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Editorial

Financialising nature?

Introduction

The neoliberalisation of the environment, understood in terms of privatisation, de-(and re-)regulation, commercialization, and commodification, has been well documented by human geographers (Heynen et al., 2007; McCarthy and Prudham, 2004). Within this literature, the expansion of markets into various aspects of nature at multiple scales is said to offer an environmental or socio-ecological fix to the problems of capital over-accumulation (Castree, 2008a, 2008b; Ekers and Prudham, forthcoming). Where the literature on neoliberal natures has gained prominence in recent years, analysis has thus tended to focus more upon the privatization and commodification of nature, with less attention being given to the role of *financialisation* and *financial intermediation*, terms that have gained considerable attention in the last few years, especially in the wake of the economic crisis of 2008. Nevertheless, a series of key contributions, several of which are contained within this collection, redress this balance. Although some authors have characterized the growth in financialisation as a fundamental reworking of capitalist social relations we seek to adopt a more nuanced reading of how capital – through financial intermediation – has asserted increasing control over common resources like land, wildlife, emission trading rights, energy or water. In line with such a shift, infrastructure has proven a key mediator between the flows of finance and environmental flows. We therefore point to an underlying tension between the nature of the 'nature' being financialised and local infrastructural configurations influencing the ability of finance to access such 'natures'.

Commodification of nature

Within human geography, much of the work on the commodification of nature builds on Marx's observation of the changed 'metabolic relation' effected in the transition to a capitalist society. The biological analogy of 'metabolism' used throughout Marx's analysis reflects an emphasis on the historically specific *symbiotic* relationship between 'nature' and 'society'. For Smith (2008), such a metabolic relationship comes to be expressed less through the production of use values and more through an emphasis on exchange value relations. In such analyses, 'second nature' refers to the production of nature as a commodity. Despite arguments concerning the "commodification of everything" (Guthman and DuPuis, 2006), more recent work has questioned the ease with which, and the degree to which, capital is able to "attach a price tag to everything" (Smith, 2008:78). For Bridge (2007), the process of commodification of what are really environmental commons is better understood through Polanyi's category of '*fictitious* commodities'. And Bakker (2003) notes the properties of water that ensure it remains an 'uncooperative commodity'. If the material properties of water – the fact it is so costly to transport in large quantities and is generally treated as a natural monopoly – resist the kind of smooth commodification that might be possible with genetic information, minerals or agricultural produce, this resistance does not mean that the private sector has ignored the resource. Indeed Bakker's argument is situated within a detailed empirical and theoretical analysis of water privatization in England and Wales. Instead commodification takes a different form depending on the nature and material properties of the commodity, as well as the local institutional configurations that help or hinder capital's access to it.

Simultaneous to the process of commodification, the sale of 'nature' has taken on a normative "green" agenda as private equity funds have targeted "sustainable" investment opportunities (Liverman, 2004) within nature-based industries such as mineral extraction, timber production, energy generation, or agribusinesses (Bracking, 2012; Clapp and Helleiner, 2012; Fusaro and Vasey, 2006; Gunnoe and Gellert, 2011). The commodification of nature has become part of a strategy of "selling nature to save it" as McAfee (1999) demonstrates. "Green grabbing" has been shown to emerge alongside such processes (i.e. the appropriation of resources and land for environmental purposes) (Fairhead et al., 2012). The conservation of nature is, similarly, said to have witnessed such a process to different degrees (Brockington and Duffy, 2010; Sullivan, 2013).

Nevertheless beneath the detailed analysis and debate around the neoliberalisation (Castree, 2003, 2008a, 2008b; McCarthy and Prudham, 2004; Heynen and Robbins, 2005) and commodification of nature (McDonald and Ruiters, 2005), the discussion of neoliberal natures remains somewhat unsatisfying for the frequent neglect of the growing importance of financial markets, financial institutions and financial actors. Along those lines, Knox-Hayes (2013:120, emphasis added; included in this collection) conceptualizes financialization "as *an extension* of the conversion of use to exchange value in commodification". Over a quarter of a century ago, cutting through the debates on Fordism and post-Fordism, Harvey noted perceptively that "if we are to find anything truly distinctive (as opposed to 'capitalism as usual') in the present situation, then it is upon the financial aspects of capitalist organisation and on the role of credit that we should concentrate our gaze" (1989:196). Similarly, we would argue that the truly distinctive aspects of the political economy of nature in the present moment lie not in an apparent shift to neoliberalism, nor in a new stage in capitalist social relations but rather in increasing strength of financial influences on the contemporary production of nature. These processes are clearly co-constitutive and largely

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inseparable yet the role of finance in shaping contemporary natures is frequently overlooked. As Castree and Christophers (2015) note, research on financialisation has systematically glossed over ecological questions while environmental geography has paid insufficient attention to major environmental fixed-capital investments.

