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## **The economics of biodiversity**

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## The Economics of Biodiversity

In February, a major report written by Professor Sir Partha Dasgupta was published: *The Economics of Biodiversity: The Dasgupta Review*.<sup>1</sup> This shows how our failure to value nature has led the human population to an unsustainable position where we are placing excessive demands on the natural world, endangering the prosperity and even survival of present and future generations. A transformative change to correct things is necessary, and possible.

The report explains that the modern world has lost sight of the fact that our economies, livelihoods and well-being all depend on nature. This is in part because an increasingly urbanised population is losing touch with nature. We are placing on the natural world demands that far exceed its capacity to supply us with the goods and services we rely on. At the root of this lies a widespread institutional failure, whereby nature's worth to society is not reflected in market prices. Consequently we have focussed our attention and efforts on man-made assets and underinvested in our vital natural assets.

To rectify the position the report argues for a change in how we think, act and measure success. Three steps are proposed and acting now will be significantly less costly than delay. Such action will also help to achieve wider societal goals, including addressing climate change (itself a major driver of biodiversity loss) and alleviating poverty.

Firstly, we should ensure that our demands on nature do not exceed its capacity to supply us. This should include increasing nature's ability to supply us relative to its current level, not least because enhancing and conserving nature is less costly than restoring it once damaged or degraded.

Secondly, the measures of economic success must be changed to guide us on a more sustainable path. Although useful for some purposes, conventional measures such as Gross Domestic Product (GDP) are harmful in the long-run. It is notions such as natural capital that are important to ensure that natural assets are given a place in economic and financial decision-making in the same way as more commercial and man-made assets.

Thirdly, in order to enable these changes, there has to be a transformation in our institutions and systems, particularly the finance and education systems. Financial mechanisms that value and support nature must be developed and deployed and the population as a whole empowered to understand and demand the change required.

This report presents an important and persuasive analysis, but sadly one must wonder how much impact it will have. Ideas such as the damaging effect of reliance on GDP and the benefits of paying heed to natural capital have been around for some time, and even officially accepted, as shown by the Scottish Natural Capital Accounts.<sup>2</sup> Yet it is still "business as usual" that continues to shape our ways of doing things and for all the talk of "building back greener" from the current recession there is little sign of the transformative change that is being called for.

One is reminded of the Stern Review: *The Economics of Climate Change*, published in 2006.<sup>3</sup> Regardless of arguments over details of the analysis, this made a strong economic case for taking early steps to avoid the worst effects of future climate change. Lip-service was paid to its findings and some small and comfortable steps taken, but all a long way short of the scale of action that

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<sup>1</sup> <https://www.gov.uk/government/publications/final-report-the-economics-of-biodiversity-the-dasgupta-review>

<sup>2</sup> <https://www.gov.scot/publications/scottish-natural-capital-accounts-2020/>

<sup>3</sup> [\[ARCHIVED CONTENT\] Stern Review final report - HM Treasury \(nationalarchives.gov.uk\)](#)

report argued was necessary. Given the urgency of our position, it is not diagnosis but action that is required. The biodiversity and climate crises will not give us a second chance.

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