

PERSPECTIVES FROM THE FIELD

Ecological Economic Perspective in Environmental Practice: Much-Needed Common Sense amid Overwhelming Market Rhetoric

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There is widespread belief, currently, that financial markets are well equipped, and should be given the responsibility, to deal with environmental management. In this context, the commodification of nature would appear to serve useful purposes. This article argues that, from the viewpoint of environmental practice, these perspectives do not make a lot of sense, in large part because nature follows rules that are entirely different than those of financial markets and because the limited knowledge that specialists have of many natural processes prevents meaningful monetization. I also point out that, fortunately, within economics, a subdiscipline known as ecological economics tends to advocate caution in this area and offers much-needed common sense amid overwhelming market rhetoric.

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Market Focus

Financial and economic considerations have always represented a significant aspect of environmental practice. However, various events in the mid-1990s propelled them to central stage in an unprecedented fashion in the United States (US) and, to some extent, later, also in other parts of the world. Soon after Republicans gained control of both the US house and senate in 1994 for the first time in more than 40 years, a frontal neoliberal attack was launched on environmental regulations of all kinds. Shortly thereafter, the President's Council on Sustainable Development, a high-level stakeholder advisory committee assembled by President Bill Clinton, produced a consensus

report (President's Council for Sustainable Development, 1996) recommending a reliance on market forces in environmental policy and in the drive to sustainable development. The 170-page report is predicated on the belief, among others, that "[e]conomic growth based on technological innovation, improved efficiency, and expanding global markets is essential for progress toward greater prosperity, equity, and environmental quality." The text of the report itself is replete with references to "market-based" or "market-related" incentives and mechanisms to better manage environmental issues, as well as encouragements for businesses to couch "their environmental strategies in the financial terms that Wall Street can understand and reward."

The belief that what is good for economic and financial markets—in spite of their intrinsic limitations (e.g., Anderson, 1990)—ultimately is also good for the environment has become dogma over the last two decades. As such, it has shaped in profound ways the attitude of policy makers and of the corporate world, especially in terms of how much of a precautionary stance to adopt (Vogel, 2012), and it has modified drastically the context of environmental practice. An extreme example, decried as a "travesty" by Schnoor (2012), is the US federal Energy Policy Act of 2005, which, in order to stimulate the economy, exempted gas producers from key environmental regulations. Apparently, more of the like is on the way. Since 2010, trade-agreement negotiations that the US government has been carrying out secretly with European and Pacific Rim nations have encompassed a provision referred to as *investor-state dispute resolution* (ISDR) that would allow individual corporations having their headquarters in one signatory country the right to directly sue governments (at any level, from local to national) in another if regulations those governments pass (democratically) infringe on the current or *potential* profits of the corporations. Many observers fear

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that this provision, dubbed *corporate sovereignty*, if it ever becomes law, will have devastating effects on environmental legislation in the nations signing these trade agreements (Baveye and Charlet, 2014). In yet another development with potentially dire consequences, a growing number of governments, as well as several international agencies, as the optimal way to integrate nature into economic and financial activities, are promoting the monetary valuation, or monetization, of so-called ecosystem services rendered by nature to human populations. This idea is not new at all, yet nobody seems to have found a way to make it work so far in practice (Baveye, Baveye, and Gowdy, 2013; Westman, 1977). However, if it goes ahead, this monetization might create a huge leeway for the inequitable appropriation of nature (e.g., Kallis, Gómez-Baggethun, and Zografos, 2013; Vatn and Bromley, 1994), as well as for long-term environmental deterioration, if selected services of nature end up being given undue precedence relative to others that may be crucial to sustainability (Gowdy, Krall, and Chen, 2013; Kroeger and Casey, 2007; Menzie et al., 2012; Muradian et al., 2013; Norgaard, 2010).

Nature Follows Its Own Rules

From the perspective of environmental practice, the belief that markets are well equipped, and should be given the responsibility, to deal with the management of the environment, as well as the corollary conviction that the commodification of nature serves useful purposes, do not resist very long even the mildest form of scrutiny. One could produce as evidence a myriad of counterexamples where a focus solely on the bottom line has led to ecologically disastrous decisions. Beside these examples, there are several key reasons why a market-based perspective is not sound. For starters, nature is hugely complex, and many of its highly interrelated aspects are still very poorly understood, which prevents any meaningful monetization. How could we assign a dollar figure to the enormous biodiversity of soils, for example, when we do not understand at all why their diversity exists in the first place, and only about 1% of the organisms in soils have ever been identified and characterized (e.g., Baveye et al., 2011)? More broadly, even the little we know about nature indicates clearly that few, if any, organisms and natural processes exist solely to serve—or be profited from by—humans. Therefore, from that standpoint alone, any anthropocentric view of nature, in particular one that reduces nature to being a subset of the world's economy, is necessarily misguided and shortsighted.

