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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.

contingent valuation of beach erosion in the coast of Croatia that two of them co-authored (Logar and van den Bergh, 2012). Remember, our goal here is not to assess the methodological rigor of this study, which we have no reason to doubt, but its relevance. Would such a study contribute to our four goals? Should environmentalists or authorities engage with it?

The study asks respondents how much they would be willing to pay for a fee to access a beach that is currently public.[2] The fee would pay to protect the beach from erosion. Concerning our first criterion, ex-ante we do not have reasons to question the intentions of our colleagues to contribute to environmental improvement. It does strike us as strange though that, on their own admission, they did not know if the beach at stake suffered from erosion (pebbled beaches, as the one concerned, normally do not erode). Ex-post, the verdict is open on whether the study made any difference to Croatia's coastal environment. From the article we learn that erosion is an issue in other beaches in the area. Yet there is no information given on its causes. So it is very hard to judge why and how enclosing the beaches and applying fees would address the problem, other than by raising funds for the authorities to bring the sand back, which is however only a temporal solution to erosion.

Second, in terms of equality, the Croatia study does not incorporate any of the elements GLV suggest that valuation studies *could* have in order to account for distribution (income-based weights, etc.). Furthermore, if the beach fee were to be implemented, then, other factors equal, it would likely have a regressive effect, since each and every user, independent of income, would be charged to access a popular beach that is now freely available to anyone and conserved by public funds, i.e. paid by progressive taxation.

In terms of the third criterion the study seems to fare relatively well. It does not assume commensurability between the coastal environment and money. It only values how much users would be willing to pay for a public investment, i.e. for the municipality to bring sand back to the beach. On the other hand, the study does not make any effort either to integrate monetary valuation with the non-monetary valuing schemes, such as forums or referenda, that GLV say in their commentary are available and can be used in a plural spirit alongside monetary valuation.

Finally, concerning context we know very little about Croatia in order to judge. We do note though that there exist processes of privatization and concerns about the selling out of Croatia's coast (Ballinger, 2003). The study evaluated however a municipal fee, and not a private or hotel fee, which is good. Ex-post one would have to see what role this study, and studies like this, played in policy debates about the enclosure of Croatia's coasts and the institutionalization of access fees that Ballinger refers to.

The study therefore passes criterion 3, fails criterion 2, potentially is irrelevant in terms of criterion 1, and its relation to criterion 4 requires more information than what is provided in the article. Overall, we are skeptical of its usefulness. One might argue indeed that this was a purely experimental study investigating the effects of uncertainty on stated preferences, and therefore not meant to be directly useful, but useful through methodological innovation. Fair enough. But one might also then question why conduct studies that have no relation with, or contribution to the local context. Even if our preference for action-based or policy-relevant research is subjective, we still wonder why the researchers of the Croatia study devoted their scarce time to a methodological detail of a tool that at best, can assess only a small part of complex policy decisions from only one dimension (monetary value), and not for example, on developing multi-dimensional or referenda-like tools. This would be much more consistent with the preference they express in their most recent commentary for methods that handle all "standard criteria for evaluating policy instruments suggested in textbooks on environmental economics", such as "environmental effectiveness", "efficiency" and "distribution" (Gsottbauer et al., 2015-in this issue). Contingent valuation does not.

5. On Ideology

GLV suggest that our negative take on enclosures and neo-liberalism is ideological, by which they mean biased. Our short essay here is not the place to evaluate the social and environmental record of neo-liberal reforms. Let us accept that our criteria are *partly* ideological, as all normative criteria are. What surprises us is that GLV insinuate that somehow their approach is less ideological or biased than ours (if they would accept that theirs is ideological at all). They cannot see how "a valuation study that considers the option of a property right conveys a neo-liberal … viewpoint" (Gsottbauer et al., 2015-in this issue). So, we will try to help them see this point.

