

Large parts of the natural environment are excluded from the mainstream of economic thinking. Basic models of economic growth neglect the productive character of natural resources completely. The procedure of accounting for the flows of national product applied in the traditional system of national accounting does not account for productive services of natural resources which are not controlled by institutional units. In computing national wealth, the SNA neglects natural assets which are either not owned by institutional units or not of economic value to their owners.

It is an important aim of environmental and resource economics to fill in this gap. In Part III, two approaches designed to serve this purpose were outlined. First, the effort made to supplement the theory of economic growth by including natural factors of production was delineated in Sect. 10.1. Secondly, the attempts to augment national accounting procedures to take the natural environment into account more completely were explained in Sect. 10.2.

It became clear that both approaches face severe problems. Growth models incorporating natural factors of production eventually face the question of whether certain natural resources can be replaced by other assets or not. Within the framework of an integrated system of environmental and economic accounting, it is often extremely difficult to measure environmental assets and their productive services in tonnes, litres, or even monetary units.