

If you care about future generations, you should support ‘nature positive’

COMMENT

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The most pressing problem we face is climate change. It’s even more important than – dare I say it – getting inflation down to 2 per cent by last Friday. But we mustn’t forget that climate change is just the most glaring symptom of the ultimate threat to human existence: our continuing destruction of the natural environment.

Economists are often accused of being too narrowly focused on markets and the market prices that move up or down to bring supply and demand into balance.

But one way they’ve widened their scope is by broadening the meaning of “capital”. Capital refers to anything that helps us produce the many goods and

services we consume as part of our standard of living.

Historically, it has meant “physical” capital: the humanmade tools, machines, factories, shops, offices and other buildings, as well as infrastructure such as roads and bridges.

To this, economists have added the “human” capital we have in our brains: the education, training and on-the-job knowledge that adds to the productive value of our labour.

And then they took account of “social” capital: the human relationships and networks, norms of acceptable behaviour and, particularly, the trust between people, that make markets work more smoothly and lower the costs of doing business.

Finally, economists have recognised the importance of “natural capital”: the world’s stocks of natural assets, such as geology, soil, air, water and all living things. These natural assets deliver to us “ecosystem services” ranging from pollinating birds and insects, sources of fresh water, forests, marine life, arable soils and various absorbers of wastes.

As a former Treasury secretary, Dr Ken Henry, reminded us in a speech last week, human progress has relied on forms of industrial production, including modern agricultural practices, involving extracting non-renewable raw materials, such as iron ore coal and gas, and making extensive use of ecosystem services.

Two hundred years ago it was possible to believe that all this economic activity was having no significant impact on our stocks of natural assets and their ecosystem services to us. Today, scientists tell us a very different story, and it’s much easier to see with our own eyes the damage we’ve done.

As Henry puts it, the extraction of non-renewable natural resources for industry has depleted the stock of natural capital directly. But it has also had an indirect impact. Most obviously, the burning of fossil fuels has damaged the atmosphere, the total supply of water in all its forms, and the Earth’s surface, in a set of complex processes we call climate change.

But that’s not our only contribution to the degradation of natural capital. Because the industrial rate of use of ecosystem services has exceeded nature’s capacity to regenerate for at least several centuries, the stock of natural capital has been

depleted – just as machines used in production depreciate more rapidly if worked harder and not properly maintained.

The depletion of natural capital over time reduces its capacity to supply ecosystem services that are critical to production. For example, soil fertility, the availability of well-watered farming land, and capacity of the atmosphere and the land to absorb the waste left by economic activity have all fallen over time.

“A degraded biosphere [of land and air] affords less protection from fire, droughts, floods and storms, all of which are growing in incidence and severity because of human-induced atmospheric change,” Henry says.

Wait, there’s more. The depletion of natural capital also reduces “environmental amenity” – our enjoyment of being out in nature. It also imposes adverse cultural impacts on indigenous peoples.

Economists are very aware that, to some extent, labour and physical capital can be substituted for each, one source of energy can be used to replace another, and resources can be used to produce machines that increase what we have available to consume.

These are the reason some economists have dismissed the fear that we have, or could ever, approach the “limits to [economic] growth”.

But Henry’s not convinced. “None of this human ingenuity, nor [physical] capital accumulation, nor increasing work effort has, thus far, done anything to halt the rate at which the stock of natural capital is being depleted,” he says.

“To the contrary, new technologies and more [physical] capital-intensive modes of production have accelerated its rate of depletion. And they have done little to reduce the dependence of industry upon the stock of natural capital.”

The distinguished American economist Robert Solow argued that for economic growth to be sustainable, the present generation has a moral obligation to “conduct ourselves so that we leave to the future the option or the capacity to be as well-off as we are”.

But Henry responds that “the historical loss of natural capital denies us reason to believe that future generations will have the capacity to achieve our level of

wellbeing. To put it another way, it would be irrational of us to suppose that we, in this generation, are custodians of sustainable development.”

Wow. He goes on to argue that so much has been lost, and with such serious consequences, a consensus has emerged that we must now commit to nature repair.

Have you heard of “nature positive”? It means halting and reversing nature loss, so that species and ecosystems start to recover.

Henry says the nature positive position “argues that for some time, perhaps generations, we must seek to restore environmental condition, understanding that without doing so, we cannot be confident that future generations will have the capacity to be as well-off”.

Wow. This is radical stuff. And it’s coming not from some Greens senator, but from a former Treasury secretary and former chair of the National Australia Bank.

In an interview in April, Henry said the Albanese government should establish a public fund to spur corporate involvement in nature positive protection and repair. The cost would be enormous, he admitted.

A last thing to surprise you. The world’s first global nature positive summit will be held in Sydney in early October. It will be hosted by the federal Minister for the Environment, Tanya Plibersek.

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