

19 October 2022

Comments in response to the Strategic Plan on Statistics for Environmental-Economic Decisions, 87 FR 51450

To whom it may concern:

We applaud the Interagency Policy Working Group on Statistics for Environmental-Economic Decisions for the development of this Strategic Plan. It is at once ambitious, important, and pragmatic. Its Implementation over the coming 15 years would dramatically improve our understanding of the value of nature, natural inputs, and environmental services and help the U.S. federal government, state, and local officials make better-informed economic and broader environmental policy decisions.

The need for such a comprehensive natural accounting system is clear, and has been since the early stages of the development of U.S. national economic accounts.¹ Natural capital must not be treated separate from human or physical capital but as part of a comprehensive system of accounts that values natural resources and environmental services well before they enter economic production processes and supply chains. Doing so ensures that any concept of a 'net' national or domestic product accounts for the full depreciation or increase in value of natural assets.

That is indeed a key point: Some might claim that creating natural capital accounts would somehow put the U.S. at a competitive disadvantage unless others follow suit. This is far from true. First off, ignorance, of course, cannot be bliss. If there are external damages that affect the health and well-being of society, the American public should want to know. Equally important, a full accounting of natural capital and environmental services could easily *increase* annual income growth.² Failing to account for improved air quality has underestimated income growth by as much as 3% per year.³ Something similar goes for natural assets. U.S. timber has been re-growing for decades, making U.S. forest accounts *boost* economic growth.⁴

The U.S. National Academies have called for creating comprehensive environmental-economic accounts since before the turn of the century.⁵ Expanding national economic accounts to include the value of natural capital and ecosystem services is the right thing to do—for the environment, society, and the economy.

Sincerely,

Geoffrey M. Heal, Ph.D.

Donald C. Waite III Professor of Social Enterprise

Shivaram Rajgopal, Ph.D.

Kester and Byrnes Professor of Accounting and Auditing

Gernot Wagner, Ph.D.

Senior Lecturer

References

1. Heal, G. M. *Nature and the Marketplace: Capturing The Value Of Ecosystem Services*. (Island Press, 2000).
2. Muller, N. Z. Boosting GDP growth by accounting for the environment. *Science* **345**, 873–874 (2014).
3. Muller, N. Z. Long-run environmental accounting in the US economy. *Environ. Energy Policy Econ.* **1**, 158–191 (2020).
4. Wagner, G. US Timber Accounts, 1957–1997. (Harvard College, 2002).
5. National Research Council. *Nature's Numbers: Expanding the National Economic Accounts to Include the Environment*. (1999). doi:10.17226/6374.