

## David Suzuki needs an economics refresher course



Environmentalist David Suzuki.

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Popular environmentalist David Suzuki has described conventional economics as a form of brain damage. In a documentary called *Surviving Progress*, he quotes a fictional economist by saying, "who cares whether you keep the forest – cut it down. Put the money somewhere else. When those forests are gone, put it in fish. When those fish are gone, | [SUBSCRIBE](#)  [LOG IN](#)



course advise the owner of a resource to deplete it as quickly as possible. Perhaps he was confused with the Tragedy of the Commons problem, where lack of private ownership causes a resource to be overused.

If so, then he is correct that renewable resources can be depleted to extinction unless the proper institutions are established. The work of economists such as (but not limited to) Arthur Pigou , Ronald Coase and Elinor Ostrom looks at ways in which common property resources can avoid a tragic ending. Economists studying the commons problem are not advocating resource depletion any more than oncologists are advocating cancer.

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"But if you ask the economists, in that equation where do you put the ozone layer? Where do you put the deep underground aquifers of fossil water? Where do you put topsoil or biodiversity? Their answer is 'oh, those are externalities'. Well then you might as well be on Mars, that economy is not based in anything like the real world," Dr. Suzuki goes on to say.

Dr. Suzuki's remarks on externalities were clarified in an interview given to the magazine Common Ground: "I won't go into a long critique, but currently nature and nature's services – cleansing, filtering water, creating the atmosphere, taking carbon out of the air, putting oxygen back in, preventing erosion, pollinating flowering plants – perform dozens of services to keep the planet happening. But economists call this an 'externality.' What that means is "We don't give a shit." It's not economic. Because they're so impressed with humans, human productivity and human creativity is at the heart of this economic system. Well, you can't have an economy if you don't have nature and nature's services, but economics ignores that. And that's an unbelievably egregious error."

The idea that economists do not care about externalities is a strange one, given how prominently they are featured in economics textbooks. An externality is, simply put, a spillover effect. It is the unintended costs or benefits from a transaction or decision experienced by third parties (that is, they were *external* to the decision). It does not mean phenomena that are external to economic modelling or things outside the interest of



The use of externalities goes well beyond introductory textbooks, as they permeate nearly every field of economic research. Prof. Coase won a Nobel Prize in part for his Coase Theorem on externalities and Prof. Ostrom won the 2009 prize for her work on how common property resources can be managed at the local level. In every year of the past five, Nobel prizes have been given to economists who feature externalities prominently in their research: Leonid Hurwicz (2007), Paul Krugman (2008), Ostrom (2009), Peter Diamond (2010) and Thomas Sargent (2011).

Dr. Suzuki is certainly entitled to his opinions on the value of economic modelling. It is ironic, though, that the David Suzuki Foundation uses a great deal of economic modelling in its research. Why would a foundation, co-founded by and named after Dr. Suzuki, base its research on a fake science with flawed values?

Dr. Suzuki's ill-informed comments on the role externalities play in economic analysis does not hold up to scrutiny. He owes economists an apology.

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