Power, politics and environmental change
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Class 2: Rationality and environmental decision-making

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Introduction

- Main point
  - Understand applications, implications, and limitations of a specific model of rationality, namely **homo economicus**, for environmental governance

- Reason why you should know this
  - Because this understanding of how humans operate provides a powerful rationale/ **basis to justify** a way of making powerful and problematic environmental decisions

Class outline

- Describe homo economicus rationality as a **model of human action** (why people behave way they do)
- Explain its use in **environmental governance**
- Discuss its **shortcomings** and **implications**

Monbiot explains that Hardin's model of individual action (how the herdsman acts in the commons pasture) has provided a rational argument for multi-lateral institutions and governments to pursue widespread privatisation of natural resources and massive transfers of communal lands to the state or individuals around the world.

How does Wolfensohn use Hardin's model to explain why biodiversity declines?

According to him (Wolfensohn), what sorts of mechanisms are established to help avoid this decline?

ASSIGNMENT QUESTION

Block 1

HARDIN'S MODEL

Classroom Question 1

- ***Hardin says that 'tragedy' happens in the commons: why? And, how?***

- Two main, basic elements produce tragedy

Hardin's pasture

- "Picture a pasture open to all"
- Argument: in a finite world, one's decision to give birth implies reducing available resources for the rest
  - Just like in a 'commons'

David Cox 'The Shepherd, Return of the Flock' **(source: http://www.1st-art-gallery.com)**

Elements of the model

- For example: a commoner deciding whether to add one more animal to his herd :
  - As a **rational** being, each herdsman seeks to maximize his gain.
  - Explicitly or implicitly, more or less consciously, he asks:
  - “What is the utility *to me* of adding one more animal to my herd?”
- Rational being:
  - Utilitarian
  - Individualist

Individualist utility

- Utility: measure of relative satisfaction
  - positive component: benefit from selling additional animal products
  - negative component: overgrazing created by additional animal
- But adverse effects of overgrazing = shared by all commoners
  - Herdsman: only fraction of –ve effect – but whole benefit of one more unit!
  - **Only *rational* decision**: add one more animal -> constantly add animals
- But: what reasonable for our herdsman is reasonable for all herdsmen
  - So: all add more and more animals to their herd

Overgrazing in Alxa League, western Inner Mongolia (source: http://www.adb.org)

Result: tragedy

- “Therein is the tragedy. Each man is locked into a system that compels him to increase his herd without limit—in a world that is limited
- “Ruin is the destination toward which all men rush, each pursuing his own best interest in a society that believes in the freedom of the commons
- “Freedom in a commons brings ruin to all”

Camels graze in a destroyed village in Western Darfur (source: http://postconflict.unep.ch/sudanreport)

Rationality

- Rationality = individualist utilitarian profit-maximiser
  - brings tragedy
- We stick on with Hardin's model of rational human action
  - model suggests that rationality means being an individualist utilitarian profit-maximiser

Block 2

HOMO ECONOMICUS AND ENVIRONMENTAL POLICY

Monbiot 1994

- Hardin's model of human action: a 'rational' argument for multi-lateral institutions and governments to pursue widespread privatisation of natural resources and massive transfers of communal lands to the state or individuals (private ownership) around the world (e.g. developing countries)
- ***Classroom Question 2: What does Wolfersohn say happens in the 'global environmental commons'?***

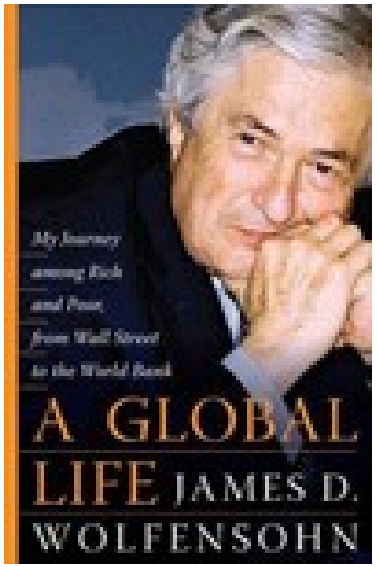
Source: http://www.rozsavage.com/

Wolfensohn

Logic for ‘new’ category of commons:

