

Wall Street Journal, April 23, 2012, 7:20 p.m. ET

An Economic Approach to the Environment

Resources are limited. Cost-benefit analysis can inform our decisions.

By **BJØRN LOMBORG**

Economists haven't enjoyed much popularity since the financial crisis, with their profession painted as recklessly focused on flimsy mathematical models over common sense. But in tackling humanity's biggest challenges—climate change, malaria, natural disasters, education—we need more economic science, not less. Cost-benefit analysis, in particular, is a far more effective and moral approach than basing decisions on the media's roving gaze or the loudness of competing interest groups.

In our time of austerity, policy makers are reducing spending across the board. This makes it especially vital that the money we do spend achieves as much as possible. Cost-benefit analysis can seem cold—a hard-nosed, money-focused, GDP-is-God approach. But a world of scarce and competing resources requires it, and proper cost-benefit analysis encompasses much more than simple economic costs.

Take civil war. Cost-benefit analysis doesn't just measure the costs of weapons or of houses bombed. It also estimates the damages of disruptions to lives and societies, and not just while the war is raging but also over the years of patching up.

Likewise it doesn't measure only the number of lives lost to violence. Many more people die because war-ravaged economies contract or collapse, leaving individuals with fewer resources to treat disease and overcome adversity. Proper cost-benefit analysis also attempts to measure other impacts, such as reduced livelihoods, increased health-care costs, and spikes in violent crime—all of which can long outlast a formal civil war.

When economists can identify more of these factors more clearly, decision makers can better weigh competing uses of funds and identify the most promising.

My think tank, the Copenhagen Consensus Center, promotes the use of cost-benefit analysis to yield smarter, better-prioritized spending on global challenges. We have consistently found that the investments highlighted by rigorous cost-benefit analyses are the same ones highlighted by those in the world's most vulnerable communities—though they are often not the investments making headlines or earning celebrity endorsements.

In 2004 and 2008, we commissioned panels of more than 50 world-class economists—including several Nobel laureates—to assess responses to global problems based on volumes of new cost-benefit analysis research. In 2004, the project recommended (and thereby helped catalyze) greater spending on HIV/AIDS prevention and treatment. In 2008, it led to more investment in the delivery of micronutrients to malnourished populations.

This May, for our 2012 project, more than 60 economists (including four Nobel laureates) will examine the latest cost-benefit evidence on many issues, such as protecting the world's biodiversity. This is a challenge we hear much about. But while environmental campaigns trying to focus attention on cute animals or areas of natural beauty may be good for political attention, they are rarely the best way to do long-term good.

In new work for the Copenhagen Consensus 2012, researchers have prepared unorthodox proposals that could be substantially more effective. For example: Since one of the main reasons we cut down natural habitat is to increase farming output for a growing population, one proposed policy is to increase agricultural yields through research and development, making it possible to feed more people with less land. This is a controversial answer to the challenge of the loss of biodiversity, but one which might do more, at lower cost, than our current efforts.

Of course, calculations of GDP and cold cash aren't the only relevant factors in making decisions about war and peace, global health and the like. But smart, sober economic analysis can be used a lot more, and it can improve countless lives.

Mr. Lomborg is the author of "The Skeptical Environmentalist" (Cambridge Press, 2001) and "Cool It" (Knopf, 2007). He directs the Copenhagen Consensus Center and is an adjunct professor at Copenhagen Business School.