The Croatia study could approach coastal erosion (assuming there was one), by evaluating a whole range of policy instruments: a beach fee, taxes and tax-funded state investments, regulation to zone or prohibit eroding activities, a tax on the tourism entrepreneurs that profit from the beach or on those who build on the coast, or a requirement to local businesspeople to set up a fund and protect the beach. These are all different options, with very different distributive consequences, starting from different ideological premises on what is just and who should pay what. Logar and van den Bergh (2012) sidestep such complex issues, defending their choice on the basis that as a matter of fact "there are many cases in which public funds for natural resource management and preservation are insufficient [and since] such sites generate benefits … to their users, it is not unreasonable to ask them to pay part of the costs associated with the specific resource management or conservation" (p. 186). Accordingly, they had no reservations to tell their interviewees "that the costs of beach protection against erosion cannot be covered from the town budget, so that the town authorities have decided to ask people who actually use the beach to pay for these costs in the form of a (higher) beach entrance fee" (p. 187), though this was something they did not know. In other words, they took for granted that public funds are somehow exogenously running out, and not e.g. because of the diminishing power of public institutions, tax avoidance and tax havens by wealthy Croatians, or deregulation of corporate capital flows. They also assumed that users should pay themselves for public services rather than the state secure them in common and fund them through progressive taxation or by asking the economic actors that benefit to pay them. And they assume that this is representative of "many cases". That states are running out of money and that individuals should themselves assume the costs of the welfare state are central premises of the neo-liberal doctrine (Harvey, 2005).

GLV argue that there is nothing ideological in studies such as theirs, since respondents can attach a low value to the property option, or prefer another instrument. Preferring another instrument was not an option in the Croatian study. And even if it were, it would start at a disadvantage, given the biased information the researchers gave to the interviewees. They told them that the beach will disappear in ten years unless action is taken now (a completely hypothetical statement), and that neither the municipality nor anyone else could pay for it. Is it a surprise then that a well-meant citizen will agree to pay something?

The argument also that if people did not agree they could give a low value has also – at least – three drawbacks. First, it assumes "one dollar-one vote" as the basis for the expression of collective choice. Second, it conflates willingness to pay for something, with support of the instrument through which this something is to be paid. The only vehicle people were given to express their care for the environment in the Croatian case was money; and then their expression of care is taken as a tacit support of the only institutional instrument given to them, the property right. Third, it is a strange logic one that suggests that if people are not willing to pay for something, it should not be enclosed, but if they do, it should. The underlying concern seems to be with making money.

[2] The study also asked the same question, for comparative methodological reasons that need not concern us here, to users of a nearby beach that does have a fee.

GLV would argue that people, if they don't like the money vehicle or the property option, they still have the choice to "protest" (sic). In the Croatia study 12.5% refused to give a value for a fee, responding that they were not the ones who should pay for the beach maintenance, or expressing disbelief in the fictitious erosion problem, or saying that the beaches are public goods (Logar and van den Bergh, 2012, 186). Suppose though for a moment that the tables were turned, and the question was "This beach is to remain free and public; how much should the wealthier 1% of our community be taxed to pay the costs of its preservation?" Would 87.5% of respondents protest and ask to pay themselves? The way a study is structured pre-figures what it thinks the solution to the problem should be. The way the Croatian study was structured was neither neutral nor purely scientific; it was as ideological as our concern with neo-liberalism.

By no means do we suggest here that Logar and van den Bergh had an explicit political agenda. When they were designing the study they were probably following standard practice and methodological expediency. A main feature of ideology, especially of the ideology dominant in a particular era or community, is precisely its "taken-for-grantedness", the fact that it appears as common sense, "the natural thing to do" in a given circumstance. Unlike GLV, we do not see in ideology a deficiency of scientific practice. We recognize that it is an unavoidable feature of any scientific endeavor, and we wish that practitioners, of monetary valuation in this case, were conscious, aware and transparent of the ideas that pre-condition their research rather than deny them and, even worse, charge as "ideological" – which in their understanding of the term, means biased and less scientific – those who contest them.

6. Conclusions

Commenting on our paper, Gsottbauer et al. (2015-in this issue) attempted to give a "fair and consistent criticism of all valuation languages". Their article gave a long bulletpoint list of methodological criteria to assess and classify different types of monetary valuation studies. We are happy that they did this, though it had nothing to do with the original intentions of our article, which escaped them. We were not interested on criteria to evaluate and improve the methodological rigor of monetary valuation studies, but on a framework for assessing the usefulness of different tools and processes that monetize nature; from monetary valuation studies, to carbon markets and water prices. Our criteria were anchored in political ecology and ecological economics. Our normative framework is no more subjective or ideological than studies, which assume that states are running out of money, and that people should pay the bill, asking them then how excited they are about it. The difference is that we make our values explicit; whereas our colleagues keep them hidden in their pre-analytical vision, possibly unaware of the ideological choices that pervade any axiomatic framework (Bromley, 1990).

We did not purport to give a general assessment of *all* monetary valuation studies or pricing policies. We intended to give a framework for assessing the usefulness of concrete cases and we illustrated how this can be done, with examples.

Hopefully, those practitioners who share similar values and concerns with us have found something useful in our analysis.

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