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Commentary

The limits of monetization in valuing the environment A reply to Gsottbauer et al.

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We welcome the attention of Gsottbauer, Logar, and van den Bergh (thereinafter GLV) to our contribution. However, their critique misrepresents what our article was trying to do, so it merits a response.

Our article offered a framework for assessing the conditions under which one may, or may not engage with processes that value nature in money terms. GLV argue that, first, we confuse monetary valuation methods with pricing policies, and that most of what we have to say may be relevant for the latter but not for the former. Second, they argue that the assessment criteria we propose are either obvious or unconvincing. Third, they contend that the examples we give to illustrate the applicability of our criteria are not representative. And finally, they suggest that our concern with whether a particular monetary valuation study or pricing policy contributes to enclosures and neo-liberalism is ideological and not scientific. Let us respond to each of those criticisms in turn.

1. The Scope of the Article

GLV call on us repeatedly for not assessing the pros and cons of specific monetary valuation methods. They remind us the difference that different designs make. However, methodology was not the purpose of our article. In our article we made clear that we consider the methodological discussion exhausted within ecological economics. Precisely what we wanted was to shift the focus of ecological economists from that of practitioners pre-occupied with methods, to the broader socio-political context, within which their practice takes place.

To this end, the innovation of our article was to propose to see monetary valuation studies as instances of a broader phenomenon. At hindsight, our choice of the term "monetary valuation" for describing this broader phenomenon might have been confusing. It made some, though fortunately not all, think that we refer exclusively to studies and methods. We were instead referring to what, for reasons of further clarity, we may now call *monetization*: the assignment of monetary values to environmental goods and services. Money values may be assigned to an environmental good by a study, a price, a market, a tax or simply by decree or a court. One might conduct a study to assess a money value for carbon, or establish a carbon market and let it fix that value. From this perspective, monetary valuation studies and pricing instruments are different instances of monetization. They do different things, but have in common the same end-effect: the assignment of a monetary value to an environmental good or service. Our criteria were meant to assess when and under what conditions and contexts assigning such a money sign makes sense, and when not. In this, and only this sense our criteria were meant to be applicable both to studies and pricing policies.

GLV criticize us for what they see as a blanket-rejection of pricing and monetary valuation studies. Yet, nowhere in our article did we claim such a generalized conclusion in favor or against. On the contrary, we urged for caution both by those who without second thought jump on the bandwagon of markets and prices, and by those who unconditionally say "no", whenever a money sign appears. We wanted to explore, when, and under what contexts, monetization makes sense, and when not. GLV protest that environmental taxes, subsidy-based Payments for Ecosystem Services (PES), or well-designed water prices do not contribute to the commodification of nature that we criticize. But, precisely, this was our point too, and this is why we provided as examples that conform to our criteria a well-designed water policy and a non-market PES.

2. The Criteria

We offered four criteria: whether an act or process of monetization improves environmental conditions; whether it contributes to equality; whether it reduces the plurality of different ways of valuing nature; and whether it contributes to political projects of enclosure,

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commodification and privatization (for short-hand, “neo-liberal” projects). GLV had problems both with the criteria and the way we applied them.

GLV argue that no scientists would be involved in a monetary valuation study, if they did not believe it would improve the environment. We contest this assertion: ever since Beckerman or Nordhaus, the purpose of monetary valuation has been as much to prove that it is cheaper to destroy the environment or “wait and see”, rather than to sacrifice growth. There are several examples of monetary valuation and cost–benefit studies used to justify development projects that damaged the environment, from the Severn river barrage in England (Hanley and Spash, 1993), to net present valuation of forests in India (Temper and Martinez-Alier, 2013) and the use of the Stern report to justify new airport lanes for London on the basis that lost time by the “jet classes” is more expensive than deaths from climate change in Bangladesh (Spash, 2013). Not *all* monetary valuation studies have this intent, or this result: we take issue only with those that do have it. And we urge practitioners to pay attention to the purpose their studies serve, and the context in which they take place.

Our normative criterion of equality was dismissed by GLV because they content that “all serious, effective regulation will [anyway] involve distributional effects”. Our paper was not concerned with “*all*” environmental regulation, but only with that which assigns a monetary value to nature. And our criterion was not whether monetization has *any* distributional effect, but whether it has a progressive effect, meaning redistribution to those who have less. In that case we approve it. If it is regressive, we reject it.

