
Mark Sagoff is at the University of Maryland and is well known to environmental economists as a persistent critic. In many ways, this volume develops and expands upon his earlier work, The Economy of the Earth, also published by Cambridge University Press, in 1988. Both volumes attack the notion of economic value, particularly when it is applied to non-market goods. Environmental policy cannot therefore be informed by these notions of economic value because those notions are illusory. One cannot, for example, observe maximum willingness-to-pay. Instead, environmental policy rests, or ought to rest (it isn’t always clear which of these alternatives Sagoff believes), on notions of intrinsic and aesthetic value, and of what is right. Those notions are revealed, says Sagoff, in our political choices when we act as citizens and not as self-interested individuals.

Sagoff’s persistence in criticising economics, and environmental economics in particular, must imply either that he is right in his criticisms and no-one has shown him to be wrong, or he is wrong and knows not that he is wrong. I suspect it is a mixture of both: there are legitimate criticisms of environmental economics, environmental economists have not been particularly concerned to shoot down their critics as much as they should have been, and Sagoff has not always understood them when they have responded. But this is fine. Economists need to be on their toes and they should take the trouble to defend their subject unless it is indefensible.

The problem for the reviewer is that it is hard to know where to begin. For example, there are, says Sagoff, moral imperatives and we do not bargain over those imperatives, or ask their price. They are simply the right things to do. This is quite different to asking ‘what is good for me’. The former reflects a social judgement made because things are good for society in general. The latter reflects self-serving interests. Sagoff argues that we cannot mix the two and make what is good for society determined by what is good for me (or, more accurately, the sum across all individuals of what is good for each individual). It comes as no surprise to learn that environmental issues,
according to Sagoff, are to be determined by the former and not the latter. But the distinction will hardly surprise any economist raised to learn that there is an endless array of social welfare functions (SWFs), some of which look remarkably like the self-serving ones Sagoff has in mind as being espoused by economists, and some of which look remarkably like his ‘citizen’ social welfare function. Honest economists would say that we have no particular rule for choosing one SWF over another in terms of what we ought to do. Benthamite SWFs in which we sum individuals’ willingness to pay and subtract their willingness to accept compensation define economically popular SWFs, but so do distributionally weighted SWFs in which those measures of welfare are adjusted to get closer to a pure utilitarian measure. Rawlsian-style SWFs also figure prominently. So, the first problem is that Sagoff has assumed adherence to a specific SWF on the part of economists. The second problem is that Sagoff shifts unnervingly between ‘is’ and ‘ought’ statements. Some parts of the book read as if we actually behave exclusively like citizens when we vote and we actually behave exclusively like self-interested beings in the supermarket. But the most casual observation suggests that we frequently do not vote altruistically or out of social concern in the political arena: narrow self-interest is frequently a very good predictor of voting behaviour. If this were not true it would be hard to understand why the USA will not take climate change control seriously, why the environment does not figure in the six top priorities of the UK government in an election year (2005), or why the USA spends one hundred times more on the health of US citizens than it does on saving lives overseas. Neither can our behaviour in markets easily be explained by narrow self-interest – think of inheritance bequests, and buying organic food or eco-friendly products. Think of household behaviour and the occasions when parents choose to maximise household welfare, not their own utility. The reality is that both voting and market behaviour are mixtures of concerns. The world of utility maximisation is not necessarily one of pure self-interest. What enters the utility function is not prescribed by economics. Sagoff is not describing a world of actual behaviour, but a world he might personally want to see us operating in. If so, many of us would have no quarrel with the idea that we ought to behave differently on many occasions compared to the way we do behave. But economists are nothing if not naively democratic. What people want matters because the freedom to choose matters. That is a value judgement which drives a SWF closer to honouring what people want than it is to Sagoff’s ideal voter or ideal consumer. But there is no logical argument for favouring one over the other. But not giving high profile to wants invites the overriding of wants or, worse, their re-education, Orwellian style. (Disturbingly, that is a feature of some of the so-called ‘ecological economics’ now portrayed in the literature.) In short, if we all agreed on the good society and all happily voted for it, then we have no problems. But we do not behave that