At a more technical level, an anthropocentric view also runs counter to the fact that the spatial scales at which natural

processes take place do not necessarily coincide with those encompassed in human endeavors. Within this different spatial context, nature also has its own functioning rules, which, among other features, operate on timescales that are very different than the brief time span between corporations' quarterly reports or even between political elections. Rainfall infiltrating a soil at one location, and possibly transporting various pollutants, may take tens of years, even centuries, to resurface kilometers away in the nearest river. As long as a thousand years might be required for topsoil to be replaced that has been eroded away. This means that, in our daily environmental practice, we need to be constantly mindful that what we do may have dire consequences that either will manifest over the long term, at a time when it will be far too late to correct any mistake we might have made, or may have immediate but extremely long-lasting impact over many human generations. For these reasons, and because our interactions with the environment are often in terms of products like potable water (Baveye, 2013) that are absolutely vital to human well-being, a level of precaution far beyond what is required in many human endeavors is clearly mandatory in our interactions with the environment, particularly in the context of economic or financial activities.

Common Sense against a Neoclassical Tide

In the past, some economists, like Karl Polanyi or Kenneth Boulding, echoed some of these perceptions that readily emerge from environmental practice. Until about the 1970s, these writers could still publish articles in mainstream economic journals. Clark (1973), for example, showed in a celebrated article that, depending on certain easily stated (and quantifiable) biological and economic conditions, in particular a preference of harvesters for present over future profit, extermination of an entire population of organisms (e.g., whales) may appear to be the most attractive policy, more profitable in the short run than conservation. In another well-known article, Pearce (1976) demonstrated that, for conventional pollutants that have ecological effects, a standard cost-benefit analysis, as is routinely carried out in economics, dictates solutions that diverge from what is ecologically optimal.

Over the last 20 years, however, these kinds of analyses that end up being critical of the market dogma applied to environmental management seem to have become viewed as heretical in the mainstream English-speaking economics literature, dominated overwhelmingly by the neoclassical economics ideology. Unorthodox economic views have had increasingly to find refuge in alternate venues—for example,

in ecology journals (e.g., Muradian et al., 2013) or in publications associated with the dissenting field of ecological economics. Even there, as Spash (2013) points out, neoclassical economists of various tendencies have in recent years succeeded in securing a stronghold and launched efforts directed at once again “squeezing Nature into the commodity boxes of goods, services and capital in order to make it part of mainstream economic, financial and banking discourses” (p. 352).¹ Nevertheless, a core group among ecological economists, which Spash terms the “deep” or “social” ecological economics movement, remains committed, among other things, to principles of ethics and strong sustainability, to low discounting rates as a matter of equity toward future generations, to the view that the blind monetization of nature’s services is generally undesirable, and, fundamentally, to the notion that nature cannot and should not be subjugated to economic or financial markets but, on the contrary, that the economy should be viewed as only a component of human activity, itself a part of all-encompassing Nature.

What many of the adherents of this deep ecological economics movement write matches closely what experience in environmental practice has revealed to many of us over the years to be simply common sense. If only for that reason, environmental practitioners should try to actively support the work of these ecological economists in any way possible. Furthermore, since deep ecological economics offers a different outlook on many of the issues with which we, environmental practitioners, have been traditionally confronted, there is significant new insight for us to be gained when we engage in interdisciplinary efforts with proponents of this movement. If, as a result of united efforts, common sense eventually prevails, stockholders of major corporations may turn out to be a little less rich than what they could have been otherwise, but collectively we will undoubtedly stand a better chance to leave to our descendants a planet Earth in halfway decent shape. Hopefully, there can be no argument that this should be our foremost objective.

Note

- 1 In some cases, the push by neoclassical economists to eradicate dissent from the economic spectrum extends to degree programs, like at the author’s institution, where administrators holding mainstream views about what proper economics education ought to be have recently eliminated popular graduate offerings in ecological economics, against the best judgment of numerous faculty members involved in environmental research.

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