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"*Natura economica* in Environmental Valuation"

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Cost-benefit analysis is widely acknowledged to be an appropriate tool for providing advice to policy makers on the optimal use and management of natural resources. However, a great deal of research has indicated that the assumptions made in cost-benefit analysis concerning the natural environment diverge from real world observations. In this paper I discuss these observed divergences. To do so, I introduce the concept of Natura economica. Natura economica is the environment as it is understood in economic analysis in general, and cost-benefit analysis in particular, namely as a bundle of commodities with potential market value. I argue that if this understanding of nature and its value is very different from what is generally observed, it reduces the value of the resulting policy recommendations. I then suggest four questions that policy makers should ask when they evaluate their choice of appraisal methods. If the answer is 'yes' to all of them, then cost-benefit analysis can provide valid information. However, if the answer to any of these questions is 'no', other methods, such as multicriteria analysis and participatory processes, should be considered in order to arrive at better-founded policy recommendations.

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