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The Role of Social Development in Achieving Environmental Goals

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In these remarks I want to link the achievement of environmental goals to the issue of natural capital and natural assets in order to make the point that we will only be able to achieve the full integration of the environmental dimension of sustainable development with its other two dimensions when we assign a value to natural assets; and that such a valuation is only possible if we come to a society-wide agreement on the intrinsic value of natural capital, and of ecosystems in particular, as well as on the concrete value of the services they provide. This will also enable us to assign a true societal and monetary value to the income/livelihoods derived from these services—it thus contributes to securing those incomes and livelihoods, and to reducing poverty overall.

Environmental goals

Overall, the goal of policies for environmental sustainability is to make our use of the natural world consistent with geophysical planetary boundaries. There are several commonly accepted environmental goals. The most pressing global goal at present is, of course, halting climate change. Also important is putting an end to the unsustainable degradation of the natural environment (soils, oceans, rivers, forests) and reversing it where possible; and moving toward the sustainable management of natural resources, including exhaustible natural resources.

But perhaps the most important environmental goal is to ensure that environmental objectives enjoy the same degree of importance as social

and economic objectives, and are not seen as an add-on, or a trade-off, or a cost. It is this achievement that would give the greatest assurance of success in meeting all the other environmental goals, for it would mean achieving the full integration of the three dimensions of sustainable development.

Natural capital/natural assets

The key to this integration is seeing the environment, and the natural world as a whole, as an asset that produces value, an asset into which we must invest. To date, that "value" has been less well defined than it should be. Some natural assets are clearly considered part of the economic value chain - natural resources that are used as production inputs, for example, where exclusionary ownership relationships, and therefore market prices, can be imposed.

But others, like air and often water, and especially the oceans, are not treated the same way, even when they are an important part of the economic value chain, because exclusionary ownership cannot be established—these are "public" goods. Similarly, the negative costs of changes in the quality of the assets (soil degradation, air pollution) have not been attributed to the processes that caused the changes (hence externalities).

Any economist will tell us that what is needed to rectify this situation is for the value of the asset to fully reflect its relative abundance/availability, its quality, as well as the full and true cost of replacing it—i.e., an appropriate market price. Of course, that is difficult with the public goods, where markets cannot derive an appropriate price on their own—here governments must act to establish the value, and to create a social acceptance of that value.

Also needed is a societal recognition of the differences between natural capital and financial capital or social capital - unlike financial capital, there are geophysical limits to the ability to accumulate natural capital, and unlike social capital, improvements in the quality of the assets are often impossible,

once a threshold level of damage is done. The value or price of the natural asset should also reflect these characteristics.

Ecosystems, and valuing ecosystems services

So how can this full and true valuation of natural capital be achieved? The first step is to recognize that our physical world is organized into ecosystems which provide essential contributions of value to us in our daily lives - not just the recreational value of a walk in pristine forest, but the contribution that forest makes to cleaning and storing groundwater, sequestering carbon, and regulating weather patterns.

As noted in the TEEB report (2010),[1] these ecosystem services can be of different types:

- Provisioning services – for example wild foods, crops, fresh water and plant-derived medicines;
- Regulating services – for example filtration of pollutants by wetlands, climate regulation through carbon storage and water cycling, pollination and protection from disasters;
- Cultural services – for example recreation, spiritual and aesthetic values, education;
- Supporting services – for example soil formation, photosynthesis and nutrient cycling.

From an economic point of view, the flows of ecosystem services can be seen as the 'dividend' that society receives from natural capital. Maintaining stocks of natural capital allow the sustained provision of future flows of ecosystem services, and thereby help to ensure enduring human well-being.

[1] TEEB (2010) The Economics of Ecosystems and Biodiversity: Mainstreaming the Economics of Nature: A synthesis of the approach, conclusions and recommendations of TEEB.

Second is to link these ecosystems services to our regular production and consumption patterns. This should be the basis for valuing natural assets. For example, life in cities becomes difficult and very expensive unless the agricultural productivity of the hinterland can be preserved; quality drinking water in sufficient quantities is made available; and a reasonable quality of air maintained.

