

## Environment and development economics: past, present and future challenges

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The journal *Environment and Development Economics* has made a major contribution over the last 20 years to our understanding of the ways in which the environment interacts with the process of development. The risks of ignoring environmental considerations was raised at the outset when the journal was launched and the discussion has gone on to become more informed and sophisticated as time has passed. We know more about where development may bring about an improvement in environmental quality and where it may not, unless the right policies are followed. We also better appreciate what those policies are and what challenges governments face in implementing them.

Broadly speaking, the literature in this journal and related ones can be classified along the following lines: (a) papers dealing with the measurement of progress in development, properly accounting for environmental losses; (b) those dealing with the regulatory framework for managing the use of environmental resources; and (c) those that improve our understanding of the linkages between economic activities and the environment. Each of these three areas in turn can be studied at a macro, meso or micro level. I did a quick (not entirely scientific) check of the papers in the first 8 years of the journal's existence (1996–2003) and compared them with those for the last 8 years (2006–2013). The first period had about 60 per cent of papers with a macro approach, just under one-third with a meso or sectorial approach and only about 10 per cent that had a micro assessment of the problem. The last 8 years has seen a slight shift: the recent period has about 16 per cent micro-based papers, with just under half being macro and with a slight increase in the meso-based ones.<sup>12</sup>

In my view this shift is in the right direction and needs to go further. The important research questions that need to be addressed are increasingly at the micro level. We need to have a better, more detailed understanding of where the economic uses of the environment pose the greatest threats and what measures will work to make these uses more consistent with the goals of sustainable development. While broad generalizations such as the Kuznets curve and the macro-level assessments are useful, the important

<sup>12</sup> With regard to the three lines identified, about 6–7 per cent of papers have dealt with measuring progress in terms of accounting in both periods. The first period had a main focus on issues of policy and regulation (56 per cent of papers), which has gone down in the last 8 years to around 40 per cent.

tradeoffs are often at a local level and the devil is in the detail. To get to the heart of these requires a profound understanding of biophysical and chemical processes as well as the determinants of individual behaviour in a context where rationality does not always apply but where it cannot at the same time be ignored. The links between institutions and policies are complex, as the literature in development economics is now showing us, and we need to study lots of individual cases where environmental regulations accompany other policies to see what works and what does not.

To be sure, we have had some excellent pieces of work that are along these lines and a number of them can be found in this journal. But we need more. That is our challenge for the next 20 years.

## The influence of lobbying on climate policies; or, why the world might fail<sup>13</sup>

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How can the malign and growing influence of lobbying on global climate policies be checked? In this short piece I link some wide-ranging suggestions for academic research by environment and development economists that is needed to further this aim, with the key idea in Acemoglu and Robinson's (2012) *Why Nations Fail*. Their book argues strongly that sustained, very long-term economic growth through national industrial revolutions requires 'inclusive institutions' that distribute political power broadly over a nation's economic, class and geographical sectors. This is because long-term growth needs technical innovations, which cause creative destruction (structural adjustment) of existing technologies, which in turn harms the interests of existing elites. If elites are too powerful, they will block new technologies, so as to keep their powers to extract rents from the rest of society, and the nation will then fail (to grow sustainably).

To apply this idea to world development, I will assume the aim is to sustain growth in wellbeing, not in GDP; and that uncontrolled 'carbon' (greenhouse gas) emissions will seriously damage wellbeing, particularly of poor people in developing countries (Mendelsohn *et al.*, 2006). Any

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