

Book Reviews

King, Frank H.H. (ed.). *Eastern Banking: Essays in the History of the Hong Kong and Shanghai Banking Corporation*. London: The Athlone Press, 1983.

King, Frank H.H. *The History of The Hongkong and Shanghai Banking Corporation*. 4 vols. Cambridge: Cambridge University Press, 1987-1991.

de Perthuis, Christian, and Pierre-André Jouvét. *Green Capital: A New Perspective on Growth*. Translated by Michael Westlake. New York: Columbia University Press, 2015. 274 Pp.

Economic growth is generally associated with a wide range of undesirable environmental effects. The estimated overall cost of climate change reported by *Stern Review* would be equal to a loss of five to 20 percent of global gross domestic product (GDP) every year (Stern 2017). On the other hand, advocates of the Environmental Kuznets Curve (EKC) hypothesis believe that environmental degradation happens in the early stages of the growth, but eventually, after reaching some level of income per capita, economic growth leads to environmental improvement. Yet Christian de Perthuis and Pierre-André Jouvét contend that the EKC hypothesis completely overlooks the effect of economic growth on environmental regulatory systems, such as biodiversity and climate stability (p. 40). In *Green Capital: A New Perspective on Growth*, de Perthuis and Jouvét—European environmental economics scholars—emphasize the important effect of natural regulatory systems on sustainable economic growth. What sets this work apart from most recent scholarship is that it not only considers the depletion of natural resources, but also highlights the destruction of natural regulatory systems that contribute to the halt of long-run economic growth.

Green Capital consists of nineteen chapters. The first four explain the relationship between economic growth and natural capital (traditionally defined as a stock of exhaustible resources). They argue that the slowdown

in growth is due mainly to the lack of new innovations and investments in the use of natural resources. The next five chapters reconsider the standard view of green capital in economics by incorporating natural regulatory systems as a factor of the production function, as well as in rent calculation. (The term “natural regulatory systems” denotes the overall regulatory mechanisms ensuring the reproduction of resources.) In chapters ten to 13, the authors assess the various valuation methods for two major natural regulatory systems, biodiversity and climate stability, in order to move to a green economy. The next four chapters analyze the effect of energy pricing and innovations (technological, social, etc.) on energy transition. In the final two chapters, the authors conclude the book with an evaluation of the strategies adopted in Europe versus the required conditions mentioned for environmental transition.

Economists have developed models that consider natural stocks as capital, but the standard view of natural capital in economics has to be expanded. The authors redefine the natural resource concept not only as scarce resources, both renewable and non-renewable, but also as natural regulatory systems. This is an important notion since natural regulatory systems ensure the regeneration process of natural resources, and damage to and deterioration of regulatory functions freeze economic growth. Furthermore, accounting for natural capital as one of the factors of production is essential to a green economy. To fully estimate the effect of economic activities on the environment, the value of natural capital must be taken into account. According to the authors, adding the value of natural regulation systems means that the idea of “Hotelling rent” gives way to a broader concept of “environmental rent.” Although the valuation of natural capital through environmental rent is complex, the authors argue that this should not discourage assigning it a value, which can enhance the understanding of the subject and contribute to efforts to avoid irreversible consequences to the ecosystem. Furthermore, the authors explain the calculation of the effect of damages on the two major natural regulatory systems based on the change in welfare and the value that people assign to nature and environmental goods. They support this throughout the chapters with real-world examples, using standard environmental economic concepts. In the process, they present some interesting insights. For example, in Chapters 14 and 15, they describe the effect of carbon

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pricing on energy transition. If the rise in the price of carbon energy is compensated by the rise in efficiency gains, the same level of production will be achieved despite the rise in price. This effect was manifest in recent U.S. energy policy, in which change led to tremendous technological improvement in the battery industry and innovation in the automobile sector, moving them towards alternative and cheaper non-carbon energy sources.

Green Capital is well-written, making it easily accessible to general readers. It also provides a valuable introduction to environmental economics and policy, while delivering comprehensive details regarding numerous fundamental and historical concepts. Overall, the book makes a great contribution to the discussion. However, it falls a bit short in the final chapters and, perhaps due to the lack of flow, may disappoint readers who develop high expectations for those final chapters. Despite this, it offers a fair combination of theory and statistics, and, due to the book's subject matter, it is fascinating to read, especially for students interested in the field of environmental economics and policy.

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WORKS CITED

Stern, Nicholas Herbert. *The Economics of Climate Change: the Stern Review*. Cambridge: Cambridge University Press, 2007.

Reamer, Norton and Jesse Downing, *Investment: A History*. New York: Columbia University Press, 2016. 436 Pp.

At first glance, the cover of this book, bearing the word "INVESTMENT" in large type, might lead a prospective reader to think that this is a college level finance textbook. In fact, though, as the subtitle states, this is "A History" of investment, and a substantive one at that. The