

Title: Mr. Keynes and the environment: the concept of user cost and its use in the green accounting debate

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Abstract

The term 'user cost' has been widely used in the mostly neoclassical debate on environmentally-adjusted national accounts ('green accounting'). This literature is based upon the quest for the Hicksian definition of income, the Holy Grail of neoclassical interpretation of GDP. However, there is a fundamental theoretical contradiction between the concept of user cost, as formulated by Keynes, and this literature: the absence of the principle of effective demand, which is fundamental to understand user cost and the Keynesian definition of income. This paper intends to deepen this discussion, arguing that any attempt to define a 'sustainable income' concept must necessarily consider the issue of effective demand, rejecting the welfare-maximisation, optimal control approach that has dominated the debate up to the present moment. Following the insights of the pioneer work by P. Davidson in the seventies, a model of natural resource exploitation is developed incorporating the concept of user cost according to its Keynesian roots but applying it to non-produced assets. This model is then applied for the explanation of the economics of tropical deforestation, where the depletion of a natural assets (forested land) is explained by the intent of converting them into liquid assets (money). Therefore, all the most important characteristics of post-keynesian analysis – uncertainty, irreversibility, non-neutrality to monetary policies, etc. – can be applied to the analysis of environmental problems