

What are economists trying to do?

- Neo-classical economists are trying to accurately assess human preferences, which are indicators of value (of cars, of “being on the grid,” of forests, of the opera, etc.).
- A market that represents reality (and therefore works) reflects the value of the things in it. Put another way: market prices ought to reflect true value.
- Value is determined by individuals in society. Therefore, to know what the value of things are, economists need to track human preferences. Economics follows human preferences (or at least, it's supposed to).

Assessing value

- It's more difficult to quantify the amenity and moral value of a species (population, ecosystem; also referred to as non-market values), than it is to quantify commodity value (aka market value), so commodity value is often what economists model, to the exclusion of the other kinds of value.
 - Examples of things with obvious commodity value: corn, ivory.
- Environmental types, on the other hand, tend to rate non-market value rather highly, so when these are excluded, they assume the economists are at war with them.
 - Examples of things with non-market value: the prairie ecosystem that once stood where corn now grows; the elephant that was once attached to the ivory.

Assessing preferences

- A fair market depends on accurately valuing things (penguins, zoos, plastic representations of penguins, tuxedos).
- Assessing value accurately depends on an accurate representation of (human) preferences for those things.
- Economists are trying to hold a mirror to society. But those economists actually take a snapshot of that mirror, and assume that it represents society over time. This assumes that people have stable preferences.
- What about ill-informed or fickle people, who in turn formulate ignorant or rapidly changing opinions (preferences)?

When market prices fail us

- To repeat: Economic values (what people are willing to pay for certain things, and what they are willing to accept as compensation for loss) are supposed to be equivalent to market prices. If so, the market “works,” and our economy reveals true (“economic”) value.
- Market prices are uninformative or misleading for a few reasons, including when people are concerned about things that are public rather than private.
- If we buy this logic, we can't expect the environment to be protected by the market, because the environment is intrinsically public.

Why is this so hard?

- Economic decisions affect the environment, which then changes in response, driving new economic policy— everything in the system is responsive to changes on the parts of other players.
- Political systems have shorter cycles than do ecosystems— it's difficult to implement long-term goals when you're up for re-election before your policy effects change.
- “Socialism collapsed because it did not allow prices to tell the economic truth. Capitalism may collapse because it does not allow prices to tell the ecological truth.”
—Øystein Dahle, as quoted in *Eco-Economy* (2001:23) by Lester Brown