

**Review: Nature and the Marketplace: Capturing the Value of
Ecosystem Services**
By Geoffrey Heal

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Geoffrey Heal. *Nature and the Marketplace: Capturing the Value of
Ecosystem Services*. Washington, DC: Island Press, 2000. 203 pp. ISBN 1-
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Economics often suffers a bad reputation among environmentalists for neglecting the natural world. To a degree, this reputation is justified. To a degree, it is a matter of misunderstanding by critics who are unaware of the capacity of economic theory to study the nature and causes of environmental problems and uncover the value of environmental amenities. Fortunately, Geoffrey Heal has come along to set the record straight.

Nature and the Marketplace contains ten chapters. The first three chapters cover the fundamentals of economic theory. The basic groundwork of economics is established without reference to supply curves, demand curves, or many of the charts, tables, figures, and formulae that sometimes confound the general reader. These chapters present the importance of property rights and markets, their roles, and their limitations. Heal explains how and why markets work and the causes and consequences of market failure.

The next three chapters are applications of the concepts covered in the first three. While these provide examples of the versatility of natural resource economics, they are too brief for the complex issues they evaluate. Some of their market-based solutions may appear, perhaps, a bit too tidy. Chapter 4 competently addresses the capacity for ecotourism to provide positive incentives for environmental preservation but overlooks the possible negative effects of tourism on wildlife habitat. (The negative side effects are only briefly mentioned in the book's conclusion.) Chapter 5 describes the market failures that lie behind the global warming but offers solutions, carbon emissions and sequestration markets, that seem irrelevant after the collapse of the Kyoto Protocol. Heal may have used economic theory to explain why the current forms of international organization make market-based solutions for global warming difficult to develop and implement. In chapter 6 on biological diversity, Heal explains why markets often ignore the value of biodiversity, and the possible costs of doing so. He describes a few successful market-based initiatives to protect species habitat but admits that the scope of the biodiversity is beyond the realm of economics alone. Such

humility in an economist is a rare and valuable thing.

Chapter 7 neatly summarizes evaluation techniques for environmental amenities. Chapter 8 addresses the role of government and possible environmental policy alternatives. Chapter 9 explains why unsustainable developments are so prevalent. Heal's explanation and critique of discounting will instruct the non-economist and enlighten the economist who may be unaware that some early founders of intertemporal economics thought discounting "ethically indefensible" (p. 170).

The author of *Nature and the Marketplace* is confident of the role economics can play in protecting the environment and aware of its limitations. He explains economic concepts in a way that non-economists will appreciate. He may even help vindicate the reputation of economists among those who care for the environment.

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