JOINT COMMENTS OF ECONOMISTS AND ASSOCIATED EXPERTS ON THE DRAFT NATIONAL STRATEGY TO DEVELOP STATISTICS FOR ENVIRONMENTAL-ECONOMIC DECISIONS

Docket ID (OMB-2022-0009) for "RFI-Natural Capital."

Economic statistics are the lens through which we observe the economy and are the tools for shaping its future. The draft *National Strategy to Develop Statistics for Environmental-Economic Decisions* ("*The Strategy*") advances a more complete set of economic statistics for the United States. Herein we respond to the request for comment on *The Strategy*, which, if executed as planned, will enhance the ability of government and business to manage capital efficiently in pursuit of national prosperity.

Nature offers key inputs to the US economy across sectors. Natural resources – such as timber, water, fish, and minerals -- underpin multiple supply chains. Forests and wetlands enhance water supplies and climate resilience while supporting outdoor recreation and tourism. Clean air and water support good health and labor productivity. In these ways and many more, nature enables growth and prosperity in the present and is essential to future economic success. How we manage nature today will either enhance or deplete future opportunities. These characteristics, among others, are why economists have referred to nature as a form of natural capital.

Despite the fact that nature supports, and is intertwined with, our economy, and despite the fact that environmental change is important to economic decision making, natural assets are not included in the tools for measuring and monitoring the economy: our national economic accounts.

It is for this reason we applaud the draft National Strategy to Develop Statistics for Environmental-Economic Decisions. We furthermore observe that:

1. *The Strategy* is well-founded in the rich, well-developed history of thinking and practice on natural capital economics.

The need to include natural assets on our nation's balance sheet is grounded in decades of research by leading academics,[1] including multiple Nobel Laureate economists,[2,3] federal economists, statisticians and scientists.[4] While the US has been a catalytic leader in recognizing

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[1] Dasgupta, P. (2021). The economics of biodiversity: the Dasgupta review. HM Treasury.

[2] Nordhaus, W. D., & Tobin, J. (1973). Is Growth Obsolete?. In *The Measurement of Economic and Social Performance* (pp. 509-564). NBER.

[3] Stiglitz, J. E., Sen, A., & Fitoussi, J. P. (2009). Report by the Commission on the Measurement of Economic Performance and Social Progress.

[4] Guerry, A. D., Polasky, S., Lubchenco, J., Chaplin-Kramer, R., Daily, G. C., Griffin, R., ... & Vira, B. (2015). Natural capital and ecosystem services informing decisions: From promise to practice. *Proceedings of the National academy of Sciences*, *112*(24), 7348-7355.

the untapped potential value in accounting for natural assets, the concept is also unpinned by a broad research community and considerate academic and policy leadership internationally, with over 80 countries formalizing natural capital accounting in economic-statistical systems. *The Strategy* is grounded in a history of thought and research and properly informed by international experience and practice. It is once more time for the U.S. to lead its peers in this area and this practical strategy positions the United States to do so.

2. *The Strategy* will promote better decision-making

Successful execution of *The Strategy* can strengthen America's economy, families, communities, and businesses in numerous ways:

- **It will help support growth and well-being, benefitting businesses and the public**. Economic statistics are indispensable tools for managing capital efficiently, and this in turn is a cornerstone of growth and prosperity. In the same way that mainstream accounts help decision-makers optimize the allocation of capital, *The Strategy* is well designed to soon enable the efficient management of natural capital by revealing how it is allocated across sectors, how ecosystems (and the benefits they provide) grow or shrink over time, and by exposing the economic returns to nature. Businesses will be empowered with standardized, regularly-produced, statistics and indicators to improve economic decision making. Such information can help identify important investment opportunities and ensure that all of the economy's assets can be mobilized in pursuit of policy objectives. The quality of natural capital management will have direct effects on US businesses and households, enabling smarter decisions that relate to everything from energy and food prices, to air quality, water quality, and human health.

- **It will improve macroeconomic strategy**. Accounting for natural capital is of direct relevance to macroeconomic policymakers for several reasons. The first is simply to ensure effective capital management: accounts reveal trends in the quantity, quality and value of capital assets and enable informed investment decisions. This is as true for natural as for any other forms of capital. A second interest concerns interactions between types of capital. Changes in natural capital affect the value of all other forms of capital in the economy and must be considered within any economic strategy. Finally, because *The Strategy* and its resulting accounts operate on the same structure as the rest of official statistics used in policy analysis[5], it can be used directly to inform long-term decision making.[6]

- **It will improve the identification, pricing, and management of risk across the US economy.** Central banks, regulators, financial institutions, and investors are increasingly

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[5] Including the System of National Accounts and the United Nations System of Environmental-Economic Accounting. Consistency with these official statistical products ensures comparability over time, across countries, and most importantly, with the core economic models regularly used in policy and economic analyses.

concerned about the economic consequences of a continued decline in natural capital. *The Strategy* can highlight changing trends in the stock and quality of natural capital, offering an early warning sign for locations and industries that may be at risk. Due to the systemic nature and myriad interdependencies between natural capital and the economy, these risks can aggregate beyond specific locations and industries, with system-wide economic, financial, and fiscal consequences. More and more businesses find it in their interest to measure and publicly and report on impacts of their activities and seek better reliable standards by which to do so.

3. *The Strategy* is practical and implementable

The Strategy properly suggests a conservative and purposeful, phased approach. It proposes shepherding an efficient transition from research grade environmental-economic statistics and natural capital accounts to Core Statistical Products. Crucially, it allows the Government to make early progress in the areas where data and scientific evidence are already available. This means we can get started now. The 15-year phased approach also sets a realistic time horizon for full adoption, while continually advancing and deploying increasing an array of useful solutions in key areas. Consistent with best practices, the plan prioritizes the phasing-in of natural asset accounts based on expected importance, feasibility, and connectedness to core national accounts.

This practical cadence, well-designed to take advantage of existing natural capital accounting capabilities, is supported by other key aspects that give us confidence in the impenetrability of *The Strategy*, including that it:

- acts on current authorities while building on and integrating multiple existing natural capital efforts already underway and engaging expertise across many Federal agencies
- takes advantage of new and emerging technologies, including secure, 'big-data' techniques and developments in environmental monitoring that were not available in earlier federal attempts to develop environmental-economic statistics
- will align with the internationally agreed-upon UN SEEA guidelines, organizing environmental-economic data in a way that can be readily integrated into mainstream economic analyses
- practically considers data sharing and publication complexities and lays out solutions for addressing them
- provides a meaningful North Star, consistent with the recommendation of leading economists, to have a "headline summary statistic" as well as high-level sector-specific summaries to facilitate quick interpretation across multiple users

Our national economic accounts have continually evolved over time. *The Strategy* charts a realistic path to address an important gap in our economic understanding, strengthening our accounts and their ability to inform better, smarter economic decision making in policy and business.

Thus, in summary, *The Strategy* represents a timely, actionable, and much needed opportunity to develop and deploy a system of account that better represents the balance of natural assets on which our prosperity currently draws. We welcome *The Strategy* and hope to see it implemented.

Sincerely,

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