Third, with the recognition of this intrinsic value established, one can proceed to consider how that value can be reflected in the price/cost of the goods and services that we produce and consume. But this is a very difficult enterprise, especially with public goods, such as good air or soil quality—where there is no exclusionary ownership, it is difficult to assign a value based on access or rarity/scarcity. Society may be willing to pay for preserving particular landscapes or species, or to protect common resources—*how much* it is willing to pay depends largely on the economic, cultural and social context. Moreover, the mere fact that an asset has a price or a value should not imply that it can be used without limit, as long as the price is paid.

These two considerations imply that valuing natural assets will be, at least in part, a social function. Not only on is agreement needed on the level of price or the value of an asset that cannot be fully priced in a market, but there must also be agreement on the use of those assets that are exhaustible, or whose use/degradation imposes a cost on society as a whole—immediate and direct (as in the degradation of soil quality or the exhaustion of a non-renewable natural resource), or long-term and indirect (as in respiratory disease and death resulting from air pollution, or the effects of climate change on human migration).

So, a posit: Proper environmental stewardship is not possible without truly valuing natural capital, and that valuation requires social consensus.

Consider why we accept that doctors earn more than teachers. Because it is a social norm, based perhaps on the relative scarcity of doctors, the difficulty of

replicating or accumulating that kind of human capital (long and difficult education); and the perceived immediate social value of the doctor's function (if you're sick and dying, the doctor can help). Of course, the doctor can only become a doctor if there is a qualified teacher—that relationship is less obvious, because the "value" of the teacher's service is longer-term and not directly perceived - everybody has to go to school, not everybody has to receive medical treatment.

Folowing that line of reasoning, therefore, a very useful step on the road to achieving the social consensus needed to properly value natural assets, is to recognize, socially, the contributions made by those who support, preserve and manage the ecosystems that deliver services to us.

Another important step is to devise a system of measuring human well-being and prosperity that goes beyond the merely economic variables used in GDP. If we assign a value to social peace and harmony, to equality of opportunity, to rest and recreation, in addition to the social value we assign to work and income, we will be much better placed to value natural capital and the people who preserve and accumulate it. And when we assign a value to natural capital, we can reflect the true and full cost of its use in our economic accounts, so that natural capital has not only a social value but also an economic one.

A third step might be to reconsider what we as members of society find valuable, and how we rank the values we assign to different activities. So for example, we might ask ourselves why we allow such extreme earnings in the financial sector, but are upset if the price of milk rises. The answer is clear - we have to pay for the milk ourselves, while it seems that someone else pays those extreme financial sector salaries. But if we realize that society as a whole has to pay to enable those remunerations, and that such levels are totally disproportionate to the service the sector actually provides to us in our daily lives, much might eventually change.

With that change in mindset might also come a change in the relative values we assign to different types of activities, with greater importance of some of the activities previously ignored, and possibly, some movement toward a redistribution of income flows.

We might also achieve a change in approach to consumption, disparaging the excessive and wasteful consumption that thus far has accompanied greater wealth and prosperity. And that will put society formally on the path toward more sustainable patterns of consumption and production.

A symbiotic and reciprocal relationship between social objectives and environmental ones.

Eradicating poverty and reducing inequality are two of the overriding objectives of social policy in most countries, and essential elements of the post-2015 sustainable development agenda. The relationship between these two complex phenomena and the environment is deep, but not always easily perceived. Poor people are disproportionately dependent on natural capital for their income and their livelihoods (e.g. in agriculture, forestry, fisheries), but for the most part they do not control or own these natural assets—hence they absorb only a portion of the value that these assets create, and have to bear most of the costs of the degradation of the assets or interruptions of the ecosystem services they provide. Sustainable management of natural capital is thus a key element to achieving poverty reduction. This helps to explain why prosperity and poverty reduction depend on maintaining the flow of benefits from ecosystems; and why successful environmental protection needs to be grounded in sound economics and explicit recognition of the social benefits of the efficient and fair distribution of the costs and benefits of conservation and sustainable use of natural resources

There are many policy options for promoting the achievement of environmental goals. It has been well argued for decades that making visible the economic value of the environment is key. I would also argue that public education aimed at raising the awareness of the imperatives of ecological preservation and environmental stewardship for the achievement of core

social objectives is central to achieving the full integration of all three dimensions of sustainable development in our minds and in our behaviours as individuals.