- The ‘**global environmental commons**’ (e.g. biodiversity)
- The **WB approach: Wolfensohn explaining** to UNEP readers
  - environmental services such as biodiversity constitute **invaluable** global commons that are not **effectively protected** by individual countries
  - because these countries have —**limited economic incentives for taking action on the global** environment

- But, this is something **to be expected**
  - it is **in the nature of a global public good** such as environmental services to attract **decisions** taken at the **country level**
  - that **do not adequately reflect** their global impacts



Wolfensohn

- Consider for example a developing country rich in biodiverse rainforests but drawn into poverty [DRC: 1/17 mega-diverse countries; UN (2008): population > 57.5 million people – 75% live below *poverty* line]
  - Its government would be happy to deplete all resources available in these forests for the country‘s economic development
  - no matter if in the course of this use, several ecologically valuable species disappear

Poverty in the Congo (source: http://shs.westport.k12.ct.us)

Hardin’s herdsman resuscitated

- Here, Hardin‘s all-powerful ‘rational‘ herdsman forcefully emerges again
- Do you see this??
  - Only in this case he comes in the guise of an ‘individual country‘

Source: www.worldatlas.com

Source: http://madderhatters.org/

Source: http://www.tcf-me.com

Classroom Question 3

- What does Wolfersohn suggest should be done?
  - Externalities
  - Internalisation of externalities
  - Markets
- ***OK, but before this, let's pause for a minute and ask ourselves: who is Mr Wolfersohn?***
  - Look at the small letters!

Internalising externalities

- The World Bank president explains: this [what government of a country such as DRC does] is what economists describe as a situation where — regional and global externalities are not internalised at the national level

- Externality
  - unintended detrimental (e.g. pollution) consequence associated with the production of a commodity (good) or an economic activity
  - and nobody accounts for (pays for) this effect
- Detrimental effect in DRC?
  - Loss of biodiversity

Internalising externalities

- Internalise externalities: make someone pay for externality
  - If they pay, they will not do it
- How can you do this?
  - Create a “market”: a physical or virtual place where someone can pay for creating externality

Internalising **positive** externalities

- Biodiversity loss: a negative externality
- Biodiversity protection: a positive externality
  - A socially beneficial effect that nobody accounts/ pays for
- If people pay for protecting biodiversity
  - Positive effects (protect bd) of this externality will be accounted/ paid for
  - Government will not go ahead to chop forest in order to create wealth (econ dvpt) for population
  - Biodiversity protection: creates wealth/ econ dvpt
- What you need do: create 'market' for bd protection
- **Create conditions for someone to pay to protect bd**
  - E.g.: ecotourism in the Park

The answer

- The Bank‘s task is precisely to generate those—previously absent—markets in which global environmental goods and services and global non-market values can be traded
- *Q related to essays: the relevance of cooperation – how Wolfersohn understands coop?*
- ***Classroom Question 4: What real-life, practical examples does Wolfersohn bring in?***
  - One such example is the **Global Environment Facility (GEF)** where those values are captured primarily through **international resource transfers**

The Global Environment Facility

Griffiths, 2005:

- main intergovernmental mechanism for addressing “global” environmental problems incl. biodiversity loss
- Main vehicle for international funding for the Convention on Biological Diversity (CBD)
  - “cornerstone” of GEF biodiversity projects are those that promote protected areas – many or most of which overlay the lands and territories of indigenous peoples

Indonesia-Komodo National Park Collaborative Management Initiative

- Implemented by **International Finance Corporation** (IFC)
  - private sector arm of the WB
  - IFC also preparing a significant number of projects for GEF **co-financing**
  - which aim to promote "**private sector** investments in biodiversity-related businesses"

- IFC = lead agency
  - The Nature Conservancy (TNC)
  - local tourism company = local implementing partners

Indonesia-Komodo National Park Collaborative Management Initiative

- "As well as being home to the Komodo dragon, the Park provides refuge for many other notable terrestrial species such as the orange-footed scrub fowl, an endemic rat, and the Timor deer"
- Activities: e.g. diving
  - List of '**preferred agents**'

