

March 13<sup>th</sup>, 2024

Dear Chairman Gosar, Ranking Member Stansbury and Members of the Committee,

I am David Wilkinson, Executive Director of the Tobin Center to Economic Policy at Yale University. My written testimony is intended to represent views of economists, affirm the longstanding consensus among mainstream economists regarding the national statistical accounts, and to agree with the primary theme of this hearing that for natural capital accounting to be of value to our nation, it must continue to remain nonpartisan.

My role at the Tobin Center is to coordinate academic economists and help convey complex economic concepts in the fast-paced policy process at the federal, state and local levels. We work across issue areas offering nonpartisan and evidenced-based solutions. Since our founding in 2018 we have partnered with and assisted the Trump and Biden administrations (receiving appreciation and citations by both) as well as leaders in “red” states and “blue” states to help resolve complex issues using data and evidence.

It is important to clarify, as I would have in spoken testimony had I been able to be present, that am not a researcher, economist, or deep expert in the topic of natural capital accounting. Rather I was invited, and regrettably had to decline, to speak to the core issue presented by, and at the heart of, the hearing: the critical importance of nonpartisanship in any effort to develop national statistical accounts. (While I cannot speak for other invitees, I would have loved to be there with you and regretted my inability to accept the invitation to attend.)

On the matter of economic consensus around development of impartial objective statistics, I am qualified to testify based on my work collaborating with over 50 mainstream academic economists to summarize a consensus response to the Sept 2022 Request for Information (“RFI”) on the draft *National Strategy to Develop Statistics for Environmental-Economic Decisions* (the “National Strategy”). My testimony will therefore quote and paraphrase heavily from that document (“The Joint Comment of Economists” or “The Joint Comment” – attached in full hereto). In addition, it reflects themes I gathered in subsequent work assembling economists and statisticians – as well as former Republican and Democratic appointees – on the occasion of the 50<sup>th</sup> anniversary of the seminal paper that is credited with leading to the broadly held academic consensus around the importance of accounting for value of the natural assets (which mainstream U.S. economists believe is important to our national economic growth and

prosperity). A co-author of that paper, the late Nobel laureate James Tobin is my center's namesake. The other, Nobel laureate Bill Nordhaus, is on faculty at Yale.

The primary purpose of this testimony is to agree with key themes expressed by Sub-Committee Chairman Gosar and Committee Chairman Westerman in the Feb 15<sup>th</sup> hearing on this subject.

In that hearing Chairman Gosar stated that:

“We must take great care so that our natural capital accounting system will best serve our nation, rather than serve as a weapon to achieve partisan goals.”

Based on my work with economic experts on the subject at universities around the country, I believe Chairman Gosar's core statement is one that would garner unanimous and enthusiastic support from academic economists and statisticians. As detailed below, economists believe we must take great care and that it is essential to do so in a way that is nonpartisan.

At the same hearing, Chairman Westerman voiced concern that the US may fall behind the rest of the world in the development of these statistics and that in the absence of US leadership – accurately noting the US has historically “been a leader in standards development” – we may become subject to standards that are not impartial and may serve foreign interests.

Economists also strongly insist on impartial, objective, nonpartisan statistical accounts. They have warned against any alternative, while also advocating for the US to be leader in their development.

Drawing largely from The Joint Comment of Economists, the remainder of my comments below in are intended to highlight for the committee the consensus opinion of mainstream academic economists as related to some of the issues raised at the heart of the hearing – and that further substantiate and support the alignment of economists with the priorities expressed above by the both the committee and subcommittee chairs. Where there is emphasis added in quotes herein, it is my own, intended to help draw out key points for the committee's consideration.

***1. The motivation behind natural capital accounting is better statistics to advance economic growth and prosperity both now and in the future.***

Economists broadly share a consensus that it is important to reflect the key economic role of nature in our national accounts. As stated in the Joint Comment of Economists:

Economic statistics are the lens through which we observe the economy and are the tools for shaping its future. [The then draft National Strategy] advances a more complete set of economic statistics for the United States...

