



Critical review

Towards a moral socio-environmental economy: A reconsideration of values



Janelle Knox-Hayes

MIT, Department of Urban Studies and Planning, United States

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ABSTRACT

In this intervention article I contribute to discussions of moral economy by arguing that scholars should reconsider the nature of value. Neoliberalism considers only exchange value. As a consequence neoliberal policies try to manage problems such as climate change with economic systems and instruments that are mis-calibrated to the material realities they are meant to represent. Value has spatial and temporal characteristics. Recognizing the spatial and temporal dynamics of value leads to new means of resource valuation, such as extending the time-frame of instruments and changing the nature of privatization. In conclusion, I argue for the need for new theories of use value.

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1. Introduction

In a recent *Geoforum* reflection on her book the *Wrath of Capital*, Adrian Parr (2015) argues that neo-liberalism has become the standard against which all social, economic, cultural and political responses to climate change are measured. Further, using a neoliberal framework to craft solutions to climate change produces a vicious circle that reinstates the same socio-cultural and economic structures that have led to global climate change (Parr, 2015). Parr defines neoliberalism as a philosophy that relegates all social and ecological relations to the oppressive forces of capital accumulation, competition, consumption and privatization. The term neoliberalism is more broadly associated with laissez-faire economics and liberalization policies, such as privatization, fiscal austerity, deregulation, and free trade intended to enhance the role of the private sector in the economy. As Parr argues, neoliberal

doctrine influences everything from the management of the Greek-centered Eurozone crisis to the management of one of the gravest collective action problems humanity has ever encountered: climate change.

While Parr’s argument has much merit, in one respect her argument leaves a crucial element of neoliberalism unexamined. Specifically, understanding the pervasiveness of neoliberal doctrine in the governance of social and environmental welfare, as well as the place such a doctrine might hold in a moral society, requires a deeper consideration of the nature of value in neoliberalism. To this end, two assumptions underlay neoliberalism. First, there is the notion that everything can be made commensurate (exchangeable) through its reduction to a common metric of economic value: the price. Second, governance is most effectively accomplished through the privatization of all goods and services so that they can be exchanged through a ‘free’ market system. For problems, such as climate change and environmental degradation, this suggests that the problem can be addressed through the privatization of rights to the environment (Bumpus and Liverman,

E-mail address: jankh@mit.edu

2008), and the free exchange of these rights on a market system (Knox-Hayes, 2013). The problem is reduced to a series of pricing metrics – the allocation of rights to emit greenhouse gases – and the exchange of these rights.

These issues thread throughout the main critiques of neoliberalism, focused on the issues of commensuration and privatization. Neoliberalism reduces the social norms and ideals, contestation, deliberation, democracy facets of governance to a series of economic measurements and assessments of profitability. In this regard a range of values—as well as the processes under which such values might be considered, weighted and distributed in the allocation of governance—are reduced to exchange value and weighted only according to perceived profitability. Privatization diminishes the influence of a range of social considerations. When public institutions are privatized the decisions of these institutions, such as how best to provision and deliver clean drinking water, are reduced to a series of profit metrics. Consideration of the social value of clean water, let alone whether or not water is a human right is discounted through considerations of an individual's ability to pay (Bakker, 2010).

Ultimately, the issues that surround the transformation of social governance through neoliberalism revolve around the reduction of social values to a particular form of economic value—exchange value. Price is a singular metric that discounts not only social attributes of valuation, why and for what purpose clean water has value, but also the material nature of value – namely, what is required to produce clean water.

2. The nature of value

Morality is a matter of values. It is fitting to therefore consider the nature of value and valuation in a moral environmental economy. Carbon markets suggest that climate change arises out of the failure to price externalities. For example, the burning of fossil fuels results in the emission of carbon dioxide and other greenhouse gases which are not accounted for in the price of energy unless a carbon-pricing scheme is put in place. Treating climate change as a matter of externality pricing is symbolic of ecological modernization—the idea that markets can integrate environmental and social equity into economic instruments through the recalibration of exchange value. Ecological modernization takes a socio-political problem, removes it from the realm of political discourse, and recasts it in economic, technical language (Knox-Hayes and Hayes, 2014; Ioris, 2015). Accordingly, the market-based economic framing of climate change situates the solutions to the problem of climate change as technocratic matters that require only the proper implementation of economic theory.

