

ODID and ECI Astor Visiting Lectureship

Professor Joshua Farley, Vermont University

4-8 March 2013

Professor Joshua Farley from Vermont University will be giving a series of lectures, seminars and workshops in Week 8. Professor Farley is a prominent ecological economist, co-author of one of the most popular textbooks of ecological economics (*Ecological Economics: Principles and Applications*, Island Press, 2004, 2005, New Ed. 2011). He has authored or co-authored 36 peer-reviewed publications and 23 book chapters, and is currently preparing three books: *Restoring Natural Capital: Financing and Valuation*; *A Festschrift in Honor of Herman Daly*; and *Beyond Uneconomic Growth: Ecological Economics, and the Future of the Planet*. He has contributed to the TEEB Report (*The Economics of Ecosystems and Biodiversity*, 2010), and is one of the authors of the report 'Building a Sustainable and Desirable Economy in Society in Nature' written for UNDP's Sustainable Development in the 21st Century project.

Monday 4 March, 4:00-6:00pm, SoGE Auditorium

Lecture

The Political Economy of Ecosystem Services

Proponents of the concept of ecosystem services argue that it calls attention to critically important services provided by nature that are prone to 'market failures', and hence frequently ignored in economic decisions. Opponents typically agree that we cannot ignore such important services, but argue that the term ecosystem services implies a misguided effort to force nature into the market framework. To clarify the controversy, this presentation breaks it down into three separate debates concerning sustainability, justice and efficiency. The sustainability debate focuses on whether or not ecosystem services are essential for human welfare and subject to highly non-linear ecological thresholds. If ecosystem services are essential, then marginal analysis and monetary valuation are inappropriate tools in the vicinity of thresholds. The justice debate focuses on who is entitled to ecosystem services and the ecosystem structure that generates them. If ecosystem services are the shared inheritance of humans and other species, then democratic processes and ethical obligations should guide their allocation, not the market mechanism of preferences weighted by purchasing power. The efficiency debate concerns both the goals of economic activity and the mechanisms best suited to achieving those goals. If we define efficiency as the maximization of monetary value through voluntary exchange, then efforts to force ecosystem services into the market framework might be worthwhile. If instead we define efficiency as the highest possible quality of life compatible with the conservation of resilient, healthy ecosystems, market allocation will be inefficient. Increasing evidence suggests that ecosystem services are essential for humans and other species, and careful analysis reveals that market allocation is neither just nor efficient, as those terms are commonly understood. Rather than promoting the commodification of nature, the concept of ecosystem

services should help to make it clear that we cannot integrate ecosystem services into the market model, but rather should adapt economic institutions to the characteristics of ecosystem services.

Tuesday 5 March, 2:00-5:00 pm, Becket Room, SoGE.

Hands-on case study based workshop for Masters students (pre-registration requested, e-mail Thomas.Thornton@ouce.ox.ac.uk).

From Small Family Farms in Brazil's Atlantic Forest to Global Food and Ecosystems: How do we Value, Produce and Allocate Essential and Non-substitutable resources on a full planet?

This workshop will explore the challenges presented by the valuation, production and allocation of essential and non-substitutable resources on a full planet, using case studies of the global food system that is driving the decimation of planetary ecosystems and threats posed to small family farmers in Brazil by laws intended to restore the critically endangered Atlantic Forest. Market economics evolved from a utilitarian philosophy that sought to produce the greatest good for the greatest number. Market values, determined by preferences weighted by purchasing power, are taken as proxies for utility, in which case caviar for a rich person provides vastly more utility than a bowl of rice that staves off starvation in a malnourished child from a destitute family. There is an increasing effort to apply the same logic to the valuation of ecosystem services. What alternatives exist to monetary valuation? Numerous studies show that modern agriculture threatens critical planetary boundaries ranging from biodiversity loss and nitrogen cycles, suggesting that the costs of current practices are unacceptably high. At the same time, failure to increase food production in the face of population growth threatens unacceptable misery and hardship. Brazil's Atlantic Forest has lost over 90% of its tree cover, and is likely to disappear with major restoration. Brazil's forest code mandates reforestation of 30% of the original area, but if small family farmers comply, they will have inadequate farmland to sustain themselves, and will likely fall into poverty. How can society produce enough food and ecosystem services to meet basic needs? When grain prices doubled in 2007, those consuming over 3000 calories per day scarcely noticed, while those consuming less than 1800 calories per day were forced to consume much less. Are there more efficient mechanisms for allocating food and other essential resources? We will interactively explore basic concepts in economics and ethics, examine their implication for the problems described, and discuss how they can be applied to real-life research projects and policy decisions.

