Book Reviews

Endangered Economies: How the Neglect of Nature Threatens Our Prosperity. *By Geoffrey Heal*. New York: Columbia University Press, 2016. xii + 227 pp. Figures, tables, notes, index. Cloth, $35.00. ISBN: 978-0-231-18084-9.
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Reviewed by Kurk Dorsey

Near the end of *Endangered Economies*, Geoffrey Heal asserts a nearly unassailable truth: "the analysis here is easy, but the politics are not" (p. 186). In that one sentence, he summarizes both the problems of bringing full-cost accounting to all of our economic interactions with nature and the strengths and weaknesses of his book. Fundamentally, Heal argues that capitalism is on an unsustainable course because none of its practitioners have succeeded in accounting for natural capital. What is missing is a serious analysis of how we got to this point or how we might fix it.

To be fair, in two hundred pages, Heal, an esteemed economist from Columbia Business School, covers a great deal of ground and explains complex concepts clearly and succinctly. He frequently cites his work on an intimidating array of prestigious international committees to emphasize his credentials, show his own evolution, and demonstrate the basis for his theories. In essence, he argues, Adam Smith failed to account for nature's role in economics, and the system has never caught up, but not because it is too hard for it to catch up. Instead, capitalist societies have lacked the will to make the necessary changes and have fallen for the idea that protecting the environment is not good economic policy. Heal counters that, in fact, economic progress is really possible only with environmental protection, and he promises to show how to "reorganize our economic activities" (p. ix).

Heal comes back repeatedly to climate change, which he calls "the greatest external effect in human history," to make the point that, per the subtitle, the neglect of nature threatens human prosperity (p. 31). Coal is the chief culprit in causing climate change, yet humans keep burning it because it appears to be cheap; in fact, the pollution associated with burning coal incurs large costs that are borne by many people. Were incentives well aligned, people would quickly abandon coal for almost any other technology, in part because "the march of technology was accomplishing much of what diplomacy was not" (p. 82). Likewise, in the longest chapter, he decries the destruction of common

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property—such as fisheries, shared water, or open space (although it isn't clear why open space is by definition common property)—as one of the clearest examples of capitalist mismanagement of the economy. Heal does not appear to have valued much of the historical literature on common property resources, as he mistakenly puts the abundant bowhead whale in the extinct column, asserts that Native Americans never hunted bison for the market, and uncritically accepts maximum sustainable yield as a goal for fisheries.

With these two examples, Heal suggests a range of possibilities for addressing external costs: cap-and-trade systems, legal liability, taxation, direct regulation, and social pressure. He briefly but persuasively lays out the strengths and weaknesses of each approach, suggesting throughout the book scenarios in which one of the methods might work best, especially cap-and-trade and targeted taxation. He is especially critical of common property, preferring, for instance, that fisheries be saved by assigning property shares whenever possible.

Late in the book, Heal summarizes a long-running point that burning coal will no longer make sense once we internalize its external costs, such as various forms of pollution. He notes that doing so will be "good for the rest of us, good for nature, but bad" for the coal industry (p. 186). While the book is persuasive that such costs should be accounted for, and that there are many methods for doing that theoretically, it does not really attempt to explain the history of how we got into this predicament or, more important, how to get out of it. The last few pages touch on opposition from conservative Republicans and the fossil fuel industry without much suggestion as to how one might frame arguments to promote clearer thinking about the trade-offs of such things as a carbon tax. Nor does Heal acknowledge the possibility that the fossil fuel industry might be deeply split on its response to such a tax.

Early in the book, in his discussion of ozone-protection efforts in the 1980s, Heal makes the important point that "it is hard to calculate the external cost as the external effect operates on all plants and animals worldwide" (p. 26). It is not clear why that caveat does not apply even more to a discussion of climate change. If it is hard to calculate external costs, then it is nearly impossible to figure out a regulation or a Pigouvian tax (one of his favorite tools) that would precisely counteract unaccounted-for externalities. Will the true cost of burning a ton of coal be covered by a tax of $50/ton? How would Heal calculate the correct amount and, more important, sell it to reluctant legislators? And is coal from Wyoming similar enough to coal from West Virginia or Wales that one charge would really make sense? Resistance to such a scheme in the United States might be based more on an exasperation with regulation than with a simple faith in the free market—too many

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people believe that federal regulations are already onerous and cost the nation thousands of jobs and millions of dollars. Perhaps they are no more conservative than Ronald Reagan or George H. W. Bush were when they pushed through cap-and-trade programs, but they are no longer willing to believe that the federal government will manage such programs effectively.

Readers who want to know more about how to value natural capital and broad strategies for understanding environmental costs will find much to admire in this book. That Heal might have gained more insights from history can be forgiven since his goal is to bring his expertise as an economist to his questions. But it feels as if Heal missed an opportunity to demonstrate precisely how policymakers might address a question like climate change by showing how we might calculate external costs and then choose a policy to address those costs.

Kurk Dorsey is the Class of 1938 Professor in the History Department at the University of New Hampshire. He has published The Dawn of Conservation Diplomacy: U.S.-Canadian Wildlife Protection Treaties in the Progressive Era *(1998) and* Whales and Nations: Environmental Diplomacy on the High Seas *(2013).*

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Oil Shock: The 1973 Crisis and Its Economic Legacy. *Edited by Elisabetta Bini, Giuliano Garavini, and Federico Romero*. London: I. B. Tauris, 2016. 336 pp. Illustrations, notes. Cloth, $110.00. ISBN: 978-1-78453-556-8.
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Reviewed by Michael Franczak

Seeking to explain America's current political divisions, a number of historians are finding answers in the 1970s. Now, as then, the 1973 "oil shock" is inescapable. For Meg Jacobs, the oil embargo imposed by the Organization of Petroleum Exporting Countries (OPEC) against the United States—putatively a reaction to U.S. support for Israel during the Arab-Israeli war of that year—initiated a "seismic shift [to the right] in national politics," as a new generation of young conservatives pinned the blame on big government for America's dependence on foreign oil and other economic ills (*Panic at the Pump* [2016], p. 7). Andreas Killen extends the shock metaphor further, dubbing 1973 the year of "three shocks"—the embargo, America's "defeat" in Vietnam, and Richard Nixon's impeachment for the Watergate cover-up—that together "shook the national psyche to its core" and led to a "nervous