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 storm resilience while supporting outdoor recreation and tourism.... 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.**

*2. The Strategy is grounded in well-established research spanning over decades and its objectives reflect the consensus of mainstream economists.*

The briefing for this hearing refers to demand for natural capital accounts among “pockets of economists, ecologists, and scientists.” While would not claim to represent the sentiment of ecologists or scientists, the question at hand is primarily around the statistical tools of economists and statisticians. For that population support goes far beyond pockets of support, and more resembles a consensus.

*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, including multiple Nobel Laureate economists, federal economists, statisticians and scientists.

Based on my experience I would say the question for U.S. economists is not *whether* America should reflect nature’s contribution to our national wealth, but how, by what means and to what degree. That important and complex question, in turn, would be answered what the National Strategy calls for to be an open and transparent 15-year process.

**3. *The approach proposed to develop statistics in National Strategy is reasonable and prudent.***

The Joint Comment expresses that the National Strategy appears to be consistent with – and if properly executed as designed - would be true to the longstanding consensus of economists.

*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....

The 15-year phased approach also sets a realistic time horizon for full adoption... 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.

Some non-economists concerned about a partisan valence have inquired “why now”. In addition to the fact that other nations are taking this up (*see below, #6*), the Joint Comment also notes that new technology now makes it practical and possible when it previously was not, noting that the National Strategy:

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....**

**4. *For statistical accounts to be useful we must have nonpartisan, objective standards.***

The briefing memo for this hearing **highlights**:

“There may be legitimate, nonpartisan reasons for NCA [meaning natural capital accounting].... such as ensuring responsible natural resource development, effective conservation, and stabilizing America’s economy and environment. However, instead of using NCA...to promote nonpartisan aims..” ... the memo authors then express concern that the Biden Administration may intend to use the future national statistical accounts to advance partisan aims.

I know of no academic economist critique of present policy proposals (from the left or right) that may imply partisan manipulation of the ultimate statistics. Without speaking to current initiatives or intentions of a time-bound administration, I can say that the National Strategy *itself* – as a 15-year plan for non-partisan statistical agencies to transparently and methodically develop statistical standards – is something that academic economists have praised as a sensible approach that is well-suited to yield the desired outcome nonpartisan, objective statistics. It would seem to me any plans a current administration may have for partisan uses of standards will be irrelevant in a 15-year time horizon.

Indeed, economists have expressed encouragement that the 15-year development window not only allows ample time for transparent process to get these important statistics right, but it *also* signals that the current administration understands that the ultimate statistical accounts must be nonpartisan if they are to come into existence. In other words, it is encouraging to economists that the administration did not seek to “rush” statistical development to fit its administrative timeline, which it could have attempted to do.

Rather, it embraced the recommendation of impartial statistical leaders, ‘pushing the boat out to sea,’ knowing that for it to succeed it must survive partisan scrutiny on both sides. Over the course of 15 years, development of the strategy will likely pass through the administrative leadership of both parties. This provides ample opportunity to review, expose and eliminate unhelpful partisan agendas from either political valence on the path to well-pruned, objective, impartial statistics. Such a time horizon, among other aspects of the plan (e.g., coordination by nonpartisan statistical agencies, a plan for transparent development with feedback from communities and industry, and the bipartisan authorities from which it stems), is thus seen as encouraging. These factors helped motivate the Joint Statement of Economists in praising the National Strategy as a sensible, prudent, nonpartisan approach.

Chairman Westerman, while expressing concern that the US may be falling behind other nations in a way that might compromise US interests, also clearly pointed out “the distinction between developing standards and using those standards in a nefarious way”. By “nefarious,” I think the Chairman means anything that would resemble insincere effort to hide behind standards as a ruse for partisan objectives.

The authors of the Joint Statement offer a similar warning that the approach to establishing and implementing the statistics must be nonpartisan:

*The Strategy*, which, **if executed as planned in a non-partisan manner**, will enhance the ability of government and business to manage capital efficiently in pursuit of national prosperity.