Financialisation

In questioning the extent to which nature has or has not been financialised we clearly need a tighter definition of the process itself: financialisation, as many authors note, risks denoting anything, everything and nothing about contemporary capitalism. For some, financialisation refers to a shift in the locus of profit-making within capitalist societies (Foster, 2007). For others, it refers to changes within corporate structures alongside an increasing emphasis being placed on the role of shareholder value within governance procedures. Bayliss (2014:294), writing on the financialisation of water, draws on definitions by Epstein (2002) and Stockhammer (2010) to note both the "increasing importance of financial markets, financial motives, financial institutions, and financial elites" (Epstein) as well as the shift in emphasis and power from the 'real' to the 'financial' economy (Stockhammer). Lee et al. (2009) identifies 17 different developments to which financialisation apparently refers, ranging from the increasing scope of financial markets and practices in daily life to the increasing dominance of the financial industry in the economy at large (see also Krippner, 2005). Labban (2010), in one of the papers in this collection, provides a more detailed historical account of financialisation: the rise of institutional investors in the 1970s; increasing shareholder value activism in the 1980s; a subsequent shift in power to a rentier class; and the "shift in the creation of value to a relatively autonomous and increasingly dominant financial sphere" (p. 545).

In general terms, financialisation is best understood as referring to the increasing dominance of finance, financial institutions, and financial markets over the accumulation process. If the locus of profit-making has shifted to some extent, these profits are not *separate* from the 'real economy' but exhibit a complicated, historically and geographically specific relationship with the 'real'. Indeed the dominance of financial interests has an indisputable influence on the spatio-temporal dynamics of industrial capital and non-financial sectors, even though speculative claims are often rooted within such sectors. Furthermore, the failure to realize profits is often visited upon the 'real' economy. Thus, financialisation has an inherently speculative logic based on its reliance on future claims. Reflecting on the relationship between the 'fictional' and the 'real', Labban (*ibid.*) demonstrates how the financialisation of accumulation within oil markets exists "in parallax with oil's material properties". The process of financialisation separates space–time into two different, although interrelated and real, parts of the accumulation process: one where capital reproduces itself without the mediation of material production and exchange (M–M′–M″), and another where production and exchange takes place (M–C–M′). The latter refers to the transformation of money (M) into commodities (C) prior to a production process in which a new commodity is manufactured that embodies surplus value that can be realized as profit (M′). The former (M–M′–M″) emphasizes the apparent disconnect with material production and exchange in financialisation, what Lapavitsas (2013) refers to as "profiting without producing".

March and Purcell (2014; in this collection) echo Labban's concern to chart the ways in which, in spite of the apparent dominance of financial actors, the relationship with production and the 'real' economy remains fundamental, if complicated. They draw on Harvey's path-breaking analysis of fictitious capital as part of a broader shift in the geographies of capitalism. As with Labban, they recognize that the efflorescence of finance represents a "speculative claim upon future profits". The influence of this speculative claim on the shape and governance of specific sectors of the environment is not to be underestimated, as they show through an analysis of the "muddy waters" of financialisation around *Aguas de Barcelona*. In Labban's case, the trading of oil in futures markets has a profound influence not only on the resource's spot price but also on its apparent scarcity. Discussions of peak oil that focus on price, therefore neglect the manner in which the oil price will fluctuate according to a speculative logic. Financialisation of investments in oil production and in oil trading have thereby "acquired a different *form* under the dictates of finance" (p. 542). Demonstrating this differing form and the influence of processes of financialisation on the 'real' economy (and not just debates over Peak Oil) Labban reverses more common understandings of finance (for example Harvey, 1982) to argue, "the perpetually shifting value of 'real' capital is a reflection of the shifting value of fictitious titles" (Labban, 2010:545). The money to be made out of oil, in short, is influenced as much by the fictions of finance as by the volumes of oil being pumped out of the ground.

Financialisation of nature

If we take the broad definition given above, it is clear that financialisation has now extended to a range of environmental domains from the weather, to oil, agriculture, water, and conservation practices. However financialisation's apparent conquest of nature is clearly a more fraught process than it sometimes seems. Indeed the tension between something so material as 'nature' (whether produced or considered otherwise) and the fictitiousness of the speculative claims being made in nature's name suggest that something more complicated is taking place.

To take one example, the ways in which the properties of water differ from those of oil suggest an entirely different terrain over which financialisation might operate. Bayliss (2014:300) quotes various traders' frustrations at the continued lack of a 'pure market' in relation to water. Although the assets now contained within water associated Exchange Traded Funds (ETFs)[1] are vast, the profits these water funds have generated remain disappointing. She goes on to quote the Wall Street Journal on investor frustrations at the inability to get "pure exposure to water in an ETF", which "complicates things for investors who see a thirsty planet and want to profit from it". As with Bakker's observations on the uncooperative nature of water, materiality clearly matters in the ability of financial intermediaries to profit from water. This materiality may well explain why the growth of equity funds in the water cycle has been somewhat neglected. Indeed Mehta et al. (2012), when dealing with 'water grabbing' acknowledge that the financialisation of water services and of the resource itself is a "somewhat unchartered territory". March and Purcell (2014) engage in these efforts to deal with the "muddy waters of financialisation". Water, in short, is still not a commodity tradable on large-scale global markets (Tricarico and Amicucci, 2011). In contrast, what is really observable is the financialisation of the water sector, or as we prefer to say, the pervasive entrance of new financial intermediaries and actors into the water sector.

Pollard et al. (2008; in this collection) note similar features in the development of weather derivatives. Although these financial

[1] Exchange Traded Funds (ETFs) are financial vehicles that track the performance of standardized indexes and funds (e.g. ISE Water Index, S&P Global Water Index, Palisades Water Index) allowing investors to profit from the water sector. These vehicles give potential investors exposure to the leading global companies in everything from water utilities to water treatment firms, and retail and distribution companies.