

# letter

Dear Editor,

## Economics, Ecology, and the New Green CAP

## Ökonomie, Ökologie und die Neue Grüne GAP

## L'économie, l'écologie et la Nouvelle PAC Verte

In 'The CAP towards 2020' the European Commission leaves no doubt that the CAP will become much greener than it is now. In particular, 'Sustainable management of natural resources and climate action' has been proposed as an objective on par with food production and rural development objectives.

To be respectable, policy must not be in conflict with scientific principles and it ought to be informed by scientific information. Economics has provided much of the rationale and respectability for the old CAP, when efficiency of food production and equity of income distribution were the dominant concerns. Sustainability and the environment are, however, domains for which economics can hardly claim exclusive rights: since its inception ecology has regarded both domains as its native land.

What is likely to happen when economics and ecology jointly inform the New Green CAP? I limit myself to only a few expectations which are grounded in my idiosyncratic perception of ecology, which, like economics, is a science and a secular religion. As a science, ecology is concerned with the study of organisms in their environments and it suggests policy solutions for problems from its domain; as a secular religion, ecology promotes certain environmental values and it seeks to inject into the policy agenda issues of concern to its believers.

If ecologists and economists compete for the attention of policymakers, they will quickly find out that this attention is in short supply. Hence, there may be gains from pushing messages and research programmes on which

economists and ecologists can agree.

This will require economists and ecologists to consolidate their tool boxes of perceptions, problem interpretations and methods.

Tool box consolidation will be easy in relation to negative externalities of agriculture such as pollution – all ecologists and many economists immediately think of government as the solution. Few economists and no ecologist is likely to give much thought to the ever-present losses from government failure. Finally, because ecologists tend to have little confidence in markets, many prefer environmental standards. The jointly preferred solution therefore is likely to be the imposition of some environmental standard rather than an incentive scheme. Such regulations then result in the extension of the powers of government agencies whilst farmers' scope for productive entrepreneurship is curtailed.

Tool box consolidation is already underway to solve the problem of valuing ecosystem services. Some economists and all ecologists seem to agree that an ecosystem service is something that can be objectively determined. They also agree that some methodology may exist that allows them to determine objectively the value of the service although there may be some differences over the best method for calculating the value. But this is of minor import because the whole exercise is flawed and infeasible. Hayek has taught us that, 'So far as human actions are concerned the things are what the acting people think they are' and no known scientific method can replicate the minds of the many ecosystem services users (Hayek, 1979, p. 44). Sagoff (2011, p. 500) therefore suggests that 'Hayek would surely contend that an 'ecosystem service' cannot be defined in physical terms but only in relation to the views people hold about things ...' Moreover, just as central planning never succeeded in planning successfully, so will ecosystems services valuation never be

able to cope with the size of its calculation task. The flaws are, however, unlikely to deter the New Green CAP from handing out money to farmers for ecosystem services, such as landscape maintenance. Such payments move the recipients closer to Hayek's gloomy vision of farmers as '... a sort of appendage to a national park, quaint folk preserved to people the scenery' (Hayek, 1960, p. 360).

Tool box consolidation may also generate unexpected positive outcomes. Perhaps economists and ecologists will become aware not only of policymakers' bounded rationality, but also of their own. Perhaps ecologists can convince economists that the environment, including markets, are rarely if ever in equilibrium; both, economists and ecologists, might become aware that we will never be fully informed, that we cannot optimize but may succeed in finding satisfactory solutions. If all of this happens, economists and ecologists may arrive at a shared ecologically rational tool box that balances the available information with the heuristics for solving our most important environmental problems and for exploiting the most promising opportunities that nature offers us. There is hope.

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## Further Reading

- Hayek, F.A. (1960). *The Constitution of Liberty*. University of Chicago Press, Chicago, IL.
- Hayek, F.A. (1979). *The Counter-revolution of Science*. Liberty Press, Indianapolis, IN.
- Sagoff, M. (2011). The quantification and valuation of ecosystem services. *Ecological Economics*, 70: 497–502.