The Age of Natural Capital, and Why It Must Be Stopped

https://www.e-ir.info/2015/07/30/the-age-of-natural-capital-and-why-it-must-be-stopped/

ED ATKINS, JUL 30 2015

Welcome to the Capitalocene: a world in which our ecology is dictated by finance, and our environment increasingly seen as a monetary good to be produced, commodified and traded. This is not a new process: the mass-production of matches represented a commodification of fire. However, in recent years, a new policy has formed: one that aims to solve problems of climate by apply financial values to the planet's natural resources. The result is the privileging of efficiency over justice; modernisation over tradition; and the placing of nature as an instrumental sub-section of political economy – rather than possessing its own intrinsic value.

With the fall of communism, and the decline of the bipolar political system that accompanied it, the dominant Western model of development reigned supreme as the route to improving lives and livelihoods (Oliver-Smith, 2010). At the centre of this economic mantra lies the normative position that production, both stimulated and managed by the power of the markets, will improve conditions of human welfare. Accompanying this model has been the promotion of large-scale infrastructure and commercial operations, from mining to agriculture – that have transformed our social and natural environments: destroying ecology, displacing many and veiling such processes within the promise of development.

In the past half century, this drive for economic growth and profits has unleashed a process of environmental degradation across the globe, via the extraction of natural resources and the failure to mitigate the resultant pollution. For many, the concept of sustainability has collapsed and we have become *Homo Economicus,* determined to pry open natural resources for exploitation. The commodificiation and privatisation of public and common goods has been one of the primary features of the era of neoliberal economics (Harvey, 2007). From the failed privatisation of water utilities in the 1990s to the problematic biofuels frenzy, new markets have developed, prospered and collapsed, with the environment continuing to provide an important resource of growth and profit. The result of this is the centring of climate change emissions within patterns of accumulation – with the world's richest monopolising the majority of global emissions.

A Shift in Perceptions

Mainstream economics is characterised by a particular rationality that creates a certain paradigm – that of individualism, utilitarianism and the importance of equilibrium. The result of this is the difficulty to couple the financialisation process of mainstream economics and notions of human rights (of access, development, security etc.) – two concepts that speak very different languages (Branco, 2015). Within human rights discourse, equity must be fused with other more-quantitative concepts (such as efficiency) to create a greater conceptual apparatus that provides a route towards political capital and change. However, within mainstream economics these notions are abstracted and treated separately – with efficiency cast as a technical issue of basic mathematics, that exists a world away from competing notions of justice. This presents a serious socio-political problem: with the primacy of efficiency of resource-use resulting in the creation of institutions that often fail to facilitate a more democratic and diverse process of resource management.

The spectre of climate change is here and mitigation is necessary. However, the toolkit of classical economics, previously driving the extraction and use of natural resources, has resorted to traditional methods in an attempt to mitigate emissions and climate change. The result is the continued financialisation of nature – a process that is based upon the insistence that a resource's (be it water, food, or carbon) financialisation provides the most viable route to the efficient allocation and usage of it when faced with the felon of scarcity. Across policy, economic instruments have been promoted as the most desirable route to meet the twinned challenges of environmental change and resource insecurity. Certificates, credits, securities and bonds are now asserted as the most-effective route to better management practice; reduced wastage and; ultimately, ecological improvement. However, this process of replacing environmental regulation with the power of markets has a more important consequence: the conversion of natural resources into commodities – to be bought and sold for a profit, or loss. Such a transition represents an important transfer of stewardship: from the community to the company; and from sustainability to profit.

This process of financialisation involves a significant ontological change. Nature is no longer just a raw commodity that we can use; it has become a resource that can be abstracted and produced in society's image. This discursive and material production of nature as a financial entity to be traded, incentivised and managed – has allowed for a shifting of property rights to encourage the transfer of "natural capital" from one community to another, and from one use to a competing operation. Global circuits of biodiversity, carbon offsetting and reforestation have been directed and redirected from nation to nation, and community to community; often allowing the reproduction of development and injustice. The result is the understanding of the financialisation of nature as an ideological pursuit, focused on the opening of new avenues of profits – often at expense of others. Carbon, possible the most recent imagined commodity, provides an important example of this – with the process of carbon-emissions-trading often portrayed as a structurally colonialist policy that embodies the transfer of responsibility of climate change mitigation from the richest to the poorest, often at the expense of the latter's right to economic development.