Source: www.komodonationalpark.org/

9 November 2002

- Two men suspected of hunting illegally on Komodo island are shot dead, by security staff of the park

- TNC states that greatest immediate threat to park (i.e. Komodo dragon, for whose protection park was originally established back in 1980) comes from fishermen engaged in destructive fishing practices
  - TNC has helped form a team consisting of park rangers, navy, police and fishery services, which works together to carry out routine patrolling

Another view…

- Investigation conducted by Indonesian NGO (PIAR) + human rights organisation (Kontras) urge:
  - TNC (National Park manager): stop all forms of violence and intimidation against **people whose livelihoods depend** on area
  - forestry minister: review policies regarding Komodo National Park

    -> cause **hardship to local people** +traditional fisherfolk

    -> whose **livelihoods and futures depend** on this area

Source: http://dte.gn.apc.org/57Kom.htm

Griffiths, 2005

- Research suggests that several GEF projects overlook critical land tenure and **property rights** issues and remove **control over decision-making** and access to areas traditionally used by local indigenous communities (e.g., as hunting sites)
  - GEF projects regularly treat local populations as **beneficiaries** rather than **rights holders**

Controversy: property rights

- Company proposing to manage the park for 25 years
- wants to generate more cash for conservation from eco-tourism
  - Idea supported by World Bank and some communities in the park
- But strong objections from other local people and local NGOs
  - neither they, nor the local government have been **consulted about plan**
  - will not **have a share** in the benefits

Source: http://dte.gn.apc.org/57Kom.htm

The ‘global commons’

Classroom Question 5: **Environmental justice**

- ***So, what are the negative implications of this example of “internalising externalities”?***

- **Distributional**: removal of property rights over these NR
  - GEF mechanisms re-distribute costs and benefits from using resources (‘global commons‘) to the disadvantage of poorer local populations
- **Procedural**: who decides and how?
  - reduction of local control over decisions made concerning them

Another question: do you see how this is premised upon rationality understood on grounds of homo economicus?

- HE model of action (individual, state)
  - logic used to promote policies, initiatives, funding, activities, etc. that deprive communities from their means of subsistence and development
  - relegate communities to resources users and not owners
  - Take away property rights from communities
- As with 'agricultural' so with 'global environmental' commons
  - Indeed: 'global commons' implies/ establishes that extra-local actors have a stake/ right upon local resources

Beyond implications

- This implies that from a justice and fairness point of view:
  - We want an alternative model of **understanding** human action/ rationality (how humans decide)
- that can be used for
  - analysing environmental policy (how it happens)
  - Suggesting how environmental decisions should be taken

time allowing…

A NOTE ON THE COMMONS

Overexploitation not in commons

- Hardin‘s explanation of producing & avoiding environmental degradation criticised
- Hardin’s model does not describe a common property regime
  - but an open access situation: use of NR not regulated by any rules at all
- ‘Commons‘ are well-defined systems
  - governed by mutually beneficial and compelling regulations
  - Owned by communities (i.e. not “open to all”)

HE implications: property rights

- Privatising commonly-held resources = best solution for protecting valuable resources as it gives a private incentive to conserve them for private benefit
  - commons have successfully **supported** populations and fragile environments living in marginal (fertility potential) areas (e.g. peri-desert areas in Africa)
- Enclosure of commons results in private appropriation of what used to be a common benefit
  - commons privatisation results in making a few already rich landowners even richer while transforming commoner populations to social and economic pariahs (via resource take-over)

HE implications: nature's degradation

- It is actually private owners (enclosers) who
  - not only benefit from destroying commons
  - but also contribute to the demise of the commons (environment)
- They first move in to aggressively exploit resources to their full potential and then quickly sell them off in order to acquire more promising resources in other areas

HE implications: power

- HE: a model of rationality
- HE: at basis of (i.e. supports, produces) policies
  - **Unfair** (environmental justice): take away means of livelihood from communities
    - Reduce them to ‘users’ than owners
    - Power issue: take away control of their environment (NR)
  - Wrong conceptual-analytical starting point
    - based on understanding of commons that applies to **open access** (not common property)