviewer agrees - not been adapted to typical third world characteristics. The reader is also left speculating over why the experiences using the modified accounts are so limited.

The theoretical core of the book is chapter 5, which is a competent review of economic project analysis. The menu of approaches to environmental valuation is well prepared, and the importance of the material presented is obvious in light of the very interesting case material reviewed in chapter 7. The chapter also meets the objective of being accessible to the non-specialist reader.

Chapter 6 on environmental policy analysis - which has been added to the new edition - does not, however, achieve this goal. Valid points are made, and the review is certainly interesting, but it is not integrated with the rest of the text. An obvious illustration of this can be found on p. 23, where it is stated that the appropriate design of such policy will not be discussed, while in reality this would seem to be the major reason for having revised the

book.

In summary, this book is a good survey of the key analytical methods with which economists are experimenting for use in the analysis of environmental problems. As such the text can be recommended to generalists as well as decision-makers working in this area. However, the book is too sketchy for the specialist, on the one hand, and many non-economists will find parts of the book - such as chapter 6 - difficult to digest.

Moreover, it would have been more appropriate to entitle the volume something like environmental analysis: an economic approach. While developing countries are referred to, only limited attention is given to the wider issues of development and the inter-linkages between environmental problems and development issues. The case-studies contained in chapter 7 can be recommended to everyone, however. In fact, this material deserves a whole book on its own.

