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The True Value of a Good

In economics, everything has a price called opportunity cost; even when money does not exchange hands, people must use up time, energy, or resources. Before goods are even assembled at the factory, the materials to create them must be mined, refined, and shipped to the appropriate places. However, what is the true value of those resources? Obviously, companies must cover the costs of production; however, as with economics, there is always more than a monetary price tag attached to a good.

Professor Michelle Villinski understands the concept of opportunity cost; as an economist, she uses the concept often. However, to Villinski, economics is much more than the traditional topics of supply and demand and opportunity cost. Instead, she takes these principals further, using them to answer environmental questions. Her main area of focus is water, examining water rights and water prices across states, and analyzing option contracts for water. “It is very technical,” she says. However, working at a liberal arts college like DePauw, Villinski notes that she has become a “local expert on lots of different things.” As such, she is very knowledgeable about oil and about how the production of resources affects humans and the environment.

In 2008, Villinski witnessed just how devastating the search for natural resources can be. During that summer, she traveled on a Fulbright fellowship to the University of Surabaya in Indonesia where she taught and helped redesign the economic curriculum. One day, while traveling to visit some volcanoes, Villinski and her group stopped, at a man-made wall, to visit an area that had been completely destroyed by the Lapindo mud flow.

The disaster’s story began in May 29th, 2006 when a mud geyser erupted in a field near one of the Lapindo Brantas’, a natural gas and oil company, gas well (McDonald 3). Villinski describes the gushing mud as “hot, gray, and bad smelling.” At first, the mudflow was contained in the area, but by July, it had begun to spread across the land (McDonald 3). By 2008, it killed at least 15 people (McDonald 1), covered 16 villages, released massive amounts of toxic fumes (McDonald 4), and caused over three billion US dollars worth of damage (Corporate 1). It is Indonesia’s largest natural disaster (McDonald 2).

In order to curtail the mudflow, the Indonesian government created a pipeline to divert the mud into the Porong River. However, this merely contaminated the river, and caused many problems for those who relied on the river for food and water; if a Google Map image of the river is viewed, viewers can see how the river changed “from being a greenish, blue river … into being this mucky, brownish [river]” (Villinski).

Additionally, makeshift walls, like the one Villinski stopped at, were built to help halt the flow. “[It] wasn’t much to look at,” she says. “The wall itself looked basically like a hill with no grass.” However, it was easy for the group to find one of the many displaced villagers to take them to the top for money and point out landmarks in the destruction. The village, once teeming with life, now looks like a “wasteland” (Villinski). As for its residence, they must do whatever they can to earn a living. Some act as tour guides and show visitors the disaster; others chip off pieces of the mud and sell them in little glass bottles as souvenirs.

But how many people consider the 50,000 displaced villagers (McDonald 4) when they use their stove or heat their houses? This is the real cost, the opportunity cost, of modern living. Even worse, incidents like the Lapindo mudflow are not isolated. There are many examples of similar disasters across the world.

The documentary *Crude* by Joe Berlinger depicts another environmental disaster caused by the search for natural resources. The documentary displays the destruction Chevron, an oil company, caused the Ecuadorian land by dumping toxic waste from oil drilling into the Amazon River (Crude 1). Some environmentalists believe the destruction of the land to be “the world’s worst oil disaster” (Berlinger 2:20 to 2:25). According to the natives, before Chevron came the jungle was clean, both the plants and animals were healthy, and life was good. To many, it was a paradise (Berlinger 5:03 to 5:26). Now, people who live in regions contaminated by Chevron suffer from unknown diseases (Berlinger 14:03 to 14:05). Due to the improper disposal of 18 billion gallons of waste (Berlinger 11:59 to 12:02), both the Amazon River and the Ecuadorian soil have been contaminated. At a ground sampling in the documentary, viewers can see the gray, sludge-like consistency of the soil (Berlinger 32:59).

In scenarios like these, it is easy to blame companies, such as Lapindo Brantas and Chevron, for the environmental damages. After all, the companies are the ones drilling. Nonetheless, economics states that one cannot understand the full story unless both the supply and demand side of a graph is viewed. As Professor Villinski points out in the interview, consumers cannot completely shed the blame for disasters such as these. Companies go to such extreme lengths to produce goods because of consumers’ high demand for the products. If there was no demand, companies would not make them.

But companies do create products, and in order to be produce goods, resources must be used and waste must be created. According to Professor Villinski, all goods generate waste and “we use the environment as a place to simply deposit our waste.” When we bury, release, or dump this excess into the environment, we expect it to be absorbed and disposed of by Mother Nature.

However, when nature cannot absorb the excess, disasters like the Chevron oil spill and the Lapindo mudflow occur. There is no easy fix for these environmental problems; yes, the affected areas can be cleaned up and the victims can be compensated, but the demand for these goods will remain. Therefore, more products will be produced and more waste will be generated. According to Villinski, because the environment is used as a deposit for the excess, she claims that “the economy operates within the environment.” There is no way to separate to the two. The environment will continue to be destroyed as more goods are produced and consumed.

For now, maybe the only solution to these problems is to try and decrease demand for needless goods. When consumers debate whether or not to buy another pair of shoes or when they ask themselves if a new bathing suit is needed, they should try to remember that there is more to the cost than just the price tag. A village thousands of miles away could have been destroyed by the extraction of the natural gas that powered the machines which created those items.

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