Consequently, ecological modernization through market-based governance draws heavily on microeconomic theory. Individual pursuit of self-interest in a free market system can lead to the most efficient production outcomes for society (Herzog, 2013). Marshall's principles of economics initiated the marginal revolution, the idea that the value of goods is determined by the maximization of individual preference in the face of scarcity. This logic finds expression in carbon markets through the idea that once a price is introduced for carbon, supply and demand for carbon intensive products and industries will settle at increasingly lower equilibrium points. This dynamic exemplifies the core assumptions about value embodied in modern economics. The theories and models of neo-classical economics revolve around exchange value, the price of goods and services. From exchange value, the core functions of markets are determined by consumers and producers maximizing marginal utility to determine quantity and price. Value is linked to price through exchange, quantity determined through supply and demand.

This basic logic carries into every aspect of market-based governance, including climate change. Rather than conceptualize climate change as a failure of economies to produce at a rate the natural environment can accommodate, it is conceptualized as a failure to price externalities appropriately so as to limit the quantity of their production. The solution, markets to price greenhouse gases, exhibits the core logic of value through exchange. Scientists determine the appropriate quantity of greenhouse gases in the atmosphere (i.e. 450 ppm), rationalizing levels of emissions already reached against average warming predictions. Economists calibrate the mechanisms, markets, taxes, quotas, etc., that will establish the equilibrium price to achieve the negotiated quantity of greenhouse gas emissions.

3. Problems of the valuation of neoliberalism

The application of economic values for the assessment and management a full range of social and environmental problems is problematic on two counts. First, the economic values of neoliberalism are mis-calibrated to the social and environmental realities they are designed to represent. In particular neoliberal economics treats all value as though it were absent of spatial and temporal dimensions. In fact, questions of how and where value actually exists are central to the provision of social welfare. A more considered appraisal of the interface of economic theory and the environment suggests that the core assumptions upon which market-based governance is built lack a full conceptualization and integration of value. While in conventional calculations of price and quantity only exchange value is theorized, the operation of the natural environment – water purification, carbon sinks – draws attention to the importance of use value and the significance of time.

Treatments of value in neoliberal economics trace to the use-exchange dichotomy elaborated by Adam Smith (1937): “The word value... has two different meanings, and sometimes expresses the utility of some particular object, and sometimes the power of purchasing other goods which the passion of that object conveys. The one may be called ‘value in use’; the other, ‘value in exchange.’” Over time, the use element of value has been increasingly obscured in the drive by markets to create valuation through instruments of exchange. Reincorporating Smith's broader conception of value reforms economic calculation by incorporating considerations of use or utility. Take for example the question of ensuring energy security. From an exchange value perspective, the solution focuses on managing the price of fossil fuels. Accounting for use value, however, brings in considerations of utility and consequently a focus on renewability and limitations on energy use so as to increase efficiency.

However, Smith's original dichotomy of use and exchange only goes so far to address the modern failure to adequately conceptualize value. Notably, both use and exchange value deal with the present possibilities of a good or service. Reconsidering this temporal fixation draws attention to the distinction between potential and realized value, which in turn highlights the interplay of objective and subjective conceptions of value. Realized value is value that exists in the present. Potential value has yet to be created, and thus has the possibility to exist in the future. Because the future is undetermined, potential value is subjective and only arises through the fulfillment of particular conditions. Since future value is not situated in an objective reality, it is not truly commensurate with value that has already come to exist.

By failing to recognize these spatial and temporal distinctions, the systems and instruments of economic valuation miss a critical aspect of resource governance—where, when, and how value exists across space and time. The spatial and temporal distinctions of value can be illustrated through a typology (Fig. 1). Clarifying the relationship of space and time to these forms of value illuminates

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