Shadow Pricing Encyclopedia Article

Shadow Pricing

The following sections of this BookRags Literature Study Guide is offprint from Gale's For Students Series: Presenting Analysis, Context, and Criticism on Commonly Studied Works: Introduction, Author Biography, Plot Summary, Characters, Themes, Style, Historical Context, Critical Overview, Criticism and Critical Essays, Media Adaptations, Topics for Further Study, Compare & Contrast, What Do I Read Next?, For Further Study, and Sources.

(c)1998-2002; (c)2002 by Gale. Gale is an imprint of The Gale Group, Inc., a division of Thomson Learning, Inc. Gale and Design and Thomson Learning are trademarks used herein under license.

The following sections, if they exist, are offprint from Beacham's Encyclopedia of Popular Fiction: "Social Concerns", "Thematic Overview", "Techniques", "Literary Precedents", "Key Questions", "Related Titles", "Adaptations", "Related Web Sites". (c)1994-2005, by Walton Beacham.

The following sections, if they exist, are offprint from Beacham's Guide to Literature for Young Adults: "About the Author", "Overview", "Setting", "Literary Qualities", "Social Sensitivity", "Topics for Discussion", "Ideas for Reports and Papers". (c)1994-2005, by Walton Beacham.

All other sections in this Literature Study Guide are owned and copyrighted by BookRags, Inc.

Contents

Shadow Pricing Encyclopedia Article.....1

Contents.....2

Shadow Pricing.....3

Shadow Pricing

A practice employed by some economists that involves putting a price on things that normally do not have a market value. For example, **pollution** degrades common property and the natural heritage of present and **future generations**, but because it is considered a "free" good, no one "pays" for it at the marketplace. Yet pollution has a cost even if the market fails to explicitly take into account this cost and assign it to responsible parties. Thus pollution is perceived by most economists as a defect that undermines otherwise efficient markets. To correct this defect, economists often advocate the use of some type of shadow pricing for pollution. Such prices are set by the "shadow" procedure of asking people what they would be willing to pay for breathing clean air, watching **whales** migrate, or preventing the **extinction** of a particular **species** of plant or animal. Hypothetical or shadow prices for these "commodities" can thereby be estimated. Some environmentalists and economists, however, criticize shadow pricing for falsely attempting to assign a monetary value to things that are invaluable precisely because they (like beauty, love, and respect) are not and cannot be bought, sold, or traded in markets. To assign a shadow price, these critics claim, is to make the mistake of assuming that nothing has **intrinsic value** and that the worth of everything can be measured and reduced to its utilitarian or instrumental value.