David Pearce, who died suddenly in September at the age of 63, was born in Harrow in 1941. He attended the local grammar school before going on to Lincoln College, Oxford and getting a first class degree in politics, philosophy and economics.

He began his academic career as lecturer in economics, Lancaster University 1964-67, before moving to Southampton where he stayed for seven years. From 1974 to 1977 he was at the Public Sector Economics Research Centre in Leicester and from 1977 to 1983 he was Professor of Political Economy at Aberdeen University. In 1983 he was appointed to a Chair at University College London, an institution with which he remained associated until his untimely death. In 1983, the fortunes of UCL’s economics department were at a low ebb and he did much to lay the foundations for the centre of excellence that it later became.

As regards his professional interests, he is best-known for raising the environment from a position of almost total obscurity in the landscape of economics to a position from which it could attract some of the brightest young graduates and play a major part in policymaking and in public debate. If any one area of economics has helped to raise the general profile of economics in the public mind in recent years it is probably the study of environmental issues and for this, in the UK at least, David Pearce deserves much of the credit.

It must have been hard work. In the early part of his career, certainly, economists with an interest in the environment were scarce indeed. Things were little better in the economic climate of the 1970s and early-80s when the focus of public policy lay elsewhere. Nonetheless, and perhaps surprisingly, the turning point came under a Thatcher government in the late-1980s when Pearce was appointed an adviser to the Secretary of State for the Environment, Chris Patten. Environmental issues had at last attracted enough popular attention to force themselves onto the political agenda and the question (for the government) as how to reconcile the market principles of Thatcherism with the newly expressed concern for the environment? Pearce had an answer that appealed to Conservative ideology: ‘use the market’. By then he had spent more than two decades on research into and using cost-benefit analysis and into the market. By then he had spent more than two decades on research into and using cost-benefit analysis and into the market.

In explaining his conception of sustainability, Pearce drew on ideas, familiar to economists, in the work of Sir John Hicks on income and capital. Income was what one could consume over a period of time while leaving the amount of capital with which one began the period unchanged at the end. In other words, economic activity could use environmental resources (even ‘damage’ the environment in the eyes of some of the more idealistic lobby groups) but had to do so in such a way that environmental resources for future generations were not depleted. The composition of the resources might change as a result of the economic activity; what mattered was that the amount being passed on was not reduced.

Placing a value on environmental effects was important as part of the calculations involved in ensuring the maintenance of environmental capital. But it had a more immediate political importance. This arose from the fact that in debates about environmental effects — which were acceptable and which were not — tended to be one-sided because the arguments for environmental protection had repeatedly to confront hard numbers about jobs, income, production etc. It was always easier to show the losses from environmental protection because they could be quantified and, moreover, quantified in monetary terms. Pearce made major contributions on the valuation of noise, waste, risks to health, biodiversity and other activities both in academic research but also for UK and other governments and in work for the OECD.

The third theme of the ‘Report’, that market incentives should be used to achieve desired environmental outcomes, stemmed from a recognition that the same market forces that led to environmental degradation could be turned around to work in the opposite direction. If firms found it profitable to pollute, that was because the relative cost of non-polluting behaviour was too high; if urban car use was excessive, this was because the cost of private transport was too low compared with the alternatives. All that was required was the right set of prices (and for policymakers a great deal of political courage). Slowly but steadily, thinking about environmental policy changed. The London congestion charge, the climate change levy, the European emissions trading scheme — all of these tools being used today are realisations of Pearce’s big idea.
Many of Pearce’s insights were communicated to a wider professional community through his work as a teacher. In 1990 he established an MSc in environmental and resource economics at UCL. The following year, he collaborated with colleagues at the University of East Anglia to set up the Centre for Social and Economic Research on the Global Environment which he directed until 1996.

Pearce’s achievements rightly earned him wide recognition. He was awarded the OBE in 2000 and last year he was awarded the (first) Lifetime Achievement Award by the European Association of Environmental and Resource Economists.

In 1966 he married Susan Reynolds, by whom he had two sons Corin and Daniel. Family life was important to him, but his career and interests inevitably took much of his time, much of it spent in international travel. It is a tragedy that only a year after retirement, when it looked as though he would have more time to spend at home — on his farm near Saffron Walden — he was diagnosed with leukaemia and died within hours of the diagnosis.