Accounting for Nature Encyclopedia Article

Accounting for Nature

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Contents

Accounting for Nature Encyclopedia Article.....1

Contents.....2

Accounting for Nature.....3

Accounting for Nature

A new approach to national income accounting in which the degradation and depletion of natural resource stocks and environmental amenities are explicitly included in the calculation of net national product (NNP). NNP is equal to gross national product (GNP) minus capital depreciation, and GNP is equal to the value of all final goods and services produced in a nation in a particular year. It is recognized that **natural resources** are economic assets that generate income, and that just as the depreciation of buildings and capital equipment are treated as economic costs and subtracted from GNP to get NNP, depreciation of *natural capital* should also be subtracted when calculating NNP. In addition, expenditures on environmental protection, which at present are included in GNP and NNP, are considered defensive expenditures in accounting for **nature** which should not be included in either GNP or NNP.