Concerning the third criterion, plural languages of valuation, we understood this to be a foundational criterion for ecological economics (Spash, 2012; Martinez-Alier et al., 1998; Norgaard, 1989) and did not provide much explaining. GLV claim that “other, non-monetary valuation approaches” have problems too. This is the subject of a different paper, that GLV are more than welcome to write. We were concerned here with those approaches that monetize, not with *all* approaches. Our point was not that other valuation approaches are better, but that when one single approach and logic start colonizing and displacing others, then this is a problem. It brings value reductionism. GLV claim that “many if not most political decisions related to rights and safety are made without any previous monetary assessments”. This is good, and it should continue being like that.

In many instances in their commentary, they argue that one can design a price or a monetary valuation study in a way that would contribute to equality or maintain a plurality of ways of valuing. Well, when one does so, then this is more likely to satisfy our criteria for accepting monetization. Of course, when we assess a hypothetical policy, we cannot consider all other contextual factors that might change; so often we used in our article “ceteris paribus” clauses, i.e. we assessed monetization, assuming other factors equal. This is a standard way of arguing in science. Ceteris paribus, paying in money for something that was previously provided collectively (and possibly financed by general revenue) will increase inequality since the poor have less purchase power, unless the collective provision was for some reason more regressive (Hirsch, 1976; Sandel, 2012). This defies our second criterion. Shifting for example, from a water pricing system where prices are low because costs were subsidized by general (progressive) taxation to one where each user pays for their consumption is, other factors equal, regressive, and this can only be partially alleviated by block pricing.[1] Of course, it all depends on the specifics: if a water utility introduces full cost pricing and then gives water for free to the bottom 50% of consumers subsidized by the 10 or 1% of the richest consumers, this will obviously satisfy our equality criterion. Our point was precisely to evaluate each case separately and carefully.

3. The Examples

The examples we gave were not meant to be “exhaustive” or “representative” (GLV's words). They were meant to be *illustrative*; illustrative of cases where monetization should be rejected and cases where it could be endorsed (under conditions). GLV often call on us for proving that *all* monetary valuation studies or *all* PES have the effects we suggest. We could not do this, we had since there are no sufficient meta-analyses testing the effects of monetary valuation studies or PES. We did not aspire to provide the ultimate word on the usefulness or not of monetary valuation or PES. What we wanted was to illustrate with examples types of cases that can go right and types of cases that can go wrong.

More specifically, the intention of the examples was to illustrate two things.

First, that it makes a big difference whether monetization involves an explicit commensuration of nature with money, or whether instead the use of money is purely instrumental and subjected to other logics and ways of valuing, as for example is the case with an environmental tax or a court fine. If what is expressed in money terms is the value of an investment, the cost of damage or the level of a fine, then this is good. If what is expressed is the intrinsic value of an environmental feature, then this is a problem, and it defies our third criterion.

Second, we wanted to show that *context matters*. If a monetary valuation study is carried within a socio-political context that favors regulation and taxation, and not neo-liberal deregulation, then it is more likely to conform with our criteria; if the opposite, then no. Same with water pricing reforms: if they take place within a context of privatization, and their objective is profit and capital accumulation, then they are unlikely to satisfy our criteria. If they are part of an overall process of conserving water and distributing access more equally among users, then they may be useful instruments.

It is true that we did not give examples of a monetary valuation or a cost–benefit study (though we did give an example of the use of monetary valuation studies in the Chevron court case in Ecuador, that we approved of). This is because we agree with Plumecocq (2014) that such studies have received more attention than is necessary in the pages of this journal. We did refer however to the Costanza et al. (1997) study. And actually, we were much kinder to it, than GLV suggest, if one compares our verdict to that of other ecological economists. Unlike what GLV understood from our paper, we did recognize that the Costanza study itself may have been neutral with respect to regulation versus commodification. We criticized it however, because in the context within which it took place, a period of deregulation of environmental law in the U.S. and a Congressional wave against so-called “command and control” regulation in favor of market instruments, its effects could not have been neutral. Costanza and environmental economists did unfortunately important intellectual and discursive work in establishing a frame and a worldview that see nature as commensurable with money. To say that this had nothing to do with the subsequent explosion of PES and market schemes, or the exponential use of valuation studies and CBA in environmental policy, is naïve. Accepting however that this may not have been the initial intention of Costanza, we referred to the “tragedy of well-meant valuation” (Gómez-Baggethun and Ruiz-Pérez, 2011), which despite good intentions does the discursive work necessary for commodification.

4. A New Example

Since GLV want to see our framework applied to a monetary valuation study, let us give an example that will be familiar to them: a

[1] On a side note, let us point that block pricing is unlikely to be as progressive as taxation. Water is charged per household, and larger families, often of lower income, end up paying more per person with block tariffs, than smaller (or single) households, that generally tend to be of higher income. This could be addressed with adjusting prices to the number of household members, but monitoring and administering such a system could be very expensive and uncertain.

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