

# The Nature of Value and The Value of Nature

**A**N ECONOMIST wrote that some things have a huge value, but they're not very useful — a diamond, for example — and that other things are very useful, such as water, but they don't seem to have a very high value.

**W**hat he was really saying is that human beings have neither addressed the nature of value nor indeed the value of nature. This thought sounds fairly modern but in fact it comes to us from Adam Smith, the man who was considered by many as the founding father of economics.

**I**think this little example is particularly relevant when we look today at the economies that surround us and at the recession that has beset us, which is much worse than anything we've seen since the 1930s. Relevant because it makes us wonder, what is the role of nature in either creating this recession or in getting us out of one? And that makes us begin to think back a few months and years to the food shock, and the oil price shock, and the fact that we saw a spike in oil prices before the food prices went up, and this begins to make us connect with nature and realize that the way that we manage our resources, and our use of these natural resources, in fact does have quite a lot to do with the economy.

**A** study was begun a couple of years ago which is now called ATEEB: The Economics of Ecosystems and Biodiversity. In its interim report, published in May [2008], one of its conclusions was that the ongoing loss of forests represents a loss of utility and services to humanity of the order of two to four and half trillion dollars. That's two to four and a half million, million dollars every year! And this loss has been going on every year for many years. This compares rather significantly with the loss of one and half to two trillion dollars, which is the system loss of financial capital as a result of what is in fact the biggest financial crisis the world has ever seen.

**A**nd yet, while the financial crisis and the losses of banks and their rescue packages made the headlines every day at least for the last year, you hardly saw a headline on the loss of natural capital. I think that again goes back to Adam Smith's points about some things having value in use but not value in exchange, as he called it, because the value that comes to us from nature largely comes outside of exchanges. It comes directly in the form of clean air, fresh water and for the poor, the flow of nutrients and water from the forest to their fields, their gathering of non-timber forest products from the forests or their gathering of fuel wood to feed their home fires. These

are values which come outside of markets and therefore we don't assign a price to them or indeed we tend to depreciate their true significance towards our wellbeing.

**A**ND THEREIN LIES THE CHALLENGE FOR HUMANITY: If we are really to get ourselves out of the cycle that we have witnessed, where resource depletion and prices and asset shocks result in a significant blow to the economy and a significant loss of jobs, we need to rethink which capitals we put into play. Is it sufficient, really, for us to be putting financial capital into the solution of a problem which is caused by financial capital, of too much credit, or should we really be looking at the other capitals: human capital and natural capital which are available in large quantity, which we need to leverage better? We need to push them more into the solution of our future economy. The future economy, what I call the green economy, has to be one which balances the use of physical and financial capital with the building and the use of natural and human capital.

**A**nd in doing so, there are some significant and positive examples. Take Korea, for instance. As with most major nations, they too have a fiscal reflationary package to help their economy come out of this recession. It's significant. It's \$38 billion. It will create a million jobs, but the interesting point is that out of the million jobs created, 700,000 are actually in the form of jobs for greening the economy. And of the \$38 billion, \$28 billion are being spent on what we would call the greening of economies. In other words, cleaning four major rivers, reforestation, building retrofits and renewable energy.

**I**think that gives you a clue as to what kind of economy they hope to achieve after the recession. It will be a sustainable economy. It will be an economy in balance. An economy which has a chance for survival and will not yet again ask for more capital to be poured into losses in the financial world or in the business world, and not yet again ask for more risks to be taken on ecological debt drawdown or indeed on financial debt drawdown. Korea's economy appears likely to be one which sustains itself into the future and for future generations. ♣

*This article is a slightly abridged transcript of a video interview Pavan Sukhdev gave with the International Institute for Environment and Development (IIED) in March 2009. ([tinyurl.com/pavan-sukhdev](http://tinyurl.com/pavan-sukhdev).)*

DEFORESTATION IN NIGERIA, PHOTOGRAPH BY MARK EDWARDS



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