It seems this was also the sentiment of Congressman Gosar's statement (as quoted above) in the February hearing on this topic.

***5. Development of the Strategy should be an open, inclusive, and transparent process.***

As a nonexpert in the topic but as someone who has worked across the aisle on nonpartisan initiatives in a partisan environment, I also submitted a comment in response to the RFI on the National Strategy alongside a colleague who has worked in administrations of both parties (see attached "Tobin Center Comment"). With the blessing of mainstream economists interested in the development of objective statistics, we made recommendations on effectively executing an open transparent process:

**Be transparent in goal setting and execution:** *The Strategy* is exemplary in its transparency and accessibility. Each aspect of each phase of the initiative will involve similarly significant complexity and detail. In execution of each aspect, the federal government should strive for a similar level of transparency and accessibility where practical and allowable. A lead communicator should be identified for each relevant subcomponent and whether the same entity or varying should adhere to a somewhat standard reporting format and cadence with actions, objectives and target timelines **so that industry, researcher, and the public may easily access and interpret the ongoing work and results...**

**Engage relevant, affected, interested and expert communities:** We encourage the **involvement of the private sector in the development of the accounts** to ensure that the accounts are also useful by business and financial decision makers. This engagement process will also contribute to having consistency between natural capital information produced by business and finance and facilitate the flow of information among private and public sectors... **Federal leaders should be aware of the appropriate mechanisms of such engagement and plan for it from the beginning.** In addition to compliance with relevant statute, this should include user-centered [sic -{centered}] approaches to engagement and information sharing.

The ultimate strategy sets out a path that calls for just such transparency and multi-stakeholder engagement, as called for by multiple commenters.

***6. It is in American interests for the United States to lead, as it has historically done in statistical standard development.***

Natural capital accounting is an American idea. Despite rich bipartisan history advancing these concepts dating back to the Nixon Administration, the US has more recently fallen behind. This has occurred on the watch of administrations of both parties. In the Joint Statement, economists expressed the importance of a return to US leadership:

While the US has [historically] been a catalytic leader in recognizing the untapped potential value in accounting for natural assets, the concept is also underpinned by a broad research community and considerate academic and policy leadership internationally, with over 80 countries formalizing natural capital accounting in economic-statistical systems.... **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.**

At the February hearing, **Chairman Westerman** noted:

And I do want to make a clarification here. The idea of valuing our natural assets I don't think is a bad idea, and I think the US is probably behind in that, in creating standards. And my understanding is that some foreign entities, even China, are working on international standards that could be used against us, be used against products produced in America.

He later stated:

I am concerned that we are getting behind, and we are allowing people who don't have our best interests at heart to develop these standards, where the US has generally been a leader in standards development around the world.

Some have expressed concern about a partisan agenda in development of the Strategy or the intended use of the resulting statistics. If there are partisan designs on either side, the evidence does support the case that such partisan goals are the intention of the economists and statisticians who would actually develop and use the resulting statics to advance growth and prosperity. Further, the multi-year, transparent design does not support the conclusion of partisan intent. Rather, these characteristics have been applauded by economists as partisan insulation. I suspect economists would also applaud any sincere concern about the objectivity of standard development and would welcome oversight that helps keep partisan agendas out of the process.

**For their part, if there is any agenda here, it is this: for half a century, US economists and statisticians have seen an obvious and significant gap in how we account for and assess our national wealth. New technology has begun to make it practical to correct this longstanding**

**shortcoming in our national accounts. Statistics and accounting being universal languages, economists and statisticians in other countries see the same problem in their statistical systems as well as the new opportunity to solve for them. And they are acting.**

**The US has historically led the world in developing standards and statistics – something that has widely been seen as working in US national interests.** This is not a case where inaction is inconsequential. If America does not lead, other nations will. Economists I have spoken to believe the result may compromise US interests, for instance in international trade (as well as the quality, accuracy and impartiality of the statistics themselves). I would venture to say many would agree with Charmain Westerman’s concerns, as he framed them.