Wednesday 6 March, 2:00-4:00 pm, Seminar Room B, St Cross Building (Department of Economics)

Monetary and Fiscal Policy for a Steady State Economy

The majority of money in the modern economy is loaned into existence by private banks as interest bearing debt, and destroyed when those loans are repaid. This system demands endless economic growth to repay the debt-plus-interest,

exacerbates booms and busts, prioritizes market goods over public goods, and systematically transfers wealth and resources to the financial sector. Public and private debts exceed gross domestic product in most nations, and are growing much faster, so repayment is impossible. A sustainable economy is incompatible with the debt-based, interest bearing creation of money. The solution is for governments to gradually increase bank reserve requirements to 100%, eliminating the banks' ability to create money. This would destroy the majority of a nation's money supply. In order to avoid an uncontrollable recessionary spiral, the government would need to spend new, debt-free money into existence. Citizens would be obliged to accept this money in order to pay taxes; taxation in excess of expenditures would destroy money. While bank created money is created only for investment in (or consumption of) market products, government created money can be spent directly on public goods, including investment in non-marketed ecosystem services and green technologies, and used to hire the unemployed. Replacing bank money with government money eliminates the need for growth, and allows for controlled contraction. Taxes and government auctions of environmental allowances can be used to manage throughput, reduce inequality, and contract the money supply in synchrony with economic degrowth, until the rate at which the economy extracts natural resources and emits waste is in harmony with planetary boundaries.

Thursday 7 March, 2:15-4:00 pm, ISCA, 61 Banbury Rd

Does Excessive Quantification Diminish the Social Sciences? The Case of Economics.

Kenneth Boulding famously observed that mathematics brought rigor to economic analysis, but also mortis. Economics is frequently defined as the allocation of scarce resources among alternative desirable ends. From this definition, it follows that the first task of an economist is to decide on the desirable ends of economic activity, which would appear to be an inherently normative task. Classical economists made the normative claim that the desirable end should be the maximization of utility, which can be roughly defined as quality of life. Neoclassical economists however sought to transform economics into a positive science with objective, quantifiable decision rules. Utility and quality of life are inherently subjective and dialectical concepts that may be amenable to ordinal numbers, but not the cardinal numbers required for mathematical analysis. Economists addressed this by assuming that rational people strive to maximize their utility through market activities. We can therefore use preferences revealed by market decisions as objective measures of utility, and the maximization of monetary value as the maximization of utility. Perfect markets can be shown mathematically to maximize the monetary value of resources subject to the constraint that no one be made worse off. But empirically we see that markets maximize the value of food, for example, by allocating it to wealthy westerners consuming over 3000 calories per day and sending 1/3 that amount to the garbage, rather than to impoverished mothers trying to keep their malnourished children alive. In order for economists to quantify their discipline, they were forced to assume that preferences, for example one person's preferences for apples over oranges, were in the same axiological category as access to basic needs. Ethical

values that cannot be quantified were simply ignored for the sake of quantification. Mathematics and quantification are powerful tools, but tools should be the servants of a science, not the masters. Forcing the social sciences into a mathematical framework forces us to ignore both ethical values and ordinal values, thus dramatically impoverishing analysis.

Friday 8 March, 2:00-3:30 pm, Seminar Room B, qeh-ODID

Open discussion on the contribution of ecological economics to development studies with ODID researchers and Visiting Professor Pascal van Griethuysen from The Graduate Institute of International and Development Studies, Geneva, Switzerland.