Financialisation as Injustice

The character of the financialisation of nature, the centrality of quantitative measurement and modelling – has resulted in a significant inequity between the poor and the rich. Discourses of efficiency have been used to legitimise policies that deprive local communities of their rights to resources and the related benefits (Boelens & Vos, 2012). Traditional practices deemed inefficient by mainstream economics are often alienated and demonised as restricting development and progress – as is particularly evident in the treatment of indigenous communities facing displacement by development projects.

This continued financialisation of the global environmental commons of land and water is intricately linked to wider narratives related to the securitisation of the environment and, how the world's resources are used. Such a process results in important competition between efficiency and traditional use, with such conflict. The World Bank (2010) has previously asserted that between 445 million and 1.7 billion hectares of land across the globe that is vacant, unused and, as a result, inefficient. What this report fails to decipher however is the presence of subsistence farming, the trade of non-monetised goods and the presence of informal communities – this is particularly evident in swathes of sub-Saharan Africa (Mehta et. al. 2012). However, these narratives of underuse and inefficiency have provided the impetus of a series of resource grabs, in which traditional users are displaced by governments to pave the way for an influx of international financial interests to ensure the financially-profitable use of the resource in question. Notably, this discourse is often silent on the structural relations of power that permeate across such schemes (Swyngedouw, 2012; Sultana & Loftus, 2012).

The cases of injustices associated with processes of financialisation are both multiple and geographically diverse. From the buying up of vast swathes of land in Cambodia for food production (often by the governments of Qatar, Kuwait and United Arab Emirates) (GRAIN, 2008); to the peasants forced to fetch water from a nearby spring, as large pipes carry the water to a mine in Peru (Crow et al. 2014). Weather derivatives in Ethiopia; carbon markets in China; betting on species extinction – all are permeated by economic and environmental injustice.

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Traditional practices deemed inefficient by mainstream economics are often alienated and demonised as restricting development and progress – as is particularly evident in the treatment of indigenous communities facing displacement by development projects. Notably, these processes often occur within official policy-responses to crises – be they of food or energy security, or climate change (Borras et. al. 2012), as well the ever-increasing needs of the hubs of global capital (Mehta et. al. 2012). Many of these policies of financialised appropriation have created significant points of conflict between local communities and the actors enabling the process itself. The result is simple: the livelihood struggles of many have become increasingly intertwined within the financialised north-south relations of climate change, and the policies of mitigation (Hopke, 2012).

In response to this process of financialisation, many opposition networks have looked to locate this policy within the wider realm of the neoliberalisation of nature – attempting to critically analyse the economic rationale that underlies the process and uncovering the injustices that it embodies. As Mitch Jones has stated: “The financialization of nature is not about protecting the environment; it is about creating ways for the financial sector to continue to earn high profits….By pushing into new areas, promoting the creation of new commodities, and exploiting the real threat of climate change for their own ends, financial companies and actors are placing the whole world at risk.”

In this writer’s mind, this provides an important route for analysis – that of the incorporation of notions of environmental justice into the study of the interplay between the international financialisation of nature and the local experiences of these processes. However contemporary processes of financialisation fail to do so: instead prioritising processes of mathematical efficiency over understandings of traditional use and equitable access – often creating serious injustice. Although the prescription of monetary value to resources may be cast as a route to increased efficiency and decreased pollution, the truth is often far from this characterisation – as has been shown in recent articles on biodiversity banking by Molly Bond and Andrea Brock.

The message for critical scholars is clear: although the financialisation of nature, its appropriation, and all the processes surrounding it may be institutionally tied to the noble cause of climate change mitigation, it also presents many problems. Displacement, degradation and continued-injustice all point to an important argument: that processes of financialisation are not necessarily beneficial in utilitarian terms but represent something deeper: the continuation of capitalism as usual. Thus, it is important to assert that nature must not become a sub-section of the political economy, as mainstream economics believe. It is vice-versa, and we cannot forget that.

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