

BY CLIVE L SPASH

David Pearce, economist who put a price on the environment

David Pearce, born London October 1941, professor of political economy, Aberdeen University (1977-83), professor of economics, University College London (1983-2004), personal advisor to Secretary of State for the Environment (1989-1992), director, Centre for Social and Economic Research on the Global Environment (CSERGE) at UCL and University of East Anglia (1991-1996). Died 8 September 2005.

David Pearce, who has died suddenly aged 63, was among few European academics in the 1970s to focus on the connections between the environment and economy. With Mick Common he initiated the environmental economics study group and established a degree programme "economics with ecology" in 1974 at Southampton University. These initiatives were well ahead of their time in the UK.

The thrust of work at this time was in the US where mathematical rigour was being applied to develop a neoclassical theory of the environment. David's concerns were more with the applied and policy side of environmental economics and initially energy policy. His 1978 text, *Environmental Economics*, was written in an easy and accessible style. It gave attention to ecological insights and basic theoretical concepts. David's early contributions addressed the threshold effects imposed by natural system boundaries, and the impact of discounting on intergenerational equity. After a visit to the University of Wyoming, he adopted ideas such as the role of ethical objective functions in determining resource distribution across time. The area of ethical concern had grown, with the former most fully expressed in ecological economics and the latter in environmental ethics.

Cost-benefit analysis

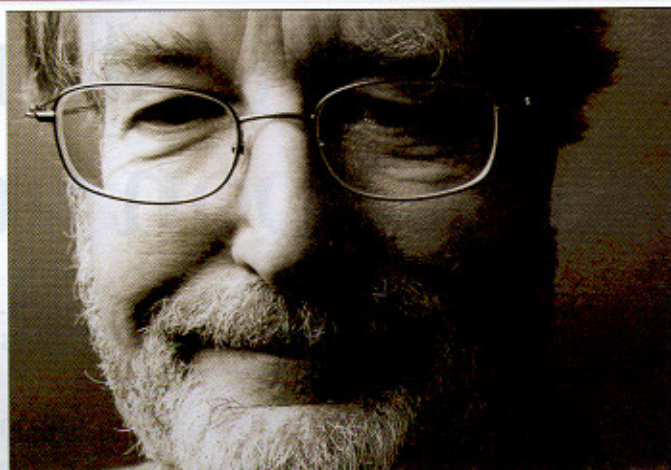
However, David went in a different direction. He moved heavily into cost-benefit analysis as developed by economists in the US for project appraisal. He then spent some time in the wilderness, mainly producing reports for the OECD. However, the cost-benefit focus finally paid off when the political climate changed around 1989.

Election results showed a swing towards green parties across Europe. In the UK, the Thatcher Government was looking for easy options with political gain. It promoted such things as carbon limits relative to 1980, which had actually already been achieved by the near destruction of the coal industry. Cost-benefit analysis of the environment fitted well within the political context of free markets, as it had done in the US almost a decade earlier.

The Government commissioned David to produce a report on how to apply environmental economics - which led to the much-cited *Blueprint for a Green Economy*, co-written with Ed Barbier and Anil Markandya. Again, it was written in an accessible style without the theoretical rigour found in North American texts of the time. In the UK it became widely regarded as an authoritative source.

At the same time David combined forces with Kerry Turner and Tim O'Riordan to form CSERGE, funded by the Economic and Social Research Council, which became a dominant institution for economic research on the environment.

The political and economic aspects of that institution never really linked up and wider perspectives on environment-economy interactions were pursued in the UK by non-economists elsewhere, such as sociologists and philosophers at Lancaster University.



David Pearce 1941-2005

As head of the economics division and CSERGE director, David was well-placed and funded to establish a research agenda of national importance. This showed David's qualities as a synthesiser and promoter of ideas. He used this position to raise public awareness of environmental economic analysis and to strongly advocate the policy of pricing all aspects of the environment.

However, the idea of pricing the environment, taken from the simple externality theory, with a pollution tax or permit charge was, in terms of actual policy-making, far from either straightforward or uncontroversial. As David championed cost-benefit analysis, he also left far behind the ethical and ecological concerns of his earlier career. These issues came back repeatedly to haunt him.

Defender of the faith

In the mid to late 1990s David became a defender of the neoclassical faith. He gave a plenary speech to the European Society for Ecological Economics where he chided those present for questioning the mainstream economic model. Similarly in public lectures he derided environmental ethics as a discipline. It provided fundamental challenges to his approach and raised the concepts of pluralism, incommensurability and non-utilitarian philosophies.

As with many driven people, David was often vehement in his attacks on those he believed to be misguided. In return he was also attacked. A climax came with his contribution to the second assessment report to the Intergovernmental Panel on Climate Change.

David incorporated work by Samuel Frankhauser his doctoral student. But in editing, many of the original qualifications failed to make the final draft. Among controversial issues was the differential valuation of human loss of life between industrially developed and developing economies. The use of aggregated numbers transferred out of context and with inadequate qualification has become the bane of environmental cost-benefit analysis.

David promoted a single pragmatic solution to environmental problems. The cost-benefit approach he championed has persisted as an important element in environmental decision-making. He will be remembered as the UK's most prominent advocate for pricing the environment in the belief that, through instruments such as landfill taxes and emissions trading, free market economies could achieve sustainable development with minimal government intervention. ■

Professor Spash is research chair in the department of geography and environment at the University of Aberdeen and programme head for socio-economic research at the Macaulay Institute. He is currently president of the European Society for Ecological Economics. His book, Greenhouse economics: Values and ethics, was published in 2002.